

Item No. 23.	Classification: Open	Date: 20 October 2015	Meeting Name: Cabinet
Report title:		Gateway 1 Procurement Strategy Approval: Commercial Fleet	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Darren Merrill, Environment and the Public Realm	

FOREWORD – COUNCILLOR DARREN MERRILL, CABINET MEMBER FOR ENVIRONMENT AND THE PUBLIC REALM

In determining the strategy for commercial fleet procurement the two key considerations for the council are the type of ownership and maintenance arrangements of vehicles and also the type of contract used for procurement.

This report recommends the use of lease arrangements inclusive of all planned maintenance requirements. This will provide business units with fully maintained and reliable vehicles which they need to deliver services, whilst achieving a high level of cost certainty for whole-life operating costs.

This report recommends the use of existing fleet framework agreements that have been procured under the requirements of OJEU. By using these the council is not required to conduct a full procurement process of its own, which would take longer and be more resource-intensive. Each framework agreement has a number of suppliers and a mini-competition will be conducted each time that vehicles are required by the council. Sometimes there will be more than one mini-competition where vehicle types are available through more than one framework agreement and this will ensure that good value for money is achieved.

The fleet framework agreements available to the council are renewed on a 3 or 4 year cycle. This provides the council with access to the most up to date, efficient and sustainable vehicles. Use of framework agreements will facilitate procurement of commercial fleet that is compliant with the Mayor's Air Quality Strategy and the new Ultra Low Emission Zone (ULEZ) covering the congestion charge zone due to be introduced in September 2020.

RECOMMENDATION

1. That Cabinet approve the procurement strategy outlined in this report for the provision of a commercial fleet under lease arrangements up to a value of £9.2m over a period of six years through the use of established national framework agreements.

BACKGROUND INFORMATION

2. The council operates a commercial fleet of around 300 vehicles. Actual vehicle numbers vary depending on service need. The commercial fleet is currently provided under lease arrangements. The previous contract for supply was with one supplier, London Hire Ltd. The contract expired in November 2014. No new

commercial fleet leases have been entered into since contract expiry. However, the commercial fleet has continued to be provided to services through original leases that remain in force, through extended leases or through short term hire. Therefore, a new arrangement for the provision of commercial vehicles to service departments is needed urgently.

3. The commercial fleet is managed by the Fleet Services Team on behalf of the business units who use the vehicles. In general vehicles are procured on a rolling basis, as their leases expire, usually in batches but dependent upon the requirements of the business units.
4. Vehicle types are mainly small/medium vans and caged tippers along with minibuses and some specialised vehicles such as refuse trucks, mechanical sweepers and cherry pickers (used by the public lighting teams). These are provided for services including Southwark Cleaning, Southwark Building Services and Adult Social Care. Table 1 below shows the number of commercial vehicles in use by all council services, along with the current annual leasing costs.

Table 1: Number of commercial vehicles and annual costs by business unit

Business unit	Number of vehicles	Annual cost (£'000s)
Building services	90	£305
Community wardens	6	£19
Enforcement	1	£12
Highways	14	£106
Home Improvements	1	£3
Housing	3	£12
Libraries	3	£7
Markets	1	£4
Parks	8	£35
Parking	3	£13
Pest control	23	£48
Play Services	3	£20
Property	1	£1
Security/cashiers	1	£7
Sheltered housing	4	£16
Children's & Adult Services	12	£183
Southwark Cleaning services	104	£655
Temporary accommodation	6	£23
Tooley St (pool cars)	7	£27
Trading Standards	1	£3
Tree Section	9	£61
Total	301	£1,560

Summary of the business case/justification for the procurement

5. The contract with London Hire ended in November 2014. There have been no new commercial vehicles procured since then other than through short term hire arrangements. The lease period for each vehicle ordered through the London Hire contract was five years, so for a number of vehicles in the commercial fleet the term of the original vehicle lease continues beyond the contract end date. The retention of any vehicle after the contract has ended is in accordance with

the terms and conditions of the original contract, this applies to vehicles still operating within the original lease period as well as to vehicles with leases that have been extended.

6. The council has an on-going requirement for a modern, safe and efficient range of commercial vehicles to deliver front line services. This will require new arrangements to be put in place for commercial fleet procurement.

