

Report of: Corporate Director of Housing & Adult Social Services

| | Date | Ward(s) |
|---------------------|--------------|----------------|
| Key Decision | 21 June 2018 | All |

| | | |
|------------------------------|---------------|-------------------|
| Delete as appropriate | Exempt | Non-exempt |
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SUBJECT: Procurement Strategy – Housing Repairs Fleet

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the fleet replacement programme for housing repairs vehicles in accordance with Rule 2.5 of the Council’s Procurement Rules.
- 1.2 A procurement via the TPPL Framework is required to replace the current Housing Repairs fleet with bespoke vehicles to meet the requirements of the services.
- 1.3 The tender will be divided into nine lots consisting of electric cars; flatbed tipper vehicles; medium sized long wheel base vans; medium panel vans; medium wheel base semi high roof vans; Cherry Picker scissor lift vehicle; small panel vans; medium sized short wheel base vans and short wheel base high roof vans. The lots are divided to ensure that the required award criteria can be met by contractors and the best value for money bid for vehicle type is achieved.

2. Recommendation

- 2.1 To approve the procurement strategy for the Housing Repairs fleet replacement as outlined in this report.

3. Date the decision is to be taken

21 June 2018.

4. Background

4.1 Nature of the service

The Housing Repairs Service delivers responsive repairs and maintenance to all 23,000 directly managed council homes across Islington. The service employs operatives from various building trades who deliver in the region of 70,000 maintenance jobs per annum.

In order to deliver an efficient and productive responsive repairs service our operatives need to be able to access locally situated buildings and carry materials, tools and plant in bespoke vehicles of the correct size and specification with racking, roof racks and other accessories.

Housing Repairs Service operatives are expected to operate the vehicles in the course of their work from their home residence. This prevents the need for a large vehicle storage area and its associated additional costs within the borough and also allows for the operative to drive direct to their first job each working day.

The Housing Repairs Service has an existing housing repairs fleet consisting of 115 transit sized vans, a bespoke glazing van, three cage tippers, 12 small vans and six electric cars for housing supervisors. There are also 11 short term hire vehicles for use when main vehicles are off the road for maintenance.

These vehicles were purchased at the point the Housing Repairs Service came back in house in August 2014. The vehicles have been extensively used on a daily basis and as a consequence many have now high mileage levels and are now considered in need of replacement but more importantly, the 115 transit sized vehicles were purchased to a standard specification which do not meet the particular needs of the individual trades which impacts the service provided to residents.

For example, some of the current vehicles in use are causing delay to housing repairs being carried out due to vehicle sizes being insufficient to carry the relevant materials. This is resulting in customers repairs not being carried out on a first time visit, frequent unnecessary re-stock journeys to suppliers and excess pressures on operatives resulting in downtime.

The current vehicles also do not meet the highest Euro 6 compliance standards for diesel vehicles, which will mean if the vehicles are not replaced with compliant vehicles, additional charges will be incurred for vehicle usage within the London T charge zone (also known as the Emissions Surcharge) and the forthcoming ULEZ (Ultra Low Emission Zone) emissions charges.

4.2 **Estimated Value**

For the proposed new fleet, a total of £1.7 million has been allocated from the 2018/19 Housing Capital Account to cover the period up until 2023 which is the expected life cycle of these high usage commercial vehicles before they require replacement.

The total estimated cost of replacing the existing vehicle fleet is £2.7m. We expect to generate resale funds estimated at between £987k-£1.27m from the existing vehicle fleet (based on an estimated resale value of between £7,000-£9,000 per vehicle) which will bring the estimated cost of the procurement within the £1.7 million allocated.

Priority purchases will replace both the existing hired vehicles and the highest mileage Transit sized vehicles, therefore minimising annual revenue costs for hire and maintenance. Wherever possible and practicable, alternative fuel vehicles will be considered for purchase, this could be, electric, petrol hybrid or CNG (Compressed Natural Gas) powered vehicles. There is likely to be a cost premium on these alternative fuelled commercial vehicles which, if purchased, will necessitate a reduction in the overall number of vehicles that can be bought to bring the total cost of the procurement within the allocated budget.

