

Procurement Advisory Board (PAB)

Agenda Item

Brighton & Hove City Council

Subject:	Housing Repairs and Maintenance Interim Fleet replacement	
Date of Meeting:	14th June 2021	
Report of:	Executive Director Housing, Neighbourhoods and Communities	
Commissioning Officer:	Grant Ritchie H&S Manager (Repairs & Maintenance)	Tel: 01273 29-6806
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Type:	New Buy	
Proposed Route To Market:	Framework	

1. SUMMARY AND CONTEXT:

The Procurement Advisory Board (PAB) is an advisory board to council committees on procurement matters. The role of PAB is to report to the relevant committee with its recommendations on the proposals put forward in this report.

PAB is being asked to review and advise on the procurement proposals contained within this report as, in the judgment of the relevant Executive Director or the s151 Officer, the procurement should be referred to the Board.

2. RECOMMENDATIONS:

The Procurement Advisory Board is requested to provide recommendations to Housing committee on the following:

- The proposal to lease an interim fleet of up to 119 vehicles for a period of a minimum of 1 year.
- The purchase three specialist drainage, including associated fittings and equipment.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 It was agreed by the Housing & New Homes Committee and the Policy, Resources & Growth Committee in 2018 to bring the responsive repairs and empty property refurbishments service in house when the contract expired with Mears on 1st April 2020, As previously reported to Housing Committee, in order to bring the services in-house there were some discrete products which the Council procured from Mears for a limited period. This included the vehicle fleet used by the Housing Repairs & Maintenance service which was sub-leased from Mears under a waiver agreement that was set up for a maximum 2 years and will end 31st March 2022 (or sooner, subject to the approval of this interim fleet proposal). The council do not plan to seek to extend this waiver.
- 3.2 The proposed interim fleet is intended to provide a stepping-stone from the current arrangement to the full fleet procurement. This will allow us adequate time to consider the service provision model and ascertain what our vehicle requirement will be going forward. The main challenges to an electric fleet are currently the availability of a range of vehicles and the available charging infrastructure. This interim Fleet will allow us time for the market to mature and the infrastructure be planned whilst still maintaining adequate transport for service provision.
- 3.3 This report seeks recommendations to replace the existing Housing Repairs and Maintenance vehicle fleet currently sub leased from Mears and other short-term hire agreements. We propose to replace the current Mears leased fleet with a 1- year Flexi Hire agreement via the Pretium Flexible Fleet Framework for 119 vehicles. This agreement will be for a minimum of 1-year and then can be extended on a monthly basis per individual vehicle and the same unit cost as the initial 1-year agreement.
- 3.4 As outlined with more detail in paragraph 3.9, the report also seeks authorisation to purchase 3 specialist drainage vehicles to include 2 Euro 6 diesel vans and 1 e-Vivaro electric vehicles.
- 3.5 We are committed to achieving the Council's carbon neutral objectives by 2030. However, seeking to introduce electric vehicles at scale at this time would be problematic due to the current charging infrastructure and the mileage and model range of vehicles available. We have undertaken an interim review of our vehicle requirements, including what size vehicles are required by operatives, based on

current use and work patterns with the Housing Repairs & Maintenance team. This information has been used to put together the requirements for the Flexi Hire proposal and is included in paragraph 3.8. We also need to undertake a full review of our future working patterns to inform our future vehicle fleet needs and options available to enable the service to undertake more efficient delivery of our repairs and maintenance requirements, including 3,000 repair jobs each month.

- 3.6 This interim lease arrangement provides the service with a fleet of new, better quality and more sustainable vehicles to replace those vehicles sub leased from Mears under the current waiver. Following the first year the vehicles under the interim lease agreement can be returned at short notice and without charge, which provides the flexibility we require as we review the whole service vehicle fleet needs and develop our procurement options for electric vehicles to replace them.
- 3.7 At Housing Committee on 15 January 2021 it was reported that the repairs service operated with a fleet of 107 vehicles which were to be sub-leased from Mears to enable the service to be brought in house on 1st April 2020 and so that future service needs and options to procure a more sustainable fleet could be explored, including the use of hybrid and electric vehicles. The fleet was rebranded with council branding from April 2020.
- 3.8 The current COVID19 public health emergency has significantly impacted upon our ability to undertake a full review of service vehicle needs and progress a full options appraisal of procurement routes to greater use of hybrid and electric vehicles in line with our commitment to reach carbon neutral by 2030. The impact of the pandemic on the operation of the newly insourced Housing Repairs & Maintenance service has been reported to subsequent Housing Committee meetings.
- 3.9 The current fleet has been leased from Mears for a minimum of 1 year (from the 1st April 2020) with an option to extend for up to a further 2-year period. The agreement allows for the Council to return vehicles with the extension period with a minimum of 30 days' notice. The Council can choose which, if any, vehicles to retain for that year. There is a monthly payment per vehicle leased, plus a management charge paid to Mears for the lease of the vehicles.
- 3.10 The fleet sub leased from Mears has been supplemented by 25 vans on short term hire. These vehicles have been hired to provide vehicles for new staff and to replace vehicles from the existing fleet that have either been written off or are no longer road worthy.
- 3.11 The current fleet leased from Mears has many vehicles registered in 2014 which have required investment to maintain and ensure reliability.. To date we have spent £0.118m(2020/21) on maintenance,