Market considerations

7. Vehicles can be procured through a range of different options including outright purchase or lease arrangements. Purchase of fleet gives the council outright ownership along with full responsibility for the provision and cost of maintenance, repair, testing and licensing. Whereas under a lease arrangement – which could be a finance lease, operating lease or contract hire - ownership and responsibility for provision and cost of maintenance, repair, testing and licensing rests with the hirer or the finance company throughout the lease period. These differences impact on whole life costs, operational efficiency and in-house fleet support requirements of the commercial fleet. The key issue for the council is to ensure that the commercial fleet procurement provides the right vehicle for the services that need them at the optimum cost.
8. The UK fleet supply chain is very large, well developed and highly competitive. There are around ten major companies able to provide a wide range of different makes/models through lease arrangements and many more original equipment manufacturers supplying their own range of vehicles and plant through outright purchase.
9. With a fleet of around 300 vehicles, the provision of commercial vehicles to the council will be attractive to the UK supply chain. The council could procure a new commercial fleet lease contract, similar to the last and bespoke to the council's own requirements. Alternatively, there is a range of national framework agreements that the council is able to use for the supply of commercial fleet through purchase, lease or contract hire arrangements.
10. The national framework agreements make provision to supply different types of commercial vehicles classified into various lots. Although it may not be possible for individual framework agreements to supply every different type of vehicle that the council needs, in combination with each other they could be used to competitively procure most if not all of the council's commercial fleet requirements. Should this procurement approach prove unsuitable for some of the specialist vehicles detailed in section 4 above, a separate report will be prepared outlining recommendations for the acquisition of these vehicles.
11. Whether the council elects to procure new commercial fleet contract through a new bespoke contract or by using national framework agreements, it is unlikely that any local small and medium sized enterprises (SMEs) would have the capacity to compete. However, suppliers to the council may engage local commercial fleet dealerships to supply the vehicles and to undertake servicing and maintenance due to their proximity.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

12. The option to do nothing is not viable as the delivery of many of the council's services relies on provision of a reliable commercial fleet.
13. The fleet operations of our neighbours have been considered to look at opportunities for joint and collaborative working. Lambeth has outsourced all of their fleet management across several service contracts while Lewisham own and maintain their own vehicle stock in-house. Neither set-up lends itself to jointly managing fleet provision or to joint procurement opportunities at the current time, although we will continue to work with our neighbours, as well as London-wide initiatives, to look at ways of jointly improving service, reducing costs and sharing best practice.
14. In determining the most beneficial procurement route for a commercial fleet there are two major considerations, which are as follows:
 - Ownership - whether to procure vehicles using lease arrangements or to purchase vehicles outright.
 - Type of procurement contract - whether to set up a bespoke supply contract specifically for the council or to make use of existing national framework agreements.

Ownership

15. The type of ownership arrangements that the council enters into for commercial fleet directly impacts on whole-life vehicle costs, the financing required to support the ownership arrangements, and operational practices.
16. Appendix A attached to this report sets out a comparison between the cost of leasing and purchasing the core commercial fleet which is made up of 172 small, mid-range and large vans over a three or five year period. It is impracticable to complete a lease versus purchase comparison for every vehicle in the current commercial fleet due to the work involved gathering data for the variety and specialist types of vehicles in use, but the comparison undertaken covers the vast majority of the council's vehicular requirements. This shows that the anticipated whole life cost of outright purchase over a three year term is 6.2 per cent more than the cost of leasing. The anticipated cost of outright purchase over a five year term is very similar to the cost of leasing, at 0.1 per cent more than the cost of leasing.
17. The outright purchase of vehicles requires significant, corporately-led capital investment up front and then on-going revenue costs through the life of the vehicle until it is disposed of. Over time, the value of the asset will depreciate. There is the potential for a receipt from disposal by sale when the vehicle is no longer required or fit for purpose. As part of whole-life cost calculations, estimates have been made of the value of the receipt from disposal using industry-recognised guides. However, there is uncertainty about the proceeds that would be achieved, especially if a batch of similar type and age of vehicles are disposed of at the same time. This means there is a level of risk in relation to the whole-life cost calculations for operating a purchased fleet.

