

Item No.	Classification: Open	Date: 14 April 2011	Decision Taker: Cabinet Member for Transport, Environment and Recycling
Report title	Gateway 2 – Contract Award Car lease hire framework agreement for council employees		
Ward(s) or groups affected	None		
From	Strategic Director of Environment		

RECOMMENDATION

1. That the Cabinet Member for Transport, Environment and Recycling approves the award of the car lease hire framework agreement for Council employees to the following three companies: Automotive Leasing, Lex Autolease (previously Lloyds TSB Autolease) and Hitachi for four years from 1 July 2011.

BACKGROUND INFORMATION

2. This framework agreement is required to deliver the Council's car lease scheme for employees. In order to maintain best prices, call-off contracts are awarded to three different companies and each is asked to quote for all cars provided. There is no commitment to maintain any level of spend with the companies.
3. The actual cost to the Council will vary depending on the take-up of the scheme by eligible members of staff and by any modifications that Members may make to eligibility arrangements.
4. This arrangement has no extension provision.
5. This report is a key decision. The report is on the Forward Plan for a decision in April 2011.

Timetable of procurement process followed

Activity	Planned date
Approval of Gateway 1: Procurement strategy report	7 November 2006
Invitation to tenders	8 January 2009
Closing date for return of tenders	20 February 2009
Closing date for return of 'missing' tender	31 July 2009
Completion of evaluation of tenders	End November 2009
Completion of further financial checks	11 May 2010
DCRB Gateway 2: Contract Award report	27 May 2010
CCRB Review Gateway 2: Contract Award report	17 June 2010
Notification of forthcoming decision – Five clear working days	April 2011
Approval of Gateway 2: Contract Award Report	April 2011
Scrutiny Call-in period and notification of implementation of Gateway 2 decision and Alcatel Standstill period <i>Note: You should allow a minimum of 8 clear working days. This is subject to the decision is called-in the timetable will need to be adjusted accordingly.</i>	April 2011

Activity	Planned date
Contract award	April 2011
Add to Contract Register	May 2011
Contract start	1 July 2011
Place award notice in Official Journal of European Union (OJEU)	July 2011
Contract completion date	30 June 2015

Description of procurement outcomes

6. The outcome of this procurement process will provide a good selection of leading car leasing companies to supply cars for staff eligible for the Council's car leasing scheme backed up by nationally recognised emergency breakdown providers and a good range of local garages and tyre maintenance companies.
7. This framework replaces the existing contractual arrangement with Automotive Leasing and Hitachi.
8. The Council makes a specific financial contribution to the lease of each vehicle with the member of staff funding any shortfall in the monthly cost.
9. The size of the Council's lease car fleet has been stable for the last three years and is currently standing at 372 vehicles. With change to staff numbers it is expected that this figure will decrease over time.
10. It is not possible to compare efficiencies that will arise from this contract as the total price paid will depend on the make and model of car selected by each employee at a given time. In practice however there is little or no financial difference to the Council as its contribution remains constant subject only to the number of staff who take up the scheme. Price competitiveness should be increased though having three rather than the previous two providers for the contract. The contract will deliver emission target savings.
11. Once a member of staff has identified the vehicle they wish to lease the three companies will each be asked by the Sustainable Transport Team to provide a quote for that vehicle thereby ensuring that pricing remains competitive.

KEY ISSUES FOR CONSIDERATION

Policy Implications

12. The procurement of arrangements for the leasing of cars for staff eligible for the car leasing scheme is in line with the Council's current staff car leasing policy. Leased cars are provided primarily to staff who are essential users in order for the better performance of their role. They are also provided as an optional recruitment and retention initiative for hard to fill roles. The Council makes a fixed financial contribution to the cost of the car based on the grade of the member of staff and the employee pays for all remaining costs. Through the scheme staff have greener cars which are new and regularly serviced so pollution is minimised. Generally through the Council's travel plan, staff are encouraged to use public transport, walk or cycle as much as possible.

