

Cabinet Member delegated decision

Decision Due: 25 August 2016

Report title: Vehicle Leasing Contract

Wards: All

Report Authorised by: Jackie Belton, Strategic Director for Corporate Resources

Portfolio: Cllr Paul McGlone – Deputy Leader, Finance and Investment

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Category Manager for Energy & Corporate Services 020 7926 3591

Report summary

The Council currently has a contract for the provision of cars and commercial vehicles for business units which provide a range of services across the Council (details of vehicles are provided in the Business Case). All vehicles are leased on a four year term from date of delivery. This contract expired on 5th June 2016 and it is therefore proposed to put in place a new contract in order to ensure that the Council is able to replace the existing vehicle fleet when required. The first vehicle requiring replacement will be on 17th December 2016.

The Crown Commercial (CCS) framework Ref: RM3710 has been selected for the procurement of cars and commercial vehicles.

Finance summary

It is proposed to put in place contractual arrangements for the period 22nd July 2016 to 15th May 2019 when the proposed framework RM3710 terminates. Financial provision needs to be made in the contract for the four year period following 15th May 2019 to take account of any vehicles procured before the contract terminates i.e. until 15th May 2023.

It is estimated the cost of the contract for the period 22nd July 2016 to 15th May 2023 will be approximately £693k over the lifetime of the agreement.

Recommendations

- (1) To approve the use and application of the Crown Commercial Service 'Vehicle Lease and Fleet Management Services' Framework (CCS framework RM3710) for the duration of 22nd July 2016 to 15th May 2019 at an estimated cost £693k.

1. Context

- 1.1 The Council's business units provide a range of services to its residents through the four directorates. In order to ensure continued service provision it is vital that the respective business units have access to vehicles to support service priorities.

1.2 The Council's current framework agreement expired on 5th June 2016 and it is proposed to put in place new contractual arrangements to ensure business continuity. The proposed framework terminates on 15th May 2019 and allows vehicles to be procured upto this date. It should be noted that each vehicle will be covered by a separate lease agreement which will be in place for a four year period and therefore the arrangements could continue until 15th May 2023. The arrangement will allow the Council to conduct a mini-competition quotation using a range of service providers to secure value for money. There are no obligations for the Council to call-off from the framework or adhere to minimum vehicle quantity leasing requirements. The Council is however obliged to honour each four year lease arrangement or incur charges based on the outstanding period of the lease.

1.3 Individual business units in the Council determine their own service requirements and can benefit from the economies of scale associated with the framework arrangements. All costs associated with the leasing of vehicles are met by the individual business units through a service level agreement with the Procurement division.

1.4 This is a Gateway 3 Report.

2. Proposal and Reasons

2.1 It is proposed to implement a framework arrangement through the Crown Commercial Service. The framework will allow business units to define their transport requirements alongside corporate requirements and obtain competitive quotations for cars and commercial vehicles. The framework does not commit the Council to any expenditure beyond the vehicles it selects for a four year period. The estimated cost of the proposed contract is £693k based on the existing complement of vehicles that are now approaching the end of their four year lease term.

2.2 The first of the leased vehicles under the existing contractual arrangements is due to be returned to the service provider on 17th December 2016.

3. Finance

3.1 Under the proposed CCS framework vehicles will be procured based on the parameters set out in 3.2 to 3.6 of this report. The total costs of this procurement is likely to be in the region of £693k over the lifetime of the agreement running from 22nd July 2016 to 15th May 2019.

3.2 Vehicles will be leased based on the terms and conditions set out in the framework documentation. As a consequence the costs to the Council will not be capitalised and will be charged to revenue budgets.

3.3 Vehicles will be provided by service providers based on the Council's specific requirements. Business units will make budgetary and operational decisions for the appropriate fuel type i.e. diesel, petrol, hybrid or electrically powered vehicles.

3.4 Quotations will be invited from service providers based on a written request from the relevant business unit manager. Evaluation of quotations will be based on price.

3.5 All Business Units will be required to enter into a Service Level Agreement (SLA) with Procurement which will require business units to take responsibility for any costs associated with the vehicle. All costs will initially be met by Procurement prior to being recharged to business units making use of the service.

3.6 On an annual basis procurement will provide Finance a balance sheet with details of the total lease liabilities.

4. Legal and Democracy

4.1 The Council has delegated the authority to enact this report's recommendations to the Cabinet Member for Finance. Before exercising that authority, the approval of the Procurement Board should be obtained.

4.2 Procuring via a mini-tender from a properly procured framework is compliant with the requirements of both the Council's Contract Standing Orders and the Public Contracts Regulations 2006 provided the Council is named, or is part of an identifiable group cited, in the OJEU notice published in respect of the framework.

4.3 As soon as possible after making the decision to award the contract, the Council must provide a written notice to the unsuccessful bidders, naming the winning bidder and describing the characteristics and relative advantages of the successful bidder.

4.4 The notice also has to state when the 'standstill period' is expected to expire and the date before which the contracting authority will not enter into the contract.

4.5 This proposed key decision was entered in the Forward Plan on 10 June 2016 and the necessary 28 clear days notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

5.1 Business Units have been consulted on their proposed operational requirements for the forthcoming period. The consultation process has confirmed that the need for vehicles will continue in the foreseeable future.

5.2 The Deputy Leader (Finance) Councillor Imogen Walker has been consulted on the Business Case, Procurement Strategy and on this report.

6. Risk management

6.1 Two main risks have been identified. First, there are concerns relating to air quality and the impact of the environment. The proposed procurement will provide business units with a choice which will include Euro6 compliant diesel, petrol and electric vehicles. The

Euro6 compliant diesel provides the highest standard for particle emissions in the environment.