18. Leasing arrangements operate over a fixed time frame and do not tie the council into purchasing assets that will age, no longer provide the best industry practice over time and depreciate in value. Vehicle lease costs cover a range of initial costs, such as delivery and registration, as well as a range of on-going costs, such as road fund licence, maintenance, service and breakdown. This provides the council with cost certainty in relation to the whole-life cost calculations for operating a leased fleet.
19. As mentioned earlier, procurement of vehicles through outright purchase requires significant capital investment up-front. This would require allocation of capital from council funds or through prudential borrowing. As vehicles age and require replacement there would be a requirement for on-going capital allocation at three or five year intervals.
20. The council currently operates a fleet of around 300 commercial vehicles and it would be possible to estimate the capital allocation required to purchase replacements for these vehicles for the next three or five years based on the size of the current fleet. However, due to the pressure on budgets the shape and size of the council's services, and the way that they are delivered, will inevitably change in the short and medium term. As these changes happen the requirement for commercial fleet will fluctuate. If, as seems likely, the size of the commercial fleet reduces to become more efficient and save money, an in-house operation would be required to recover overheads over a smaller fleet, with an additional cost impact on services. Although any unused capital allocation would be returned to the corporate pot, there may be a timing issue which would adversely affect capital planning.
21. In addition, procurement through outright purchase may create a false incentive to continue to use vehicles that are no longer essential to service delivery, whereas lease arrangements offer more flexibility to ensure that business units are more empowered to deliver the efficiencies and savings they will need to find.
22. The commercial fleet is currently provided through lease arrangements. Every business unit using vehicles as part of their service delivery, already has an established revenue budget to support the associated lease and operating costs which they are familiar with. It will be a matter for individual business units to determine what their vehicle requirements will be going forward taking into account the demand for services and the need to find efficiencies and savings. The continuation of leasing arrangements would provide business units with the flexibility to make their own decisions about their vehicle requirements, whether this be returning vehicles at lease end - with or without replacement - extending vehicle leases or using short term hire. This flexibility should ensure that business units are better able to keep control of commercial fleet revenue expenditure and to find savings and efficiencies from this area of spend.
23. The practical requirements of operating a purchased commercial fleet are different, more wide-ranging and demanding than for operating a leased commercial fleet. The most significant challenge for the council in operating a purchased fleet is that there is no in-house vehicle workshop to undertake the servicing, maintenance and safety check regime that is required to ensure vehicles are operating safely and efficiently. In order to address this, the Fleet Services Team's function would have to be enhanced, which would increase the indirect operating cost of a purchased fleet, and it would be necessary to set up

separate contractual arrangements to cover requirements such as servicing, maintenance and breakdown. The council could consider re-establishing an in-house workshop facility to undertake servicing, maintenance and breakdown requirements. However, the estimated cost of doing so is in the region of £1m per annum which would have to be recovered from the services who use the vehicles. This cost has not been included at Appendix A but would add around £2,000 to £3,000 per vehicle per annum and, if the overall size of the fleet reduces over time, the added costs per vehicle would increase and could reach untenable levels.

24. Table 2 below sets out the differences in the practical requirements of operating a purchased and leased commercial fleet and also summarises the differences in whole-life cost and financing that have been explained in more detail above.

Table 2: Differences between operating purchased and leased commercial fleet

	Purchase	Lease
Whole-life cost	<p>Estimated at 6.2% more than for lease over 3 year term, and 0.1% more than for lease over 5 year term, some risk relating to receipt achieved at disposal.</p> <p>Risk of unexpected costs from major defects such as, engine or gearbox failure, rests with the council if not covered by warranty.</p>	<p>Estimated 6.2% less than for purchase over 3 year term and 0.1% less than for purchase over 5 year term, more cost certainty with minimal risk of unexpected costs.</p>
Finance	<p>Requires significant corporately-led capital allocation.</p> <p>Requires review and adjustment of business unit revenue budgets to account for operational costs, and could create a false incentive to retain unnecessary vehicles.</p>	<p>Established revenue budgets within business units gives full control over decision-making, including the potential for making efficiencies and savings around use of commercial fleet.</p>
Operational requirements servicing, maintenance, MOT, safety checks, breakdown cover. Administration requirements: registration, road fund licence	<p>No in-house workshop, so separate contract(s) for operational requirements will need to be tendered and managed. Coupled with increased administration requirements this will necessitate enhanced Fleet Services function which will add to cost.</p>	<p>Major operational and administration requirements are covered by lease arrangements.</p> <p>Fleet Services function has well-established expertise in managing a leased commercial fleet. The continuation of lease arrangements would facilitate a better focus on driver skills and awareness, equipment operation training, driver licence checking and driver behaviour management.</p>

25. Taking into account the whole-life costs, finance and operational requirements associated with operating the commercial fleet, it is recommended that the council should continue to procure through lease arrangements.

Type of Procurement Contract

26. There are two main types of procurement contract the council can use to lease commercial fleet: either a bespoke contract with single or possibly multiple suppliers which would be similar to the previous supply contract; or by using established national framework agreements. Tables 3a and 3b below set out the characteristics and relative merits of each type of contract.

Tables 3a and 3b: Characteristics and relative merits of using bespoke contracts and framework agreements for commercial fleet procurement

Table 3a – Bespoke Contract

Pros	Cons
<p>Can be written to reflect the particular terms and conditions, specifications/vehicle types and key performance indicators required by the council.</p>	<p>Lengthy EU-compliant procurement process required.</p> <p>Purchasing power and competition within a bespoke contract are limited, which may lead to less competitive quotes.</p> <p>A contract requiring the supply of the wide range of different vehicles required by the council may attract limited interest from bidders, particularly bidders that only specialise in supply of narrow ranges of vehicle types.</p> <p>Prices for vehicles are fixed and so may not provide value for money over the life of the contract.</p> <p>A single supplier contract would leave the council vulnerable in the event of supplier failure.</p>

