

Item No. 15.	Classification: Open	Date: 17 October 2023	Meeting Name: Cabinet
Report title:		Gateway 0 - Strategic Options Assessment Commercial Fleet Procurement	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor James McAsh, Climate Emergency, Clean Air and Streets	

FOREWORD – COUNCILLOR JAMES McASH – CABINET MEMBER FOR CLIMATE EMERGENCY, CLEAN AIR & STREETS

In our Streets for People Strategy, we have set out how we will explore new ideas and ways we will work to deliver improvements to residents’ quality of life.

We are committed to reducing vehicle carbon and particulate emissions and this procurement options appraisal supports the next steps in renewing our own commercial fleet to do so.

With the content of this report and future reports and with the use of data and technology to make evidence led and informed decisions we will reduce the impact of our own fleet delivering our own services.

RECOMMENDATIONS

Recommendations for the Cabinet

That Cabinet

1. Notes the content of this strategic options assessment for delivery of commercial fleet procurement for Southwark Council.
2. Notes and approves the outcomes and recommendations of the strategic options assessment which are summarised in paragraph 71.

Recommendations for the Leader of the Council

3. That the Leader delegates the decision to approve the Gateway 1 procurement strategy and associated Gateway 2 contract awards for the required light commercial, specialist and heavy goods vehicles to the Cabinet Member for Climate Emergency, Clean Air and Streets in consultation with the Cabinet Member for Cabinet Member for Homes, Communities and Finance for the reasons noted in paragraph 75.

BACKGROUND INFORMATION

4. The council is committed to reducing carbon emissions from its commercial fleet and continues to explore opportunities to reduce the number of vehicles used and new ways of working to reduce vehicle movements and any negative impact.
5. The council is also committed to reviewing technology developments, its availability and assessing its suitability and affordability. When selecting new vehicles for a commercial fleet, all options will be explored and assessed with selections based on the whole life cost, operational suitability and environmental performance.
6. This Gateway report has been developed with reference to a number of adopted strategies, action plans and policies to ensure alignment including the recently adopted Streets for People – Transport Strategy.
7. This options assessment is for the delivery of light commercial, heavy goods and specialist vehicles to the council.
8. Arrangements for the delivery of light commercial vehicles currently in operation has been through the Halton Housing Trust Framework Agreement. This agreement commenced 1 March 2016 for a period of six years. This framework has now expired.
9. Southwark also had approval to access the Bath & North East Somerset Council framework agreement, to procure heavy commercial and specialist vehicles for a period of six years also commencing in March 2016. Due to timing and the existing heavy and commercial fleet provision, this framework was not utilised and has also now expired.
10. Access to both frameworks were agreed via a Gateway 1 report to Cabinet in February 2016. Following approval, four tranches of required vehicles were approved and ordered via four individual Gateway 2 reports.
11. In January 2023 a Gateway 3 contract variation (extension) report was approved for the four previously agreed Gateway 2 reports. The approved contract variations mean that Southwark have certainty for its light commercial fleet through until October 2025.
12. In line with contract standing orders, this pre-procurement assessment decision is required due to the related contracts having an estimated lifetime value of in excess of £10 million. Additionally, the replacement of the council's commercial fleet is strategically important.
13. A breakdown of our existing contract hired fleet and their respective replacement dates is set out in Appendix 1.

KEY ISSUES FOR CONSIDERATION

Commercial Fleet

14. The council's current commercial fleet (contract and spot hire) by type and by service area is set out in Table 1

Service Section	Specialist*	Car	Small van	Medium van	Large van	3.5t Tipper	Total
Asset Management Services	7	0	6	4	1	3	21
Building Services	0	0	15	131	2	0	148
Emergency Planning	0	0	0	1	0	0	1
Handy Persons	0	0	0	2	0	0	2
Housing Services	0	0	1	2	0	0	3
Libraries	0	0	2	0	1	0	3
Parking / Markets	0	0	4	0	0	0	4
Parks Services	0	2	3	0	0	1	6
Pest Control Services	0	0	22	2	0	0	24
Sheltered Housing	0	2	0	0	0	0	2
Social Services	1	0	0	0	0	0	1
Temp Accommodation	0	0	2	0	3	0	5
Tree Section	0	0	2	0	0	5	7
Wardens	0	4	0	0	0	0	4
Waste and Cleansing	17	0	37	7	1	37	99
TOTALS	25	8	94	149	8	46	330

