

Item No.	Classification: Open	Date: 13 March 2024	Meeting Name: Cabinet Member for Climate Emergency, Clean Air and Streets.
Report title:		Gateway 1 - Procurement Strategy for Commercial Fleet.	
Ward(s) or groups affected:		All	
From:		Strategic Director for Environment, Neighbourhoods and Growth.	

RECOMMENDATIONS

1. That the Cabinet Member for Climate Emergency, Clean Air and Streets in consultation with the Cabinet Member for Communities, Democracy and Finance approves the strategy outlined in this report for the use of the framework agreements Halton Housing (2020/S 110-268523, Halton Housing (2021/S 012-026456) and Crown Commercial Services (RM6268) and any frameworks replacing them as set out in paragraphs 51-52 to seek competitive quotes for the provision of the council's new commercial fleet requirements at an indicative total value of between £14m to £22m for a maximum period of six years.
2. That the Cabinet Member for Climate Emergency, Clean Air and Streets notes the options to retain some of the existing fleet through a Gateway (GW) 3 contract extension as set out in paragraphs 27-33

BACKGROUND INFORMATION

3. This procurement strategy is for the delivery of light commercial, heavy goods and specialist vehicles to the council.
4. The estimated value of expenditure is based on a range for all vehicles replaced with Internal Combustion Engine (ICE) types for a period of five years through to all vehicles replaced with an all-electric fleet for six years. The fleet make-up is expected to be a combination of both power sources.
5. In October 2023 cabinet approved the Gateway 0 - Strategic Options Assessment for Commercial Fleet Procurement. The link to which is listed in the appended background documents.
6. As part of this Gateway 0 process, cabinet agreed the following recommended strategic delivery options.
 - In line with the Public Contracts Regulations 2015 & Contract Standing Orders Southwark will access available appropriate framework agreements for its vehicle procurement
 - That a set of robust fleet vehicle selection principles 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 the Fleet Services Business Unit procure and contract manage all commercial vehicles in use in the council.
7. As part of that same Gateway 0 the Leader approved the recommendation to delegate 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 Communities Democracy and Finance.
 8. 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.
 9. 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.
 10. The council operates a commercial fleet of around 330 vehicles. Actual vehicle numbers vary depending on service need.
 11. The commercial fleet is currently provided under contract hire arrangements with Lex Autolease, Essential Fleet Services and LeasePlan UK (Rebranded ALD Automotive LeasePlan from December '23).
 12. These arrangements were all for an initial period of five years and approved through the required GW 2 process in June 2017 (Lex Autolease), August 2017 (Essential Fleet Services) and May 2018 (LeasePlan UK).
 13. Additionally, through an approved GW3 process the above contract hire agreements were extended for a period of 24 months. Meaning the commercial fleet continues to be provided through these original agreements that remain in force.
 14. 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.

Summary of the business case/justification for the procurement

15. The requirement for operational vehicles for efficient and effective service delivery remains. 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 approved GW 1 arrangements to be put in place for future commercial fleet procurement.
16. The operational life expectancy of vehicles and contract hire agreements which include maintenance, legal compliance and roadworthiness are due to expire in either 2025 or 2026. This procurement strategy will maintain operational vehicles for delivery.

17. One of the cabinet agreed recommendations set out in the Fleet Procurement - GW0 is that any future maintenance, specialist support and supply chain requirements of commercial vehicles remains delivered by the mature fleet management market.

Market considerations

18. There has been considerable inflation in vehicle manufacturer pricing in the past two years and interest rates have risen dramatically and sharply over the same period.
19. Whilst the electric vehicle market is maturing in some vehicle categories, it is still quite new in others. Lessors are more comfortable setting residual values with established products where they have visibility of historical disposal data. As such, there is a natural tendency for a degree of caution with entering the unknown.
20. Southwark may do well to proceed cautiously and prudently if adopting greater numbers of electric vehicles and de-risking the residual value position to third-party lessors and therefore the pass through of risk and cost to them. This is one sought by many local authorities when introducing electric vehicles into their fleets.
21. Vehicle prices, interest rates and lessor residual-value positions remain uncertain. Southwark, like many authorities, will repeat the financial analysis at the time of actual fleet procurement, to review and re-test any funding method at the point of vehicle number and specification certainty.

