



## Report to Policy Committee

**Author/Lead Officer of Report:** Jason Peck – Contract Manager

**Tel:** 0114 2735621

**Report of:** *Ajman Ali*

**Report to:** *Strategy & Resources Committee*

**Date of Decision:** *(24<sup>th</sup> January 2023)*

**Subject:** *Direct Services Procurement Strategy 2022/23*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>1337</i>				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below: -				

### Purpose of Report:

This report seeks approval to commission service contracts for the following specialist goods and services for Direct Services through 2023-2027:

- Engineering inspection service
- Water supply service
- Vehicle hire service.

**Recommendations:**

That the Strategy & Resources Committee:

- 1) Approve the commission of a 4-year service contract with a provider for the delivery of the engineering inspections service, with an estimated value of £480,000, as set out in this report;
- 2) Approve the commission of a 4-year service contract with a provider for the delivery of water supply service, with an estimated value of £6,343,720, as set out in this report;
- 3) Approve the commission of call-off contracts from a compliant public sector framework for a period of 4 years from the date of this decision, with a total estimated value of all call-off contracts being £1.4m for the delivery of the self-drive hire of vehicles service, as set out in this report

**Background Papers:**

None

Lead Officer to complete: -									
1	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td> <td style="width: 50%;">Finance: James Lyon</td> </tr> <tr> <td></td> <td>Legal: <i>Richard Marik</i></td> </tr> <tr> <td></td> <td>Equalities &amp; Consultation: Louise Nunn</td> </tr> <tr> <td></td> <td>Climate: Jessica Rick</td> </tr> </table>	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: James Lyon		Legal: <i>Richard Marik</i>		Equalities & Consultation: Louise Nunn		Climate: Jessica Rick
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	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>								
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<b>Date: (13/01/2023)</b>									

## 1. PROPOSAL

- 1.1 This report details the proposal to procure three Measured Term Contracts for management and use by Direct Services – including the Repairs & Maintenance Service, Facilities Management and Transport Services.

### Background

- 1.2 Direct Services has a reliance on external providers to deliver specialist goods and services that cannot be delivered by in-house staff as well as providing additional resource to help manage fluctuating workloads in some key areas.
- 1.3 To meet this responsibility, the service must engage a flexible and sustainable supply chain to help support in-house delivery, thereby ensuring compliance with numerous areas of legislation, keeping building users safe, maintaining service delivery and future proofing the estate.
- 1.4 To assist with this activity, internal Council functions such as Commercial Design Services (CDS) and Commercial Services are engaged to support the procurement of the following contracts, pending Committee approval:

Contract Title	Contract Type	Details	Decision Date for Next Re-Tender	Value
Engineering Inspections	Services	Statutory inspections of equipment such as boilers, lifts, beds/chairs, hoists, stairlifts etc. The agreement covers corporate buildings, schools and housing buildings across the city. Current contract extended until end of March 2023	2022	£480,000
Water Supply	Utilities	Currently no contract in place.	2022	£6,343,720
Self-Drive - Vehicle Hire	Services	Hire of self-drive vehicles to supplement own fleet	2022	£1,400,000

### Current Position

#### Engineering Inspections

- 1.5 This service covers statutory testing and inspection of equipment such as boilers, lifts, hoists and stairlifts. The Council has a statutory duty under Health and Safety legislation to ensure these items are tested and inspected on a regular basis to ensure their safe working.