Table 1

*Cherry Picker, Refuse Collection Vehicle, Sweeper

15. The council's current commercial fleet carbon emissions is set out in Table 2

Service Section	Diesel	Petrol	Hybrid	EV	Total	Metric Ton*
Asset Management Services	17	4	0	0	21	42
Building Services	132	9	0	7	148	148
Emergency Planning	1	0	0	0	1	1
Handy Persons	2	0	0	0	2	2

Service Section	Diesel	Petrol	Hybrid	EV	Total	Metric Ton*
Housing Services	3	0	0	0	3	3
Libraries	1	2	0	0	3	4
Parking / Markets	1	2	0	1	4	4
Parks Services	1	3	1	1	6	6
Pest Control Services	2	22	0	0	24	26
Sheltered Housing	0	0	2	0	2	1
Social Services	1	0	0	0	1	2
Temp Accommodation	5	0	0	0	5	6
Tree Section	5	2	0	0	7	6
Wardens	0	0	4	0	4	2
Waste and Cleansing	62	28	0	9	99	169
TOTALS	233	72	7	18	330	422

Table 2

*Calculated against average mileage per vehicle type per service area.

16. The council's current annual commercial fleet expenditure is set out below in Table 3.

Department	Annual Costs
Asset Management Services	£226,179.00
Building Services	£571,392.48
Emergency Planning	£3,492.36
Handy Persons	£6,511.92
Housing Services	£17,851.08
Libraries	£9,007.92
Parking / Markets	£10,909.92
Parks Services	£19,962.96
Pest Control Services	£67,646.88
Sheltered Housing	£4,978.08
Social Services	£17,467.80
Temp Accommodation	£17,351.04
Tree Section	£35,024.40
Wardens	£10,080.96
Waste and Cleansing	£987,853.68
TOTALS	£2,005,710.30

Table 3

Future service requirements and outcomes

17. Southwark Council employees, many with tools and equipment or service need, moving around the borough has an impact on the air quality, the built environment and the local economy. Proper management of our commercial fleet, freight and service delivery with vehicles can help support the residents of the borough, sustainably.
18. A level of operational vehicles are needed to deliver efficient and effective services. However, all motor vehicles, including electric vehicles (EVs), discourage people from active travel due to safety concerns and because they take up the majority of road and kerb space.
19. As service providers the council will need to react to new ways of travelling. Other modes like cycling (docked and dock less), e-bikes, cargo bikes and e-scooter hire have the potential to reduce the reliance on motor vehicles and encourage alternative ways of working.
20. Reducing the number of vehicles operating in the council's fleet and ensuring it procures the correct type of vehicle are key objectives whilst also ensuring that service delivery is not adversely affected.
21. A robust fleet selection process has been developed for services to ensure;
 - That services will be encouraged to consider alternative forms of travel before opting for a vehicle replacement.
 - That the need to procure/replace vehicles is supported by a service director approved business case.
 - That vehicles will be 'fit for purpose' to ensure that the council continues to deliver reliable services and ultra-low emission vehicles where possible.
 - That the vehicles provided deliver maximum economy and efficiency.
 - That reductions in emissions are achieved to support the council's target of zero carbon emissions by 2030.
 - That the performance of the vehicle fleet will be maximised through the training of drivers and use of telemetry and other technological aids.
22. In recommending a service director approved business case for vehicles the council will ensure appropriate consideration and rigour is applied to the selection process and will facilitate the need for ongoing review of Climate Change, Finance, Service and Fleet Officers and alignment with corporate aspirations.
23. The outlined fleet selection process will identify what are the optimal number of vehicles required to satisfy service delivery (either existing or redesigned), and the correct type of vehicle for that purpose. All with the appropriate specification and credentials.

24. The Council Delivery Plan includes a commitment to reduce operational emissions by 50% by 2026. While fleet is a comparatively small emitter when compared to say buildings, the principle of a reduction in numbers of vehicles and the distance they drive (therefore reducing emissions) is therefore strongly supported in council policy.
25. Appropriate branding and communications in relation to the new commercial fleet will be designed and agreed through the communications officer and in line with the council's communication protocol.