KEY ISSUES FOR CONSIDERATION

Future service requirements and outcomes

22. 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.
23. A robust fleet selection process has been developed for services to ensure that services consider alternative forms of travel before opting for a vehicle replacement and that the need to procure/replace vehicles is supported by a service director approved business case.
24. Any procured vehicle will be 'fit for purpose' to ensure that the council continues to deliver reliable services and ultra-low emission vehicles where possible, providing maximum economy and efficiency.
25. Fleet Services remains mindful that an isolated financial (capital Vs revenue) analysis for the provision of a commercial fleet will exclude important interdependencies. Comparing funding method alone discounts operational considerations such as required multiple support services, contract management and required infrastructure. All will need to be factored into the final decision.
26. The fleet selection process will identify 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 to provide reductions in emissions to support the council's target of zero carbon emissions by 2030.

Existing Contract Extensions

27. Each of the current call-offs carry a different number and mix of vehicle type. Due to the nature of the range of delivery dates for individual vehicles, there is no singular individual start and stop date for individual call off contracts.
28. Through an agreed GW 3 process, the then Strategic Director for Environment and Leisure approved the individual variations of extension for all four contracts for 24 months as follows.

Report Date	Lessor / Contract	First Delivery Date	Last Delivery Date	First End Date	Last End Date	Agreed Extension (Jan '23)
June 2017	Lex Autolease	05.03.18	15.10.18	March 2023	October 2023	October 2025
August 2017	Essential Fleet Services	26.01.18	14.09.18	January 2023	Sept 2023	Sept. 2025
May 2018	LeasePlan UK	17.09.18	25.09.18	September 2023		Sept. 2025
Nov 2018	LeasePlan UK	17.06.19	26.09.19	June 2024	Sept 2024	Sept. 2026

29. Through market assessment and market testing, there is a marked increase in the costs associated to commercial fleet procurement since the last completed procurement by the council. This market increase of costs is across all procurement models; purchase, lease and contract hire.
30. To enable reduction in the impact of these costs, while not guaranteed to be accepted, officers are proposing to work with current contract hire suppliers and services users to negotiate contract extensions to a number of suitable vehicles.
31. An example of indicative savings is set out below. This is an appropriate example as the costs associated to this service area are met by the Housing Revenue Account.

E.G - Building Services

Descriptor	Number	Existing cost per month	Indicative cost per month*	Existing Annual Cost	Indicative Annual Cost
Medium Van	93	£373	£782	£416k	£873k
Renew All - Indicative Increase				£457k	
Possible extension scenario					
Descriptor	Number	Existing cost per month	Indicative cost per month	Indicative Annual	
Medium Van (retained)	50	£373		£224k	
Medium van (new)	43		£782	£404k	
Indicative annual spend				£628k	
Renew All - Indicative Increase				£457k (£873k -£416k)	
Renew Part - Indicative Increase				£212k (£628k -£416k)	
Possible one year saving				£245k	

*Like for like existing diesel comparison

32. This possible 'extension of existing' approach and the associated detailed analysis required will need to be timed with the procurement for new commercial vehicles. This approach may also be duplicated across other service areas.
33. Following acceptance in principle by the current suppliers and confirmation of the suitability of any extension, including a review and balancing of continuing contractual specification, service need, operational effectiveness, financial implications, possible savings and emissions impact, a compliant GW 3 extension to the existing contract will be prepared for approval by the Strategic Director Environment, Growth and Neighbourhoods.

Options for procurement route including procurement approach.