4.3 **Timetable**

The timetable for the completion of this procurement is to have the vehicles delivered between September and December 2018. Expected delivery times will be known at the point the tender is complete and will be part of the award criteria for the contract.

In order to meet this deadline, the procurement strategy needs to be approved no later than June 2018 to enable the tendering process to take place in June/July 2018 and award the contract August 2018.

Although the contract value exceeds the goods and supplies thresholds (£181,302,00) the procurement will be made through mini competitions via TPPL Framework which has been advertised via the Official Journal of the European union. Details relating to the TPPL frameworks to be used are as follows:

a) Hertfordshire County Council Vehicle Procurement Framework (Covering Cars, LCV's, MCV's, Sweepers, Plant & Grounds Maintenance equipment):

- Contract Notice - Contract notice HCC
- Contract Award Notice - Contract Award Notice HCC - 2015-OJS099-179555-en

b) Bath and North East Somerset Heavy Goods and Specialist Vehicle Procurement Framework:

- Contract Notice - HGV framework contract notice - 2013-OJS146-253373-en
- Contract Award Notice - HGV framework contract award notice FINAL

Building maintenance teams within the housing repairs service have been consulted on the individual specifications for the vehicles they need to deliver the most efficient and effective service to residents.

4.4 **Options appraisal**

Vehicle purchase and vehicle hire options were reviewed and considered. Vehicle hire would allow some flexibility on leasing arrangements with the emphasis being on the supplier of hired vehicles carrying out all maintenance and servicing activities for the vehicles. The experience of previous vehicle hire arrangements have though, provided concerns regarding the responsiveness of the supplier in providing operationally critical support services in a timely manner. It was therefore considered preferable to purchase vehicles, making use of the existing servicing and maintenance facilities for council vehicles based at Cottage Road.

The use of an existing TPPL framework agreement through mini competitions is the preferred route for this procurement, as this transport fleet procurement framework provides broad ranging competition between the primary commercial suppliers of vehicle fleet. Using the procurement framework should also provide a faster and more efficient procurement process, reducing procurement related costs for the council.

Collaboration on fleet procurement has been considered with other Local Authorities, but ruled out due to differing fleet requirements and differing stages of fleet life cycle. The same issues of differing fleet requirements and differing stages of fleet life cycle arise when considering an option for a wider Council procurement of vehicles across departments and services.

Serious consideration has been given to environmentally sustainable fleet vehicle options currently available within this market. The following options were reviewed for practical application in provision of the Housing Repairs Service:

4.5 **Electric Vehicles**

Electric vehicles are considered the most environmentally favourable option. However, research of the current commercial vehicle market has confirmed there are very limited electric vehicle options at present which meet the award criteria required to carry out repairs services. The existing electric medium sized short wheel base van options are non-existent at present. Manufacturers are planning to bring electric commercial models to market but they are still very much in development and are not available for fleet procurement at this stage nor expected to be brought to market for a number of years. In addition, the electric vehicles currently under development are only capable of travelling 80 miles on a single charge which unlikely to be sufficient for most operatives to travel to and from work and around the borough completing on average seven repair appointments a day without the need for top up charging during the working day.

Options for electric car models are better with a greater availability of suitable models. The Council's Housing Voids team currently operate six Nissan Leaf model electric cars and this team have access to two fast charging points located at the Brewery Road site.

The wider repairs service is limited in the provision of suitable electric recharging points and space within the car park at Brewery Road. When the Brewery Road building was refurbished during 2014 and the new vehicle charging points were installed, the repairs service was advised further expansion of vehicle charging points would be beyond the existing capacity of the electrical supply to the site.