Vehicle Supply Market

26. Manufacturers are investing heavily in alternative fuels. They have their own targets to achieve in this regard. The current legislation is for no new internal combustion engine (ICE) cars to be sold in the UK beyond 2030. Current governmental policy discussions may push this back to 2035. Similarly, no hybrid car and no petrol or diesel commercial vehicle is to be sold after 2035, with a date of 2040 for trucks.
27. The vehicle manufacture market has, for many years, been characterised by over-supply and heavy discounting. This has certainly been the case with cars and light commercial vehicles up to 5 tonnes. It has been common practice for clients to historically order vehicles safe in the knowledge they will likely arrive in approximately 12-16 weeks. This is not the case now. Vehicle lead times can be 10-18 months, irrespective of size or value of vehicle.
28. The current vehicle marketplace is summed up by demand outstripping supply, not because demand has massively risen but because capacity to supply has been hindered. There are several reasons for this, and manufacturers will point to Covid-19, the war in Ukraine, Brexit impact, a shortage of semi-conductors, a shortage of ships and shipping containers being in the wrong part of the world.
29. Manufacturers are reacting to the imbalance between demand and supply not by increasing supply, but by attempting to dampen demand. Many have increased prices, others have reduced discount levels, some have done both, others have closed their order books altogether.

Procurement options and assessment

30. The UK fleet supply chain is very large and mature. Over the years many options for commercial fleets have been developed each with their advantages and disadvantages.
31. The key differences can include: the overall cost and payment profiles, additional services provided and levels of risk.
32. There are five main forms of fleet procurement.
 - Outright purchase – own funds

The council buy the vehicles and have full ownership rights.

- **Conditional Sale/Hire Purchase**
The council buy the vehicles and assume full ownership rights on completion of an agreed payment plan.
- **Contract Purchase**
A flexible 'keep or return' option based on timed payments aligned with vehicle capital cost, interest, expected residual values and final 'balloon' payment.
- **Finance Lease**
Comparable to the Conditional Sale / Hire Purchase approach but the vehicle is returned to the Lessor.
- **Contract Hire**
The most common form of supply. The Lessor provides the vehicle, ensures compliance and undertakes all maintenance and repair functions. The vehicle is returned at the end of the agreed lease period.

33. A detailed appraisal of each of the forms of procurement has been completed and is attached in Appendix 2. A summary of main considerations are set out below in Table 4.

Option	Key considerations
Outright purchase	Council owns the vehicles
	Council funds from capital or borrowing
	Council arranges support / maintenance services separately
	Council takes the risk on damage and residual values
Conditional Sale/Hire Purchase	Council owns the vehicles upon completion of the payment term
	Council pays the owner of the vehicle plus interest
	Council arranges support / maintenance services separately
	Council takes the risk on damage and residual values
Contract Purchase	Council can own vehicles upon payment of a "balloon payment" or vehicle owner sells
	Payments only cover depreciation and charges
	Council arranges support services / maintenance separately
	Council takes the risk on any shortfall in residual value

Option	Key considerations
Finance Lease	Council (usually) never owns the vehicle
	The lessor will take most of the risk (and charge accordingly)
	Council has the risk of cost of disposal
Contract Hire	Council never owns the vehicles
	Vehicle owner is a fleet management company not financial institution
	Vehicle owner has relationships with manufacturers and distributors
	Vehicle owner can provide all maintenance, repair, and related services
	Costs met from council revenue budgets

Table 4

34. It is important that the situation is regularly reviewed to ensure that the chosen arrangements maximise the benefits to the council.

External Procurement

35. There are a large number of procurement frameworks available and these are the usual route used by local authorities seeking to replace their vehicle fleets. They consolidate otherwise disparate purchasing and can provide economies of scale and cost savings that, independently, Southwark Council are unlikely to be able to access.
36. Due diligence is undertaken when a Public Contract Regulation (PCR) compliant framework agreement is established. Suppliers' expertise, reliability, contract support and quality both pre- and post- agreements is assessed. As such, users can be confident in the suppliers accepted onto the framework. Additionally, social value and carbon neutral objectives are included within the selection criteria.
37. It is proposed that the procurement of vehicles, associated service, maintenance and management is via existing framework agreements. In doing so we will avoid the significant administrative burden of contract and specification design and tender management and the associated time for preparation, procurement and delivery of a bespoke fleet procurement process.
38. The various frameworks available for the provision of vehicles offer:
- Vehicles of all fuel types including electric, hybrid and hydrogen derivatives along with petrol, diesel and hybrid combinations.
 - The complete range of vehicle sizes and types; light, medium and heavy commercial vehicles including refuse collection and street management.

