



DECISION OF THE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT

DECISION NO. 15/16 DE 313

SUBJECT: Hire Vehicle Contract Award.

Background

The Council has an ongoing requirement for Hire Vehicles.

The current contract with Enterprise Car Hire has expired and a replacement is required.

In March 2106, the Strategic Procurement department conducted a full Options Appraisal in conjunction with the Fleet Manager conducted (Appendix 1). This concluded that we procure a replacement contract within the Crown Commercial Service framework for Hire Vehicles.

Decision

Direct Award to Thrifty Car and Van Rental within the CCS Framework -for a two year contract with two, one year extension options (2+1+1).

Reasons

The following process is compliant with the Councils internal Contract Standing Orders, wider Public Sector Procurement rules and the rules of the Framework Agreement.

Thrifty and Enterprise were both approached to re-visit their standard framework rate with a view to reduction. Both submitted a revised offer. Thrifty reduced their delivery/collection costs, Enterprise reduced their vehicle rental costs.

These revised rates were entered in to the spend forecast for 2016. The results were as follows:

	Thrifty	Enterprise
Post Negotiation Total Projected Annual Costs	£26,427.28*	£28,664.12

*Please note, the Total Projected Annual Costs in the Options Appraisal are slightly lower than the Post Negotiation Total Projected Annual Costs. This is due to a clarification surrounding existing delivery costs. The Thrifty offer still represents the best value.

Quality was not assessed for two reasons:

- 1) CCS have already assessed the quality of all Suppliers during the establishment of the Framework.
- 2) The Fleet Manager has worked with both Companies previously and is comfortable that both could provide the service to a high standard.

Other Alternatives Considered

Alternatives were considered and detailed in the Options Appraisal (Appendix 1).

Financial Implications

Whilst this process has not delivered savings, it has mitigated cost increases we would experience had we simply awarded to Enterprise without either comparing other Framework providers or negotiating with Enterprise and Thrifty. The value of this mitigation is in the region of £2500 p/a.

Implications for Future Years

Estimating the exact spend value through this Contract is difficult as demand will fluctuate however it is estimated that the Contract will be worth in the region of £26,500 p/a.

Signed.....

Dated..... 3/5/2016



Vehicle Hire Contract

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Date: February 2016

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1. Current Position.

In 2010 The Council contracted with Enterprise Rent a Car UK Ltd (Enterprise) for the provision of Hire Vehicles by means of a direct award on the 2010 Buying Solutions Framework (now known as Crown Commercial Service) Framework for Vehicle Hire Services.

The contract is managed by the Fleet Manager, Carl Nicholson and forms part of a wider Medium Term Financial Plan and is supported by the Travel Plan Steering Group.

The use of hired vehicles is internally controlled and is not the first travel option that should be considered, with Public Transport or the use of Pool Vehicle considered preferable. Basic process maps for both the initial setting up of a Hire Vehicle user, and the hiring of a vehicle of can be found in Appendix A.

Hire Vehicle use has accounted for c.80,000 Miles travelled in 2015.

The current Contract with Enterprise has now expired and this document is intended to detail the current expenditure profile, describe and evaluate future route to market options and make a recommendation.

2. Expenditure Profile

A study using a combination of Supplier Management Information, and internal accounting data, has been conducted that suggests the Council spent a total of £30,714 in the 2015 Calendar year on Hired Vehicles.

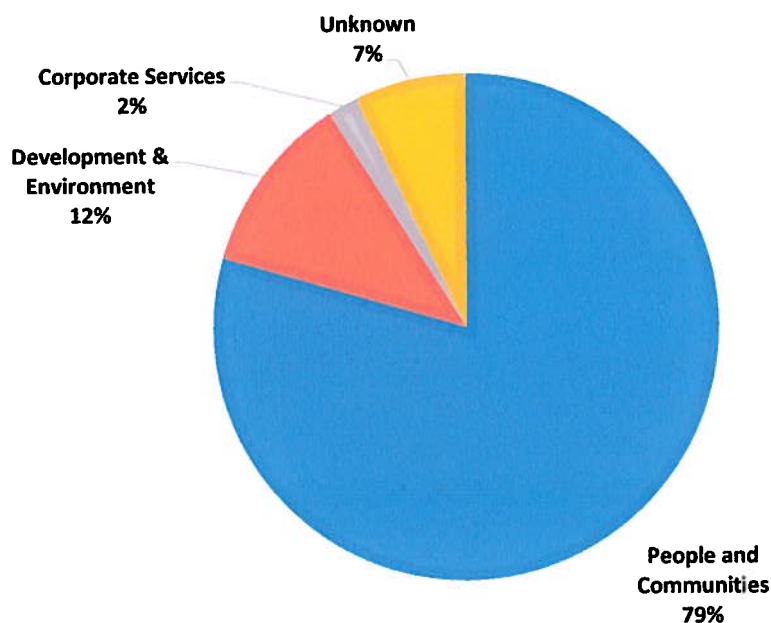
The majority of this expenditure has been channelled through our incumbent supplier Enterprise, however the Council continues to use a range of alternative suppliers for specialist hires such as vans and to fulfil demand where Enterprise are not able to supply.