34. 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.
35. In determining the most beneficial procurement route for a commercial fleet there are two major considerations, which are as follows:
- 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 - to procure vehicles using lease or hire arrangements or to purchase vehicles outright.

Type of Procurement Contract

36. There are two main types of procurement contract the council can use to purchase, lease, contract hire commercial fleet: either a bespoke contract with single or possibly multiple suppliers; or by using established national framework agreements. Tables 1 and 2 below set out the characteristics and relative merits of each type of contract.

Table 1 – Bespoke Contract	
Pros	Cons
Can be written to reflect the particular terms and conditions, specifications / vehicle types and key performance indicators required by the council.	<p>Lengthy Public Contract Regulation 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 range's 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 2 – Framework	
Pros	Cons
<p>National framework agreements have already been through a Public Contract Regulation compliant procurement process so there is no contract procurement process required of the council.</p> <p>Use of 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 51 below) which will be sufficient to procure the different types of vehicle required</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> <p>It is more likely that the framework agreements available will help the council benefit from development of more efficient vehicles.</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>

37. Based on the analysis of the two main types of contracts 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 one or all of the national framework agreements that have been identified for the procurement of commercial fleet.

Ownership

38. Outright Purchase - There are many positives in outright purchase of a commercial fleet including complete flexibility on retention of the asset, ability to modify without third party consent, ownership of the asset from day one and disposal proceeds coming back to the

authority. With these pros come some cons. These include overall depreciation, total management and administration, road tax and retention of all the risk or associated additional cost (residual value, reliability, maintenance).

39. Hire Purchase (Conditional Sale) - The overall principles are identical to outright purchase, but payments against the capital cost are made monthly/quarterly to the Finance-House lender, to repay an amount of the capital cost and interest, which is normally quoted at a fixed, flat rate. This essentially is only a cash-flow variation on outright purchase.
40. Lease purchasing is essentially a development of the options above, but here the full capital cost is not paid off during the period of operation. At the start, recognition is made of the likelihood of a material residual value to be achieved when the vehicle is sold, so any payments only cover the anticipated depreciation and funding charges.
41. The council currently operates a fleet of around 330 commercial vehicles and as part of Appendix 1 we have identified a possible capital investment need of c. £12.3m to c. £17.3m to meet total purchase costs. These figures are total vehicle capital cost for an all ICE (£12.3m) fleet and an all-electric fleet (£17.3m). The reality is that the future make-up of the fleet will be a mixture of both and any capital used will attract a funding interest rate (internal borrowing / Public Works Board) increasing the payback total beyond the purchase price.
42. Procurement of vehicles through purchase requires capital investment 'in-year' or up-front (subject to purchase method). As a result of selected procurement method or as vehicles age and require replacement there could be a requirement for an on-going capital allocation annually or at five or six year intervals.
43. The practical requirements of operating a purchased commercial fleet are different, more wide-ranging and demanding than for operating a contract hired / 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.
44. 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 could be necessary to set up to six separate contractual arrangements to cover requirements such as tyres, windscreens, safety inspections, replacement vehicles, servicing/maintenance and breakdown.
45. To mitigate this and market test the possible cumulative costs of purchase plus administration and associated maintenance the option of accessing 'Managing a buyer's own fleet' framework has been included in the recommendations.
46. 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 GW2 whole-life cost calculations, estimates will be made of the value of the receipt from disposal using industry guides. However, there is currently uncertainty about the proceeds that would be achieved. This may mean there is a level of risk in relation to the whole-life cost calculations for operating a purchased fleet.
47. Leasing or contract hire 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. Contract hire 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.

48. The commercial fleet is currently provided through contract hire arrangements. Every business unit using vehicles as part of their service delivery, already has an established revenue budget to support the associated operating costs which they are familiar with. However, market assessment has identified that associated costs could increase by 49% on average across the total commercial fleet.
49. With the support of the Fleet Services team 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, savings or required budget increases.
50. As set out commercial vehicles can be procured through lease / contract hire agreements or outright purchase and the financial merits of all will be considered at GW2 stage where all specific detailed implications of procurement and operation will be measured and compared.