39. Framework users can also access a wide range of bespoke vehicles and conversion services including specification design, body build, testing and associated maintenance needed for the specialist types such as cherry pickers or caged tippers.
40. The framework selection will form part of the Gateway 1 process. Due to framework lengths and periods of operation and our expected replacement phasing, the framework access may span 2 contract periods.
41. To enable economies of scale, value for money, technical, operational and corporate compliance with any vehicle procurement and use in the council, it is vital that the Fleet Services Business Unit lead and manage future contract compliance.

In-Source

42. The council currently provides its overarching fleet management service using an in-house team. This team provides the corporate control as well as professional and technical support to council services.
43. Whilst vehicle purchase or lease considerations are relatively straight forward based on financial appraisals, consideration to the associated ongoing maintenance and compliance management of the vehicles is complex.
44. Existing additional supplied arrangements for all vehicles include:
 - Routine maintenance and servicing
 - Safety & Compliancy inspection and testing.
 - Annual MoT testing (as required).
 - Replacement of all parts, tyres (incl. rapid response puncture repair), batteries and exhaust systems for fair wear and tear.
 - All other repairs (excl. collision damage, vandalism, theft or driver negligence).
 - 24-hour, 365-day breakdown and recovery.
 - A replacement vehicle as required for all of the above situations.
45. Ultra-low emission vehicles require servicing and maintenance that are very different to that required for traditional vehicles. As the current fleet is contract hire including maintenance the council does not have any delivery requirements or capability, so would have to either create the capability from scratch or enter into complex servicing arrangements with third-party maintenance providers.
46. Currently Southwark Council does not have the infrastructure (specialist workshops, depot space), vehicle capacity (replacements), the required safety compliance arrangements (inspectors, specialist repairers) required expertise (technicians, mechanics, fitters) or the available supply chain to meet the required service standards.

47. Whilst it is not cost effective and highly likely to negatively impact on service efficiency to build our own delivery capability, through any procurement process the council are able to support local repair services and support the local economy by identifying and signposting suppliers to be considered in any prospective arrangements.

Shared Service Delivery

48. The proposed approach for the use of framework agreements in the procurement process allows for London local authorities to access economies of scale and cost savings if required.
49. Review of the current status and delivery models of 12 London local authorities demonstrate that there are few opportunities beyond sharing technical reviews and advice.
50. The London Borough of Greenwich, with viable workshop facilities with any possible geographical link to Southwark has externalised their facilities 'arm's length' to a trading company. Aside from the operational challenges of their location they currently serve 550 vehicles and could not facilitate an additional 300+ vehicles from Southwark Council.

Market considerations

51. Current expenditure of c. £2m per annum is based in contract hire rates secured between 2017 and 2020 and current ad-hoc rates for spot hire. There has been considerable inflation in vehicle manufacturer pricing. Additionally, there has been dramatic Interest rate rises in the past 18 months.
52. A completed soft market testing of similar vehicles by type or size indicates vehicle purchase cost rises of up to 41% for smallest increase (tipper) through to 84% in the worst case scenario (medium van) in the period of our existing vehicle contracts.
53. When procuring new, proposing zero emission vehicles carry a cost premium against internal combustion engines. This premium ranges from c. 30% for the most basic of vehicle (car) to over 135% for the largest of vehicles (Refuse vehicle). An outlier includes a 270% premium should Southwark choose to procure electric skip lorries.
54. A combination of these market factors are certain to have an adverse financial impact on service users against their existing fleet expenditure / budgets.
55. The visibility of timing of future pricing increase or decrease due to the manufacturer issues set out in paragraph 28 is largely unknown.

Vehicle Options

56. In respect of the standard small and medium sized standard vehicles, most of the major manufacturers provide viable zero emission vehicle options,

including Peugeot (e-Partner and e-Expert), Vauxhall (e-Combo, e-Vivaro) and Ford (e-Courier and e-Transit). There are also emerging electric versions of the 3.5 tonne cage tipper available. Any selected will be tested for performance and suitability.