- 1.6 The main legislation directly relevant to the requirement for Engineering Inspections are the Pressure Systems Safety Regulations 2000 and the Lifting Operation and Lifting Equipment Regulations 1998.
- 1.7 The Lifting Operation and Lifting Equipment Regulations 1998 places a duty on the Council to regularly inspect lifting equipment to ensure it is in a good condition and safe to use. Lifting equipment and any associated accessories used to lift people must be inspected every 6 months for all other lifting equipment the inspection should be completed every 12 months. The inspection must be carried out by a competent person who has appropriate practical and theoretical knowledge and experience of the lifting equipment to enable them to detect defects or weaknesses and to assess their importance in relation to the safety and continued use of the lifting equipment.
- 1.8 The Pressure Systems Safety Regulations 2000 (PSSR) require pressure systems to be inspected in accordance with a Written Scheme of Examination. The regulations apply to owners and users of pressure systems containing a relevant fluid including steam, gases under pressure and any fluid kept artificially under pressure and which becomes a gas when released to the atmosphere. There is a legal requirement for thorough examination of pressure vessels and receivers that contain steam, compressed air and refrigerants. Any pressure vessel containing compressed gas over 250 bar / litres capacity requires inspection.
- 1.9 The Council is responsible for over 1000 items of plant that require a statutory inspection.
- 1.10 The contract for Statutory Inspections is managed by Facilities Management. The Facilities Management team are responsible for ensuring the asset register of equipment requiring inspection is accurate and up-to-date, that the appointed contractor undertakes the required inspections in accordance with the specified schedule, that records of inspections are stored and readily available and that any required remedial action is noted and actioned. Facilities management manage the current contract for Statutory Inspections and will be responsible for managing the proposed contract going forward. Inspections are undertaken throughout the corporate and housing estate. Inspections are also undertaken in schools that subscribe to the council's Services to Schools subscription package. Schools are free to arrange their own inspections of this equipment, subscription to the Council's package is voluntary and taken on an annual basis.
- 1.11 Items of equipment that require inspection include a variety of equipment covered by the legislation including lifts, hoists, fork-lift trucks, hot water storage boilers, heating boilers, pallet racking, pressurisation units, harnesses, shackles and eyebolts.
- 1.12 The current contract for these works is with Zurich which commenced

in April 2017 and expires on the 31<sup>st</sup> of March 2023. This existing contract ensures that the statutory inspections continue whilst procurement of the new contract is completed. The spend on this contract is currently around £100k per annum, but this figure will vary as equipment is added and/or removed from the estate and can be expected to rise in line with current and forecast inflationary pressures within the UK.

1.13 The Service will be looking to maintain continuity of the current inspection regime with all equipment continuing to be inspected through the procurement process and mobilisation period of the new contract. The current contract is considered to be operating well and no significant changes to the service delivery are expected from the new contract arrangements. The Council does not have the necessary internal resources or technically competent staff to undertake the schedule of statutory inspections, therefore an external provider will be required to undertake this legally required work. The new provider will be required to:

- Be formally accredited to undertake inspections to fulfil the requirements of the Council
- Hold UKAS (United Kingdom Accreditation Services) to ISO 17020:2012 (or equivalent). This specifies requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities
- Hold NQA ISO 45001 (Occupational Health and Safety) (or equivalent). International standard for occupational health and safety
- Be a Safety Assessment Federation (SAFed) member (or equivalent). SAFed is the trade association which represents the UK independent engineering inspection and certification industry
- Be a member of a 3rd party Health & Safety competence scheme
- All engineer surveyors carrying out inspections must be suitably qualified.

1.14 It is therefore proposed that the Council commission a 4-year service contract with a provider for the delivery of the engineering inspections service, with an estimated value of £480,000

### **Water Supply**

1.15 In April 2017 the UK government deregulated the commercial (non-domestic) water market in England by opening the market to competition, and therefore allowing businesses to choose their water supplier. Prior to this date the customer could only purchase water from the dedicated regional supplier for their area (based on the location of

the water supply). Since deregulation, SCC have remained with the incumbent supplier, Business Stream (formerly Yorkshire Water Business Services before it was acquired by Business Stream in January 2019) on their default tariff and have not opened the contract for competition. The newly deregulated market offers minimal savings opportunities; however, the Council is required to procure the services by following a competitive process as set out in the Public Contract Regulations (PCR) 2015.

- 1.16 The water supply contract will cover both the corporate and housing estate and subscribed schools and the current annual spend on water is £1,585,930. Schools are free to pursue their own contract for the supply of water and are not required to subscribe to the Council's contract.
- 1.17 The council is looking to appoint a single water retailer for the supply of water and wastewater services. The water retailer will deal with all water related services, irrespective of the wholesaler regions (within which the sites reside) and provide direct liaison on our behalf with water wholesalers.
- 1.18 The Council is looking for a supplier who will provide all aspects of water retail services including account management, customer service and billing. The supplier will need to be committed to working with us to drive down our water consumption, cut waste and reduce our year-on-year costs. This will include identifying any high or unusual water consumption during the contract.
- 1.19 Water prices have a level of stability with only single figure increases over the past few years (see below)
- April 2019 – 4% increase  
April 2020 – 4% increase  
April 2021 – 3% increase  
April 2022 – 3% increase
- Housing - £7,187, p/a  
Corporate - £661,997 p/a  
Schools – £916,746 p/a
- Total - £1,585,930 p/a
- 1.20 It is therefore proposed that the Council commission a contract of up to 4 years and an estimated value of £6,343,720 for the supply of water services.