Existing Public Sector Frameworks

51. The following existing frameworks for purchase, lease and contract hire of fleet have been identified for use

Name	Period	Lots Available	Other Details
Halton Housing (2020/S 110-268523)	May 2020 to May 2024	Purchase <ul style="list-style-type: none"> - Cars - Light commercial Vehicles (LCV) - Sweepers - Medium & heavy commercial vehicles (M&H CV) - EV Charging infrastructure Services <ul style="list-style-type: none"> - LCV conversions - M&H CV conversions - Telematics 	48 identified suppliers
Halton Housing (2021/S 012-026456)	Dec 2020 to Dec 2024	Supply of Vehicles Under Short Term, Flexi and Termed Contract Hire <ul style="list-style-type: none"> - Cars - Light commercial Vehicles (LCV) up to 5000kg GVW - Commercial Vehicles exceeding 5000kg GVW - Specialist vehicles (flatbeds, cherry pickers, cranes, RCVs, road sweepers, hook loaders, gritters, jettors, gulley emptier etc.) 	30 identified suppliers Possible additions included but not limited to <ul style="list-style-type: none"> - tracking, tow bars, pipe carriers, roof racks, inverters, ply lining, tool chests, livery and signage.

Crown Commercial Services (RM6268)	Feb 2023 to Feb 2027	<p>Vehicle Lease</p> <ul style="list-style-type: none"> - cars - Light commercial vehicles, - medium & Heavy commercial vehicles <p>Managing a buyer's own fleet.</p> <ul style="list-style-type: none"> - managing the servicing maintenance and repair of vehicles - fleet administration tasks - fleet policy delivery - driver training and risk assessment services 	34 identified suppliers (incl. nine fleet management services)
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52. Halton Housing have confirmed new tender documents have been prepared and or issued, ensuring there will be no void period between ending the current frameworks and the commencement of new ones. The working reference to the replacement of the existing purchase framework (2020/S 110-268523) is HH14761 and will run continuous to the existing.

53. All framework agreements allow for availability of all fuel types available to purchase, lease or contract hire including electric and hybrid.

Proposed procurement route

54. The proposed procurement route for provision of commercial fleet is to use existing national framework agreements set out in paragraph 51 that are accessible to public sector bodies. This proposal includes the use of new framework agreements that replace the existing framework agreements when they expire during the next two years.

55. An evaluation model used at GW 2 stage as well as meeting operational needs will include a detailed financial analysis including funding options analysis, in-life vehicle operational costs, whole life costs and any disposals. All in line with detail set out in paragraphs 66-69

Identified risks for the procurement

56. Risk Table

R/N	Risk Identification	Likelihood	Risk Mitigation	Residual Risk
R1	Affordability / Additional costs to services	High	<p>Work with services to:</p> <ul style="list-style-type: none"> -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 <p>Constantly monitor prices and market developments. Regularly review the most economic procurement arrangements available to the council.</p>	Medium

R2	Framework agreements currently available will expire over time.	High	The fleet framework agreement market is well-established. Framework contracts that have previously expired have been replaced with new framework agreements and are generally re-procured ahead of time.	Low
R3	Timescales for vehicle delivery	High	Undertake business case reviews as soon as possible. Simplify vehicle specifications wherever possible. Use time-efficient procurement methods. Understand market capacity and wait times	Low
R4	Cost of any required 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.	Low
R5	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.	Medium
R6	Interest rates	High	Review of the cost of borrowing versus other funding methods at GW2 Possible revenue implications identified for service managers.	Medium
R7	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.	Low
R8	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.	Low
R9	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	Business units will be required to address this risk as part of the vehicle ordering process. Potential for unwanted vehicles to be reassigned to other business units instead of ordering new vehicles. Contract position (in extension) allows for early return.	Low

KEY /NON KEY DECISIONS

57. This report deals with a key decision.

Policy Framework Implications

58. 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.