57. For the bulk of Southwark's commercial fleet, given the required mileages, there are a range of vehicle options available that can be relied upon to be operationally effective and can be selected via the standard vehicle procurement processes.
58. The electric vehicle options for the heavier and specialist vehicles is not as well advanced. There are some vehicle categories where no appropriate electric alternative currently exists (such as gulley suckers) and there are other vehicle categories where the electric vehicle alternative does exist but is very much in its infancy (such as compact sweepers) and must be tried and tested by end users prior to ordering.
59. Whilst there are alternatives to electric vehicles, such as Hydrogen Fuel Cell vehicles, the practical aspects of delivering the required refuelling and delivery infrastructure are more costly and complex, and in the medium term are operationally unviable.
60. Hydrogen technology is emerging and will provide another option to replace internal combustion engine fleets in the coming years. Given the normal daily range requirements for Southwark however, there is little benefit (and more cost) over pure electric vehicles, which themselves will be more than adequate for the fleet replacement programme in the coming years. Paragraph 66 reflects the infrastructure need.
61. Hydrated Vegetable Oil and other biofuels are claimed to significantly reduce greenhouse gas emissions and can be used either alone or as part of a blend with diesel. They require no adaptation to existing diesel-powered vehicles and are seen as a way of reducing the environmental impact of large vehicles (for which there are no readily available electric-powered alternatives).
62. The vehicle selection process allows for consideration of all engine and power types with an identified hierarchy headed by electric vehicles but including diesel and petrol when necessary.

Infrastructure

63. The council's Electric Vehicle (EV) plan is currently in production. This document will set out the overall approach to EV infrastructure across the Borough, with a focus on public charging infrastructure.
64. As part of the EV Plan a commitment has been included to develop depot based charging to ensure there is a balance and provision of infrastructure need against zero emission vehicle selections in any procurement. This commitment will not be without challenge including depot space, electricity grid capacity, possible service impacts and associated installation cost.

65. Southwark Council currently has no agreed supply chain or infrastructure for the distribution, at pump, of Hydrated Vegetable Oil (HVO). It is however committed to exploring the technology and associated cost / benefit of adopting it for use.
66. There is a limited existing infrastructure supporting Hydrogen fuel cell refuelling in the UK; there are currently 12 hydrogen fuelling sites across the UK, the nearest ones to Southwark are at Rainham, Teddington and Heathrow, but these remain far enough from the borough to render them impractical to use on a day-to-day basis.

Decommissioning Services

67. Existing contract hire arrangements have built in policy and specifications for decommissioning and return of the current fleet and cessation of any associated service provision.

Policy Framework Implications

68. Streets For People - The council should seek to reduce its own vehicle needs and usage but, where necessary, will ensure any vehicles used are the most environmentally friendly to meet operational need. Any vehicle procurement will support the Streets for People Strategy and the council's aspirations regarding carbon neutrality and air quality improvements.
69. Climate Change Strategy - The Council adopted this strategy in 2021 with the stated objectives of become a carbon neutral borough by 2030. Latest data shows that 22% of all emissions in the borough are produced by transport, and a reduction in vehicles and mileage driven remains a key strategic priority. In support of this any procurement the council undertakes ensures:
 - Design and implementation of a strategic plan to trial low emissions vehicles into the HGV fleet.
 - Review and update fleet management guidelines to specify that certain vehicles must be Ultra Low Emissions Vehicles (ULEV)
70. Air Quality Action Plan - This strategy was refreshed in 2023 and includes the action that the council will continue to lead by example by making improvements in its own fleet.

Recommended Strategic Delivery Options

71. Based upon the information and details outlined in this report, the recommended strategic delivery options are that.
 - In line with the Public Contracts Regulations 2015 & Contract Standing Orders Southwark will access available appropriate framework agreements for its vehicle procurement

- That the vehicle selection principles set out in Paragraph 21 and 22 are applied to any prospective new addition to the Council's commercial fleet
- That any future maintenance, specialist support and supply chain requirements of commercial vehicles remains delivered by the mature fleet management market.
- That Fleet Services Business Unit procure and contract manage all commercial vehicles in use in the council.

72. Detailed analysis and the approach required to progress and deliver these options will be set out in a Gateway 1 report.

Identified risks for the recommended strategic options

R/N	Risk Identification	Likelihood	Risk Mitigation
R1	Affordability / Additional costs to services	High	Work with services to: -Reduce the number of vehicles required -Reduce the size and complexity of vehicles required. -assess vehicle costs on a whole life basis -Introduce measures to improve efficiency Constantly monitor prices and market developments. Regularly review the most economic procurement arrangements available to the council.
R2	Timescales for vehicle delivery	High	Undertake business case reviews as soon as possible. Simplify vehicle specifications wherever possible. Use time-efficient procurement methods.
R3	Cost of Infrastructure investment	High	Assess need and potential use of all council buildings and estates. Costed options appraisals produced. Potential use of existing and planned public charging network.
R4	Current Home Parking Arrangements (No EV Infrastructure)	High	Undertake a home charging pilot scheme. Gain access to the public charging network. Assess potential for charging within depots.