servicing and MOT activities. It is predicted by Fleet colleagues that this is likely there will be a similar spend in 2021/22.

3.12 The calculated 1 year cost of the existing arrangement is approximately £0.630m. This includes the maintenance costs. The estimated costs of the new flexi-hire arrangements (excluding servicing and maintenance) and purchase of the 3 specialist vans (including fitting of drainage equipment) are £0.469m and £0.143m respectively.

3.13 The recommendation is to return the Mears fleet and replace with Flexi Hire Vehicles on on 1-year minimum term and renewable monthly after that For operational reasons it will be necessary for us to phase the return of the Mears vehicles over a period of 3 months.

We have notified Mears of our intention to return 10 vehicles with effect of the 1st April 2021 as these are currently not used or are in poor condition. The further hand back dates will be dictated by the time scale of the procurement of the Flexi Hire Fleet.

3.14 In preparing this proposal we have analysed the vehicle needs of our service based on the current service delivery model. We have reduced the number of larger vans to those required to carry large sheet material. Therefore, we have increased the number of mid-size vehicles. The mid-size vehicle will accommodate most of the material requirements including larger items such as replacement baths. This will enable us to reduce trips to suppliers which should see a reduction in miles travelled. The proposed vehicle breakdown is shown in the table below:

	Amount Required	Notes
Small Van- SWB courier type	29	Flexi Hire
Medium sized van - Vivaro/transit custom	83	Flexi Hire
Large Van LWB (Drainage)	3	Proposed Purchase
Tipper Van	4	Flexi Hire
Caged tippers	4	Flexi Hire
Total	123	

Specialist Vehicles

- 3.15 The Housing R&M service has 3 specialist vehicles for drainage works which require modification and therefore make them less suitable for lease arrangements.
- 3.16 Each vehicle needs to be equipped with pressure drain cleaning equipment and generators. Internal modifications are required to accommodate this equipment. In addition, it is also necessary to section the vehicle to provide, clean and dirty compartments and provide hand washing equipment to satisfy Health and safety requirements. The estimated cost for fitting is £23,000 per vehicle. Due to their specialist nature it is proposed to purchase these vehicles
- 3.17 We propose to purchase two diesel Transit Custom Vans at a cost of £37,626 and one e-VIVARO electric van at a cost of £34,692. Two vehicles carry the same equipment but for service improvement we would like to extend this to a third vehicle.
- 3.18 The purchase of the e- VIVARO is a trial intended to give the service the opportunity to use an electric vehicle for a extended period under regular work conditions. The information this will give will better help us establish the charging infrastructure required and the impact on how the service is delivered and any potential impact Out of Hours service.

Future Vehicle Procurement

- 3.19 This report provides a short-term option for a fleet replacement and is intended to provide a steppingstone to a permanent fleet replacement. The procurement of a permanent replacement for the current fleet is a significant piece of work and will need to address both the Service need and environmental impact of the fleet. We propose to work with Corporate Fleet colleagues on this and will be part of a wider Council plan to replace vehicles that in accordance with the Strategic Fleet Replacement Strategy.
- 3.20 Work on reducing the environmental impact of our fleet cannot be limited to vehicle procurement but will also require a review of the aims of the service and how the service is provided going forward to ensure that we have an adequate number and type of vehicle whilst meeting our Carbon reduction commitments. We propose to consult on and review the full range of options and alternatives that may be available for delivering our services in the future. In order to allow this consultation and review to be meaningful the aim of this paper is to secure an interim vehicle fleet position and move away from the existing Waiver.