13. In setting out the Council's fleet requirements, the contract takes account of the Mayor of London's air quality strategy and the Council's own air quality plan. The Council has a strong track record of promoting green fleet based on its green fleet policy which aims to minimise the environmental impact of all its fleet vehicles. The policy endeavours to achieve this through setting objectives that both reduce local emissions and take into account the global effects of its transport fleet.
14. As part of this policy the Council only allows staff to lease the more environmentally friendly cars. To this end, employees are required to choose cars with a maximum emission level of 150 g/km CO₂ and this is given effect through this contract.
15. A lease contract arrangement provides the Council with flexibility over a reasonably short time frame and does not tie it into purchasing vehicles which will age, no longer provide best industry practice and depreciate in price. The leasing option also affords flexibility in that the Council is not required to commit to any specific minimum level of spend and is therefore well placed to respond to changing circumstances.

Tender Process

16. The previous car leasing contract formally completed in March 2006. A new procurement was not started due to the expectation that the car lease scheme would be amended or removed. A Gateway 1 report taken to the then Chief Officer Team (COT) operating as a Contracts Review Board in February 2006 was not approved. Instead the COT agreed that the existing contract should continue whilst a policy review was undertaken to determine whether the car-leasing scheme should be continued at all. This policy review was to take account of the impact of both the Council's Green Travel plan and the role of the car-leasing scheme in supporting recruitment and retention. The outcomes of the policy review were to be considered by COT prior to further consideration of the procurement strategy.
17. Following completion of this review the Executive approved a new GW1 procurement strategy for this contract on 7 November 2006.
18. There followed a significant gap as the ITT was not issued until January 2009 and the subsequent evaluation process not completed until spring 2010. This has been due to a number of contributory factors including:
 - Ongoing policy consideration and reflection by members and senior management as to whether the car lease scheme would continue including a review of any potential impact that the Council move to Tooley Street may have on the provision of cars for staff
 - Review of car leasing and fleet services provision and structure between September 2008 – May 2009 including a review of potential of joining a pan-London consortium arrangement
 - These factors have been compounded by the ongoing long-term sickness of the lead officer.
19. Although the contract was not formally varied by way of a gateway 3 report the then Head of Service approved the continued use of the existing contract whilst these matters were resolved.

20. The contract was advertised in the OJEU and trade press in July 2008. The advert and the tender documentation stated that the Council was seeking to award to three providers. 12 pre-qualification questionnaires (PQQs) were returned. In order to meet what was at the time considered to be a challenging timetable and in the knowledge that many companies express an interest in fleet contracts but usually few subsequently submit tenders, it was decided to invite tenders from all companies passing a preliminary assessment of their technical capacity and to complete the full PQQ assessment only for those subsequently tendering.
21. The following five companies submitted tenders:
- ALD Automotive
 - Automotive Leasing
 - Hitachi
 - Lloyds TSB Autolease, and
 - Venson.
22. After the tenders had been opened in accordance with procurement guidelines but before they had been evaluated, it was discovered that another company, Ogilvie, that had been shortlisted had not been sent the tender documentation. Following internal legal advice this company was given an opportunity to bid which they subsequently did. Ogilvie's tender was then evaluated at the same time as the other tenders.
23. The completion of the evaluation process has been subject to a number of further delays arising from the long-term illness of the Sustainable Transport Manager.

Tender Evaluation

24. An evaluation panel comprising the Sustainable Transport Manager supported by an external consultant and members of the departmental procurement team undertook the evaluation.

Compliance

25. The car leasing market is one in which some companies will routinely reject contract conditions submitted by local authorities in favour of their own or that of a third party finance house. In the view of the Council's Sustainable Transport Manager this does not represent good value for the Council and places it in a far weaker position that would be the case if the Council continues to require its own contract conditions to be used. To this end a method statement asked bidders to confirm acceptance of the Council's conditions and the evaluation criteria expressly stated that a failure to pass compliance criteria would prevent the tender submission from going forward for further assessment.
26. Two companies, Venson and ALD failed to comply with this requirement. Both companies were therefore deemed to be non-compliant.