59. 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)
- 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.

60. Procurement of fleet will naturally take into account the requirements to comply with London's Ultra Low Emission Zone (ULEZ)

PROCUREMENT PROJECT PLAN

Activity	Complete by:
DCRB Review Gateway 1:	06/03/2024
CCRB Review Gateway 1:	07/03/2024
Brief relevant cabinet member (over £100k)	22/02/2024
Approval of Gateway 1: Procurement strategy report	27/03/2024

61. The project plan relates specifically to the GW1 element of this procurement. This is due to the unknown timing, sequencing and definition of vehicle type and batches to be drawn down from the proposed frameworks.

62. When the detail of specifications and numbers is defined it will form part of one or more appropriate GW2 reports.

TUPE / PENSIONS IMPLICATIONS

63. There are no TUPE/Pension implications.

DEVELOPMENT OF THE TENDER DOCUMENTATION

64. 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 51 above will be reviewed to ensure they were fit for purpose and in keeping with Public Contract Regulation compliant procurement. (See also Legal Implications section of this report below.)

ADVERTISING THE CONTRACT

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

Evaluation

66. 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 51 above as part of the Public Contract Regulation 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.

67. As part of the GW 2 process the standard framework terms and conditions, master lease / purchase 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.

68. 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.

69. An analysis of any framework 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, equalities (including socio-economic) and health impacts

Community impact statement

70. 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, this report is not considered to have a community impact arising from it.

Equalities (including socio-economic) impact statement

71. The recommendations set out in this report are not considered to have any significant adverse effect on socio-economic equalities.

Health impact statement

72. 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.

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

Climate change implications

74. 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

75. 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.

76. 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

77. Any call-off mini competitions in relation to this procurement process will wherever possible 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.

78. 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

79. 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.

Environmental/Sustainability considerations

80. 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.

81. 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.

82. Ensuring we have specified regular maintenance and servicing schedules and daily vehicle checks will further reduce our carbon footprint.

Plans for the monitoring and management of the contract

83. 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.

84. Annual Performance Reports of any contract performance will be prepared and shared at appropriate Contract Review Boards in line with contract standing orders.

85. 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 this procurement are added to the contract register via the eProcurement System.

Staffing / procurement implications

86. It is anticipated that managing framework contracts and vehicles supplied in the format of lease or contract hire there will not be any increased input required from the existing Fleet Services Team.

87. Should, following financial analysis, the procurement route chosen include capital investment and vehicle purchase, administrative capacity will need to be built for the ongoing management of support services such as, replacement vehicles, tyre renewal, windscreens, planned maintenance and breakdown (recovery & repair).

88. To allow for capacity to be built outside of the existing Fleet Services Team framework RM6268 (Para 54) has been identified in this strategy document therefore allowing flexibility in our decision making. This would regardless mean that the Fleet Services Team would need to manage and supervise an additional contract / supplier. The impact of which would require detailed assessment.

Financial implications

89. Due to the nature of this decision (seeking approval for framework agreement access) 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 paragraph 48.
90. The provision of the council's new commercial fleet requirements is an indicative total value of between £14m to £22m for a maximum period of 6 years.
91. The estimated value of expenditure is based on a range for all vehicles replaced with Internal Combustion Engine (ICE) types for a period of 5 years through to all vehicles replaced with an all electric fleet for six years. The fleet make-up is expected to be a combination of both power sources.
92. With multiple scenarios available with a possible mix of purchased vehicles (supplemented with management contracts) and contract hires combined with a range of electric and internal combustion engines procured across one, two or three contracts, over a five or six year operational period precise financial implications are difficult
93. 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 appendix 2. The indicative increases are variable due to the mix of vehicle types each service user has and the time of original procurement.
94. Indicative spend per annum is estimated at c.£3m. It should be noted that this spend is based on a like for like replacement (ICE engines) and the hoped for introduction of electric vehicles in some vehicle types will increase annual costs.
95. Market testing has shown an average of 27% in the capital cost of electric vehicle in the car and van ranges. This would play through over and above the £3m estimated spend set out in the above.
96. Due to the complexities set out in paragraph 92 and the source of each of these scenarios the estimated spend through these frameworks is not available.
97. Fleet Officers are working closely with Service Users in identifying vehicle specifications and the expected increase in costs for their respective areas. Costs which will need to be met from existing budgets.

