

REQUEST FOR DMPC DECISION – PCD 66

Title: OCCUPATIONAL HEALTH SERVICE CONTRACT- OUTSOURCING

Executive Summary:

This report requests the Deputy Mayor for Policing and Crime (DMPC) approval to outsource the Metropolitan Police Service (MPS) Occupational Health (OH) service at a one-off implementation cost of £3,853,000 plus an annual cost of service of £6,012,000, which is £258,000 below the 16/17 budget.

Recommendation:

The DMPC is asked to;

1. approve the outsourcing of the OH service contract to the supplier identified as offering the best Value for Money option for meeting the investment criteria, at a total annual cost of service of £6,012,000 which is £258,000 below the 16/17 budget,
2. agree to retain the OH cash budget at the 2016/17 level of £6,270,000,
3. permit the £258,000 annual savings to be re-allocated to additional discretionary Gold services based on need,
4. approve the £3,853,000 implementation costs to be funded from the corporate budget pressures or redundancy reserve as appropriate.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Sybil Henderson

Date

03/10/2016

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. In October 2015, transactional finance, HR and procurement services were outsourced as part of a wider programme, which includes the implementation of Police Standard Operating Platform (PSOP), a new Enterprise Resource Planning (ERP) system. OH was originally intended to be included as part of this programme, but had to be removed from scope for technical procurement reasons.
- 1.2. The current in-house OH service has a number of vulnerabilities and service gaps and is therefore not well positioned to support the strategic and operational ambitions articulated in the One Met Model and the MPS People Strategy. An outsourced service is expected to overcome these weaknesses, more appropriately manage risk and ensure a fit for purpose OH service for the MPS going forward.

2. Issues for consideration

- 2.1. Two potentially viable options for the transformation and re-provision of the service have been considered – in-house and outsourced. The out-sourcing option provides the scope to improve service provision, e.g. including hepatitis B and pneumonia vaccinations, improved management information and better clinical governance, and to be more cost effective than the in-house option. Further detail is in Appendix 1.
- 2.2. The payment mechanism for the proposed service will be based on activity levels with prices fixed for the term of the contract.

3. Financial Comments

- 3.1. The payment mechanism is based on activity and there is a risk that if demand increases the cost of the contract will be in excess of the budget. A retained function will be in place to mitigate this risk.
- 3.2. The outsourced service contract to the supplier identified as offering the best Value for Money option for meeting the investment criteria is at a total annual cost of £6,012,000, which is within the annual budget.
- 3.3. The £258,000 annual savings are to be re-allocated to additional discretionary Gold services based on need.
- 3.4. The £3,853,000 implementation costs to be funded from the corporate budget pressures or redundancy reserve as appropriate.

4. Legal Comments

- 4.1. Advice has been taken both from Procurement Services and external lawyers on this matter to ensure compliance with the relevant procurement requirements.
- 4.2. As the report indicates, the proposal is likely to result in a 'relevant transfer' within the meaning of the Transfer of Undertaking (Protection of Employment) Regulations 2006. Advice should be taken

from the Human Resources SME together with an Employment lawyer within DLS to ensure the procedural requirements such as informing and consulting affected personnel is undertaken.

5. Equality Comments

- 5.1. The in-scope staff group will be affected by this change by virtue of the fact they work within OH, rather than because of any diversity-related characteristics they might have.
- 5.2. Overall, the change is not expected to disadvantage affected staff: few, if any, redundancies are anticipated, terms and conditions of employment will not change, and staff will be working for an employer where their professional specialism is the employer's core business, and where training and development provision and career development opportunities are far better than those available within the MPS.

6. Background/supporting papers

- 6.1. Appendix 1

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form –Yes

If yes, for what reason: Commercial sensitivities

ORIGINATING OFFICER DECLARATION:

	Tick to confirm statement (✓)
Head of Unit: The Head of Strategic Finance and Resource Management has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Equalities Advice: Equalities and diversity issues are addressed in the body of the proposal.	✓

OFFICER APPROVAL**Acting Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

R. Lawrence

Date

28/01/2016

OCCUPATIONAL HEALTH FINAL BUSINESS CASE**INVESTMENT & ASSURANCE BOARD - 22 SEPTEMBER 2016****Report by Robin Wilkinson, Director People & Change, on behalf of the Deputy Commissioner****EXECUTIVE SUMMARY**

This report proposes the outsourcing of the MPS' Occupational Health (OH) service.