R/N	Risk Identification	Likelihood	Risk Mitigation
R5	Interest rates	High	Review of the cost of borrowing versus other funding methods at GW1 / 2
R6	Failure of existing vehicles whilst procuring new.	Medium	Ensure effective maintenance regimes are in place. Monitor costs and performance at an individual vehicle level. Ensure drivers are trained in eco driving. Have a responsive short term hire contract in place.
R7	Failure to meet reduction in operational emissions by 2026 (50%) and 2030 (100%)	Medium	Constantly seek to reduce the need for vehicles. Resolve charging infrastructure issues. Procure electric vehicles wherever it is possible and affordable to do so. Research other ways to reduce emissions e.g. use of bio fuels/HVO.

Key/Non Key decisions

73. This is a key decision.

Next Steps

74. Following completion of this GW0 process a GW1 - Procurement Strategy report will be prepared for the purpose of seeking approval to access the required framework agreements. Following this a series of GW2 reports will be prepared in order to secure approval to make awards under the frameworks to deliver appropriate, compliant and approved commercial vehicles across the council.
75. This report recommends that the future GW1 procurement strategy is approved by the Cabinet Member for Climate Emergency, Clean Air and Streets in consultation with the Cabinet Member for Cabinet Member for Homes, Communities and Finance. Doing so will enable Officers to deliver commercial fleet to services in line with business need and meet supply chain demands without any delay related to the Cabinet timetables.
76. The GW2 – Contract Award decisions will be smaller in spend size. This is due to procurement of vehicles taking place in tranches to match vehicle type and existing vehicle expiration dates. The overall cumulative spend will however reflect the detail set out in this report.

Service Delivery Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 0 decision on the Forward Plan	24/07/2023
DCRB Review Gateway 0	19/09/2023
CCRB Review Gateway 0	21/09/2023
Approval of Gateway 0: Strategic Options Assessment	17/10/2023
Scrutiny Call-in period and notification of implementation of Gateway 0 decision	31/10/2023

Community, equalities (including socio-economic) and health impacts.

Community impact statement

77. The recommendation set out in this report are not considered to have a disproportionate effect on any particular community group.

Equalities (including socio-economic) impact statement.

78. The recommendations set out in this report are not considered to have any significant adverse effect on socio-economic equalities. Further analysis will take place at the GW1 procurement stage.

Health impact statement

79. Vehicle exhaust emissions contain a range of toxic substances that can have a serious impact on health. Both short- and long-term exposure to such pollution can lead to a wide range of diseases, including stroke, chronic obstructive pulmonary disease, trachea, bronchus and lung cancers, aggravated asthma and lower respiratory infections.

80. The approach proposed in this options analysis paper provides a clear route to reducing emissions from the council's commercial fleet and the associated toxic substances.

Climate change implications

81. As part of any prospective suppliers' inclusion in framework/s to be used, Carbon Reduction Plans have been provided. This includes but is not limited to.

- Confirming the supplier's commitment to achieving Net Zero for their UK operations.
- Providing the supplier's current emissions for the sources included in Scope 1 (fuels, vehicles, air conditioning, production processes) and 2 (electricity acquired / used) and a defined subset of Scope 3 (indirect emissions)

- Providing emissions reporting in CO2e (Carbon Dioxide Equivalent) for the six greenhouse gases covered by the Kyoto Protocol
- Setting out the environmental management measures in effect, including certification schemes or specific carbon reduction measures you have adopted, and that you will be able to apply when performing the contract and that support achieving Net Zero

Social Value considerations

82. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing any procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured.
83. The use of framework solutions is designed to enable meeting social value and carbon reduction objectives. Typically, the social value considerations in the evaluation of the frameworks include, for example;
- Create new businesses, new jobs and new skills
 - Effective stewardship of the environment
 - Reduce the disability employment gap
 - Improve health and wellbeing outcomes
84. Any call-off mini competitions in relation to this procurement process will include social value in its assessment and evaluation. The council will also, if possible, include the requirement to make a financial contribution to an appropriate Southwark community organisation.
85. Minimising vehicle numbers and associated emissions in the council's public realm, housing repairs and waste and cleaning services will support resident cleaner and greener initiatives.

Economic considerations

86. It is not likely that local small and medium sized enterprises have the capacity to bid successfully for inclusion in fleet framework agreements to be used. 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

87. There are no specific social considerations. The London living wage is not applicable due to the supply nature of these contracts.
88. The proposed 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.