Quality Assessment

27. Tenderers were required to complete eight method statements worth 60% of the overall evaluation marks and covering the key aspects of the contract such as delivery arrangements, car maintenance services, emergency breakdown services, end of hire arrangements etc. Method statements carried different weightings to reflect the different levels of importance attached to each area. There were no minimum score thresholds that tenderers were required to meet. Each method statement was evaluated as follows:

- 0 = No submission
- 1 = An unsatisfactory response
- 2 = Only some information meets the requirements
- 3 = A satisfactory response which meets the minimum requirements
- 4 = Meets all the requirements
- 5 = Meets all the requirements and offers additional value for money.

28. Two companies Hitachi and Automotive Leasing submitted method statements of high quality throughout; LexTSB Autolease also submitted a high quality bid but lost marks for an untailored response to environmental issues; Ogilvie scored less well in a number of areas.

29. The companies' quality scores are shown in the table below;

Quality – weighted scores out of 60

Method Statement	Automotive Leasing	Hitachi	LexTSB Autolease	Ogilvie
Delivery Arrangements (10%)	7	7.6	8.6	3
Management Arrangements (13%)	13	13	13	4.7
Replacement Tyre Service (7%)	6.6	6.6	6.6	6.6
Emergency Breakdown Cover (10%)	9.2	9.2	9.2	8.4
Environmental issues related to the service (8%)	8	7.4	2.4	2.2
Price Variation & Manufacturer support (5%)	4	5	4	2
End of Hire Arrangements (5%)	3.2	4.4	3.2	3.8
References (2%)	2	2	2	2
Totals	53	55.2	49	32.7

Price Assessment

30. Two elements based on a standard benchmark car list – based on a range of small, medium and larger cars available at that time of different makes and marques - comprised the pricing element of the tenders and these were awarded marks as set out below with the lowest bid securing the maximum score and a calculation then made to establish the scores of each of the subsequent bids.

- Charge for Specified Vehicles = 30%
- Excess mileage charges* = 10%

[*Council employees are required to set out the maximum number of miles they will drive per annum for the three years of their contract. If after the three years this sum is exceeded the leasing companies charge the Council employees a pre-determined sum for 'excess mileage'.]

Price Percentage Totals

31.

Company	Specified Vehicles (30%)	Excess Mileage (10%)	Total %
Automotive Leasing	29.9	9.5	39.4
Hitachi	27.3	10	37.3
LexTSB Autolease	30	6.7	36.7
Ogilvie	29.9	6.5	36.4

Price/Quality

32. Following the evaluation process, the evaluation panel's view is that the tenders submitted by Automotive Leasing, LexTSB Autolease and Hitachi represent the three Most Economically Advantageous Tenders, and it is therefore the recommendation of this report to award the contract to these firms.

Company	Quality (60%)	Price (40%)	Total %
Hitachi	55.2	37.3	92.5
Automotive Leasing	53	39.4	92.4
LexTSB Autolease	49	36.7	85.7
Ogilvie	32.7	36.4	69.1

Plans for the Transition from the old to the new contract

33. The award of the contract to Automotive Leasing, LexTSB Autolease and Hitachi will involve the addition of LexTSB Autolease as a new supplier.

34. As each individual car is leased from a different start date some individual vehicle lease periods will overlap the new contract and a number of vehicles will therefore remain leased from Automotive Leasing and Hitachi under the previous contract arrangements until their expiry date.

Plans for monitoring and management of the contract

35. The client management of the contract will be undertaken by the Sustainable Transport section. A range of Key Performance Indicators has been developed to monitor suppliers and their sub-contractors across a range of operational issues and targets. The contract also includes a requirement for self monitoring and reporting by the suppliers.
36. The KPIs include:
- Performance targets
 - Adherence to vehicle delivery dates and times
 - Compliance with vehicle specifications
 - Vehicle downtimes
 - Response times to information requests
 - Time taken for tyre repairs.
37. Performance will be reviewed at regular client meetings with the individual suppliers and reported monthly as part of the section's performance monitor that is produced for the Head of Sustainable Services.
38. The contract includes provision for defaulting poor performance and early termination where necessary.