In February 2017 the MetHR system, which supports the current in-house OH service, will be replaced with a new joint ERP IT system for HR, Finance and Procurement (PSOP). This new system does not include OH functionality. This creates an imperative to put in place an alternative system for OH - whether that be an outsourced solution or a Commercial off the Shelf (COTS) OH system implemented internally - to prevent service failure.

In addition, the current in-house MPS OH service has a number of vulnerabilities and service gaps and is therefore not well positioned to support the strategic and operational ambitions articulated in the One Met Model 2020 (OMM) and the MPS People Strategy. An outsourced service would overcome these weaknesses, more appropriately manage risk and ensure a fit for purpose OH service for the MPS going forward.

The outsourced option is cheaper than the public sector comparator, by £3,443k over a nine year contract period, and carries significantly less implementation risk.

A procurement process has identified a supplier that provides the best value for the MPS. Prices are fixed for the duration of the contract (six years, with the option to extend for a further three years), and are predominantly volumetric, so the MPS will pay only for the amount of service used. The proposal allows the MPS to maintain the current level of budget, in cash terms, whilst obtaining an enhanced range of services to better meet organisational need.

A. RECOMMENDATIONS - That

1. A contract for the outsourcing of the OH service is awarded to the supplier identified in the Final Business Case (FBC) (see exempt section of report and FBC at Appendix 1) as it offers the best Value for Money (VfM) option for meeting the investment criteria set out in the Case for Change.
2. The MPS contracts for the Bronze plus Silver service bundles. At the activity levels indicated in the Invitation to Tender (ITT) this will commit the MPS to a total annual cost of service of £6,012k which is £258k below the 16/17 budget.
3. Agree to retain the OH cash budget at the 2016/17 level of £6,270k, leaving £258k for People and Training Board to allocate annually to additional discretionary Gold services based on need.
4. Approve a total budget of £3,853k for implementation costs, to be funded from the corporate budget pressures or Redundancy Reserve as appropriate, per section 8.2. Formal internal

approval for this use of reserves has been provided through approval of the FBC. This will also need to be reported to and approved by the Deputy Mayor for Policing and Crime (DMPC) as part of the monthly budget monitoring process.

B. SUPPORTING INFORMATION

The case for change

1. In October 2015, MPS transactional Finance, HR and Procurement services were outsourced as part of the BSS programme, which includes the implementation of Police Standard Operating Platform (PSOP), a new Enterprise Resource Planning (ERP) system. OH was originally intended to be included as part of this programme, but had to be removed from scope for technical procurement reasons.
2. A critical implication of the BSS programme is that in February 2017 the BSS programme will replace MetHR, which currently supports the OH service, with PSOP, leaving OH as an 'orphaned' service in IT terms. Some sort of alternative system – whether that be an outsourced solution or a COTS OH system implemented internally – must therefore be in place by early April 2017 to avert the risk of service failure.
3. The current OH service faces a number of significant management challenges, many of which stem from historic underinvestment, associated management turnover and consequent loss of corporate knowledge. Although the last 12 months has seen the service stabilise and the risk of service failure has been reduced, the service remains some way from industry best practice and retains significant challenges in the following areas:
 - Weak clinical governance
 - The OH service does not meet (due to affordability) its obligation to provide hepatitis B and pneumonia vaccination
 - Lack of resilience and scalability; unable to support corporate ambitions on major incident response and psychological health in particular
 - Capability gaps due to underinvestment in training / professional development
 - Slow service delivery in key areas such as appointments with doctors and counsellors
 - Extremely poor/absent MI which does not support strategic insight and operational decision making.
 - The scope of the current service does not include proactive health promotion campaigns
4. The service is not realistically able to provide the response to a large major incident that the MPS now requires, or to provide the enhanced psychological support services the MPS requires to support the strategic and operational ambitions articulated in the draft People Strategy and the One Met Model 2020. Levels of resilience and scalability, and the ability of the OH service to respond dynamically to new and changing requirements, are not in line with the expectations the MPS now has of its support services.

Options analysis

5. To respond to the case for change, OH Project Board identified only two viable options:
 - Keep the OH service in-house and acquire an alternative Commercial off the Shelf (COTS) IT package to support it, or

- Outsource the OH service, including the provision of supporting IT capability, with a retained 'intelligent client' function as a Centre of Excellence within the Retained HR target operating model.

