



Key Decision Report of the Interim Corporate Director of Housing & Adult Social Services

Officer Key Decision	Date: 22/2/19	Wards: All
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Delete as appropriate	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Contract award for Housing Repairs Service Vehicle Fleet

1. Synopsis

- 1.1 This report seeks approval for the purchase of 115 vehicles in line with the procurement strategy agreed on 21 June 2018. This is the first stage of this procurement with a further 58 vehicles to be purchased in the second stage.
- 1.2 The new vehicles which are compliant with the Ultra-Low Emission Zone standards will replace existing council owned outdated, unreliable, and high exhaust emission vehicles. They will be used for the conveyance of repairs operatives, their tools and building materials to council homes and estates for repair and maintenance purposes.

2. Recommendations

- 2.1 To approve a change to the procurement evaluation criteria from that stated in the procurement strategy agreed on 21 June 2018 to that set out in Section 4.6 of this report in response to recommendations made by the Environment & Regeneration Scrutiny Panel 10 September 2018.
- 2.2 To approve the purchase of 115 vehicles from Volkswagen through The Procurement Partnership Ltd (TPPL) procurement framework and the disposal of 100 vehicles from the existing fleet.

3. Date the decision is to be taken

22 February 2019

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 service repair operatives need to be able to travel quickly to council homes and housing estates carrying the building materials, tools and plant they need to complete repairs and maintenance jobs. They require vehicles of the correct size and specification including internal racking, roof racks and other accessories for the safe storage of building materials.

A decision was made on 21 June 2018 to agree a procurement strategy for the purchase of the replacement housing repairs vehicle fleet. The proposed procurement was discussed at council scrutiny and a recommendation was made by the scrutiny panel to increase the weighting of the environmental evaluation criteria for emission levels to 25% of the total score. This purchase sits within the current fleet procurement strategy 2017-19.

4.2 **Estimated Value**

This is stage 1 of a wider procurement totalling 173 vehicles. The value of this stage of the procurement, covering 115 vehicles, is £2.58m. £2.2m capital funding has been set aside up to 2018/19 for replacement of the entire housing repairs vehicle fleet. The estimated resale value of the total existing vehicle fleet is estimated to be between £604k-£755k based on an average estimate resale price of between £4k-£5k per vehicle. This means there is an estimated total of £2.8m capital funds available for the replacement of the entire housing repairs vehicle fleet based on the lower estimated resale value. The financial implications in section 5.1 of this report sets out how this one-off financial shortfall will be accommodated. The vehicles will be procured via the TPPL framework. The service life of the vehicles will be five years minimum continued use, but may be extended subject to mileage etc.

4.3 **Timetable**

Suppliers were invited to tender through the TPPL framework for this first stage of the procurement on 19 November 2018. Submissions were received by 10 December 2018 from five suppliers. These submissions were evaluated on 19 December 2018. A key decision to purchase the 115 vehicles forming the first stage of the procurement needs to be made on 22 February 2019 in order to allow an order to be placed with the supplier. Delivery of these vehicles will be 14 weeks from point of order, some vehicles may be received earlier.

4.4 **Options appraisal**

Leasing and hire options were considered prior to submission of the procurement strategy but work out substantially more expensive over the life of the asset. Collaboration with other boroughs or service providers was also considered but is not possible for this tender as we utilise the vehicles fully within our own service. The council is a member of the TPPL procurement framework this allows access to a large number of suppliers of suitable commercial vehicles. Competition via this framework ensures best value for the council.

4.5 **Key Considerations – References to social value and impact on staff**

The vehicles in this first stage of the procurement will be powered by Euro 6 petrol engines which offer substantial reductions in particulate and NOx emissions compared to the Euro 5 diesel assets that they will be replacing. The vehicles meet the standards required for the

Ultra-Low Emission Zone which will affect the southern part of the borough from April 2019 and the entire borough from 2021.

The reduced emissions of the new vehicles will contribute towards improving the air quality within the borough.

The new vehicles have been specified to be better suited to the building trades of the operatives that will be using them. Additional safety features such as on-board weighing sensors (to avoid overloading of vehicles) and reverse parking sensors have been included in the specification. The vehicles will also be fitted with telematics devices to help the council reduce incidents of vehicle idling and promote safer driving behaviours, dash mounted cameras have also been included to help mitigate any insurance claims etc.

4.6 Evaluation

A mini-competition has been completed through the TPPL framework. Vehicle manufacturers and suppliers have to meet specific standards in order to be appointed to the procurement framework.

The procurement strategy agreed on 21 June 2018 stated the award criteria should be 60% price and 40% quality (made up of 20% award criteria, 10% delivery time, 5% warranty/ aftersales and 5% environmental impact). Following recommendations made by members of the E&R scrutiny panel on 10 September 2018, it is recommended that this award criterion be adjusted to increase the weighting of the environmental impact category of the evaluation criteria.