The main alternative supplier is Thrifty Car and Van Rental (Thrifty) on an ad hoc basis, who can be more competitive but had traditionally not been able to administer self-serve web based bookings (however as of recently, this is no longer the case).

In the 2015 Calendar year The Council spent a total of £25,701 with Enterprise.

The People and Communities Directorate were the largest users of Hire Vehicles from Enterprise.

ENTERPRISE - 2015 DIRECTORATE EXPENDITURE ON VEHICLE HIRE (PERCENTAGE OF TOTAL VALUE)

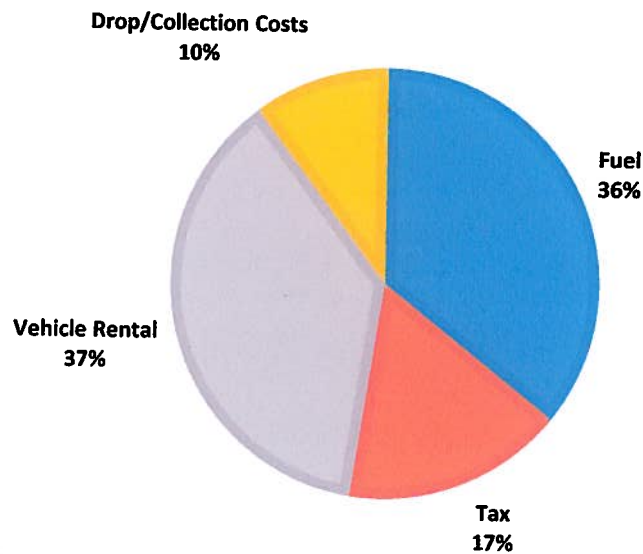


The cost of hiring a vehicle can be broken down in to four main elements.

1. Vehicle Rental – The cost to NSC of hiring the vehicle.
2. Fuel – Currently NSC employees are instructed not to re-fuel the Hire Vehicle before returning the Vehicle. As a result the Hire Company re-fuel the Vehicle and charge a premium in addition to the pump price. This premium differs depending on Company used, this reduces expenses claims and thus is currently considered more cost effective overall.
3. Drop off & Collection fees. – The charge for delivering or collecting the vehicle. The majority of users request a home delivery followed by a collection from home after use.
4. Tax – The VAT tax element is an on cost that is passed on to the Council. It is not clear how this element is calculated but it has been established that it represents 16.66% of the total costs. It is assumed that the different cost elements attract different amounts of VAT.

Enterprise Management Information allows these costs to be broken down to demonstrate the proportion that each of these costs represents.

**ENTERPRISE - BREAKDOWN OF VEHICLE HIRE COSTS 2015
(PERCENTAGE OF THE TOTAL COST TO NSC)**



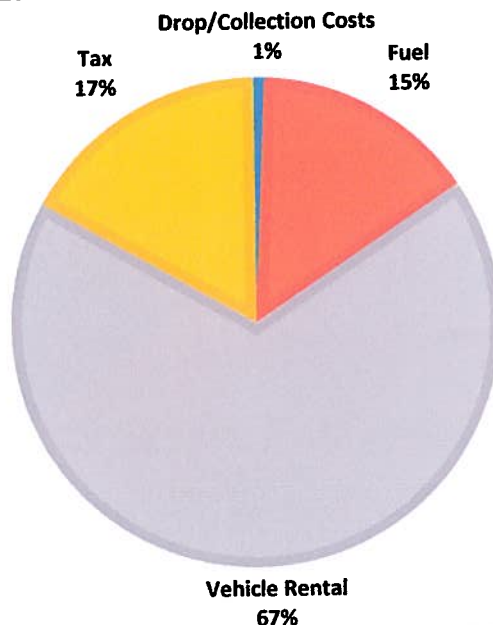
Additional expenditure.