In-house option

6. The in-house transformation option is assessed as non-viable, and has not been pursued on the basis that:
 - It would be more expensive than the alternative
 - It would fail to address, within a reasonable period of time, the vulnerabilities in the current in house service outlined at B3 above
 - There is insufficient capacity and capability (both within OH and DP) to undertake a major piece of IT and business process change. There are significant financial and delivery risks associated with whether this would be achievable by February 2017 when MetHR is due to be decommissioned
 - Decisions on BSS outsourcing set a clear direction of travel towards outsourcing MPS support services.
7. If the MPS wanted to retain in-house provision it would be necessary either to:
 - Increase the total level of investment in the service by an estimated £486k per year to fund additional management / governance capability, training and IT, or
 - Bring in the required additional management but at the expense of service delivery activities in order to remain within budget. This would entail reducing the range of services so that a smaller set of safe, sustainable services was provided. The extent of cuts that would be necessary to enable that redirection would take the MPS below the statutory minimum range of services.

Outsourced option

8. The MPS has designed a detailed Statement of Requirements and run a procurement that has identified the best value service provider. The outsourced service offer overcomes the vulnerabilities of the current service and is more cost-effective than retaining an in-house service. Figure 1 overleaf summarises the three different bundles of service against which bidders were asked to submit proposals.
9. Outsourcing would:
 - Resolve service scope issues by including hepatitis B and pneumonia vaccinations
 - Resolve quality, clinical governance, service capacity and service resilience issues by working with a specialist professional service provider who is already working with other police forces.
 - Deliver accurate MI to support effective insight and strategic decision support
10. The MPS will pay for its service based on activity, at service provider tariff rates that are fixed for the (up to nine year) duration of the contract. Not only can this be achieved within the current annual revenue budget of £6,270k but, at the present levels of activity, there would be up to £258k to contribute to the cost of any discretionary services, such as Health Promotion, that People and Training Board wish to commission.
11. Figure 2 in the exempt section of the report illustrates the cost of the service bundles compared to the 16/17 budget.
12. The proposal is that the MPS contracts for the Bronze and Silver service bundles, holding the OH budget constant in cash terms. This would leave £258k each year to commission

additional discretionary Gold services in line with organisational need as determined annually at People & Training Board, with the first such decision point being October 2016. These additional Gold services would support the strategic ambitions of the MPS as articulated in the OMM Blueprint and People Strategy, particularly in the areas of major incident support and psychological health.

Figure 1: OH service bundles

Not protectively marked

IAB Item 12

Bronze Service Offer

Medical case management service
Triage, case management, duty OHA service, medical records, substance misuse support, medical retirement
~
Psychological health services
Counselling, psychological screening, psychological trauma support, bereavement groups
~
Medical screening and health surveillance
~
Out of hours OH and counselling provision
~
Major incident support
~
Vaccinations for hepatitis B and pneumonia
~
DSE eyecare service
Please note, additional costs apply for retained function & pass-through costs

Silver Service Offer

Provision of service issued spectacles
~
Body fluid exposure service (virology)
~
Physiotherapy and rehabilitation services
~
Outreach work and technical training
~
Additional case management services
Relationship management and attendance at SLT and ACPO-level attendance management meetings

Service not currently provided

Gold services (elective)

Psychological trauma treatment
~
Additional psychological support
Well-being Ambassadors
~
Proactive health promotion
~
Ergonomics service
~
Flu vaccinations
~
Additional major incident support
Surge capacity, forward deployment and out of hours capability, provision of psych support to families of officers who are killed/seriously injured, visiting injured officers at home or in hospital
~
Prices available on request
~
Discretionary local services:
Attendance at case conferences, high-touch welfare support
Fees payable locally

Equivalent to scope of current OH service

Commercials

13. The draft service provider contract is based on the Crown Commercial Services (CCS) model contract, adapted to the specifics of this project/service. It would be for six years, which the MPS could choose to extend for a further three years on identical terms. The contract gives no commitment as to volumes, and Gold services can be turned on/off at any time with appropriate notice.
14. Prices are fixed for the duration of the contract, and are mostly volumetric, so the MPS will pay only for the amount of service used. Demand data used in cost modelling is the best available, and is neither artificially high nor low. By outsourcing, the MPS would be exchanging an in-house delivery model where cost is fixed but the MPS accepts that quality and timeliness degrade to absorb additional demand, for one where quality and timeliness are fixed, but cost is variable with demand.
15. With cost now driven by demand, this does create a commercial risk that the actual amount and mix of services used acts to increase the overall cost of provision above that anticipated in the FBC. This will be mitigated by a strong retained function, with a range of options to alter access to service, or alter service specification to hold back cost. This will be critical to ensuring the outsourced service works well in practice.