- 3.21 Since April 2020 we have trialled both electric and hybrid vehicles in the service. Currently it is clear that the market is not mature enough to offer the range and type of vehicles that we will require. It is also clear that with current battery range the City's infrastructure is not adequate for the efficient running of an electric fleet of our size. However, the commercial market is changing at a significant pace and it is likely that suitable options may be available in the next twelve months. There are currently too few charging points available in the city for a fleet of fully electric vehicles. Having more infrastructure to charge vehicles will make an electric fleet more feasible to run and at the required pace. However, the infrastructure will take time to install, and consequentially the short-term lease arrangement is required for the interim before a fully electric fleet can be realised.
- 3.22 The service will review a pilot of more electric vehicles on Flexi-Hire arrangements, to inform the future procurement of the main fleet. This pilot will include investigating the piloting of charge points at the Housing Centre. Following the pilot, a paper will be presented to Committee with proposals for the procurement of a permanent fleet
- 3.23 The current range of electric and hybrid vehicles cost on average £15,000 more than their diesel alternatives, against fuel, maintenance, and tax savings of £2132 per vehicle per year. Based on feedback from road tests carried out by operatives, electric vehicles do not offer some of the necessities required, such as load weights, vehicle sizes, and specifications.
- 3.24 The proposal is to utilise the flexibility of the interim proposal enables time for more consideration of options and service requirements in relation to the main fleet procurement. This will allow for improvements in infrastructure (i.e. more charge points and in more strategic locations) and advances in vehicle technology (greater choice and of vehicles with further ranges), which will enable the main fleet to be more sustainable in line with our carbon neutral targets. The vehicles acquired under the interim lease arrangement could have their leases extended in line with this plan

4. POSSIBILITY OF PROVIDING THIS CONTRACT IN-HOUSE

- 4.1 This procurement relates to the supply of vehicles which falls outside the scope of In-house contracts. The paper has been developed in collaboration with the Council's Fleet service.

5. SUSTAINABILITY CONSIDERATIONS

- 5.1 Euro 6 diesel engines were introduced towards the end of 2015. The Euro 6 standard aims to reduce the quantity of harmful exhaust emissions, including nitrogen oxides, carbon monoxide, hydrocarbons, and other particulate matter. Leasing vehicles with Euro 6 diesel

engines will reduce these harmful emissions by up to 67% in some cases.

- 5.2 At present, there are 54 vehicles in the fleet that are using an older engine than Euro 6. These older engines produce up to 180mg/km of nitrogen oxide emissions, which equates to 162.75kg of NOx per year. Euro 6 engines dictate no more than 80mg/km of nitrogen oxide can be emitted, which would cut emissions down to 72.33kg per year; more than half of the older vehicles.
- 5.3 Similarly, these 54 vehicles have fewer restrictions on hydrocarbon emissions (230mg/km). These vehicles may produce 207.96kg of hydrocarbons each year. Whereas new Euro 6 engine vehicles with stricter emission standards (170mg/km) may produce 153.71kg per year, which again is a significant reduction of over 50 kg.
- 5.4 These interim arrangements will allow more time for the council to plan towards meeting its' carbon neutral target by 2030 i.e. more infrastructure (electric vehicle charging points) will be in place and the vehicle product range (variations and distances covered) will have improved. This will enable a much higher proportion of vehicles to be carbon neutral when the main vehicle procurement exercise takes place, which is planned to commence by September 2022. It is expected that, for any vehicles for which there is not a sustainable alternative by this time, there will be one before 2030 and the vehicle will be replaced accordingly.

6. SOCIAL VALUE AND COMMUNITY WEALTH BUILDING CONSIDERATIONS

- 6.1 Part of the selection criteria for the use of the Pretium Framework is that their chosen contractor is Northgate Vehicle Hire who have a local vehicle hire branch, based by Shoreham Harbour. This ensures that delivery and return can be made within the local community, rather than other frameworks that use providers based further afield.
- 6.2 The framework terms allow for a percentage spend of the yearly contract value to be set aside for a social value fund, to be specified at contract formation.

7. FINANCIAL CONSIDERATIONS

The estimated costs of the new flexi-hire arrangements (*excluding servicing and maintenance*) and purchase of the 3 specialist vans (*including fitting of drainage equipment*) are £0.469m and £0.143m respectively. These costs will be funded from within approved Repairs & Maintenance fleet budgets.

