

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	1 February 2011
Report by:	Chief Executive

Subject:	Engineering Inspection and Insurance Contract Tender Exercise 2011/2012
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise on action taken, in terms of 19.2 of the Council's Standing Orders on Contracts, by the Chief Executive, in consultation with the Chair and an ex officio member to award the Engineering Inspection and Insurance contract to the successful tenderer.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the action taken in terms of 19.2 of the Standing Orders, by the Chief Executive, in consultation with the Chair and an ex officio member, be noted:-
- ◆ Approval for the Engineering Inspection and Insurance contract to be awarded to Zurich Municipal (ZM) for a five year period commencing 1 April 2011, with the option to extend for a further two years.

3. Background

- 3.1. The current contract for Engineering Inspection and Insurance is with Royal Sun Alliance (RSA). The five year contract commenced on 1 April 2006 and expires on 31 March 2011.
- 3.2. To fully comply with procurement regulations and to allow time to manage a potential change of provider, the appointment of the successful insurers and issue of the contract award notices required to be completed by mid January 2011.

4. Tender Process 2009

- 4.1. In October 2010, an approach was made to the market, by placing an advert in the Official Journal of the European Union (OJEU). This was done via the Council's e-procurement system, Delta.
- 4.2. Providers were asked to quote for a contract period of five years, with the option for the Council to extend this for a further two years.
- 4.3. The closing date for responses to the tender was 17 November 2010 with a reply to insurers needed by 14 January 2011 to allow for procurement regulations.

5. Responses

- 5.1. A total of three companies responded to the tender. These were:
- HSB Haughton/Risk Management Partners (HSB)
 - Zurich Municipal (ZM)
 - RSA

6. Tender Evaluations

- 6.1. The tender was evaluated jointly by the Council's risk management team and the Council's insurance broker, Willis Ltd. The evaluation criteria covered financials (50 per cent), quality (45 per cent) and relationships (five per cent).
- 6.2. The tender evaluation results are shown in table one below:

Table One – Combined tender evaluation results

Company	Financial	Quality	Relationships	Total	Rank
HSB	39.585	34.500	4.000	78.085	2
RSA	35.765	38.000	4.500	78.265	3
ZM	43.000	33.500	4.000	80.500	1

- 6.3. On the basis of the evaluation results in table one, Committee is asked to note that a decision was taken by the Chair and an ex officio member to award the engineering inspection and insurance contract to ZM for a five year period commencing 1 April 2011, with the option to extend for a further two years.

7. Employee Implications

- 7.1. Time will be required by Resource contacts to ensure that plant schedules are accurate prior to the new contract commencing and to also attend training on the use of ZM's electronic reporting system. An initial system demonstration was included as part of the tender evaluation.
- 7.2. On an ongoing basis, employees from the Central Risk Management team will monitor the performance of the contractor, and will hold quarterly tri-partite meetings with Willis Ltd and ZM to resolve any problems that may exist.
- 7.3. Resources will be individually responsible for ensuring that additions and deletions of plant that they are responsible for on the schedule are carried out, as well as ensuring that inspections are undertaken by the due date, and rectifying any defects noted by Surveyors.

8. Financial implications

- 8.1. Prices were very competitive with two of the responses offering a reduction on current fees and premiums. ZM's annual fee is fixed for the five year period subject only to changes which reflect new items of equipment being added to the schedule. This provides better financial stability for the Council for the duration of the contract.
- 8.2. Costs will be met from the Council's self insurance fund.

9. Other Implications

- 9.1. There are some risks associated in placing the contract with ZM including:
- Continuity of service as a result of moving to a new provider
 - Time needed to build new relationships between Surveyors and Resources
 - Resource employees using a new electronic system

9.2. These risks are being mitigated by training on use of new system, regular meetings and provision of an up to date inspection schedule. It is recommended that the Council carry these risks in order to achieve a significant level of savings over the five year period of the contract.

10. Equality Impact Assessment and Consultation Arrangements

10.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

10.2. Prior to the start of tender process consultation took place with Resource personnel involved in the administration on the contract, to establish specific requirements in relation to inspections and reporting.

Archibald Strang
Chief Executive

11 January 2011

Link(s) to Council Values/Improvement Themes/Objectives

◆ Values: Accountable, effective and efficient.

Previous References

◆ None

List of Background Papers

- ◆ Tender responses
- ◆ SLC's comparison of match to requirements spreadsheet
- ◆ SLC's overall evaluation scoring sheets
- ◆ Willis tender evaluation report

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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