

# Finance & Resources Committee

10:00am, Wednesday, 7 September 2022

## Award of Engineering Inspection Services

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

---

- 1.1 It is recommended that the Finance and Resources Committee:
  - 1.1.1 Approves the award of a contract for Engineering Inspection Services to Zurich Insurance PLC.
  - 1.1.2 Approves the commencement of the contract in October 2022 for a period of five years with the option to extend at twelve-month intervals up to a total of 24 months with a total estimated value of £1,263,165.

**Richard Carr**

Interim Executive Director of Corporate Services of Corporate Services

Contact: Ruth Kydd, Insurance Manager • Corporate Services.

[ruth.kydd@edinburgh.gov.uk](mailto:ruth.kydd@edinburgh.gov.uk) 0131 529 4701 x 34701

# Report

## Award of Engineering Inspection Services

### 2. Executive Summary

---

- 2.1 This report seeks approval to award the Engineering Inspection Services to Zurich Insurance PLC (trading as Zurich Municipal), to commence in October 2022 for a period of five years with the option to extend at twelve-month intervals up to a total of 24 months, undertaken at the sole discretion of the Council at a total estimated value of £1,263,165.
- 2.2 The award of this contract will facilitate the continued Health and Safety requirements of the Councils facilities.

### 3. Background

---

- 3.1 The Council has a duty under the Health & Safety Act 1974 to test and inspect all lifting and related engineering equipment across the Council estate.
- 3.2 The Council requires an organisation to deliver the Engineering Inspection services on all lifting and related engineering equipment as inspections of equipment must be carried out by a qualified organisation which is independent of the Council; this cannot be provided inhouse.
- 3.3 There is currently a contract in place to deliver these services until 30 September 2022.
- 3.4 The Council's asset register needed to be appropriately updated ahead of going to market.

### 4. Main report

---

- 4.1 Commercial and Procurement Services (CPS) conducted a mini competition utilising the Crown Commercial Services (CCS) Framework 'Insurance and Related Services 3' (IS3), which contains a Dynamic Purchasing System (DPS) for Insurers and Brokers (ref: RM6138).
- 4.2 Prior to their appointment to the CCS framework, all suppliers were pre-vetted to ensure that they satisfied the requirements necessary for the delivery of the goods

and services, including consideration of financial probity (relating to insurance and financial standing), health and safety and environmental management.

- 4.3 On 24 May 2022, a selection process was run through the CCS IS3 DPS seeking insurers who were able to deliver Engineering Inspection Services without requiring a Broker.
- 4.4 This pre-selection provided two potential suppliers, who were invited to quote for the requirement via a min-competition on Public Contracts Scotland (PCS).
- 4.5 In order to identify the most economically advantageous tender(s) submissions were assessed on the basis of 70% Quality and 30% Cost. Given the high degree of regulation on prices within the industry, Quality was weighted highly to ensure the technical capacity of the suppliers was considered sufficiently.
- 4.6 The tender results, combining the quality scores and the price evaluation to derive an overall score for each provider out of a maximum of 100%, are:

<b>Bidder</b>	<b>Price</b>	<b>Quality</b>	<b>Total</b>
Zurich Insurance PLC	30	46.38	76.38
Bidder B	Did not submit a bid		

- 4.7 A summary of the tender evaluation criteria is provided in Appendix One.

## **5. Next Steps**

---

- 5.1 Subject to Committee approval, the contract will commence on 01 October 2022.
- 5.2 The Contracts and Grants Management team (CAGM) and the Contract Manager will ensure that effective contract management is delivered throughout the contract lifecycle. A Contract Management and Handover Report, detailing the necessary steps and measures, will be produced and agreed.
- 5.3 It is envisaged that proactive contract management lead by the Insurance Department (to include robust monitoring of all appropriate management information, key performance indicators and budget/savings tracking) will assist in the delivery of an effective and efficient service for the City of Edinburgh throughout the duration of the contact.