Implementation considerations

16. Outsourcing will involve the TUPE transfer of approximately 70 existing OH staff employed by the MPS to the service provider. A full supporting consultation exercise will be undertaken with the TUS alongside a programme of staff engagement activity. Given the requirement for London based services, the specifics of the OH employment market and corporate / operational knowledge factors, redundancies are anticipated to be limited and the MPS will work closely with the new provider to minimise / remove the need for any early departures.
17. Implementation of the outsourced service, including transition to the service provider's IT solution, is achievable by the point of PSOP go live. The OH Project Board has developed and costed contingency plans to allow for a gap of up to three months between the go-live of PSOP and the OH systems.
18. Consideration has been (and continues to be) given to implementation arrangements including project governance, project planning, equalities and inclusion, business change and communications and benefits planning.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS**Equality and Diversity Impact (mandatory)**

1. The in-scope staff group will be affected by this change by virtue of the fact they work within OH, rather than because of any diversity-related characteristics they might have. Overall, the change is not expected to disadvantage affected staff: few, if any, redundancies are anticipated, terms and conditions of employment will not change, and staff will be working for an employer where their professional specialism is the employer's core business, and where training and development provision and career development opportunities are far better than those available within the MPS. However, there are some aspects of the change that may create anxiety and uncertainty for some groups of staff within OH, and it is important that is properly considered and sensitively managed in order to ease the transition for individuals

and avoid negative impacts. Further detail is available in section 9.14 of the FBC (see exempt section of report) and Annex D: Management.

Financial Implications / Value for Money (mandatory)

2. In order to obtain the financial and non-financial benefits described, the MPS will need to invest £3,853k in implementation costs. This will include IT interfaces to the PSOP system and a small number of redundancies. Whereas all of the implementation costs will be set against reserves, all future operating costs will be set against the revenue budget and there are no direct capital costs.
3. The projected comparative cost of installing a COTS system, and continuing to operating with MPS staff, is £3,443k higher than the outsourcing option over the term of the contract and retains the risk of service delivery in time for the PSOP go live. Further information can be found in the exempt section of the report.

Investment Criteria

Criteria	Minimum score required	MPS Score	Comments
Business Requirement	3	5	MPS will be unable to meet its statutory obligations without having an effective OH service in place.
Cashable Revenue Saving	1	2	Annual cashable savings would have been available if no Gold services were commissioned.
Return on Investment	4	1	Payback during year 8. A large part of the investment cost relates to replacing the orphaned IT systems, with the cost benefits having been included in the BSS case.
Total	8	8	
Total exc ROI	4	7	

4. When considering the Return on Investment, the Return comprises not only the annual £258k of potential cashable savings but also the quantifiable service gain measured at £278k per year for the required hepatitis B and pneumonia vaccination services.

Legal Implications (mandatory)

5. This report relates to the outsourcing of MPS Occupational Health services. The preferred option is to outsource the service to an external supplier following a competitive exercise under the Public Contract Regulations 2015.
6. Advice has been taken both from Procurement Services and external lawyers on this matter to ensure compliance with the relevant procurement requirements.
7. As the report indicates, the proposal is likely to result in a 'relevant transfer' within the meaning of the Transfer of Undertaking (Protection of Employment) Regulations 2006. Advice should be taken from the Human Resources SME together with an Employment lawyer within DLS to ensure the procedural requirements such as informing and consulting affected personnel is undertaken.

Consultation undertaken (mandatory)

8. This FBC has been subject to all appropriate internal MPS consultation, assurance and due diligence, as set out in Table 1 below.

Table 1: Internal consultation and assurance

Directorate / Department	Name and Job Role	Date Assured
Procurement	Alan Rourke, Category Director – Corporate & Professional Services	8 August 2016
	Paul Butcher, Category Director – Operational Procurement, acting as head of Procurement on behalf of Procurement Board.	12 August 2016
Digital Policing	Mark Clemens, IT Project Manager	8 Aug 2016
HR	Alice Mansfield, HR Change Manager	2 Aug 2016
Legal (DLS)	Hameera Darr, Solicitor	4 Aug 2016
Property	Tom Burke, Assistant Director Corporate Real Estate	5 Aug 2016
Finance Business Partnering	Karim Mahamdallie, Strategic Finance Business Partnering	8 Aug 2016
Safety and Health Risk Management	Nick Kettle, Strategic Manager – Safety & Health Risk Management	2 Aug 2016
Business Change and Diversity	Sam Fores, Diversity & Inclusion Manager	25 Jul 2016
	Toby Streeter Business Change Manager	5 Aug 2016
Strategic Design Authority	Costa Kyriacou, Business Analyst	5 Aug 2016
Benefits Management (PDO)	Harjit Dole, Benefits Management Specialist	5 Aug 2016
Information Security	Dulpesh Patel, Information Security Assurance Accreditor	5 Aug 2016
	Bob Farley, Head of Information Law and Security	