### **Vehicle Hire**

- 1.21 In 2014, SCC set up a Vehicle Hire framework for the provision of Self-Drive Hire of Vehicles including buses and coaches. A Self-Drive hire

agreement is where the Council can hire vehicles to be driven by our own staff. The framework agreement, which included 11 suppliers, enabled the Council's Transport department to call off their requirements for the temporary hire of vehicles.

- 1.22 Transport Services operates and provides an extensive fleet of vehicles and plant to all Council services, some schools, and academies. This means that there is a requirement for the service to hire external vehicles to cover periods of breakdowns. The Council's contract for vehicle hire has expired and there is still a need for the Council's Transport Service to use external vehicle hire to meet their ongoing transport requirements and for service continuity. Vehicles can be hired for a number of reasons including when peaks in demand outstrip our own fleet resources, to cover vehicles taken out of service due to breakdowns and/or maintenance issues or where a particular vehicle is required for a task that vehicles in our own fleet cannot deliver. It does not make economic sense to maintain a vehicle fleet that can service every aspect of the Council needs, all of the time. The cost of purchasing and maintaining a vehicle for what may be only occasional use, would greatly outweigh the hire cost associated with spot hire as and when required.
- 1.23 The Councils spend on external vehicle hire for April 2020 - September 2021 through various vehicle hire companies was £568,621.74.
- 1.24 The Council requires access to a wide range of vehicles to help maintain the many and varied services that it provides to the citizens of Sheffield. Maintaining access to a wide variety of vehicles through the proposed contract will ensure that the service has an efficient and compliant route to access vehicles as and when required, at agreed rates. The service will monitor spend and usage of the contract and, where necessary, will make decisions on whether the purchasing of a vehicle to add to the fleet, rather than long term or repeated hire, would make economic sense.
- 1.25 The Council intends to call-off self-drive vehicle contracts from a compliant public sector framework for a period of 4 years from the date of this decision for the short-term and long-term hire of self-drive vehicles on behalf of the Council's Transport Services department. The contract will be for the supply of a wide range of vehicles including:
- Cars, People Carriers, 4x4s, Minibuses (12, 15 & 17 seater),
  - Vans, Tippers, Luton's with & without tail lifts
  - Wheelchair Accessible Vehicles (6, 8, 17, 24 & 28 seater, manual & automatic)
- 1.26 The total combined value of all the call-off contracts during the 4-year period is forecast to be £1,400,000 (350k per annum).

- 1.27 Transport Services will monitor spend and usage of the proposed contract and will propose decisions on whether the purchasing of vehicles to add to the Council's fleet would make more economic sense than hiring, when this is the case. The Council is also undertaking a program of vehicle replacements which will help reduce the number of breakdowns and consequently reduce the requirement for hire vehicles. The Service will ensure that vehicles are only hired where absolutely necessary and will constantly review the Council's expenditure on hire vehicles to ensure this is minimised, and that our own fleet is added to as and when it makes economic sense to do so.

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

### **2.1 Strong economy**

Local Economic Impact will be assessed as part of the total Social Value offering in line with the Council's award winning Ethical Procurement Policy.

### **2.2 Better health and wellbeing**

Continued statutory inspections of lifting equipment and pressure vessels will help ensure their safe operation and consequently the safety and wellbeing of users of this equipment. The ability to hire self-drive vehicles will ensure that SCC Transport Services will be able to maintain service delivery to service users during peak demand or at times of vehicle breakdowns.

### **2.3 Thriving neighbourhoods and communities**

In delivering good value and quality services, these contracts will contribute towards thriving neighbourhoods and communities.