Although Enterprise is our main Supplier of Hire Vehicles, the Council also use Thrifty on an Ad-hoc basis to cover additional short term capacity within the vehicle fleet, such as election vehicles or repair work. It should be noted that the Fleet Manager is aware of these instances and whilst this does count as spend against this category, it is not deemed as "off contract" expenditure.

In 2015 the Council spent £5013 with Thrifty, split almost equally between the Development and Environment and People and Communities directorates.

Due to a lack accurate management information the data below has been manually extracted from Invoices.

THRIFTY - BREAKDOWN OF VEHICLE HIRE COSTS 2015 (PERCENTAGE OF THE TOTAL COST TO NSC)



It should be noted that the low Drop/Collection Costs are due to the majority of the Thrifty hire being dropped off at our vehicle contractor depot which is 500 yards from the local Thrifty hire depot, as such no charges are applied to these vehicles.

3. Future Contractual arrangements

The current contract with Enterprise expired on the 13/05/2014, as the CCS framework was being renewed at this time, it was not possible to renew it any sooner. The purpose of this section of the document is to appraise the options available, provide benefits and drawback of each option, and make a recommendation.

The use of Hire Vehicles is an established and approved transport option that has been built in to the Corporate Travel Plan so the option of discontinuing Hire Vehicles has not been considered.

Likewise, simply allowing the current arrangement with Enterprise to continue without re-tendering, or using a current Framework, has not been considered for the following reasons.

- This approach would be a breach of the Councils internal Contract Standing Orders in terms of ensuring a competitive process is followed for awarding contracts.

- The 2010 Framework was let on a fixed price basis for the duration of the contract. This means that Enterprise have effectively held prices for six years. Enterprise are unlikely to be willing to continue to honour these prices.

4. Route to Market Options Appraisal.

It is accepted that the Council has a requirement for a new Contract for Vehicle Hire and the following section details the route to market options available.

Framework agreements are an established route to market, and there are several available for use by the Council. The two largest available are the current Crown Commercial Service (CCS) RM1062 and the Eastern Shire Purchasing Organisation (ESPO) Framework 271.

The ESPO Framework 271 expires on the 29th February 2016 and it is unclear what the replacement provisions are at this stage. Due to this uncertainty the ESPO Framework 271 has been discounted.

The CCS RM1062 Framework was established on the 9th September 2015 and so reflects current market conditions. In addition, CCS are one of the largest and most influential Purchasing Organisations in the UK. For these reasons the Author has decided to focus using the CCS RM1062 Framework as the main potential route to market option.

The CCS RM1062 Framework has five Suppliers within Lot 1 that could fulfil our requirements. Hire Rates, Fuel Premium and Delivery Costs have been established and will be fixed for the duration of the agreement.

A detailed exercise has been completed that projects our future annual costs, based on the CCS RM1062 established Supplier rates in the Framework, and an identical usage pattern to 2015. The results are summarised below:

Supplier/Cost Area	Scott Group (Thrifty)	Europcar	Arnold Clark	Hertz	Enterprise
Rental Costs	£9,739	£11,247	£9,701	£10,888	£10,439
Delivery Costs	£2,644	£2,492	£3,101	£3,101	£2,644
Fuel (Estimated - based on 2015)	£7,783	£7,783	£7,783	£7,783	£7,783
Fuel Premium	£2,335	£1,557	£2,724	£1,946	£3,892
Projected Costs	£22,501	£23,078	£23,308	£23,717	£24,757
Total Projected Annual Costs	£26,249.67	£26,922.76	£27,191.55	£27,668.27	£28,881.52

The data behind these figures can be found in Appendix B and further details on the methodology behind these calculations are available from the Author.

Option 1 – Further Competition within the CCS Framework for a two year contract with two, one year extension options (2+1+1).

The CCS RM1062 Framework includes a Further Competition facility. This involves running a simplified tender process between *all five* Suppliers on the Framework that could fulfil our requirement.

Advantages:

This approach could drive cost reductions by introducing competition.

Disadvantages:

Whilst a Further Competition within a framework is a relatively standardised process there is always a risk that an unsuccessful Supplier could challenge our decision.

Whilst a Further Competition within a framework is a relatively standardised process there is still a resource implication in conducting the process.

Option 2 – Direct Award to Enterprise within the CCS Framework – with negotiation - for a two year contract with two, one year extension options (2+1+1).

