

## CABINET

17 July 2018

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| <b>Title:</b> Procurement Strategy for the Replacement of the Council's Vehicle Fleet   |   |
| <b>Report of the Cabinet Member for Public Realm</b>  |   |
| <b>Open Report</b>  | <b>For Decision</b>   |
| <b>Wards Affected:</b> None   | <b>Key Decision:</b> No   |
| <b>Report Author:</b> John Russell, Head of Service Fleet Management Workshop and Passenger Service   | <b>Contact Details:</b><br>Tel: 020 8227 2171<br>E-mail: <a href="mailto:john.russell@lbbd.gov.uk">john.russell@lbbd.gov.uk</a> |
| <b>Accountable Director:</b> Robert Overall – Director of My Place  |   |
| <b>Accountable Strategic Leadership Director:</b> Claire Symonds – Chief Operating Officer  |   |
| <b>Summary:</b><br><p>The Council runs a fleet of 317 vehicles currently on lease. 128 of these are to be transferred over to Repairs and Maintenance (R&amp;M). The replacement programme for R&amp;M is already underway. The lease arrangements for the remaining 189 of the ageing fleet are due to expire. This is split with 185 by the year 2020 and the remaining 4 up to the year 2023.</p> <p>It is proposed to remove the high cost, short term spot hire vehicles and to replace other ageing assets owned by the Council through a new procurement process. The process will enable the Council to procure new contracts on the best terms available in the market and should lead to a reduction in cost.</p> <p>The Council's Constitution requires that all contracts with an aggregate contract value of £500,000 or more are required to be approved by Cabinet.</p> <p>This report asks for Cabinet approval to procure a number of fleet requirements across the Council, as set out in Appendix 1, which are required to be let over the next 60 months.</p> |   |
| <b>Recommendation(s)</b><br><p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Agree that, subject to approval of the procurement strategies by the Procurement Board, the Council proceeds with the procurement of the vehicle fleet contracts as detailed in Appendix 1 to the report;</li><li>(ii) Delegate authority to the Director of My Place, following endorsement by the Procurement Board, to approve the final procurement strategies for the various fleet contracts referred to within the report; and</li></ul>   |   |

- (iii) Delegate authority to the Director of My Place, in consultation with the Cabinet Member of Public Realm and the Director of Law and Governance, to conduct the procurement and award and enter into the contracts set out in this report and all other necessary or ancillary agreements with the successful bidder(s).

**Reason(s)**

To assist the Council in achieving its priority of a “Well run organisation”.

**1. Introduction and Background**

- 1.1 The Council currently has 317 front-line vehicles and trailers that are leased from Essential Vehicles Services. The leases for 189 of the vehicles and trailers expire at different dates and all are near to or have past the expiry dates.
- 1.2 The remaining 128 vehicles are awaiting transfer to the new We Fix brand under the Repairs and Maintenance Service.
- 1.3 Due to the age of the front-line vehicles, they are becoming unreliable with increased down time and costs for maintenance and repair.
- 1.4 Due to the growth within some of the services, there is also a need for additional vehicles, which is an average of 50 vehicles per day.
- 1.5 These additional vehicles are currently being spot hired on short term contracts, this is considerably more expensive than if they were purchased outright or on a long-term lease.
- 1.6 The ageing plant equipment (for example the John Deere mowers) that require replacing are all owned by the Council. These are in addition to the 189 vehicles referred to in paragraph 1.1 above.

**2. Proposed Procurement Strategy**

For each Contract listed in Appendix 1 with a total value of over £100,000, a Procurement Strategy report will be presented to Procurement Board for approval before a procurement commences.

For each Contract listed in Appendix 1 with a total value of under £100,000, the Council's Contract's Rules will be followed for each level of spend before a procurement commences.

**2.1 Outline specification of the works, goods or services being procured.**

The vehicles and trailers to be replaced are made up of a variety of different units, which include refuse vehicles, passenger transport buses, transits, trailers and a variety of plant.

