

NORTH SOMERSET COUNCIL DECISION

DECISION OF: EXECUTIVE MEMBER FOR PLANNING AND TRANSPORT

**WITH ADVICE FROM: DIRECTOR OF DEVELOPMENT AND ENVIRONMENT,
S151 OFFICER AND HEAD OF STRATEGIC PROCUREMENT**



DECISION NO: 20/21 DE 83

SUBJECT: COMMISSIONING/PROCUREMENT PLAN FOR THE REPLACEMENT OF 31 FLEET VEHICLES

KEY DECISION: YES

REASONS: The value of the decision is over £500,000

BACKGROUND:

North Somerset Council fleet of cars and vans are now at the point where all its Internal Combustion Engine (ICE) vehicles are reaching the end of their economic useful life.

There are 31 vehicles within the fleet which are mainly used for Meals on Wheels, adult day care, pool cars, team vans and company cars. Fleet Services currently manage the vehicles in accordance to driver's service area Service Level Agreement's (SLA) and the maintenance schedules outlined within the Council's FleetCheck system.

The Investment and Infrastructure Board (IIB) has approved the modernisation and replacement of the North Somerset Council's ICE vehicles to Battery Electric Vehicle's (BEV). Please see Appendix A for IIB report. This will aid the delivery of carbon neutrality by 2030 in line with the North Somerset Council Core Strategy (2017), the Joint Local Transport Plan 4 (2019-2036) and the draft North Somerset Corporate Plan 2019-23. The Replacement vehicles will improve tax efficiency, be more reliable, reduce the whole life costs of the assets, and be more sustainable.

DECISION:

It is requested that this commissioning/procurement plan be approved to proceed, with approval for the funding and entry into the capital programme including ringfencing the residual value and authorising the impact on revenue.

REASONS:

Requirement

North Somerset Council require 31 electric vehicles, this includes 10 new full electric Small Panel Vans, 1 new full electric Mid-Size Panel Van and 20 longer range full electric Cars.

The capital investment required for these 31 vehicles will be £754,976 (£285,242 Net Borrowing Cost offset by sale of existing wholly owned assets, residual values of new replacements EV's and award of £20k (reduced from £200k) Office for Low Emission Vehicles (OLEV) grant).

Car criteria:

- New, full electric passenger car
- Worldwide Harmonised Light Vehicle Test Procedure (WLTP) combined range above 250 miles
- Boot size above 400L
- 5 seats
- Rapid charge ability
- Warranty of at least 5 years
- Local dealer network
- Strong residual value

Small Panel Van criteria:

- New, full electric van
- WLTP combined range above 150 miles
- Cargo load size above 4000L (4m³)
- Rapid charge ability
- Warranty of at least 3 years
- Local dealer network
- Strong residual value

Mid-Size Panel Van Criteria:

- New, full electric van
- WLTP combined range above 150 miles
- Cargo load size above 5300L (5.3m³)
- Rapid charge ability
- Warranty of at least 3 years
- Local dealer network
- Strong residual value

Route to Market

Multiple call-offs from (Crown Commercial Service) CCS RM6060 Framework.

Using the CCS Online Fleet Portal, the council will obtain real-time quotations from Lot 1 Cars and Lot 2 light commercial vehicles. Quotes will include a full breakdown of costs allowing comparisons of the vehicle's whole life outlay.

Framework RFQ 1 - Publish in July/August including 10x cars on Lot 1

Framework RFQ 2 - Publish in July/August including 10x Small Panel Vans on Lot 2

Framework RFQ 3 - Publish in July/August including 1x Mid-Size Panel vans on Lot 2

Framework RFQ 4 - Publish in March 2021 Including 10x cars on Lot 1 (The market will be reviewed prior to this RFQ to ensure any new vehicles are included)

There are currently only 3 appropriate cars and only 1 small panel van on the market which meet the Council's criteria (as of March 2020). Please see Appendix B for vehicle options appraisal.