The requirement for operatives to drive to and from their home base also limits the options for electric and hybrid vehicle usage. Operatives park their vehicles when not at work at their homes which are

spread across Greater London and the South East region. Operatives live in various property types many of which do not have allocated off street parking next to the property which would be needed for the installation of dedicated electrical charging facilities for their electric council vehicle. Operatives would also seek recompense for any costs of setting up charging points (some of which may be eligible for up to a 75% government grant, capped at £500) in their homes and for the costs of charging work vehicles from their own homes.

Public electric vehicle charging infrastructure within Greater London and the South East is still very limited and would require a strategic approach by local authorities and central government to support and facilitate a viable electric charging network which our operatives could use. According to the Islington council website there are only 17 locations around the borough with an existing electric vehicle public charging point: <https://www.islington.gov.uk/roads/electric-cars>

Of these only two charging points are listed as providing rapid charge (which are currently not available for use by council vehicles) with the others providing standard charge rates only-which are likely to take several hours to fully charge a vehicle. The council does intend to install up to 100 charging points across the borough per year but until these facilities are in place they cannot be used by the fleet and it is anticipated there will be increasing demand for these facilities from members of the public. Rapid charging points which can be easily accessed for significant periods of time by repair operatives in all parts of the borough would be essential to allow for operational efficiency of the workforce and ensure operatives could meet appointment commitments for customers.

4.6 **Hybrid Vehicles**

Hybrid options are also considered a favourable environmentally friendly option but recent market research has confirmed there are currently no commercial van hybrid options on the market. Plug-in hybrid van options will again have the same limitations as the fully electric powered van fleet options as set out above.

Due to being relatively new technology, both electric and hybrid vehicles have potentially higher maintenance costs, as the technology in the limited range of vehicle types has yet to be fully tested in the real work environment and the associated maintenance needs that require excellent and reactive material supply chains to support an efficient delivery of services may not be fully developed at this stage.

4.7 **CNG (Compressed Natural Gas) Vehicles**

Camden Council currently operates some vehicles using CNG technology, this is supported by a single CNG supply centre based in their borough. Islington is purchasing a limited number of vehicles that will be powered by CNG utilising the supply based at the Camden Depot as a trial. This will in part to look at the viability of CNG in a corporate setting and will be within the existing available capacity of the Camden supply.

The repair service considered this option as part of collaboration considerations. Unfortunately, the fuelling requirements of our large fleet, having only one source for refuelling CHG vehicles which is located outside the borough and the need for our operatives to drive their vehicles from home to work make this option unfeasible.

4.8 **Petrol Vehicles**

Petrol van fleet options were also considered as an alternative to diesel. Market research has demonstrated that petrol fuelled supply options for van fleet are limited. Only one commercial vehicle supplier (Volkswagen) currently has options on the market for transit type vehicles which use petrol as an alternative to diesel. Smaller courier van sized vehicles have a greater range of petrol fuelled models and will be preferable in this vehicle size range. Consideration of vehicle purchase costs will also be a factor in purchasing petrol vehicles, as they are on average £1000 cheaper per vehicle than equivalent diesel models. Miles Per Gallon is lower with petrol compared to diesel, yet petrol fuel costs are generally cheaper than diesel. We shall seek to purchase petrol fuelled vehicles as opposed to diesel when the vehicle award criteria is met.

4.9 **Diesel Vehicles**

Market research has demonstrated diesel powered vehicles are still the market standard for commercial van fleet vehicle procurement. Euro 6 Compliant Engines are the highest standard required for diesel based engines. Euro 6 is the name of the latest emissions regulations which set tough new limits for certain toxic emissions in diesel exhaust gases. Euro 6 compliant diesel vehicles are the cleanest diesel vehicles available and are less likely to be affected by any future diesel charges. Euro 6 owners don't have to worry about London's T-Charge and the forthcoming ULEZ emissions charges, which impose a fee for anyone driving older and dirtier diesels into the capital. The use of start/stop technology allowing the engine to stop while waiting in traffic and restart instantly when you press the clutch, makes further fuel savings and improves environmental impact.