Due to strict new legislations, LBBD will look for new technology over the conventional diesel engine, by running electric vehicles. This will result in a reduction to the Fleet Department's carbon footprint, be cheaper to maintain and overall cheaper to run.

**2.2 Estimated Contract Value, including the value of any uplift or extension period.**

At present, the estimated value to replace the 287 assets with like for like new vehicles, owned by the Council as an out-right purchase is £12.2 million. In comparison it is estimated that to continue with the current arrangement for a further five years could cost £12.8 million, although this is not an option due to compliance.

**2.3 Duration of the contract, including any options for extension.**

To be determined and set out in each individual Procurement Strategy report.

**2.4 Recommended procurement procedure and reasons for the recommendation.**

To be determined and set out in each individual Procurement Strategy report, although at present it is envisaged that for the majority of the fleet, a public framework is likely to be used.

**2.5 The contract delivery methodology and documentation to be adopted.**

To be determined and set out in each individual Procurement Strategy report.

**2.6 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract.**

At present, in comparison to the current costs, it is estimated that should the Fleet be purchased and not leased the estimated total saving could be £1.1 million depending on the costs LBB currently pay.  
See Appendix 2 for breakdown.

**2.7 Criteria against which the tenderers are to be selected and contract is to be awarded**

At present, it has not been determined how each procurement will be evaluated. This will be included in each Procurement Strategy report.

**2.8 How the procurement will address and implement the Council's Social Value policies.**

The replacement of the fleet will improve the service provided to all residents as all the services are front line, from Refuse to Street Cleansing, Grounds to Caretaking. These vehicles play a fundamental role within the Council.

**3. Options Appraisal**

**3.1 Option One:**

Do nothing – not viable as the vehicles are required for the day to day service provision of the Council.

**3.2 Option Two:**

Proceed to assess procurement options for replacement. Actual lease or outright purchase options to be set out in each individual Procurement Strategy report. There will be a separate procurement report for each procurement cycle.

**4. Waiver**

**4.1 Not required**

## **5 Equalities and other Customer Impact**

- 5.1 Completion of this work will remove any impact on the residents of the Council. All residents will receive their normal service regardless of category of home ownership within the borough houses or flats. With the vehicles being taken off the road for running repairs and refurbishment works the short-term spot hire vehicles will cover these runs.

## **6. Other Considerations and Implications**

To be set out in each individual Procurement Strategy Report.

- 6.1 **Risk and Risk Management** - Risk of down time, non-compliance with ULEZ (Ultra Low Emission Zone), vehicle maintenance costs, extended vehicles off the road and the need to hire in extra vehicles, all of these risk factors can be incorporated as a cost to the Council and not just a monetary cost but also a reputational cost should the Council not be able to continue to provide services to its residents.

To maintain safety, a 3 yearly driving reappraisal shall be undertaken for each permitted driver, any concerns will also require drivers to be reassessed. Reports and recommendations will be made following completion.

Driver Protocol revisions will be made to ensure compliance with changes in legislation. Periodic training will be delivered to ensure compliance with Directive 2003/59/EC.

Vehicles will be appraised during the procurement process with viable alternatives considered to reflect the Authority's commitment to lessening environmental impact.

- 6.2 **TUPE, other staffing and trade union implications** – not applicable.

- 6.3 **Safeguarding Children** - When the new fleet is procured the use of in cab technology will be included. This shall include CCTV, trackers and two-way communication.

With the advances in CCTV the volume of complaints for missed bin collections on refuse and incidents on school transport should reduce.

- 6.4 **Health Issues** - As the vehicles are frontline and any disruption in service can have a negative impact on the Health and Wellbeing of the residents. From refuse not collected to the Green spaces within the Borough not being maintained can have a negative impact upon the health & wellbeing of our residents. All new vehicles will comply with the latest emissions requirements which will also reduce our carbon footprint and create less health risk from pollution.

- 6.5 **Crime and Disorder Issues** – not applicable.