9. The Project Board has signed off a Consultation Approach for the project, agreed with the Trade Unions, the Metropolitan Police Federation and Superintendents' Association. This will be reviewed as appropriate as the project moves into the implementation phase.
10. The Trade Unions, the Metropolitan Police Federation and Superintendents' Association are represented on the Project Board and were consulted on the construction of the Statement of Requirements (SoR) that was included in the ITT published on 9 April. All matters raised that were relevant to the SoR were agreed to have been included to their satisfaction. Colleagues raised other points that were not directly relevant to the SoR but are taken into

account at the appropriate stage of development of the FBC and implementation plans. These were:

- Concerns of staff and officers about protection of confidentiality and information security – physical and electronic security requirements were fully covered in the procurement process and this topic will need further focus in the implementation phase in business change and communication activities.
- Likely implications of outsourcing for the agency staff currently employed within OH – this will need to be planned, managed and communicated as part of the implementation phase of the project, in collaboration with the service provider and the trade unions, and in line with TUPE and staff consultation work plans.
- How the MPS will manage the risk of cost over-runs arising from higher than planned levels of demand for OH services. The FBC covers this risk and describes the proposed mitigation measures including the design of the ICF.

Risk (including Health and Safety) Implications (mandatory)

11. Risks are identified as appropriate throughout the Final Business Case (see section 2 of report), and Annex D: Management contains a copy of the project risk register. At a high level, however:
 - The key commercial and financial risk of proceeding with the outsourcing is that increasing demand will lead directly to increasing cost. The mitigation rests with the retained OH function and Intelligent Client Unit (ICF).
 - The key risk of not proceeding with this project is that the OH service will have no supporting IT platform after the PSOP system goes live and MetHR is decommissioned (planned for 28 February 2017). This would be mitigated by implementing off-system workarounds to delay service failure as long as possible, but that would be expected to occur after around three months, leaving the MPS at risk of failing to meet its statutory obligations.
12. The project has assessed and documented the health and safety impacts of the proposed activities and future working arrangements.
13. Relationships between OH and the Safety & Health Risk Management Team (SHRMT) are critical to ensure effective assessment and management of health risks arising from policing activities. The role played by the OH Supplier will be broadly equivalent to that currently undertaken by the in-house OH team. The OH Subject Matter Expert retained as part of the HR function will oversee the establishment of effective working relationships between the OH Supplier and relevant parts of the MPS, including SHRMT and relevant units and management teams within the MPS.
14. The procurement process used to select the OH Supplier explicitly considered bidders' capability in respect of health risk management, and SHRMT collaborated in the development of the SoR and the evaluation of bids, particularly in the areas of health surveillance and medical screening, ergonomic assessment, DSE eyecare and service issued spectacles provision, the body fluid exposure service, and services in support of major incidents.
15. Provided the outsource arrangements are delivered and managed as planned and against the agreed standards, the outsourcing of Occupational Health is not anticipated to have any negative health and safety impacts for the MPS.

Real Estate and Environmental Implications (if relevant to the subject)

16. There are no environmental implications associated with this project. The real estate implications are neutral. In the first instance OH services will continue to be based at existing sites on the MPS estate. The bulk of OH services are delivered from Empress State Building (ESB), with small numbers of OH staff working from Marlowe House (Sidcup), Isle of Dogs police station, Teddington police station and the Hendon estate. Subject to any changes in the provision of this accommodation arising from OMM or as part of the Estates Strategy 2020, the MPS may choose to offer the service provider alternative accommodation on the MPS estate, but has no obligation to do so. In the event the supplier takes on responsibility for the provision of London accommodation, any consequent changes in contract pricing will be managed through the change control procedure set out in the draft contract.

Background papers:

- Appendix 1 -Final Business Case (exempt)
- Annex A: Strategic (not exempt)
- Annex B: Commercial (exempt)
- Annex C: Financial (exempt)
- Annex D: Management (not exempt)