89. There are no equality implications associated with this options appraisal.
90. The council will ensure that any arrangement it enters 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.

Environmental/Sustainability considerations

91. As part of any 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 Ultra Low Emission Zone.
 - The council's commitment to reduce operational emissions by 50% by 2026.
92. As part of the replacement programme and our operational plans our driver training programmes supports smoother driving helping to reduce fuel consumption and CO2 emissions.
93. Ensuring we have specified regular maintenance and servicing schedules and daily vehicle checks will further reduce our carbon footprint.
94. Ensuring safe and efficient vehicles will keep our trained drivers, pedestrians and other road users safe. This isn't only good for individuals; it reduces pressure on the emergency and health services.

Plans for the monitoring and management of project

95. Any procured fleet and associated contract will be monitored and managed by the Fleet Services Team. Performance of providers will be closely monitored through agreed key performance indicators and reviewed at regular contract meetings. Regular feedback will also be sought from the end user business units.
96. Annual Performance Reports of any contract performance will be prepared and shared at appropriate Contract Review Boards in line with contract standing orders.
97. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author will ensure that all appropriate details of future procurement are added to the contract register via the eProcurement System.

Resource implications

98. It is anticipated that managing any contracts resulting from this process will require no additional input from the Fleet Services Team and can be managed within existing staffing levels.

TUPE/Pensions implications

99. None

Financial implications

100. Due to the nature of this decision (options analysis) there are no direct financial investment implications. However, it should be noted that due to the current commercial fleet market when compared to previous procurement environments this process will lead to additional cost when at procurement GW2 stage, as signposted in paragraphs 51, 52 and 53.

101. For the purposes of estimation and indication of this a soft market testing exercise has been completed. Estimated increases on a like for like basis by service is set out in table 6. The indicative increases are variable due to the mix of vehicle types each service user has and the time of procurement.

Service Area	Current Annual Costs (£ -'000)	Estimated Annual Cost (£ -'000)	Indicative % Increase	Notes
Asset Management Services	226	246	9	Whilst there are significant increases in light vehicles savings will be made in spot against contract hire specialist vehicles
Building Services (BS)	571	1,212	112	This is due to a disproportionate market increase in medium vans of which BS have 131.
Emergency Planning	3	8	115	1 medium van
Handy Persons	7	16	115	2 medium van
Housing Services	18	20	11	
Libraries	9	17	47	Includes Large van
Parking / Markets	11	21	93	Includes medium van

Service Area	Current Annual Costs (£ -'000)	Estimated Annual Cost (£ -'000)	Indicative % Increase	Notes
Parks Services	20	32	38	Cars & Small Vans
Pest Control Services	68	129	49	Small vans only
Sheltered Housing	5	8	38	Cars only
Social Services	17	24	38	Transporter
Temp Accommodation	17	29	41	Small & Large vans
Tree Section	35	49	29	Tippers
Wardens	10	17	41	Cars
Waste and Cleansing	988	1,168	18	Whilst there are significant increases in light vehicles savings will be made in spot against contract hire HGVs
TOTALS	£2,005	£2,996	49	The whole fleet

Table 6

102. It should be noted that future service design minimising fleet requirements will positively impact on the identified 'like for like' costs. Service's fleet requirements will be rigorously assessed in line with the principles set out in paragraphs 19-23.
103. It should also be noted that the information in table 6 is indicative and will have factors such as numbers, type, bodywork amendments, power source and payback / contract period all effecting the final arrangements and cost.
104. There will also be, yet to be determined, savings in relation to running costs (diesel to electric) and savings in transferring from spot to permanent contract hire.

Investment implications

105. In achieving the expansion of the zero emission vehicles in use by the council, costs associated to the infrastructure installations required will need to be supported. Methods to be explored will be external funding (for shared public facilities), partnership working with Charge Point Operators, internal capital investment and service absorption. The council's EV Plan considers a range of funding models for roll out of EV charging infrastructure, particularly rapid charging, that will be developed in the year ahead.

Legal implications

106. Please see concurrent from the Assistant Chief Executive (Governance and Assurance)

Consultation

107. The following internal groups have been consulted as part of this options appraisal process.

- Climate Change & Sustainability
- Principal service users of Traded Services, Waste & Cleaning and Building Services.