Table 3b – Framework agreements

Pros	Cons
<p>National framework agreements have already been through EU compliant procurement process, so no contract procurement process required of the council. This will minimise the resource dedicated to the procurement process and allow new vehicles to be procured more quickly.</p> <p>Purchasing power within framework agreements is greater which should ensure quotes for vehicles are competitive.</p> <p>There is a range of different framework agreements for fleet (as detailed in paragraph 28 below) which will be sufficient to procure the majority of different types of vehicle required by</p>	<p>Framework users are bound to the standard terms and conditions, vehicle types available and key performance indicators embedded in the frameworks. However, in inviting quotes through the framework agreements the council can tailor vehicle specifications to ensure they meet specific business unit requirements.</p>

Pros	Cons
<p>the council.</p> <p>It is more likely that the variety of framework agreements available will help the council benefit from development of more efficient vehicles.</p>	

27. Based on the analysis of the two main types of contract the council can use to procure commercial fleet, the use of national framework agreements offers the council the most benefits including value for money, the range of vehicles available and the efficiency of the procurement process. Therefore, it is recommended that the council uses all of the national framework agreements that have been identified for the procurement of commercial fleet.

Existing Public Sector Frameworks

28. The following existing frameworks for lease and contract hire of fleet have been identified:

Name	Period	Types of vehicles	Other details
Halton Housing Trust (in partnership with Capita Asset Services)	Four years to November 2016	Cars and light commercial under 7.5 tonne gross vehicle weight	By contract hire 6 suppliers
Bath & North East Somerset (in partnership with Capita Asset Services)	Four years to March 2018	Buses, coaches, HGVs, specialist and municipal vehicles	By contract hire 9 suppliers of buses and coaches 9 suppliers of HGVs, specialist and municipal vehicles
Crown Commercial Service	Three years to May 2018	Cars and light commercial vehicles up to 3.5 tonnes gross vehicle weight and commercial vehicles 3.5 tonnes and above including buses, coaches, trailers and municipal vehicles	By lease 12 suppliers of cars and light commercial 5 suppliers of 3.5 tonnes and above
Eastern Shires Purchasing Organisation	Four years to 31 August 2017	Commercial vehicles up to and over 7.5 tonnes, passenger transport vehicles up to and over 32 seats, specialist and municipal vehicles, sub-compact and compact precinct sweepers	By contract hire 12 suppliers

Name	Period	Types of vehicles	Other details
Yorkshire Purchasing Organisation	Four years to December 2017	Cars and light commercial vehicles under 7.5 tonne	By contract hire 7 suppliers
Yorkshire Purchasing Organisation	Four years to December 2017	Specialist vehicles	By contract hire 12 suppliers

29. In practical terms the use of framework agreements would involve mini-competitions within one or more of the framework agreements that are appropriate for the type of vehicle that is to be procured. This competition process will ensure that the council is able to achieve good value for money.
30. In the event that the procurement of highly specialised vehicles is not possible through the use of framework contracts, the council can undertake a separate procurement process based on the requirements of the council's Contract Standing Orders and, if necessary, in compliance with EU procurement regulations, as previously explained in section 11 above.

Conclusions - Proposed procurement route

31. The proposed procurement route for provision of commercial fleet is to use existing national framework agreements that are accessible to public sector bodies through lease/contract hire arrangements, this would include the use of new framework agreements that replace the existing framework agreements when they expire during the next 6 years. Also, it is proposed that where there is more than one framework agreement available to supply particular types of vehicles, that more than one framework is used to invite quotes.

Identified risks for the procurement and how they will be managed

32. The identified risks for the procurement and how they will be managed are set out in the Table 4 below.

Table 4: Risks for fleet procurement

	Risk	Risk level	Mitigation
1	Risk that vehicles will have to be returned before full lease term has expired due to budget pressures or changes in the way that services are delivered.	Low to medium	Business units will be required to address this risk as part of the vehicle ordering process. Potential for unwanted vehicles to be re-assigned to other business units instead of ordering new vehicles. Cost of early return can be part of the evaluation of bids.
2	Framework agreements currently available will expire over time.	High	The fleet framework agreement market is well-established. Framework contracts that have expired recently have been replaced with new framework agreements that are similar in nature and this is likely to continue to be the case. This will ensure there is

	Risk	Risk level	Mitigation
			continuity of supply.

Key/Non Key decisions

33. This report deals with a key decision.

Policy implications

34. Procurement of fleet must take into account the requirement to comply with the current London-wide Low Emission Zone and should have regard to the Mayor's Air Quality Strategy. Although the new Ultra Low Emission Zone (ULEZ) covering the congestion charge zone is not due to be introduced until September 2020, it would be prudent to ensure that all new commercial fleet procured under these proposed arrangements are compliant with ULEZ requirements.