Available cars that meet the Council's requirement:

- Jaguar I-Pace
- Kia e-Niro
- Mercedes EQC

Available Small Panel Vans that meet the Council's requirement:

- Nissan e-NV200 Van

Mid-Size Panel Vans that meet the Council's requirement – available during 2020:

- VW e-Transporter (2020)
- LDV e Deliver 3 (2020)
- Vauxhall Vivaro-e electric (2020)
- Citroen Dispatch electric (2020)
- Peugeot e-Expert (2020)
- Toyota Proace electric (2020)

Timescales

There is currently a "one off" award of £20k of OLEV grant/funding (reduced from a potential £200k detailed in the attached IIB) due to other authorities being unable to take full advantage of the OLEV grant during its available timeframe, this OLEV grant will then cease. There is an urgency to act without delay in order to maximise other EV plug-in grants (£3k for Cars and £8k for Vans) to allow the realisation and investment in replacement BEV's before these grants are diminished further, helping to offset the cost of capital borrowing for EV's as soon as possible, reducing our exposure to the shifting market sentiment and volatile petroleum market. Therefore, the council will need to procure these vehicles within the next 3 months.

Forward Plan	<i>May</i>
Framework RFQ	<i>July/August</i>
Supplier deadline	<i>July/August</i>
Evaluation	<i>August</i>
Award	<i>August/Sept</i>

Governance

In accordance with the council's Contract Standing Orders this Commissioning/Procurement plan will be approved by the Executive Member, advised by the Head of Strategic Procurement. The contract award will be approved by the Director, advised by the S151 Officer and the Head of Strategic Procurement.

Market and Suppliers

- There is an attractiveness of the Council as a customer given the number of units required
- Suppliers and manufactures have been approached during EV GreenFleet, Fully Charged 500 and Company Car in Action events to qualify the market/supply network.
- CCS framework consists of 48 suppliers. CCS have conducted research using an average market rate comparator, which have shown CCS discounts are currently 11.3% better than those achieved by the leasing market.
- Demand for electric vehicles is growing therefore residual value is significantly higher than ICE vehicles.
- Supply hasn't been able to keep up with the demand and there are long waiting times for new electric vehicles.

Social Value, Sustainability & VCSE

Social value will be built into the quotes where possible and Procurement will work with suppliers to make sure they follow up on this.

Evaluation

- **Car**
Evaluation will be weighted on price, taking into consideration purchase price less estimated residual value after three years. Residual value will be obtained from current Cap-HPI value.
- **Van – small & mid**
Evaluation will be weighted on price, taking into consideration purchase price less estimated residual value after five years. Residual value will be obtained from current Cap-HPI value.

Fleet Services have maintenance contracts already in place therefore negating any further quality requirements beyond standard vehicle warranty services.

Contract Management

Due to this being a one-off purchase of Goods, there will be no contract in place.

The vehicles will have at least 3 years warranty for vans and 5 years for cars and Fleet Services will continue to manage the vehicles in accordance to individual service area SLA's and the maintenance schedules outlined/detailed within the Council's FleetCheck system.

OPTIONS CONSIDERED:

Extend the life of the current assets; This existing fleet has been life extended where necessary, in some cases by an additional 5 years in anticipation of suitable EV stock coming to the market, annual maintenance costs are already rising on these vehicles.

Any further delay in replacement will result in further losses in the residual values as they age, and as being Diesel, they are becoming less desirable, and as market sentiment is rapidly shifts away from the ownership of Internal combustion engine vehicles. Many of the vehicles will require significant mechanical repairs over the next 12 months resulting in higher revenue costs, increased repair/maintenance outlay and impacts on service delivery.

Remove the provision altogether; the vehicles that are to be replaced are required to deliver high profile specific statutory services within the council such as the maintenance of street lighting and traffic signals, Waste and recycling services, and highways operations, failure to replace them could result in officers not having access to vehicles with chapter 8 compliant markings and high visibility lighting which are required to work safely in the road network, to assess and repair serious defects. Some of the vehicles are going to revert to team specific pool cars to reflect structural and service delivery changes. At this time, it is not thought that any of the affected vehicles can be removed from the fleet, this will be reviewed again prior to order and replacement

Replace the existing vehicles with suitable Pure Electric vehicles.