- 6.6 **Property / Asset Issues** - All fleet assets are maintained on the Councils Fleet maintenance system, Tranman. This confirms all vehicles and plant are regularly inspected and serviced. This keeps the manufacturer's warranty in place and helps to extend the life on the asset.

## **7. Consultation**

- 7.1 The proposals within this report have been endorsed by the Chair of the Procurement Board and reports on the specific proposals will be presented to the Procurement Board as they are progressed.

## **8. Corporate Procurement**

Implications completed by: Sam Woolvett Category Manager

- 8.1 This report outlines the intention to utilise frameworks as the preferred routes to market, which complies with EU Procurement regulations in terms of their award.
- 8.2 This approach will comply with LBBD contract procedures rules. Corporate Procurement will be supporting the Head of Fleet Management throughout the procurement processes.

## **9. Financial Implications**

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

- 9.1 In 2017/18, the council spent £1.5m on vehicle leases and a further £0.8m on spot hired vehicles, some of which were for bolstering capacity to meet service demand growth.
- 9.2 The ageing fleet has resulted in additional costs to departments with more breakdowns, resulting in disruption of services, additional costs for repairs and maintenance and spot hired vehicles to replace those in repairs.
- 9.3 The proposal is a rolling replacement cycle of fleet as the leases fall due. Each cycle will involve an appraisal of the lease or buy options and the appropriate procurement route.
- 9.4 The service will seek to secure capital funding for those procurement cycles where it is more beneficial to purchase outright. Departmental budgets for leasing and spot hire will be used when the lease option is more advantageous.
- 9.5 The estimated cost of replacing the fleet and plant is £12.2m This includes financing costs at 3.5% for 7 years for Refuse collection trucks and Passenger transport coaches, and 5 years for all other vehicles and plant. The figure also includes £0.54m for plant and fleet that are owned outright and hence does not currently have any lease or spot hire cost.
- 9.6 The estimated cost over the 5 years should the council continue at the current situation with existing leases and spot hires is £12.8m and an increasing cost of repairing and maintaining the fleet.
- 9.7 Hence, replacing the fleet could result in a saving of £1.1m against existing costs if an outright purchase is deemed to be the more viable option. However, as previously stated, each procurement cycle will be assessed and the best value option (leasing or outright purchase) will be recommended.

## **10. Legal Implications**

Implications completed by: Kayleigh Eaton, Contracts and Procurement Solicitor, Law & Governance

- 10.1 This report is requesting approval for the procurement of various vehicles and plant equipment for the service areas as identified within the body of the report in order to replace the Council's ageing fleet.
- 10.2 Where a proposed contract for the purchase of goods exceeds £181, 302 there is a legal requirement to competitively tender the Contract in accordance with the Public Contracts Regulations 2015 (the Regulations). The report states that, for the majority of the vehicles, it is the intention that a public framework will be used.
- 10.3 The Regulations allow local authorities to select providers from established Framework Agreements. Providing the third-party framework specifically permits this Council to use the framework, the contract award occurs within the framework agreement terms and it is done in a transparent, non-discriminatory and fair way, the requirements for competitive tendering should be met.
- 10.4 Where any of the proposed projects fall below the thresholds for goods, and therefore have no legal requirement to be competitively tendered, officers should be aware that in line with the Council's Contract Rule 28.5, contracts above £50,000 should be subject to a competitive tendering process. Further there is a requirement to comply with the EU Treaty principles of equal treatment of bidders, non-discrimination and transparency in conducting the procurement exercise.
- 10.5 It is noted that each procurement will be subject to the scrutiny of the procurement board. Further information will therefore need to be provided to the board prior to each procurement taking place including, for example, details on the proposed procurement route and how tenders will be evaluated and awarded.
- 10.6 The report author and responsible directorate are advised to keep the Law and Governance Team fully informed at every stage of the proposed tender exercises. The team is available to provide advice on the development of each strategy and procurement of each respective contract.

**Public Background Papers Used in the Preparation of the Report:** None

### **List of appendices:**

Appendix 1 – Volumes of Fleet due to be retendered

Appendix 2 – Estimated savings based on current LBBB costs