Procurement project plan

Activity	Date completed
Forward Plan (if Strategic Procurement)	20/8/15
DCRB/CCRB/CMT Review Gateway 1: Procurement Strategy Approval DCRB CCRB	26/08/15 10/09/15
Gateway 1: Procurement strategy for approval report (this report)	20/10/15
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	29/10/15
Council evaluation of framework agreement	3/11/15
Council evaluation of purchasing solution	3/11/15
Review Gateway 2: Framework selection and supplier selected by the framework provider award report DCRB CCRB	06/11/2015 13/11/2015
Notification of forthcoming decision	24/11/15
Gateway 2: Framework selection and recommendations for purchasing option	8/12/15
Start date of council buy-in to the supplier selected by the framework provider	04/01/16
Contract completion	A series of contracts will be completed during the period 04/01/16 to 03/01/22 following mini-competitions within framework agreements

TUPE/Pension Implications

35. There are no TUPE/Pension implications.

Development of the tender documentation

36. As the proposal is to use framework agreements, no tender documentation is needed. However, the tender processes used to establish the national framework agreements referred to in paragraph 28 above will be reviewed to ensure they were fit for purpose and in keeping with OJEU requirements. (See also Legal Implications section of this report below.)

Advertising the contract

37. As the proposal is to use framework agreements, no advertising is needed.

Evaluation

38. Evaluation of the overall suitability of suppliers to provide commercial fleet to public organisations has already been undertaken by the hosts of the framework agreements referred to in paragraph 28 above as part of the OJEU procurement process. The evaluation process that was undertaken will be reviewed to ensure it was in close alignment with the council's own evaluation process and criteria in determining the selection of suppliers.
39. As part of the Gateway 2 process the standard framework terms and conditions, master lease details, additional charge schedules and any other appropriate framework agreement details will be reviewed to ensure they are fit for purpose, meet the council's requirements and do not place undue burdens on users of the fleet provided.
40. When the council is in a position to approach framework suppliers to request quotations for specific vehicles requirements, it is likely that in practice this will happen as a mini-competition within at least one framework. It will be necessary to undertake an evaluation of the quotations received from multiple suppliers under the mini-competition. An analysis of the frameworks will be undertaken before GW2 stage as we will need to consider if there are any restrictions on using our standard evaluation methodology, as this might influence our decision on whether to use the framework. The ability of the council to be able to conduct mini-competitions with an evaluation process as explained will form part of the review of frameworks referred to above.

Community impact statement

41. The proposals in this report relate only to the provision of the council's fleet procurement arrangements and do not impact on service design, outcomes or access. Therefore, there is no community impact arising from this report.

Sustainability considerations

42. As part of the vehicle ordering process business units will be required to consider the following matters:

- The number and size of vehicles required to deliver services, consider shared use of vehicles or using fewer vehicles of greater carrying capacity.
- Anticipated daily mileage and load carrying requirements, consider electric or hybrid vehicles where low mileage and loads allow.
- The requirement to comply with ULEZ from September 2020.

Economic considerations

43. It is not likely that local small and medium sized enterprises have the capacity to bid successfully for inclusion in fleet framework agreements. However, the suppliers used by the council under the framework arrangements are likely to use local commercial dealerships to supply vehicles and use local motor trade networks for servicing and maintenance.

Social considerations

44. There are no specific social considerations. The London living wage is not applicable due to the supply nature of this contract.
45. The use of frameworks will be in due regard to section 149 of the Equality Act 2010 under which the council has a duty to have due regard in its decision making processes to the need to;
- Eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not
 - Foster good relations between those who share a relevant characteristic and those that do not share it.
46. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Public Sector Equalities Duty also applies to marriage and civil partnership. There are no equality implications associated with this procurement.
47. The council will ensure that any arrangement it enters into is flexible enough to enable it to meet requirements relating to wider road safety issues, for example those of the London Cycling Campaign's "Safer Lorries, Safer Cycling" pledge.
48. All vehicles procured under these arrangements will meet the requirements of the Fleet Operators Recognition Scheme, Gold Accreditation standard.

Environmental considerations

49. The council has a strong track record of introducing green fleet policies and outcomes based on both economic and environmental business cases. The council has a green fleet policy which aims to minimise the environmental impact of all its fleet vehicles. The policy endeavours to achieve this through setting objectives which reduce local emissions and take into account the global effects of its transport fleet. Any contractual arrangements will need to enable the council to continue to meet these objectives.

Plans for the monitoring and management of the contract

50. The contract will be monitored and managed by the Fleet Services Team. Performance of providers will be closely monitored through agreed KPIs and reviewed at regular contract meetings. Regular feedback will also be sought from the end user business units.