## **6. Financial impact**

---

- 6.1 The estimated value of this contract over the seven-year period is £1,263,165; year one has been estimated at £180,452 based on current equipment on the Council's asset register.

- 6.2 All rates are detailed within the contract, and any potential price increases are index linked, and subject to agreement from the Council, which should ensure prices are kept within budget.
- 6.3 The full cost of the contract will be determined by the number of items that require statutory inspections. As the Council updates and / or replaces the quantities of lifting equipment within its estate, the value of Engineering Inspection services required will increase or decrease accordingly.
- 6.4 Financial assessments have been carried out, and the supplier has demonstrated acceptable financial status and considered limited risk to the council.
- 6.5 During the contract period the Contract Manager will be responsible for the tracking “actual” savings, which will be dependent on contract usage.
- 6.6 Prior to the tender process being undertaken, a review of all items was requested by all services to ensure that the Council was paying for the correct number of items. This led to a reduction in items, as some had been disposed of or replaced. As part of the ongoing contract management, all services will be required to have a programme in place to ensure regular updating of the system used by Zurich Insurance PLC to ensure compliance with Health & Safety law.
- 6.7 The current contract has a value of £220,000 annually. The new contract indicates an annual figure of £180,452 indicating a potential annual saving of approximately £39,000 per annum, with a potential saving of £273,000 over the seven years, if the Asset register remains constant.
- 6.8 While savings are anticipated as a result of the procurement process, this full potential savings total is unlikely, due to the historical spending pattern and the likely increase in equipment covered by the Health and Safety regulations over the contract’s term.
- 6.9 Further savings have been achieved by ensuring through the Tender process that added value measures such as the Provision of Written Schemes of Examination (WSE) as required by the Pressure Systems Safety Regulations (PSSR) 2000 are included within the contract price. Currently, the Council have 371 WSEs which would cost £55,650plus VAT per annum, but this is included in Zurich Insurance PLC fee automatically, thanks to the required added value criteria of the contract.
- 6.10 The costs associated with procuring this contract are estimated to be between £20,001 and £35,000.

## **7. Stakeholder/Community Impact**

---

- 7.1 Zurich Insurance PLC have committed to delivering community benefits in line with expenditure in this contract, they have committed to extending their apprenticeship scheme into Edinburgh for the life of the contract
- 7.2 Zurich Insurance PLC pay the Real Living Wage and have committed to progressing towards adopting the Fair Work First criteria for workers in the delivery of this contract

- 7.3 Zurich Insurance PLC have committed to a 50 percent and 70 percent reduction in their Co2 emissions as an organisation in 2025 and 2029 respectively, and are seeking to do this through the contract by increasing their usage of renewable electricity and electric vehicles, embracing hybrid working and purchasing carbon removal certificates.

## **8. Background reading/external references**

---

- 8.1 N/A

## 9. Appendices

### 9.1 Appendix 1 - Summary of Tendering and Tender Evaluation Process.

<b>Contract</b>	<b>CT1053 – Engineering Inspection Services</b>	
Contract period (including any extensions)	Seven years (five years + 12 months + 12 months)	
Estimated Contract Value (including extensions)	£1,263,165	
Procurement Route Chosen	Mini-competition from a Framework (Crown Commercial Services RM6138 Insurances 3 DPS)	
Tenders Returned	1	
Name of Recommended Supplier(s)	Zurich Insurance PLC	
Price / Quality Split	<b>Price (30%)</b>	<b>Quality (70%)</b>
Evaluation Criteria and Weightings	PROJECT MANAGEMENT & IMPLEMENTATION	10.00
	MANAGEMENT OF ASSETS	15.00
	ACCOUNT MANAGEMENT	30.00
	REGULAR MEETINGS AND DATA	10.00
	EXIT STRATEGY	10.00
	ADDED VALUE	5.00
	BUSINESS CONTINUITY	5.00
	THE ENVIRONMENT	5.00
	COMMUNITY BENEFITS	5.00
	FAIR WORK PRACTICES	5.00
Evaluation Team	The evaluation was undertaken by a team consisting of the Council's Officers.	