

CABINET

Date of Meeting	Tuesday 17 th May 2016
Report Subject	Phase 3 of The Council's Vehicle Fleet Provision & Management Review
Portfolio Holder	Deputy Leader of the Council and Executive Member for Environment
Report Author	Chief Officer for Streetscene & Transportation
Type of Report	Operational

EXECUTIVE SUMMARY

The Fleet Management Team within the Streetscene and Transportation portfolio currently manages the County wide vehicle fleet.

Following Cabinet approval in September 2014, a tender exercise has been undertaken through an existing procurement framework, to source a partner organisation to provide and manage the County's fleet of vehicles and the outcome of this tender has now been evaluated.

The purpose of this report is to provide Cabinet with details of the outcome of the tender.

RECOMMENDATIONS

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| 1 | That Cabinet approves the implementation of Phase 3 of the Fleet Review and the award of a 7-year contract with a single external supplier for the supply, management and maintenance of all the Council's fleet, whilst retaining the in-house workshop staff, who will carry out the maintenance activities on behalf of the contractor. |
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REPORT DETAILS

1.00	PROCUREMENT AND IMPLEMENTATION OF FLEET CONTRACT
1.01	The Fleet Review commenced in 2011, and reviewed both operational and strategic fleet functions. Phases 1 and 2 of the project are already completed and Phase 3 of the project requires the Council to source a partner organisation to provide and manage the County's fleet of vehicles.
1.02	As a result, dialogue was undertaken with the Yorkshire Procurement Organisation (YPO) regarding the suitability of their existing framework to deliver a suitable contractor.
1.03	Following this consultation, the specification for the tender was drafted and submitted to the YPO for advert and three framework suppliers participated in the mini-competition process.
1.04	Following an extended period for tender submission and a significant number of clarification questions only one tender was received from Essential Fleet Services (EFS).
1.05	This single submission allowed Flintshire County Council to clarify a number of issues with the supplier surrounding their submission, and we are now at the point where a recommendation can be made to award the contract.
1.06	Following consultation with the Head of Procurement, it has been confirmed that there is no technical / legal reason why the Council cannot proceed to award with a single bidder as following on-going bid clarifications, the quality of the bid has been enhanced throughout this process.
1.07	The service area is satisfied that the bid is acceptable in respect to price and quality submitted. The bid received a score of 82.43% and as such is regarded to be commissionable by the Council.
1.08	<p>The benefits of the tender submission are outline below:</p> <p>Financial Benefits:</p> <ul style="list-style-type: none">• Total Cumulative Savings from Year 1 through to Year 7, including calculated avoided costs by the Authority, are in excess of £2.5m, against existing budget figures.• The contract is set up to share the benefit of additional income introduced to the workshop and any future efficiencies during the life of the contract.• The Council will gain from migrating existing costs to the contract, in the form of secondment.• The Council will gain from back office efficiencies, released through the engagement of a single supplier (reduced processing and management if systems).• The Council will gain from the surety of avoiding costs throughout the life of the contract, such as fleet investment and inflationary pressures

	throughout the life of the contract.
1.09	<p>Service Benefits:</p> <ul style="list-style-type: none"> • A partnership with an organisation with vast experience and expertise in the procurement and maintenance of large fleets for both the public and private sectors, who have over 3,500 specialist vehicles on fleet, supported by an infrastructure of 18 service centres. These facilities are centres of technical expertise for the maintenance of a wide range of fleet, from large heavy goods vehicles to light commercial vehicles. • The proposed partner organisation currently serves over 70 clients across the UK. • A clear “Demand Planning” strategy implemented across the whole Authority’s fleet. • Through training and development, best practice experience of running workshops efficiently would be shared with FCC staff. This experience will optimise the workshop by identifying the right tools and diagnostic equipment. • The contract price includes all of the costs associated with bringing Flintshire County Council’s fleet to a Euro 6 standard. • The partner organisation’s management team have extensive experience of O Licence compliance. • A ‘one stop shop’ solution for fleet provision and maintenance, freeing up internal resource and reducing administration and associated costs. • Dedicated on-site management through a team responsible for the contract. • Workshop efficiencies through setting industry standards against Flintshire County Council workforce and staff. The partner organisation has committed to share any efficiencies obtained (against the fixed price) on a 50/50 basis. • Supply chain management from an established national supply chain infrastructure, with the commitment to use local labour, along with a local supply chain strategy. • Price certainty through a contract structure which is not index linked, (with the partner organisation absorbing all inflationary rises). • The partner organisation has also set targets for the generation of third party business through the workshops (with FCC to be paid for hours used). This seeks to protect (and if possible, create) jobs; unlocks further income potential and contributes to the economic regeneration of Flintshire. • Community benefits via the donation of staff hours and equipment.
1.10	The Contract is designed to prioritise the development of business opportunities within the local area, and make best use of local suppliers and services.
1.11	Should the Authority become affected by Regionalisation during the course