Staffing/procurement implications

51. It is anticipated that managing framework contracts rather than a single supplier will require increased input from the Fleet Services Team. However, because it is expected that using framework agreements will also mean improved supplier performance, it is expected that the contracts can be managed within existing staffing levels.

Financial implications

52. Based on the nature and size of the current commercial fleet, the anticipated level of expenditure against framework agreements under the proposed procurement arrangements will be around £9.2m over six years. Note that there is no obligation for the council to procure any particular number and type of vehicles under these arrangements, so Business Units have the freedom to deliver efficiencies and savings linked to the type, size and number of vehicles they use and the way that services are delivered.
53. The cost of providing vehicles is recharged to the end-user Business Units by the Fleet Services Team. Current annual costs are shown in Table One above. It will be a matter for individual Business Units to determine that they can meet new costs achieved through this procurement process when they are ordering fleet through the Fleet Services Team.
54. In order to ensure that the charges for commercial fleet procured under the proposed arrangements are appropriately accounted for, it will be necessary to make a determination as to whether leases are classified as finance leases or operating leases. The information required to make this determination will be requested from suppliers as part of the mini-competition process.

Legal implications

55. The decision to use framework agreements does not commit the council to any specific level of expenditure. Once a lease contract has been entered into there is a commitment by the council to pay the agreed sums on a periodic basis. If a vehicle becomes surplus to requirement during the term of the agreement and cannot be re-assigned elsewhere in the council, then the Business Unit will be required to cover any early return costs. Details of early return costs will become clear as part of the Gateway Two process and subsequently made known to Business Units at the time of ordering.
56. The Legal Team will need to be satisfied that the Terms and Conditions of the framework agreements intended to be used by the council are sufficient to meet the council's needs.

Consultation

57. The following groups will be consulted as part of the evaluation of the frameworks:
- service users (council business units)
 - other authorities using the frameworks
 - potential bidders
 - potential providers of frameworks.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

58. This report seeks Cabinet approval of the procurement strategy for the supply of commercial fleet under a number of possible leasing arrangements up to a value of £9.2m. The total estimated contract value is for spend over a six year period commencing in January 2016.
59. The report details the background to the council's commercial fleet requirements and notes that vehicles are typically procured on a rolling basis depending on the requirements of individual business units.
60. The report recommends procuring commercial fleet by way of a range of leasing options rather than through outright purchase and details the advantages and flexibility offered by this solution.
61. It is proposed the council makes use of OJEU compliant national framework agreements rather than letting its own bespoke contract on the grounds of flexibility, efficiency and value for money. This will involve mini competitions being held involving one or more of the framework agreements depending on the type of vehicles required.
62. The report confirms the procurement process which will be followed to select the preferred supplier of particular vehicles. Analysis of the frameworks will be undertaken before the Gateway 2 stage.
63. The contracts will be monitored and managed by the Fleet Services team through agreed KPIs and regular contract review meetings.

Director of Law and Democracy

64. This report seeks approval of the procurement strategy for the provision of commercial fleet, which is to involve the use of existing national framework arrangements.
65. For a procurement of this nature (involving services having an estimated value above the EU threshold) the council's Contract Standing Orders ("CSOs") require that all reasonable steps must be taken to obtain at least 5 tenders following a publicly advertised competitive tendering process.
66. CSOs also provide for an exemption to be granted from those tendering requirements in exceptional circumstances. The report describes the procurement options which have been considered and paragraph 28 sets out the

national frameworks which are currently in operation, available to the council and proposed for use. Each of those frameworks has been procured in line with EU procurement regulations and therefore it would not be necessary for the council to undertake its own EU compliant competitive tendering exercise, including seeking expressions of interest by way of the publication of a contract notice in the OJEU.

67. The director of legal services (corporate team) will review the terms and conditions of the existing frameworks (and any new frameworks which may become established once the existing ones have expired) in order to ensure that they are acceptable to the council and reflect current policy and practice.
68. The proposed procurement strategy is in relation to a strategic procurement as defined in CSOs, which means that the decision to approve the report recommendation is one which is expressly reserved to the cabinet, after consideration of the report by the corporate contract review board.