Performance Bond/Parent Company Guarantee

39. The contract does not require the provision for a performance bond or parent company guarantee.

Other Considerations

Community impact statement

40. This report relates to the provision of cars for those members of staff eligible to be part of the staff car lease scheme and whilst many of the vehicles are used by essential car drivers in the execution of their jobs the contract does not directly impact on the community.

Sustainability considerations (including Economic, Social and Environmental considerations)

41. As set out above, the Council continues to require staff to lease the more environmentally friendly cars through this contract as employees are required to choose cars with a maximum emission level of 150 g/km Co2 down from the 185 g/km Co2 in the previous contract.
42. The contract states that the Council is committed to maintaining its policy of minimising the impact on the environment through its procurement strategy. To this end, contractors were requested to provide additional details of the effect on Co2 emissions and fuel economy resulting from existing technologies and innovations during the life of this contract and to provide quarterly reports on all aspects affecting the usage of the vehicles supplied including the calculation of benefits and costs.

43. The Council has a strong track record of promoting green fleet based on its green fleet policy which aims to minimise the environmental impact of all its fleet vehicles. The policy endeavours to achieve this through setting objectives that both reduce local emissions and take into account the global effects of its transport fleet.
44. The contract also requires that the selected service providers will
 - Ensure maximum fuel efficiency of vehicles
 - Minimise noxious engine emissions
 - Carry out the safe disposal of solid waste including used parts and tyres.
45. The leasing companies have each set out details of the local garages, workshops and tyre maintenance organisations that would act as their sub-contractors to maintain and repair the vehicles.

Market Development Considerations

46.
 - The successful tenderers are private organisations.
 - The successful tenderers have over 250 employees.
 - The successful tenderers have a national area of activity.

Staffing implications

47. The letting of this contract will not have any impact on internal staff resources. TUPE will apply although there are thought to be no TUPE implications arising from this procurement.

Financial implications

48. The predicted spend on this contract is based on a forecast of staff car leasing requirements over the next four years. The contract will not commit the council to any minimum or maximum level of spend. The cost of any future variations to the contract will be contained within the budgets of the user divisions and individual members of staff.
49. Assuming the level of requirements remains stable no additional funding will be required to meet the cost of the new contract. The primary budget will be managed by the in-house Sustainable Transport service unit (Cost Centre code VC015) with costs recharged to individual drivers and service user cost codes.

Legal Implications

50. In November 2006, the Executive delegated the award decision for this contract to the IDM. As the Council's constitution has been amended, under the strong leadership model this decision was referred back to Cabinet. However, analysis of the anticipated spend relating to this contract shows the contract value will be below £4m and the award is therefore to be approved by the appropriate Cabinet member.

Consultation

51. There has not been any specific consultation with end users regarding the procurement of this contract. The Sustainable Transport Manager has been in liaison with Councillors, and senior management and HR managers regarding the car leasing scheme.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance (SB23062010)

52. The Strategic Director of Communities, Law & Governance (“SDCLG”, acting through the Contracts Section) notes the content of this report. The procurement process described within paragraphs 16 to 23 has met the requirements of the current EU Procurement Regulations and the Council’s Contract Standing Orders (“CSOs”) and the SDCLG has advised the report author and other officers throughout. The proposals for the management and monitoring of the framework and contracts (contained within paragraphs 35 to 38) are also in line with CSO requirements.
53. Owing to the estimated level of expenditure across the duration of the framework (which is limited to a maximum of four years under EU law), CSO 4.5.2(b) provides that the decision to approve the recommendation for award is one which is required to be taken by the relevant individual decision maker (the Cabinet Member), after taking advice from the Corporate Contract Review Board.
54. Paragraph 5 confirms that the decision sought by this report is a key decision as defined within the Council Constitution/CSOs and has been noted on the Forward Plan, which means that a decision to award will be subject to “call-in” scrutiny before it can be activated. CSOs also require that adequate expenditure shall have been identified and set aside before the contract can be awarded, and paragraphs 48 and 49 explain how this requirement is to be satisfied.