The CCS RM1062 Framework includes a Direct Award Facility with negotiation. This option would involve negotiating with Enterprise on any or all of the cost elements before direct awarding. The author has established with CCS that direct award with negotiation is compliant with the rules of the framework.

Enterprise have expressed an interest in this option.

Advantages:

No risk of Challenge for the other Suppliers.

No resource implication for the Council by conducting a further Competition.

No change in the user on-line booking process.

Disadvantages:

Increased costs to the Council compared to other Suppliers on the Framework.

Enterprise are the most expensive supplier on the framework and it is felt that they are unlikely to be able to reduce costs through negotiation to a level that would be competitive with Thrifty, the least expensive supplier on the framework.

Option 3 – Direct Award to Thrifty within the CCS Framework – with negotiation - for a two year contract with two, one year extension options (2+1+1).

The CCS RM1062 Framework includes a Direct Award Facility with Negotiation facility. This option would involve negotiating with Enterprise on any or all of the cost elements before direct awarding. The author has established with CCS that direct award with negotiation is compliant with the rules of the framework.

Advantages:

Thrifty are the least expensive Supplier on the Framework however it is felt that they may be able to reduce the fuel premium and the delivery cost element.

The Council have an existing, albeit un-contracted, relationship with Thrifty.

The Fleet Manager has assessed the on-line booking portal provided by Thrifty and has concluded that it provides a suitable level of functionality.

Disadvantages:

Changing Suppliers to Thrifty would mean that a new on-line portal would need to be introduced to users and a profile migration (c.200 users) would need to take place. Thrifty have confirmed they would assist in the process however all users would still need to complete a form on first log in of the new online account.

Option 4 – Direct Award to one of the other Suppliers on the Framework for a two year contract with two, one year extension options (2+1+1).

Europcar, Hertz and Arnold Clark are all prospective providers. The Council could direct award to one of these providers.

Advantages.

Based on the options available there would be little advantage to this option.

Dis-advantages:

The cost comparison exercise has demonstrated that there would be limited financial advantage to directly awarding the Contract either Europcar, Hertz or Arnold Clark.

The Council do not have an existing relationship with Europcar, Hertz or Arnold Clark.

The on-line booking portals for Europcar, Hertz or Arnold Clark have not been evaluated for suitability.

Option 5 – Run a NSC specific tender for a two year contract with two, one year extension options (2+1+1).

The Council could run a tender exercise to appoint a Hire Vehicle provider independently from the CCS RM1062 Framework.

Advantages:

This option could be used to design a service specific to North Somerset Council as we would, within reason, have a “clean slate” to start with.

Disadvantages:

Running a tender process would involve significant time and resource implications for the Council which would almost certainly outweigh any savings.

A tender exercise is unlikely to deliver any improvement over utilising the CCS RM1062 Framework agreement. The CCS RM1062 Framework is a long established agreement that has been let by a very experienced Framework provider.

Running a tender process, no matter how well run, always runs a risk of legal challenge from an un-successful bidder.

CCS are a large purchasing organisation that have significant purchasing power, North Somerset Council would not have such a considerable influence on the market.

5. Recommendation.

The author recommends pursuing both:

Option 2 – Direct Award to Enterprise within the CCS Framework – with negotiation - for a two year contract with two, one year extension options (2+1+1).

And

Option 3 – Direct Award to Thrifty within the CCS Framework – with negotiation -for a two year contract with two, one year extension options (2+1+1).

The result of these negotiations would decide the outcome of the contract award.

There would be benefits to contracting with either Enterprise or Thrifty, and the cost profiling exercise demonstrates that both Enterprise and Thrifty both have room for improvement on certain cost elements.

It is therefore proposed that we enter in to a negotiation with both Enterprise and Thrifty on all cost elements (with particular focus on Fuel Premium and Delivery Costs).

There is very low risk to the Council with this approach.

Once this exercise is complete the cost profiling figures will be amended to reflect the negotiated rates and a decision will be taken on which company should be awarded the contract.

In addition, it is proposed that a study is conducted to confirm if the savings created by the reduction in expense claims offsets the increase cost paid for fuel by allowing the Hire Company to re-fuel the vehicles on return.

6. Summary:

This Contract will not deliver any additional savings to the Council over and above the existing arrangements, it will however mitigate cost increases. The extent of this mitigation will not be clear until the negotiations have concluded. The current arrangements have been an integral part of the Corporate Travel Plan that helped to deliver £35,000 revenue savings to the Council by reducing grey fleet mileage claims in the last year of operation, this is an important contract enabling the Council to facilitate the efficient movement of its employees.