Other implications or issues

108. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance

109. This report highlights a number of key considerations that need to be addressed, amongst which are:

- a. The Councils Co2 reductions of 50% targets by 2026
- b. The Councils vision to shift modes of transport (including for service delivery) to other modes of active travel i.e., cycling, walking and EV.
- c. The rising cost of vehicles that could potentially affect the Councils fleet cost if service delivery stayed "as is".
- d. The limited capacity of the Fleet service to accommodate alternative fleet delivery modes, compared to the current methodology, which entails Contract Hire which includes maintenance etc.

110. The report is recommending that the principles set out in Paragraphs 19-23 is applied to any prospective additions to the Council's fleet.

111. The report identifies that the cost implications (due to prevailing circumstances in the market) is expected to increase by 49% on a like for like basis. This would increase the cost of Council fleet by c£1m if there are no mode shift. It is anticipated that some of this would be offset by reduction in fuel and other associated costs. If there is a move to EV's, the infrastructure costs i.e., charging points etc. would also need to be factors into any future GW reports.

112. The Strategic Director of Finance and Governance is broadly in support of the reducing emissions approach, recommends that ahead of any future procurement, a fleet (reduction) strategy needs to be developed that ensures our approach on fleet links to & supports other strategies; identifies when & why we would use vehicles; and identifies the most economically

advantageous mode of delivering further services, which could include, but should not be limited to the current “Contract Hire” mode.

113. In addition, the GW1 report needs to address the mitigating of any additional costs pressure, i.e., via fleet reduction or any other cost effective combination.
114. Finance Officers will continue to assist and give advice to client officers as the procurement progresses.

Assistant Chief Executive (Governance and Assurance)

115. This report seeks approval of the strategic options assessment for delivery of the commercial fleet procurement and to delegate the decisions to approve the Gateway 1 procurement strategy and associated Gateway 2 contract awards for the required light commercial, specialist and heavy goods vehicles to the Cabinet Member for Climate Emergency, Clean Air and Streets, in consultation with the Cabinet Member for Homes, Communities and Finance.
116. Under the council’s Contract Standing Orders, a pre-procurement/gateway 0 report is required for any service contract with an estimated contract value of £10m or more, or other strategically important contract for services, goods or works where requested by the relevant cabinet member. The decision to approve this report is reserved to the relevant cabinet member, after consideration of the report by the Corporate Contracts Review Board, but the cabinet member may choose to refer the decision to Cabinet.
117. Paragraph 71 sets out the recommended strategic delivery options, and subject to the cabinet approving the recommendations in this GW0 report, a GW1 report will be brought for approval in due course, which will set out a detailed analysis and the approach required to progress and deliver these options. Legal officers from Governance and Assurance will continue to assist and give advice to client officers as the procurement progresses.

Head of Procurement

118. This report seeks approval of the Gateway 0 strategic options assessment for delivery of commercial fleet procurement for Southwark Council, and to delegate the decisions to approve the Gateway 1 procurement strategy and associated Gateway 2 contract awards for the required light commercial, specialist and heavy goods vehicles to the Cabinet Member for Climate Emergency, Clean Air and Streets, in consultation with the Cabinet Member for Homes, Communities and Finance. In accordance with the council’s Contract Standing Orders, decision must be taken by Cabinet, following review by DCRB and CCRB.
119. Headline options associated with the proposed strategic options assessment are contained within paragraphs 30 - 34.
120. Headline risks associated with the proposed strategic options assessment are contained within table at the end of paragraph 72.

121. Alignment with the Fairer Future Procurement Framework (FFPF) is evidenced, specifically via confirmation of commitment to Net Zero (paragraph 81) together with the content of paragraphs 77 - 94 more generally.
122. Proposed methodology for performance/contract monitoring is detailed within paragraphs 95 - 97. The report also confirms that an annual performance review will be provided to the council's DCRB and CCRB in alignment with council Contract Standing Orders.
123. The Community, Equalities and Health Impact Statements are set out in paragraphs 77 - 80.
124. The Climate Change, Social Value, Economic and Environmental / Sustainability statements are set out in paragraphs 81 - 94.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
Appendix 1	Fleet Replacement Timetable
Appendix 2	Fleet Procurement Options

AUDIT TRAIL

Cabinet Member	Councillor James McAsh, Climate Emergency, Clean Air & Streets	
Lead Officer	Caroline Bruce, Strategic Director of Environment, Neighbourhoods and Growth	
Report Author	Mick Lucas, Head of Traded Services	
Version	Final	
Dated	9 October 2023	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive (Governance and Assurance)	Yes	Yes
Director of Exchequer (For Housing contracts only)	No	No
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 2023