As a result of this change, submitted tenders were evaluated on the basis of price, delivery, warranty, after sales & account management, specification and emissions. The breakdown of the revised evaluation criteria is:

Price		35%	Acquisition cost of the vehicles
Quality	Emissions NOx	15%	Exhaust emissions (Nitrogen Oxides supplied by the manufacturer (or RDE step 1 legal maximum if not supplied))
	Emissions CO2	10%	Exhaust emissions (Carbon Dioxide supplied by the manufacturer (or RDE step 1 legal maximum if not supplied))
	After Sales and Account Management	15%	Quality of aftersales support provided by the supplier.
	Meeting of Specification	10%	Adherence to council supplied specification
	Delivery	10%	The supplier's ability to deliver the ordered vehicles as quickly as required by the council.
	Warranty	5%	The length and parameters of warranty provided and ease of arranging warranty repairs.

The outcome of the evaluation is set out in the exempt appendix to this report (Appendix 1).

4.7 **Business Risks**

Replacement vehicles are required as soon as possible to replace aged, unreliable assets and to avoid the council incurring fees of £12.50 per day per vehicle for entering the ULEZ from April 2019. The continued use of the existing housing repairs vehicles results in high exhaust emissions, increased maintenance costs and operationally significant vehicle off road time due to mechanical unreliability which adversely affects service delivery by reducing available work time of the staff that use the vehicles.

4.8 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 complete an 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.

4.9 The following information is required to be specifically approved by the Officer in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	The housing repairs team provide repairs and maintenance services to council tenants and leaseholders across Islington.
2 Estimated value	The value of this stage of the wider housing repairs vehicle procurement is £2.58m. This is for purchase of 115 vehicles from a total requirement of 173 vehicles.
3 Timetable	The TPPL tender submissions were received on 10 December 2018. The contract will be awarded on 22 February 2019, the vehicles will be delivered within 14 weeks of the order date with an estimated delivery date of May 2019.
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Use of existing TPPL procurement frame work
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	The overall benefits include more efficient completion of tasks due to increased vehicle reliability, reduction of vehicle maintenance spend and reduced exhaust emissions helping to improve air quality within the borough.
6 Award criteria	The award criteria split is 35% price/65% quality. See paragraph [4.6]
7 Any business risks associated with entering the contract	See paragraph [4.7]

8 Any other relevant financial, legal or other considerations.	The purchase of these vehicles is part of the housing vehicle fleet replacement program
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5. Implications

5.1 Financial implications

This is stage one of a two stage procurement process involving the purchase of 115 vehicles of which 105 are for the Repairs team, 2 are for the Gas team and 8 are for the Estate Maintenance team. Out of the 115 vehicles purchased, 100 are direct replacements for existing Council owned vehicles, 5 are replacements for hired vehicles and 10 are new additions. The 100 Council Owned vehicles will be disposed of when the new vehicles are delivered.

Stage two will involve the replacement of another 58 vehicles of which 6 are currently on hire, 1 is a new vehicle and 51 are Council owned. The timing of stage two is uncertain but is expected to take place sometime in the summer of 2019.

The average cost per vehicle in stage one is £22k. The cost consists of the basic list price plus factory and individual options. Factory options include speed limiter, telematics, dash cam etc. Individual options are required for the trade of the operative. The tendered price includes a discount of around 25% to the basic list price only. There is no discount for the options. The discount is calculated by comparing against a similar spec. diesel vehicle. It is not possible to compare the tendered price against the list price of a petrol powered vehicle because this type of vehicle is only available as factory order and no official list price is available.

The residual value of the replaced vehicles is estimated at £4k each. The estimate has been provided by the Corporate Fleet and Transport Manager and is believed to be a realistic/prudent estimate of what the vehicles could achieve at auction. It is intended that the vehicles will be consigned to a company specialising in ex government fleet and that they will be auctioned in the North where there will be significantly less concerns around the London Ultra Low Emission Zone. It is therefore hoped that they can be sold for more than the estimated £4k per vehicle.

Below is a summary of the costs based on residual values at £4k and £5k per vehicle respectively. Please note that the purchase costs for stage two are estimates.

	Stage 1		Stage 2		Total	
	No. of Vehicles	Tendered cost (£)	No. of Vehicles	Estimated cost (£)	No. of Vehicles	Estimated Cost (£)
Residual value £4K						
Buy	115	2,579,000	58	985,000	173	3,564,000
Sell (4k per vehicle)	100	-400,000	51	-204,000	151	-604,000
		2,179,000		781,000		2,960,000

	Stage 1		Stage 2		Total	
	No. of Vehicles	Tendered cost (£)	No. of Vehicles	Estimated cost (£)	No. of Vehicles	Estimated Cost (£)
Residual value £5k						
Buy	115	2,579,000	58	985,000	173	3,564,000
Sell (5k per vehicle)	100	-500,000	51	-255,000	151	-755,000
		2,079,000		730,000		2,809,000

A vehicle replacement reserve has been budgeted for since 15/16 at £550k per year. So at the end of 18/19, we will have put aside £2.2m in the MRR for the purchase of a replacement fleet.

The £2.2m set aside is based on a replacement cost of £2.4m (orig. cost) less 10% residual value. It is acknowledged that this does not include price inflation over the last 4 years.