Vehicle running costs will also be met from within the approved Repairs & Maintenance budgets for servicing, maintenance and fuel.

8. EQUALITY CONSIDERATIONS

Contractors will be expected to carry out their works in line with the Council's Fair & Inclusive action plan

The contractor on the preferred framework, Northgate Vehicle Hire have a Code of Ethical Trading which specifies their minimum core company values which includes, a commitment to non-discrimination

9. LEGAL IMPLICATIONS

Standard legal implications for procurement of a call off contract (over threshold)

The Public Contracts Regulations 2015 apply to the procurement and award of call off contracts from framework agreements above the relevant thresholds for services, supplies and works. PCR 2015 defines a framework agreement as 'an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quality envisaged.' The process to award a call off contract which may include re-opening competition should be run in accordance with the framework agreement, Regulations and the council's Contract Standing Orders (CSOs).

The Social Value Act 2012 defines social value as 'improvement to economic, social and environmental well-being of the relevant area' and requires specific consideration by the council prior to starting a procurement process of how to improve these benefits through the procurement and how to undertake a procurement process with a view to securing that improvement. In addition, The Public Contracts Regulations 2015 expressly allow contracting authorities to incorporate social and environmental factors into specifications for a contract, award criteria and contract conditions provided they are linked to the subject matter of the contract, proportionate to what is being procured, do not result in unequal treatment of bidders, are free from discrimination and comply with the principle of transparency.]

9. COST/QUALITY WEIGHTING CONSIDERATIONS

The call off from this framework is based on 100% price as Northgate are the framework partner to Pretium. Vehicle hire costs have been benchmarked with other providers and the costs on this framework provide for the most economically advantageous tender.

10. VALUE and SAVINGS

A cost comparison of the proposals set out in this paper against ongoing business as usual costs, indicate that there will be a 1 year saving of £19,095 if the recommendations of this report are agreed.

11. POTENTIAL RISKS

Risk	Mitigation
Off-hire costs as vehicles are returned to Mears at the end of the agreement	Contract terms thoroughly vetted
Delays to the delivery of vehicles due to manufacturing and supply issues caused by Brexit and Covid-19	Specification of fleet agreed so orders can be made asap once approval received.

In addition there are several risks with continuing with a business as usual approach. These include:

- The agreement with Mears finishes in April 2023. Therefore, there may not be adequate time for the main procurement exercise to be completed that meets the Council's 2030 sustainability targets.
- The existing fleet is more expensive than the proposed flexi hire fleet
- The existing fleet is in poor condition, is expensive to maintain, unreliable and visually represents the Service badly.

12. EVALUATION OF ROUTES TO MARKET

Several procurement routes have been assessed. Details of each including the preferred option are detailed below:

A Flexi-Hire Purchase via a compliant framework [This is the preferred Route]

The flexi hire arrangement allows for the Repairs & Maintenance Service to lease a large number of vehicles on flexible terms. This will allow the vehicles to be returned with no penalty once the infrastructure has been mapped to support the service to purchase a greener fleet.

A comparison of compliant frameworks that provide a Flexi-Hire arrangement, demonstrated that that the Pretium Framework offers the best value option for the short-term lease of up to 119 vehicles. A cost comparison between Pretium and the ESPO equivalent framework, which included hire and mileage costs, showed yearly Pretium costs as £42,818 less than those the ESPO framework.

The purchase of the 3 specialist drainage vehicles would be conducted via the Crown Commercial Services Vehicle Purchase Framework This is a

government backed compliant framework that provides a broad range of choice and savings on many vehicle types.

Enter into a longer-term Lease agreement via a compliant framework

This is a viable option and could offer similar costs savings. However typical commitments are for 3 to 5 years and this would delay the transfer of the fleet to a more sustainable fuel source and lock us into a commitment to vehicle types and numbers based on the current service model and would not allow any benefits from re modelling to be realised without a financial penalty

Purchasing a fleet via existing framework

The purchasing of a fleet is potentially more financially beneficial than a longer-term lease. This is particularly the case when considering the re sale value of a vehicle after 3 years. However, this model would again need to be based on the current market which is diesel powered vehicles and would not contribute to our environmental commitments. This option would also require expenditure in excess of £2 million.

Conduct an Open procurement

There are limited benefits to conducting our own tender for the supply of vehicles. There are a number of national frameworks that have negotiated competitive prices with national suppliers based on their extended customer base. The Council acting alone could not offer similar economies of scale to obtain better pricing for vehicles.