Strategic Director of Finance and Governance (FC15/023)

69. The strategic director of finance and governance notes the recommendation in this report for the use of established national framework agreements to provide the council's commercial vehicle fleet.
70. Based on current usage the lease arrangements may costs up to £9.2m over a period of six years from January 2016. The costs of the contracts will affect general fund and HRA budgets from 2015/16 through to 2021/22. Over this period the council will face significant reductions in funding received from government. The report identifies that leasing such vehicles will allow more flexibility for business units to determine their vehicle needs, and achieve efficiencies or savings by reducing the number of vehicles leased.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
<p>Headline information about the framework agreements referred to in this report can be found on the relevant web-sites using the following links:</p> <p>For more detailed information about individual framework agreements contracts please contact the named officer.</p>	<p>Environment and Leisure, Waste and Transport Service, Integrated Waste Management Facility, Devon Street SE15 1AL</p>	<p>Michael McNicholas 020 7525 3449</p>
<p>http://www.ypo.co.uk/contract/detail/900155</p> <p>http://ccs-agreements.cabinetoffice.gov.uk/contracts/rm3710</p> <p>https://www.espo.org/Frameworks/Highways-vehicles/Vehicle-Contract-Hire-Leasing</p> <p>http://www.tppl.co.uk/</p>		

APPENDICES

No	Title
Appendix A	Comparison between the cost of leasing and purchase of commercial fleet

AUDIT TRAIL

Lead Officer	Deborah Collins, Strategic Director of Environment and Leisure		
Report Author	Michael McNicholas, Waste and Transport Manager		
Version	Final		
Dated	25 September 2015		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Head of Procurement	Yes	Yes	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	Yes	Yes	
Head of Specialist Housing Services	No	No	
Cabinet Member	Yes	Yes	
Contract Review Boards			
Departmental Contract Review Board	Yes	Yes	
Corporate Contract Review Board	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team			9 October 2015

APPENDIX A

Summary of lease and purchase whole life costs – 3 years		
Citroen Berlingo (Small vans)	Lease	Purchase
Total cost 3 years	£ 6,871.32	£ 7,500.21
Number of vehicles in core fleet	97	97
Total cost of all Berlingos required for core fleet	£ 666,518.04	£ 727,520.37
Citroen Dispatches (Medium vans)	Lease	Purchase
Total cost 3 years	£ 8,290.44	£ 8,604.92
Number of vehicles in core fleet	38	38
Total cost of all Dispatches required for core fleet	£ 315,036.72	£ 326,986.96
Citroen Relays (Large vans)	Lease	Purchase
Total cost 3 years	£ 9,199.08	£ 9,453.46
Number of vehicles in core fleet	37	37
Total cost of all Relays required for core fleet	£ 340,365.96	£ 349,777.86
Full cost of core fleet over 3 year period	£ 1,321,920.72	£ 1,404,285.19
Lease costs lower than purchase costs – 3 years	£ 82,364.47	
Saving from using lease over 3 year term	6.2%	

Summary of lease and purchase whole life costs – 5 years		
Citroen Berlingos (Small vans)	Lease	Purchase
Total cost 5 years	£ 10,698.36	£ 11,073.78
Number of vehicles in core fleet	97	97
Total cost of all Berlingos required for core fleet	£ 1,037,740.92	£ 1,074,156.18
Dispatches (Medium vans)	Lease	Purchase
Total cost 5 years	£ 13,135.56	£ 13,003.68
Number of vehicles in core fleet	38	38
Total cost of all Dispatches required for core fleet	£ 499,151.28	£ 494,139.75
Citroen Relays (Large vans)	Lease	Purchase
Total cost 5 years	£ 14,793.72	£ 14,020.12
Number of vehicles in core fleet	37	37
Total cost of all Relays required for core fleet	£ 547,367.64	£ 518,744.42
Full cost of core fleet over 5 year period	£ 2,084,259.84	£ 2,087,040.34
Lease cost lower than purchase costs by	£ 2,780.50	
Saving from using lease over 5 year term	0.1%	

Citroen Berlingo – 3 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£5,740.56		
Purchase Price		£7,850.00	
Capital loan cost for purchase option		£329.70	Based on 1.4% interest rate per annum for 3 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£562.50	
Alarm	£246.24	£265.00	
Deadlocks	£369.36	£445.00	
Bulkhead	£193.68	£199.00	
Ply Lining	£141.48	£145.00	
Speed Limiter	£40.56	£80.00	
White paint	-£160.56		
RFL		£675.00	
Collect and deliver for servicing		£300.00	Estimate of £100 per annum
Servicing & maintenance		£794.01	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£300.00	Estimate of £100 per annum
Resale value after 3 years		-£5,250.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£750.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£6,871.32	£7,500.21	
Number of vehicles in core fleet	97	97	
Total cost of all Berlingos required for core fleet	£666,518.04	£727,520.37	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated
Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated

Citroen Dispatch – 3 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£7,267.68		
Purchase Price		£9,855.00	
Capital loan cost for purchase option		£413.91	Based on 1.4% interest rate per annum for 3 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£605.00	
Alarm	£246.24	£265.00	
Deadlocks	£492.48	£535.00	
Bulkhead	£78.84		
Ply Lining	£141.48	£195.00	
Speed Limiter	£340.56	£80.00	
White paint	-£276.84		
RFL		£675.00	
Collect and deliver for servicing		£300.00	Estimate of £100 per annum
Servicing & maintenance		£794.01	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£300.00	Estimate of £100 per annum
Resale value after 3 years		-£6,350.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£882.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£8,290.44	£8,604.92	
Number of vehicles in core fleet	38	38	
Total cost of all Berlingos required for core fleet	£315,036.72	£326,986.96	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated

Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated

Citroen Relay – 3 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£8,391.96		
Purchase Price		£11,254.90	
Capital loan cost for purchase option		£472.71	Based on 1.4% interest rate per annum for 3 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£620.85	
Alarm	£246.24	£265.00	
Deadlocks	£369.36	£435.00	
Bulkhead			
Ply Lining	£141.48	£245.00	
Speed Limiter	£340.56	£80.00	
White paint	-£290.52		
RFL		£675.00	
Collect and deliver for servicing		£300.00	Estimate of £100 per annum
Servicing & maintenance		£900.00	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£300.00	Estimate of £100 per annum
Resale value after 3 years		-£7,125.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£975.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£9,199.08	£9,453.46	
Number of vehicles in core fleet	37	37	
Total cost of all Berlingos required for core fleet	£340,365.96	£349,777.86	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated

Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated

Citroen Berlingo – 5 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£9,567.60		Based on quote from Lex Autolease received 29.4.15 for monthly charges on 3 year lease, factored up to 5 years
Purchase Price		£7,850.00	
Capital loan cost for purchase option		£631.93	Based on 1.61% interest rate per annum for 5 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£562.50	
Alarm	£246.24	£265.00	
Deadlocks	£369.36	£445.00	
Bulkhead	£193.68	£199.00	
Ply Lining	£141.48	£145.00	
Speed Limiter	£340.56	£80.00	
White paint	-£160.56		
RFL		£1,125.00	
Collect and deliver for servicing		£500.00	Estimate of £100 per annum
Servicing & maintenance		£1,323.35	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£500.00	Estimate of £100 per annum
Resale value after 5 years		-£3,100.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£492.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£10,698.36	£11,073.78	
Number of vehicles in core fleet	97	97	
Total cost of all Berlingos required for core fleet	£1,037,740.92	£1,074,156.18	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated
 Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated

Citroen Dispatch – 5 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£12,112.80		Based on quote from Lex Autolease received 29.4.15 for monthly charges on 3 year lease, factored up to 5 years
Purchase Price		£9,855.00	
Capital loan cost for purchase option		£793.33	Based on 1.61% interest rate per annum for 5 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£605.00	
Alarm	£246.24	£265.00	
Deadlocks	£492.48	£535.00	
Bulkhead	£78.84		
Ply Lining	£141.48	£195.00	
Speed Limiter	£340.56	£80.00	
White paint	-£276.84		
RFL		£1,125.00	
Collect and deliver for servicing		£500.00	Estimate of £100 per annum
Servicing & maintenance		£1,323.35	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£500.00	Estimate of £100 per annum
Resale value after 3 years		-£3,350.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£522.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£13,135.56	£13,003.68	
Number of vehicles in core fleet	38	38	
Total cost of all Berlingos required for core fleet	£499,151.28	£494,139.75	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated

Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated

Citroen Relay – 5 years whole life lease and purchase costs

	Lease	Purchase	Notes
Lease cost base vehicle	£13,986.60		Based on quote from Lex Autolease received 29.4.15 for monthly charges on 3 year lease, factored up to 5 years
Purchase Price		£11,254.90	
Capital loan cost for purchase option		£906.02	Based on 1.61% interest rate per annum for 5 years - rate supplied by Corporate Finance Team
VAT			Assumed that all VAT paid out is recoverable so no value entered
Registration		£55.00	
Delivery & Fuel		£620.85	
Alarm	£246.24	£265.00	
Deadlocks	£369.36	£435.00	
Bulkhead			
Ply Lining	£141.48	£245.00	
Speed Limiter	£340.56	£80.00	
White paint	-£290.52		
RFL		£1,125.00	
Collect and deliver for servicing		£500.00	Estimate of £100 per annum
Servicing & maintenance		£1,323.35	Based on estimate from Citroen London West received 6.1.15
Breakdown and recovery cover		£500.00	Estimate of £100 per annum
Resale value after 3 years		-£3,875.00	Based on Glass guide trade values for similar model average miles
Resale charge and collection fee		£585.00	Based on industry-recognised resale charge @ 12% of resale value + £120 collection fee
Total cost 3 years	£14,793.72	£14,020.12	
Number of vehicles in core fleet	37	37	
Total cost of all Berlingos required for core fleet	£547,367.64	£518,744.42	

Notes :

Lease costs based on quote from Lex Autolease received 29.4.15 unless otherwise stated
 Purchase costs based on quote from Citroen London West received 17.4.15 unless otherwise stated