

MUNICIPAL YEAR 2014/2015 REPORT NO

ACTION TO BE TAKEN UNDER DELEGATED AUTHORITY

OPERATIONAL DECISION OF:
Director – Regeneration
and Environment

Agenda – Part: 1

KD Num: KD 4066

Subject:

Procurement in Fleet Services: Self-Drive hire of Motor Vehicles (RCVs and Under 3.5 tonne)

Wards: All

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1. EXECUTIVE SUMMARY

- 1.1 An examination of spending in the Fleet Services team has identified that by using the ESPO contract 271 for self-drive hire vehicles would reduce the spend and ensure compliance under European Law. The current, non-compliant arrangements put the Council at potential risk of legal challenge and make demonstrating value for money difficult. The business case for using the framework has been approved by Strategic Procurement Board.
- 1.2 The Council's vehicle hire requirements fall into two categories: Refuse Collection Vehicles (RCVs) and vehicles under 3.5 tonne. The under 3.5 tonne requirement can be accommodated using the existing framework schedule of rates but the Council's specific RCV requirements have necessitated a further competition amongst framework suppliers, the results of which are summarised in the report (see part 2).

2. RECOMMENDATIONS

That the Council is authorised to call-off from the ESPO framework 271 Vehicle Hire Self Drive for hire of RCVs and the hire of vehicles under 3.5 tonne using the framework schedule of rates and the further competition results and to enter into contracts accordingly (see part 2) .The contract period is 3 years with the option to extend by a further year.

3. BACKGROUND

- 3.1 The Fleet Services team provide vehicles on a spot hire basis to Service Users when required e.g. to provide cover for breakdown and repair. In addition, there will be a need for RCV hire to provide continuity of service while the waste and recycling service and its associated vehicle requirements are reviewed.
- 3.2 A review of available framework agreements has identified the ESPO 271 Framework Agreement as a suitable means to deliver compliant self-drive hire arrangements. A business case was considered and approved by SPB in the summer of 2014. The published ESPO schedule of rates is suitable for the Council's requirements without any further competition and delivers a 15% cost saving on the 2013-14 spend (without a contract in place). A further competition exercise to meet the Council's specific requirements for RCVs has been carried out which has resulted in 3 suppliers identified as representing Best Value for different vehicles.
- 3.3 It is proposed to call off the framework by entering into three year contracts with suppliers with the option to extend for a fourth year. Both of these routes are allowed under the ESPO framework, and are in line with the approved SPB reports.
- 3.4 The specification for RCVs included as part of the further competition exercise includes a performance management framework to ensure that providers meet their obligations with clear timescales and requirements for service delivery and arrangements to reject unsuitable/unreliable vehicles.
- 3.5 The SPB business case reports identified estimated cost reductions of 15% on under 3.5t hire and 12% to 17% on RCV hire resulted from a combination of improved rates and a reduced hire requirement by improvements in core fleet availability.
- 3.6 Direct comparison between rates from the original framework and the further competition is not straightforward, but a comparison of the best framework day rates for a standard 24 tonne RCV and the best further competition day rates for the same vehicle indicate a range of cost reductions of about 17%.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 In parallel with these proposed hire arrangements, changes are being implemented to workshop resources and procedures to increase vehicle fleet availability and reduce the short term hire requirement to provide cover for vehicles that are off the road.

4.2 The Council considered running its own competitive tender for these requirements. However as the framework met the needs of the Council it was felt that this would be duplicating resources unnecessarily.

5. REASONS FOR RECOMMENDATIONS

To implement a robust contract process for Vehicle Hire Self-Drive..

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES, AND OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 The Council's vehicle hire requirements fall into two categories (Refuse Collection Vehicles (RCVs) and Vehicles under 3.5 tonne).