	of the contract, the contract includes change mechanisms and exit strategies which would accommodate any variation. This possibility has been discussed with the supplier, and does not cause them any undue concerns, and in fact is seen as an opportunity.
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2.00	RESOURCE IMPLICATIONS
2.01	The commercial element of the bid offers the Council significant savings over the course of the 7 year contract as presented in Appendix 3.
2.02	The 2015/16 savings are inclusive of savings already assumed to be delivered by the implementation of the contract and have already been removed from the budget. The value of this saving was £175k, and this leaves the remaining budget at £3.04m.
2.03	Throughout the period Year 2 to Year 7 of the contract, there is an opportunity for a £50k reduction in each year of the contract subject to an “Annual and in-advance” payment for the annual contract price. This practice is widely accepted when dealing with vehicle leasing, however, it would be prudent not to accept this during the first year of the contract whilst the contract relationship and operational mobilisation is being established. The impact of this is set in Appendix 3.
2.04	The impact of Inflation is negated due to the fixed price nature of this contract and the corporate savings are set out in Appendix 3.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Throughout this project there have been regular project board meetings to oversee the progress of the procurement. Membership of the Project Team included representatives from finance, internal audit and the key operational services.
3.02	During the course of the phased delivery approach, consultation has taken place directly with the workforce, trade unions and key stakeholders/service users.

4.00	RISK MANAGEMENT
4.01	Mobilisation of the contract will take up to 100 days, this may cause disruption to the service area and possibly to service users.
4.02	Any failure by Flintshire County Council to create and effectively manage the fleet and maintenance contract could potentially jeopardise service delivery, although a dedicated position within the service structure has been identified to limit this risk.

5.00	APPENDICES
5.01	Appendix 1 Commissioning Objectives
5.02	Appendix 2 Final Tender Evaluation Report
5.03	Appendix 3 Fleet Contract Savings Analysis Table
5.04	Cabinet report dated 16 th September 2014

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Barry Wilkinson – Highway Network Manager Telephone: 01352 704656 E-mail: barry.wilkinson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Financial Year: The period of 12 months commencing on 1 April.
7.02	Revenue: This is a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.
7.03	Budget: A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.
7.04	EURO 6: This is the latest diesel engine emission legislations being driven by the European Commission. Since 1993, when the very first 'Euro 1' legislation was introduced for trucks and buses, the European Commission has regulated the amount of pollutants coming out of the exhaust of a diesel engine. In particular, the Commission identified two key constituents within the exhaust stream - Oxides of Nitrogen or 'NOx', and 'Particulate Matter' (basically soot particles) - as being harmful, and which needed to be controlled and reduced. As a result, over the past 20 years, European engine makers have invested heavily in developing new technology which has seen the levels of NOx and PM (as well as other elements such as un-burnt hydrocarbons) in the exhaust of all new diesel-engine trucks and buses falling dramatically, with a consequent improvement in air-quality. Such has been the response of the manufacturers to the challenge of reducing exhaust emissions that the air coming out of the exhaust of a Euro 6 diesel engine is cleaner than ever before, with permitted NOx levels reduced by 75% compared with the previous Euro 5 standard. And due to changes governing the way particulates have to be measured, the reduction in PM is closer to 99%. The arrival of Euro 6 also sees the cost of manufacturing and the incorporation of these new technologies, passed on through to the

	customer, and in some case increases in excess of £10,000 for like-for-like vehicles have been seen.
7.05	Demand Planning: This is a business-planning process that enables the supplier to create reliable and agreed forecasts, as an input to service-planning processes, logistics, and supply chain management for vehicle provision and associated resources. Effective demand planning can guide users to improve the accuracy of service planning and budgetary forecasting, whilst aligning inventory levels with peaks and troughs in demand, and enhancing efficiencies for a vehicle provision and service delivery.
7.06	YPO: Yorkshire Procurement Organisation