### **2.4 Tackling inequalities**

The Council's properties are available to all. Ensuring their safe operation means they continue to be so. Transport Services also provide transport to and from school for children with special educational needs.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 No external consultation is required / has taken place as the proposed procurement is for the provision of goods and services for internal Council departments, to support the service in the delivery of its day-to-day services.

- 3.2 The procurement strategy has been jointly developed in consultation with



relevant stakeholders in Direct Services, Housing, Legal Services and Financial & Commercial Services.

#### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

##### **4.1 Equality Implications**

Overall, there are no significant differential, positive or negative, equality impacts from this proposal. It will also ensure that specialised lifting equipment such as personal hoists in schools are adequately maintained and transport services for children with special educational needs is maintained.

##### **4.2 Financial and Commercial Implications**

All the proposed contracts are within existing budgets and will commit the Council to a spending figure of £8,223,720. Forecast spend figures are based on the future projection of spend based on historical spend data. The spend is to be monitored within existing budgets.

##### **4.3 Legal Implications**

4.3.1 The Council has a duty under the Pressure Systems Safety Regulations 2000 and the Lifting Operation and Lifting Equipment Regulations 1998 to inspect pressure systems in accordance with a Written Scheme of Examination and regularly inspect lifting equipment to ensure it is in a good condition and safe to use.

4.3.2 The Council has a requirement for water supply to fulfil many of its duties and exercise many of its powers.

4.3.3 The Council has a requirement for replacement vehicles to fulfil many of its duties and exercise many of its powers.

4.3.4 The Council also has a “general power of competence” under the Localism Act 2011, which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. A purpose of the Act is to enable local authorities to work in innovative ways to develop services that meet local need.

4.3.5 All of these contracting arrangements are permitted by the Local Government (Contracts) Act 1997 and should ensure the Council can meet their statutory duties and exercise their powers.

##### **4.4 Climate Implications**

A Climate Impact Assessment has been completed with the findings

detailed below.

- 4.4.1 **Engineering Inspections** – The primary impact of this contract will be as a consequence of engineers having to travel around the city to undertake visual inspections of equipment. Tenderers for this contract will be assessed with regards to the measures they have in place (or intended to implement) to minimise the environmental impact of this travel. Consideration of factors such as efficient route planning and the use of electric vehicles or other sustainable transport will be considered in addition to the company's overall policy with regards to managing the environmental impact of their activities.
- 4.4.2 **Water Supply Contract** – The primary impact of this contract will revolve around the efficient use of water and minimisation of waste. Potential contractors will be assessed with regards to their policies around water conservation and in particular we will be looking for any additionality on this contract with regards to helping the Council manage its own water resources. Such additionality could include assistance and advice on the installation of water meters, ways of reducing usage and waste. In addition to these 'additional' factors the company's overall policy with regards to managing the environmental impact of their activities will be reviewed.
- 4.4.3 **Commercial Vehicle Hire** – The option of hiring electric vehicles will be explored with potential tenderers for this contract along with a review of their overall policy with regards to managing the environmental impact of their activities. The contract will also ensure all potential hire vehicles comply with current emissions standards.

- 4.4 Other Implications  
(Refer to the decision-making guidance and provide details of all relevant implications, e.g. human resources, property, public health).

None

## 5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Do nothing – this is not an option as the Council has the ongoing requirement and legal responsibility to safely manage equipment within our properties. The option to hire vehicles is required to ensure service delivery by Transport services and central government guidance requires the Council to enter a contract for its water supply.
- 5.2 Self-Deliver - this is not an option; the service has neither the capacity or expertise to deliver these goods and services.
- 5.3 Further extend existing contracts – this is not an option as all available contract extensions have been utilised. As ever, Council must adhere

to the Public Contract Regulations (2015) thus further variations (value and duration) are not deemed easily reconcilable with the provisions set out within PCR.

## **6. REASONS FOR RECOMMENDATIONS**

*Preferred option* – to commission the procurement of contracts in the manner described in section 1 of this report. This will enable the Council to continue to provide essential services to manage and maintain our properties and vehicle fleet services. The procurement of the contracts will ensure the Council is operating in accordance with the Public Contract Regulations 2015 and achieving best value in its procurement of the services.

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