RCVs Vehicle Hire (Short Term)

6.1.2 The Refuse and Recycling Service RCVs vehicles short term hire is to cover for vehicles downtime. The full year projected spend for 2014/15 is £424,825, this is equivalent to having about 10.9 RCVs on permanent hire; over a year (based on the current hire cost per day). The estimated cost efficiencies as a result of this report is about £70,804 per year (see table below). The £70,804 saving will contribute towards the department's savings that are already included in the Medium Term Financial Plan.

Service Area	2014/15 Projected Cost	RCVs Vehicle Hire (With Maintenance)		
		Estimated Number Of Vehicles Per Year (Equivalent)	Projected Cost Per Annum (@ New Rate)	Possible Contract Hire Efficiencies
Recycling (Door to Door)	£174,820	4.5	£145,683	£29,137
Refuse	£250,005	6.4	£208,337	£41,667
Total	£424,825	10.9	£354,021	£70,804

The recommendations on this report is not based an option appraisal (to buy or to hire), as there was no exercise being carried out to make such an assessment; due to the Waste Services Review (In Progress).

Under 3.5 tonne Vehicle Hire (Short Term)

6.1.3 The Under 3.5 tonne short term vehicle hire is to cover for vehicles downtime. The full year projected spend for 2014/15 is £20,664 and the

estimated cost efficiencies as a result of this report is about £3.1k per year (see table below and paragraph 3.5).

		Under 3.5 tonne Vehicle Hire (With Maintenance)	
Service Area	2014/15 Projected Cost	Projected Cost Per Annum (@ New Rate)	Possible Contract Hire Efficiencies
Various Services	£20,664	£17,564	£3,100
Total	£20,664	£17,564	£3,100

6.1.4 The 2014/15 Fleet Service Specification report and the drafting of a Maintenance Specification for the LBE Fleet envisaged the provision of a range of options for the delivery of the Fleet Maintenance Service. The preferred option was to continue with the revised in-house workshop and provide an improved and more comprehensive maintenance service for the LBE Owned Transport Fleet, which will reduce the need for maintenance to be contracted-out, reduce vehicle downtime and the need for additional vehicle hire. The implementation of the proposal is broadly in-line with agreed timescales and objectives.

6.1.5 This is subject to the appropriate Corporate Procurement procedures have been followed.

6.2 Legal Implications

6.2.1 The Council has various duties and powers with regard to the collection of waste from its area under Part 2 of the Environmental Protection Act 1990 ("EPA 90") and the Controlled Waste (England and Wales) Regulations 2012 (relating to collection and disposal of Household Waste, Commercial Waste, Industrial Waste and Clinical Waste). The Council has a duty, as far as practicable, to keep its relevant land and highway for which it is responsible clear of litter and refuse under Part 4 of the EPA 90. In addition, section 111 of the Local Government Act 1972 gives a local authority power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The recommendations in this report are in accordance with these powers.

6.2.2 The procurement of the services must be carried out in accordance with the Public Contracts Regulations 2006 ("PCR 2006") and the Council's Constitution, in particular the Contract Procedure Rules ("CPRs"). Both the PCR 2006 and the CPR's permit the use of Framework Agreements. The Council must however ensure that the procedure for call off under the terms of the Framework is complied with and the Council must further ensure that it complies with the terms and conditions of the Framework.

6.2.3 The call off Contracts must be in a form approved by the Assistant Director of Legal Services.

6.3 Property Implications

None.

7. KEY RISKS

The council is at potential risk of challenge from suppliers for a failure to comply with the relevant procurement regulations. It is difficult to demonstrate value for money.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

None

8.2 Growth and Sustainability

None

8.3 Strong Communities

None

9. EQUALITY IMPACT IMPLICATIONS

None

10. PERFORMANCE MANAGEMENT IMPLICATIONS

The contracts will enable the Council to ensure that the performance of external suppliers is properly managed and to deal with any performance issues using the formal framework contained on the contract conditions

11. PUBLIC HEALTH IMPLICATIONS

None

Background Papers

None.

