

Finance and Resources Committee

10.00am, Thursday, 12 August 2021

Waiver Extension – Engineering Inspections

Executive/Routine Wards All Council Commitments	Executive All
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1. Recommendations

1.1 It is recommended that Finance and Resources Committee notes:

- 1.1.1 The contract extension for the Engineering Inspections Services to Zurich Municipal until 30 September 2022, through a waiver of the Contract Standing Orders, at an estimated total cost of £187,911. This contract extension was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convenor and Vice Convenor of Finance and Resources; and
- 1.1.2 That the replacement contract will be retendered and will be managed by Insurance Services with individual operational services responsible for the accuracy of information provided on an ongoing basis.

Paul Lawrence

Executive Director of Place

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Waiver Extension – Engineering Inspections

2. Executive Summary

- 2.1 This report notes the contract extension for Engineering Inspection Services to Zurich Municipal, through a waiver of the Contract Standing Orders, to run until 30 September 2022, at an estimated value of £187,911. This contract extension was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions, the Executive Director of Place having taken that decision in consultation with Convenor and Vice-Convenor of the Committee, subject to it being reported to this Committee meeting.
- 2.2 The proposed extension and subsequent tender of the Engineering Inspection Services contract will be fully retendered as part of the Council's insurance programme and managed by Insurance Services thereafter, with individual operational services responsible for the accuracy of information provided on an ongoing basis.

3. Background

- 3.1 Engineering Inspection is essential for the Council to ensure the safety of equipment, systems and those persons that interact with them. It ensures that the Council meets its legal obligations to fully comply with the Health and Safety requirements under legislation. Many inspections are statutory requirements and inspections carried out are separate from maintenance, which is carried out by other organisations to ensure transparency and compliance.
- 3.2 The Council's Engineering Inspection Service is currently carried out by Zurich Municipal. The basis of the service is similar to insurance policies, in that, it is on a 12-month basis and renewed annually. The contract was extended by waiver of the Contract Standing Orders under delegated authority to 30 June 2021, to allow continuity of supply while the replacement service was procured. The procurement exercise to retender the contract has, in part, been delayed due to the impact of the pandemic, as buildings were not open to allow inspections and a reassessment of how the contract could be more efficiently procured and managed, as detailed below.

4. Main report

- 4.1 The contract is operated across the Council estate and equipment portfolio, including Housing, Fleet and Property (schools and care homes etc). Items requiring inspection range from lifting equipment, such as lifts, cranes, fork-lift trucks, lifting appliances, aids to daily living and pressure systems, for example heating boilers, and other items such as extraction systems, power presses and electrical installations and equipment.
- 4.2 The contract has been historically managed by individual areas and services. In recent years however, the majority of Scottish Local Authorities have moved the contract to form part of their insurance programme whereby it is managed by the insurance team, with individual services responsible for the accuracy of information provided on an ongoing basis. This has proved to provide greater alignment with overall insurance requirements and cost efficiencies.
- 4.3 As Insurers tighten their compliance requirements, there will be need for closer scrutiny of the assets going forward to ensure ongoing compliance and accuracy of inspections. While an audit was recently carried out on the operational property estate to prepare for the Hard Facilities Management procurement process, this did not include Housing and Fleet assets. Consequently, it is proposed to complete a full re-audit of the Council's portfolio to ensure that all equipment requiring statutory inspection is included and asset tagged. Once the audit is completed, a tender exercise will be undertaken. The audit is anticipated to take up to six months, as there are numerous services and items that require classification. A tender to the market will take three months to conclude and, in the event of a new supplier being appointed, a further three months would be required to manage the transition from one provider to another.
- 4.4 To inform the implementation of the above strategy, the incumbent provider (Zurich) was approached for options relating to extensions. The costs and timescales offered by Zurich were as follows:
- 4.4.1 **Option 1:** A six-month initial extension, to 31 December 2021, followed by a further six to nine-month extension. This would be on pro rata basis and was calculated at £101,241 for the first six months. Zurich could not provide a cost for the second extension, as this would be based on the revised plant items/schedule at the time of the request, which is expected to increase.
- 4.4.2 **Option 2:** To support the Council in their planned re-audit of the schedule and taking into account a potential change of renewal date from 1 July 2021 to 1 October 2022, Zurich offered to financially assist the Council and apply the renewal premium for a 15-month period. This would cost a total of £187,911.
- 4.5 Option 1 presented an extension of six months which was insufficient for all elements that require completion (full audit plus tender), as this would set the renewal date at 1 January 2022. Given the risk of a potential change in supplier,

this would have meant that the tender would need to conclude by end November 2021 to ensure the Council had sufficient time to commence a full handover from the incumbent to a potential new provider. The audit to be undertaken will be resource intensive and could not be concluded, given the ongoing pandemic exclusions, by end August 2021. Audit programmes of this nature could take up to one year to conclude, due to the complexity of the system to be implemented to maintain ongoing compliance.

- 4.6 Option 2 presented a possible saving of £14,750 on the pro rata approach of six months plus six months extension, with the addition of a further three months to the contract length to bring it into line with the main insurance programme.
- 4.7 The insurance programme for the Council will be tendered in full in spring 2022. There are many benefits to aligning both the renewal date with the existing Engineering Inspection policy and adding the Engineering Inspection to the overall insurance programme:
- 4.7.1 Ease of procurement: there is a framework from which the policy can be tendered;
 - 4.7.2 Economies of scale: being tendered as part of a bigger programme will drive best value for the Council; and
 - 4.7.3 Contract management: the contract will be overseen by Insurance Services, with regular meetings with stakeholders whose services require the contract to ensure ongoing compliance with Health and Safety (LOLER, PSSR and PWER) and ongoing updates to the items to be inspected.
- 4.8 The further extension of 15 months will also allow for changes to the way in which Engineering Inspection is tendered, allowing for integration with the newly awarded Repairs and Maintenance and Domestic Repairs contracts and Computer Aided Facilities Management (CAFM) integration, increasing estate awareness and control. It was therefore assessed that it is in the Council's best interests to agree a waiver of Contract Standing Orders and to allow the extension of the contract for a further 15 months until 30 September 2022, at a cost of £187,911 to allow for the continuation of the retendering exercise.
- 4.9 If the extension was not awarded, properties and equipment could be non-compliant, and the Council would not be able to meet its statutory obligations in service delivery or as a duty holder. This could have given rise to uninsured risks for the Council and / or the validity of the Councils insurance policies could have been challenged.

5. Next Steps

- 5.1 The asset verification exercise to enable the Council to go to tender in 2021/2022 has commenced with a view to meeting the timescales set out in this report.

6. Financial impact

- 6.1 The estimated value of the proposed extension, from 1 July 2021 until 30 September 2022, is £187,911 representing a saving of £14,750 on current arrangements.
- 6.2 This waiver represents a low risk of challenge; however, this is mitigated by the intention to use the extension period to complete an asset audit and a tender exercise, which will permit full insurance market engagement at the point of tender.

7. Stakeholder/Community Impact

- 7.1 None.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 None.