The above options were all reviewed and considered for practicality in providing operatives with vehicles which are fit for purpose and at the same time meeting environmental challenges in reduction of pollution.

The service is very keen to make use of new technology in terms of electric / hybrid vehicle options but have reluctantly concluded that the existing vehicle provision from manufacturers for these vehicle types is currently not adequate and fit for our requirements. We also feel that the option of CNG powered vehicles is currently not suitable due to the limitations with sources of refuelling. On this basis, we are recommending the Petrol or Euro 6 compliant diesel options in this procurement for the main van fleet depending on vehicle specification requirements with consideration for petrol, electric / hybrid options for the small courier sized van and car fleet.

4.10 **Social Value and Impact on staff**

Social benefit clauses are believed to be limited due to the nature of the procurement. We will be investigating the inclusion of vehicle safety devices to help prevent collisions by assisting the driver whilst protecting workers, pedestrians and cyclists. We will also ensure environmental friendly systems like start/stop technology are standard in all vehicles. Other opportunities, particularly involving employment and training, will be explored.

London Living wage requirements will not be applicable due to the nature of this procurement.

Staff have been consulted on the vehicle specifications and have provided valuable input as part of the process for building the specifications. Scoring on the price, award criteria and warranty / aftersales service will include for best value in terms of vehicle servicing, maintenance, build quality and fuel consumption.

Environmental implications of purchasing these new vehicles include carbon emissions and congestion within the borough. Purchasing the most environmentally friendly models of the selected vehicles (where possible) will help reduce emissions due to improved fuel efficiency. An additional efficiency saving is made by the new proposed vehicles being able to hold more materials relevant to the trade, reducing the need for journeys to collect supplies and allowing repairs to be carried out on the first visit, so a repeat visit will not be required.

The current repairs IT system allows for smart scheduling of repairs jobs, minimizing journeys for operatives between properties. These measures should contribute to the reduction of carbon emissions and congestion within the borough

There are no TUPE, Pensions and Staffing implications due to the nature of this procurement.

4.11 **Evaluation**

Tenders are evaluated on the basis of the tenderers' price, ability to meet the award criteria, delivery time and warranty.

The award criteria in the procurement will be 60% price and 40% quality (made up of 20% award criteria, 10% delivery time, 5% warranty/aftersales and 5% environmental impact). The reason for this decision is that the cost of the contract is significant and there is an expectation that the general quality of the vehicles will be supplied to required vehicle standards.

4.12 Business Risks

The key risks identified associated with this procurement are:

| Risk | Likelihood | Impact | Priority | Mitigation |
|--|------------|--------|----------|--|
| Procurement is unsuccessful with no suitable supplier(s) being identified | Low | Medium | Medium | Existing vehicles will have to be maintained and operated for a longer period |
| The prices quoted by tenderers are higher than those paid for the existing fleet | Low | Medium | Medium | The proportion of new vehicles will reduce and a higher number of the existing fleet will remain in service. |
| The successful tenderer(s) pulls out of contract prior to start of the contract | Low | High | Medium | A second tender process with different suppliers would need to be undertaken. The service would need to continue using the existing fleet for longer |

A resident impact assessment has been completed for the delivery of the repairs service. No other service user involvement is considered necessary as the impact of this contract on residents is low.

4.13 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

4.14 The following relevant information is required to be specifically approved by the Procurement Board before decision.

| Relevant information | Information/section in report |
|---|--|
| 1 Nature of the service | Housing repairs service to 23,000 directly managed properties carrying out up to 70,000 jobs per year. See paragraph 4.1 |
| 2 Estimated value | The estimated total value of this procurement is £1.7m. See paragraph 4.2 |
| 3 Timetable | Approval of Procurement Strategy - June 2018 Mini-competition advertised - June/July 2018 Orders Placed - August 2018 to December 2018 See paragraph 4.3 |
| 4 Options appraisal for tender procedure including consideration of collaboration opportunities | The outcome of the option appraisal is for the procurement of 9 Lots specific to separate vehicle types to be procured through mini-competition un the TPPL procurement framework. Petrol vehicles will be preferable but decision must prioritise how vehicles meet service specification which may require purchase of some diesel vehicles. Electrical or hybrid vehicles will be considered for small vehicles. See paragraph 4.4 |