Where the service impacts don't suit BEV, a consideration for a suitable Plug-in Hybrid or further extend the use of the existing vehicles on a case by case basis until a suitable vehicle at an affordable price comes to market. This is thought to be the case with x3 mid-sized panel van's, the fleet will work with those service/teams to trial new vehicles as they come to marketplace with an expected maximum life extension date of 2022. The fleet will continue to maintain a pool of capable emergency vehicles such as the specialist 4x4 vehicles (Sea Front and Highways). We are also able to access very cost-effective hire cars within 2 hours using our CCS vehicle framework for the very rare occasions where a long- range BEV would not be suitable, but this will be rare considering specification range for new vehicles.

There are three options available to the Council held for the acquisition of these BEV's over a 5-year period as follows:

Rent: £469,265

Lease: £446,115

Purchase Loan: £406,052 offset by OLEV grant (comparison not including RCCO)

Purchase loan is therefore most cost-effective route.

Route to market options

An open tender has been ruled out due to the additional time and resource of an open tender which would risk North Somerset Council not getting the OLEV funding. The frameworks available have proven to be extremely competitive and are used widely in the public sector.

Framework agreements are an established route to market, and there are a couple available for use by the Council. The most established available are the current Crown Commercial Service (CCS) RM6060.

The Crown Commercial Service (CCS) is an executive agency and trading fund of the Cabinet Office of the UK Government. The CCS is responsible for managing the procurement of common goods and services, increasing savings for the taxpayer by centralising buying requirements, and leading on procurement policy on behalf of the government.

Benefits of using this framework include:

- **Competitive Discounts:** Using an average market rate comparator, CCS discounts are currently 11.3% better than those achieved by the leasing market.
- **Direct Award:** Customers can make a direct award for standard cars and light commercial vehicles.
- **Online Fleet Portal:** Obtain real-time quotations and a full breakdown of costs allowing comparisons and whole life costs.
- **Local Dealer and Direct Supply options:** Option to use a local dealership for delivery & after sales service, supporting SMEs, or opt for supply directly from the manufacturer where this service is available.
- **eAuction:** CCS run several eAuctions a year, combining vehicle volumes to achieve discounts in excess of 45% against MRP.
- **Environmental & Social Value:** Support the Government Buying Standards and Fleet Commitments by making available ultra-low emission vehicles.
- **Legality:** The framework is fully compliant with public procurement regulations and reflects commercial best practice within the market. It also reduces procurement risk for customers and reduces bureaucracy in the procurement process.
- **Pre-defined Terms and Conditions:** Contract Terms & Conditions have been established in line with commercial best practice.

The CCS RM6060 Framework was established on the 2nd December 2018 and so reflects current market conditions and has 48 suppliers. In addition, CCS are one of the largest and most influential Purchasing Organisations in the UK.

FINANCIAL IMPLICATIONS:

Costs

The anticipated capital outlay for these 31 vehicles will be £754,976 (£285,242 Net Borrowing Cost offset by sale of existing wholly owned assets, residual values of new replacements EV's and award of £20k Office for Low Emission Vehicles (OLEV) grant).

Funding

There was a "one off" opportunity to bid for up to an available £200k of OLEV grant/funding by the end of the last financial year due to other authorities being unable to take full advantage of the OLEV grant during its available timeframe. This OLEV grant has now been

awarded at £20k and the grant will now cease. There is an urgency to act without delay in order to maximise the plug-in car/van grants (£3k per car and £8k per van) to allow the realisation and investment in replacement EV's before these grants are diminished further, helping to offset the cost of capital borrowing for EV's as soon as possible, reducing our exposure to the shifting market sentiment and volatile petroleum market.

The capital investment required for these 31 vehicles will be approx. £754,976, a guarantee of the residual value at year 3 from the fleet revenue budget of £318,283 for the Cars and a further residual value recoupmnt of £62,372 in year 5 for the Vans. The net borrowing to £429,241 over 5 years. The Council has been successful in its bid for £20,000 (original bid was for £200,000) of OLEV grant, this has further reduced the net borrowing costs to £409,241

Revenue Contributions to Capital Outlay (RCCO) from the sale of the existing wholly owned assets of approximately £105,419 through years 1 and 2 to return to Council Capital.