Finance Director (Env/ET/230610)

55. The interim head of the division has confirmed that there are no additional financial implications as a result of accepting the proposed framework agreement. The finance implications paragraphs 48 and 49 above also make clear that the cost of any future variation to the contract will be contained within the budget of the user divisions since the various divisional managers affected are aware of their resources and are expected to manage within them.

Head of Environment Procurement (MG23062010)

56. The gateway one report for this procurement confirmed that it met the criteria of an EU strategic protocol requiring that five tenders be sought following public advertisement. This report confirms that the process undertaken was compliant with both CSOs and relevant legislation.
57. Award was based on MEAT (most economically advantageous tender) using the then standard ratio for quality/price ratio of 60/40. The report details the results of the evaluation process, explaining the reasons for the significantly extended timeline.
58. Whilst there was not a wide margin between the companies on price there was a significant gap between the three highest placed bidders and the fourth placed bidder in terms of their responses to the quality criteria.
59. The report confirms the contract arrangements that will be in place, and it is noted that some dual contract management will be necessary as cars leased under the existing arrangement conclude their hire term.

Head of Human Resources (BN/2011)

60. The Head of Human Resources has reviewed this report.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Contract Files	Sustainable Transport, Manor Place Depot, 30 –34 Penrose Street London SE17 3DW	Matt Trott, Sustainable Transport Manager Tel: 020 7525 2481
Gateway 1 Report	Environment and Housing Procurement Section 160 Tooley Street	Mike Green, Head of Environment and Housing Procurement Tel: 020 7525 2356

APPENDICES

No:	Title:
1	Quality Evaluation

AUDIT TRAIL

Lead Officer	Gill Davies, Strategic Director of Environment		
Report Author	Mike Green, Head of Environment Procurement		
Version	Final		
Dated	April 2011		
Key Decision?	Yes	If yes, date appeared on forward plan	January 2011
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES /CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
Head of Procurement	Yes	Yes	
Head of Human Resources	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Officer			14 April 2011

BACKGROUND DOCUMENT – Contract register update

MANDATORY: Please complete the following details:

Contract Name	Car lease hire framework contract for council employees
Contract Description	Staff car leasing
Fixed Price or Call Off	Call Off
Contract Lead Officer (name)	Ian Smith
Contract Lead Officer (phone number)	020 7525 2481
Department	Environment
Division	Sustainable Services
Business Unit	Sustainable Transport
Estimated Contract Award Date	April 2011
Supplier(s) Name(s)	Automotive Leasing LexTSB Autolease Hitachi
Contract Total Value	£3.5m
Contract Annual Value	£875,000
Contract Start Date	1 July 2011
Contract Review Date – 18 months before initial contract end date	December 2013
Initial Contract End Date	30 June 2015
Contract End Date if extension options utilised	30 June 2015
Number of Contract Extensions	Nil

OPTIONAL: If available, please complete the following details:

Services/Supplies/Works Contract – delete as appropriate. EU CPV Code – if appropriate and available	Supplies 34100000-8
SAP Vendor Number	TBC

APPENDIX 1

Criteria	Score Breakdown	Max Available Points	Weighting
Contract Compliance requirements	<ul style="list-style-type: none"> • Form of Tender Completed Correctly and Signed • Acceptance of Conditions of Contract • Compulsory Pricing Schedule Completed in Full • Legitimate Qualifications of Tender 		Pass/Fail
Price	• Specified Fleet	30	40%
	• Excess Mileage	10	
Quality (Method Statements)	• Delivery Arrangements	10	60%
	• Management Arrangements	13	
	• Replacement Tyre Service	7	
	• Emergency Breakdown Cover	10	
	• Environmental issues related to the service	8	
	• Price Variation & Manufacturer support	5	
	• End of Hire Arrangements	5	
	• Additional Information	2	
Total		100	