Investment implications

98. 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 year.
99. As a result of mini tender / competitions through the identified frameworks expenditure for fleet related operational costs will increase for services utilising commercial vehicles.

100. While any finalised implications will be identified pre-order and pre-gateway 2 Fleet Services are working closely with service areas to not only identify their commercial fleet requirements but also the possible financial impacts of their decisions.

101. Should any of the procurement decisions require the use of capital financing Fleet Officers in conjunction with Service User will work closely with Finance Officers to identify an appropriate route to use of capital reserves or prudential borrowing and the detail of any payments required of the end user.

Legal implications

102. Please see concurrent from the Assistant Chief Executive – Governance and Assurance.

Consultation

103. 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

104. None other than those identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

105. This report seeks approval of the procurement strategy for use of the framework agreements set out in paragraphs 51-52 to seek competitive quotes for the provision of the council's new commercial fleet requirements at an indicative total value of between £14m to £22m for a maximum period of six years. The report also requests that the Cabinet Member for Climate Emergency, Clean Air and Streets notes the options to retain some of the existing fleet through a future Gateway 3 report and decision as set out in paragraphs 27-33

106. The indicative value of the proposed contracts to be awarded via the identified framework agreements is individually and cumulatively above the minimum threshold for supplies and services as covered by the Public Contracts Regulations 2015 (PCR2015) and the report provides detail of compliance with salient aspects, including identification of the available framework agreements at paragraphs 51-52 and a summary of the proposed procurement route at succeeding paragraphs 54-55. Additional detail in regard to the review of individual framework suitability and evaluation is contained within paragraphs 66-69. Regulatory requirements for conclusion of, and entry into and access of, framework agreements are covered by regulation 33 of PCR2015 and section 5 of the Council's Contract Standing Orders (CSOs) specifically. The report is also consistent with the council's Contract Standing Orders generally, which reserve decision to approve the recommendation 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 following review at DCRB and CCRB.

107. Headline risks associated are contained within table following paragraph 56, and note, the nature of the relevant framework agreements identified, and their anticipated renewal, to ensure the council has requisite contractual coverage over the six year period envisaged (R2).
108. Alignment with the Fairer Future Procurement Framework (FFPF) is evidenced generally within the content of paragraphs 70-82 and note that use of framework agreements is designed to enable alignment with wider public sector social value and carbon reduction objectives and other salient council outcomes as detailed within the FFPF at paragraph 76.
109. Proposed methodology for performance/contract monitoring is contained within paragraphs 83-85, namely through regular monitoring and review meetings. The report also confirms that an annual performance review will be provided to the council's DCRB and CCRB in alignment with council CSOs.
110. The Community, Equalities and Health Impact Statements are set out in paragraphs 70-73.
111. The Climate Change, Social Value, Economic and Environmental / Sustainability statements are set out in paragraphs 74-82.