FLEET VEHICLES						
WITH GRANT	PROJECT COST	Year 1	Year 2	Year 3	Year 4	Year 5
Principal Cost of vehicles	£754,976	£221,140	£221,140	£221,140	£45,778	£45,778
Residual Value	-£380,655			-£318,283		-£62,372
RCCO	-£105,419	-£52,710	-£52,710			
OLEV Grant	-£20,000	-£20,000				
NET BORROWING	£248,902	£148,431	£168,431	-£97,143	£45,778	-£16,594
Interest - Borrowing	£23,895	£4,779	£4,779	£4,779	£4,779	£4,779
Internal interest	£12,445	£2,489	£2,489	£2,489	£2,489	£2,489
NET BORROWING COSTS	£285,242	£155,699	£175,699	-£89,875	£53,046	-£9,326

Cost	No.	Life
£26,304.41	20	£526,088.20 3
£20,808.00	11	£228,888.00 5
£754,976.20		

Interest Rate	
External	Internal
1.9%	1.0%

The revenue costs will be charged to DSW232 and will be offset by the reduction in running costs over the 5-year period with a difference in cost from ICE to EV. The annual saving per vehicle is approx. £1,443 which equates to £44,741 per year over the 31 replacement EV vehicles.

EV			Annual Running Costs					
Year	Av. Miles	Av. unit fuel/elec 3 miles per kwh	Fuel/ Elec Costs	Tax	EV Infrastructure Cost	MOT	Servicing/ Maintenance	Total Running Cost
0			-					-
1	7406	0.044	326		57	38	394	815
2	7406	0.044	326		57	38	394	815
3	7406	0.044	326		57	38	394	815
Total			978	-	171	114	1,182	2,444

ICE			Annual Running Costs					
Year	Av. Miles	Av. 34 mpg	Fuel/ Elec Costs	Tax	EV Infrastructure Cost	MOT	Servicing/ Maintenance	Total Running Cost
0			-					-
1	7406	0.143	1,059	240		38	921	2,258
2	7406	0.143	1,059	240		38	921	2,258
3	7406	0.143	1,059	240		38	921	2,258
Total			3,177	720		114	2,763	6,774

Difference		2,200	720		-	1,581	4,330
Av. per year		733	240		-	527	1,443
31 Vehicles							44,741.40

LEGAL POWERS AND IMPLICATIONS

N/A

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Dramatic reduction of greenhouse gas emissions to assist in the delivery of carbon neutrality by 2030 saving an additional 6 tonnes of CO2 per month in the local area.

CONSULTATION

The relevant departments have been consulted and have trialled the vehicles to ensure they are fit for purpose. The affected officers are being consulted and remain engaged on the change to EV's minimum specification requirements. The council has the supporting infrastructure to deploy these assets and ensure that the vehicles well utilised.

RISK MANAGEMENT

Failure to replace the assets will result in an increase of maintenance costs and reducing asset prices. As well as exposing risk to services not being carried out because of employees not having appropriate vehicles to carry out their duties.

EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes

CORPORATE IMPLICATIONS

The council has made a commitment to OLEV to convert its fleet to electric vehicles, and to deliver carbon neutrality by 2030 in line with the North Somerset Council Core Strategy (2017), the Joint Local Transport Plan 4 (2019-2036) and the draft North Somerset Corporate Plan 2019-23, as well as the associated benefits of reducing the environmental impacts of its transport costs, and improving the local air quality, the current fleet and EV charger network are already saving over 6 tonnes of CO2 per month in the local area, thus setting an example of best practice to others in the UK as a whole. The EV's also have the benefit of reducing our revenue and capital spend. EV's are also rewarded with lower BIK rates with a BEV car BIK-rate at 16% for FY 2019/20, reducing to 0% during 2020/21, and then increasing to 1% and 2% for years 2021/22 and 2022/23 respectively along with the Corporate NIC contribution (presently 13.8%) reducing in line with BIK being £0 for 2020-21.

BACKGROUND PAPERS

Fleet replacement programme – report to Investment and Infrastructure Board

Fleet replacement programme – market research

SIGNATORIES:

DECISION MAKER(S):



Signed: .


Executive Member for Planning and Transport

Date: 6 August 2020

WITH ADVICE FROM:

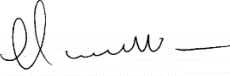
Signed:  Director of Development and Environment

Date: 6 August 2020

Signed: 

S151 Officer

Date: 05.08.20

Signed:  Head of Strategic Procurement

Date: 5 August 2020