The second risk relates to an absence of a vehicle leasing contract which would result in business units developing their own arrangements with higher associated costs. This risk is being mitigated by consulting business units on their proposed operational requirements and using this procurement route to benefit from the economies of scale. The risk ratings for these are summarised below:

Risk	Likelihood	Impact	Score	Control Measures
Concerns over use of diesel vehicles and subsequent impact on Air Quality	4	2	8	Upon specification of their vehicle requirements, business units are able to select alternative fuel types including Euro6 compliant diesel, petrol and electric vehicles.
Absence of corporate vehicle leasing arrangements	2	8	6	Implementation of CCS framework RM3710 'Vehicle Lease and Fleet Management Services to eliminate alternative arrangements and benefit from economies of scale.

Key

Likelihood	Very Likely	4	Likely	3	Unlikely	2	Very Unlikely	1
Impact	Major	8	Serious	4	Significant	2	Minor	1

6.2 Analysis has been undertaken to determine the most economic lease duration, taking into consideration early termination charges applied for the longer 4 year lease term works out cheaper in comparison to the higher monthly rates of a shorter lease term. The comparison calculations for the 4 year lease plan (with application of an early termination charge) together with charges for the 2 year lease plan for common vehicles hired within the fleet are detailed below:

Peugeot Partner 750s BlueHdi 100 Van					Variance
	rate per month	Total hire for 24 months	Termination penalty	TOTAL	
24 month rate	179.58	4,309.92	-	4,309.92	
48 month rate	155.14	3,723.36	310.28	4,033.64	276.28
Peugeot Bipper 1.3 Hdi 80S Van					Variance
	rate per month	Total hire for 24 months	Termination penalty	TOTAL	
24 month rate	199.22	4,781.28	-	4,781.28	
48 month rate	136.28	3,270.72	272.56	3,543.28	1,238.00
Ford Transit Custom 105ps Low Roof Van					Variance
	rate per month	Total hire for 24 months	Termination penalty	TOTAL	
24 month rate	226.11	5,426.64	-	5,426.64	
48 month rate	189.45	4,546.80	378.90	4,925.70	500.94
Ford Transit MWB 350 105sp One Stop tipper					Variance
	rate per month	Total hire for 24 months	Termination penalty	TOTAL	
24 month rate	289.62	6,950.88	-	6,950.88	
48 month rate	263.23	6,317.52	526.46	6,843.98	106.90
Skoda Fabia 1.0 MPI 605 5dr Hatchback					Variance
	rate per month	Total hire for 24 months	Termination penalty	TOTAL	
24 month rate	84.38	2,025.12	-	2,025.12	
48 month rate	70.59	1,694.16	141.18	1,835.34	189.78

7. Equalities impact assessment

7.1 Equalities issues do not directly apply the vehicle leasing contract. Equalities impact assessments are the responsibility of business unit managers who determine their requirements based on their evaluation of service requirements.

8. Community safety

8.1 Not applicable.

9. Organisational implications

9.1 Environmental

The procurement will provide business units with a choice of vehicle and fuel types. This will include Euro6 compliant diesel, petrol and electric vehicles. The Euro6 diesel provides the highest standard of particle emissions in the environment for this fuel type.

A consultation was undertaken with business units and their respective requirements for the future as part of this procurement. The feedback received will be inputted into the Council's wider review of overall transportation requirements which will seek to incorporate considerations including the Council's Air Quality Action Plan, the imminent move to the New Town Hall facilities where there will be no car parking provision, and review of alternative vehicle arrangements such as car clubs.

9.2 Staffing and accommodation

The contract will be managed by the Category Manager for Energy and Corporate Services.

9.3 Procurement

The Gateway 2 Procurement Strategy was approved on 26th May 2016. The recommendation to approve the use and application of the CCS Framework RM3710 was accepted. As set out in 9.1 of this report business unit managers are able to select vehicles based on their operational requirements.

A separate part 2 is not required as there is no commercially confidential information available at this stage. A mini-competition quotation process will be undertaken with service providers on this framework and a selection decision will be made on the cheapest prices.

10. Timetable for implementation

Activity	Dates
Procurement Board	30 th June 2016
Decisions Online	17 th August 2016
Call-in Period	26 th August to 6 th September
Sign-off Gateway 3	7 th September

Contract Award	22 nd July 2016
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Report history	
Original discussion with Cabinet Member	01.06.16
Report deadline	N/A
Date final report sent	N/A
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	10.06.16
Key decision reasons	Expenditure in excess of £500k
Background information	
Appendices	None.

Audit trail				
Consultation				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Jackie Belton	Strategic Director	16/06/2016		
Martin Crump Finance	Business Partnering	01/06/2016	02/06/2016	
Michael O’Hora Legal Services	Enabling: Integrated Support	01/06/2016	01/06/2016	
Henry Langford	Enabling: Corporate Affairs	01/06/2016	01/06/2016	
Councillor Imogen Walker	Cabinet Member	09/06/2016	15/06/2016	
Councillor Paul McGlone	Cabinet Member			
Internal Officer Board	Date of meeting			
Procurement Board	30/06/2016	23/06/2016	05/07/2016	

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature _____ **Date** _____

Post Malcolm de Vela
Category Manager for Energy and Corporate Services

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature _____ **Date** _____

Post Cllr Paul McGlone
Deputy Leader, Finance and Investment

Any declarations of interest (or exemptions granted):

Issue	Interest declared
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