The overall procurement of all the vehicles covering both stages (per the table above), **gives rise to an initial one off budget shortfall of between £600k to £800k.**

As a one off this can be accommodated within HRA reserves/contingency.

However, it should be noted that the OBB savings proposal to reduce the set aside from £550k to £425k (extending the life of vehicles from 4 to 5 years) will not be deliverable.

Based on current prices a NET fleet cost of £3m with an extended 5year life requires a set aside of £600k & net fleet cost of £2.8m with an extended 5year life requires a set aside of £560k this results in an annual budget pressure in respect of the set aside budget of between £135k and £175k.

In mitigation, however, it should be noted that the growth in the fleet & hence the purchase cost is in large part linked to the extension of repairs activities being brought back in house & as such we would anticipate future savings arising against the sub-contractors' budget. Also as indicated below there are likely to be other fleet running cost savings arising from this fleet purchase. Finally, the overall repairs budget totals £33m, this budget pressure amounts to just 0.5% of the total budget as such we are confident that as part of the ongoing monitoring process we will be able to identify the balance of compensating savings required.

Impact on Fleet Running Costs

Finally, it is worth noting the impact of the new fleet on running costs. Fuel consumption will increase by about 40% as petrol powered vehicles are less economical than the current diesel fleet. However, the increase in fuel consumption will partly be offset by the lower cost of petrol. The increase in fuel cost is estimated at £65k a year.

It is anticipated that Repair costs will decrease at least for the first three years as the vehicles are covered by the Manufacturer's warranty. Costs will be limited to mainly routine servicing and replacement of consumables. The decrease in repair costs is estimated at £55k a year.

The cost for vehicle hire will also decrease as most of the vehicles currently on hire will be replaced by the new fleet so hire will only be needed for just a few occasionally used specialist type vehicles. The decrease in hire costs is estimated at £70k a year.

The total reduction in running costs is estimated at £60k per year for the first three years of the new fleet coming into service.

Below is a summary of the impact on running costs:

	Fuel cost Per Year (£)	Repairs Cost Per Year (£)	Hire cost Per Year (£)	Total Per Year (£)
Repairs	200,000	145,000	85,000	430,000
Gas	20,000	6,500	0	26,500

EMT	30,000	26,000	3,000	59,000
Current spend	250,000	177,500	88,000	515,500
Estimated spend	315,000	122,500	18,000	455,500
Impact	65,000	-55,000	-70,000	-60,000

5.2 Legal Implications

The council has power to purchase the housing repairs fleet vehicles, which are required to enable the council to carry out its statutory and contractual repairing obligations in respect of its housing stock (section 111 of the Local Government Act 1972 and Housing Act 1985). Accordingly, the council may enter into a contract with the successful supplier to secure the provision of such vehicles (section 1 of the Local Government (Contracts) Act 1997).

The threshold for public supply contracts for the application of the Public Contracts Regulations 2015 is currently £181,302. The estimated aggregated value of the council's requirement for housing repairs vehicle fleet exceeded the financial threshold for the full application of the Public Contracts Regulations 2015. A mini competition has been undertaken amongst suppliers pursuant to the TPPL framework agreement. That framework has been established following a competitive tendering exercise undertaken in accordance with the regulations. The framework is available to all local authorities and therefore may be accessed by the Council for the supply of the housing repair fleet vehicles.

The tenders have been subject to a detailed evaluation in accordance with the tender evaluation model. The Corporate Director may award the purchase contract to the highest rated supplier (Volkswagen) as detailed in the exempt appendix provided that she is reasonably satisfied as to the supplier's competence to supply the vehicles and that its tender prices represent value for money for the council. In considering the recommendations in this report, she must take into account the information contained in the exempt appendix to the report.

The decision is a key decision as the cost of the vehicles exceeds £1m but is within the Corporate Director's delegated level for capital expenditure on contracts.

5.3 Environmental Implications

The purchase of new vans has an impact on the environment in terms of the materials used in constructing the vehicles and energy used during the manufacturing and delivery process. However, there will be a positive impact locally from the new vehicles, as they have lower NOx emissions, which will reduce on-street air pollution.

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 on 19 December 2019 and no adverse impacts were identified. The complete Resident Impact Assessment is attached (Appendix 2).

6. Reasons for the decision

- 6.1 A change to the award criteria from that stated in the original procurement strategy agreed on the 21 June 2018 is necessary to comply with representations made by the E&R Scrutiny Panel on 10 September 2018 in respect of the weighting of environmental impact evaluation criteria of vehicle procurements.
- 6.2 Following evaluation of the five submissions received in response to this tender request the order for the purchase of 115 vehicles is awarded to Volkswagen.
- 6.3 In addition to competitive pricing, Volkswagen were the only supplier to offer petrol engine vehicles. This provides the council the opportunity to make significant reductions in the emission of Nitrogen Oxide when compared against the emission rates of comparable diesel vehicles. This will have a positive effect on local air quality.

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.

Signed by:

Interim Corporate Director of Housing & Adult Social Services

Date:

Appendices

- Outcome of Evaluation - Appendix 1 - Exempt
- Resident Impact Assessment - Appendix 2

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