Assistant Chief Executive – Governance and Assurance

112. This report seeks approval of the procurement strategy for the provision of the council's new commercial fleet requirements, involving the use of the framework agreements detailed in paragraph 51, for a maximum period of six years. The report also requests that the decision maker notes the options to retain some of the existing fleet as set out in paragraphs 27-33, by way of a variation of current contractual arrangements which will be obtained following the presentation of a future Gateway 3 report.
113. The report notes that the indicative individual and cumulative value of the contracts which are proposed to be awarded using the framework is above the advertising threshold for supplies and services prescribed by the Public Contracts Regulations (PCR) 2015. The council is authorised to access the frameworks described at paragraph 51, all of which have been procured in compliance with the PCR and this means that it is not necessary to conduct a discrete publicly advertised competitive exercise. However, as advised in paragraph 68 the council is likely to seek quotations for specific vehicles via a mini-competition amongst the framework suppliers. The outcome of such exercises will be confirmed in one or more Gateway 2 reports.
114. The recommendations of this report are also consistent with other relevant domestic legislation and with the council's Contract Standing Orders, and as noted in paragraph 7 the Leader has previously approved the delegation of the decisions to approve the Gateway 1 and Gateway 2 recommendations to the Cabinet Member for Climate Emergency, Clean Air and Streets in consultation with the Cabinet Member for Communities Democracy and Finance, after consideration of those reports by the Departmental and Corporate Contract Review Boards.
115. The Public Sector Equality Duty set out in section 149 of the Equality Act 2010 requires the council, when making procurement decisions to have due regard to the need to:
- a. Eliminate discrimination, harassment, victimisation or other prohibited conduct.

b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not.

c. Foster good relations between those who share a relevant characteristic and those that do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Public Sector Equalities Duty (PSED) also applies to marriage and civil partnership, but only in relation to (a) above.

The community and equalities impact statements of this report explain the reasons why the recommendations are not considered to have any adverse effect or impact on any section of the community or socio-economic equalities.

Strategic Director of Finance (ENG23/172)

116. This report is seeking approval from the Cabinet Member for Climate Emergency, Clean Air and Streets of the proposed strategy outlined in this report for the use of the framework agreements set out in paragraphs 51-52 to seek competitive quotes for the provision of the council's new commercial fleet requirements. It also asks the Cabinet Member to notes the options to retain some of the existing fleet through a GW3 contract extension as set out in paragraphs 27-33.

117. The Strategic Director of Finance notes that the financial implications resulting from this report will form the subject of a future GW2 report and that the report will also include the fleet reduction plan as mentioned in paragraph 8 as well as clarity as to how the new fleet will help met the council Carbon reduction target of 50% reduction by 2026 as outlined in paragraph 26 and 80.

118. It is noted that as part of the GW2 report, a full analysis of the most economically and financially advantageous options will be articulated, and that no decision has been made at this point on the best option to pursue. Given the significant financial pressures on the council's Housing Revenue Account (HRA), financial viability will need to be prioritised over any other factors in relation to vehicles procured for Asset Management and Building Services. This may result in an extension of existing arrangements as described in the "Existing Contract Extensions" section of this report.

119. It is anticipated that the report will also cover funding options where the future costs cannot be contained within existing budgets. This may include, but is not limited to fleet reduction, additional charges for services delivered by such fleet, as well as spreading the cost of the asset over a longer period were it is deemed possible and in the best interest of the service.

120. Finance Officers will continue to assist and give advice to client officers as the procurement progresses.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 0 - Strategic Assessment - Commercial Fleet Procurement	Fleet Services Copeland Road Depot	Mick Lucas 020 752 1140
https://moderngov.southwark.gov.uk/documents/s116747/Report%20GW0%20-%20Commercial%20Fleet%20Services.pdf		

APPENDICES

No	Title
Appendix 1	Vehicle Capital Costs
Appendix 2	Estimated Cost Increases

AUDIT TRAIL

Lead Officer	Toni Ainge - Strategic Director of Environment, Neighbourhoods and Growth	
Report Author	Mick Lucas – Head of Traded Services	
Version	Final	
Dated	13 March 2024	
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
Cabinet Member for Communities Democracy and Finance	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes

Cabinet Member for Climate Emergency, Clean Air and Streets	Yes	Yes
Date final report sent to Constitutional /Community Council/Scrutiny Team	12 March 2024	