| | |
|--|--|
| 5 Social Value and Evaluation criteria | <p>The social value criteria applied to this procurement are primarily linked to minimising the impact of the new vehicles on the environment.</p> <p>The overall award criteria are 60% price and 40% quality.</p> <p>See paragraph 4.5 and 4.6</p> |
| 6 Any business risks associated with entering the contract | <p>Procurement is unsuccessful with no suitable suppliers or vehicles.</p> <p>The prices of the vehicles are higher than envisaged and the required number of vehicles cannot be purchased.</p> <p>The successful tenderer withdraws from the contract.</p> <p>See paragraph 4.7</p> |

5. Implications

5.1 Financial implications

The Major Repairs Reserve (MRR) has sufficient reserves to fund the fleet replacement. This takes into consideration funds generated from resale of the existing fleet being used for the replacement. Both lowest and highest estimated resale value positions have been considered.

Anticipated efficiency savings from the use of new vehicles compared to the existing vehicles, would result in long term reduced costs in the HRA.

5.2 Legal Implications

The Council may purchase fleet vehicles as are necessary for the proper discharge of its functions under section 111 of the Local Government Act 1972 which enables the council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Council has power to purchase fleet vehicles under the General Power of Competence set out in section 1 of the Localism Act 2011. Such purchases are not subject to any other statutory provision. The Council may enter into contracts for such services under section 1 of the Local Government (Contracts) Act 1997. The Executive may provide Corporate Directors with responsibility to award contracts with a value over £2 million using revenue money and over £5 million using capital money (council's Procurement Rule 16.2).

The proposed contract is a contract for the supply of goods. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £164,176.00 for goods contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also require contracts over the value of £164,176.00 to be subject to competitive tender.

The proposed procurement strategy is to use frameworks established by The Procurement Partnership Ltd (TPPL), details of which are set out in paragraph 4.3. These frameworks have been procured (or are in the process of being procured) in compliance with the Public Contracts Regulations 2015 and OJEU advertisement and they are available (or will shortly be available) for use by the council as proposed in the report. Therefore, the council may purchase vehicles from suppliers appointed to these frameworks in accordance with the provisions set out in the frameworks and associated call-off conditions.

In deciding whether to award specific contracts the Corporate Director for Environment and Regeneration should be satisfied as to the competence of the supplier to provide the goods and that the contract prices represent value for money for the Council.

5.3 **Environmental Implications**

Environmental considerations for this contract will include:

- The impact of diesel powered vehicles on the environment and the hazards posed to the local population is clear. On this basis the Council should, wherever possible purchase alternative fuelled vehicles to the following hierarchy:

Electric
CNG
Petrol Hybrid Electric Hybrid Vehicle PHEV
Petrol
Diesel Euro 6 compliant

- Include stop/start technology and other devices to reduce fuel use, journey times and mileage.
- Pollution prevention - ensure the drivers are aware of dealing with and reporting pollution incidents involving the vehicles.
- Encourage suppliers to use environmentally friendly and sustainably sourced products wherever possible and practicable.

5.4 **Resident Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed in December 2017 and the summary is included below. No negative impact on equality will result from the procurement of this contract.

6. **Reason for recommendation**

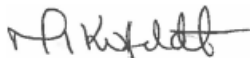
- 6.1 It is recommended that the housing repairs, vehicle procurement proceeds through mini tenders within the TPPL Framework and in accordance with rule 2.5 of the procurement procedure.

7. **Record of the decision**

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Final report clearance

Signed by:



Interim Corporate Director of Housing and Adult Social Services

Date: 21 June 2018

Appendices:

APPENDIX 1 - VEHICLE REQUIREMENT LOTS 1-9

Background papers: None

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