

CABINET
7 MARCH 2019

FLEET SUPPLY AND MAINTENANCE CONTRACT

Cabinet Member(s): Cllr Peter Hare-Scott, Cabinet Member for Finance
Responsible Officer: Stuart Noyce – Group Manager Street Scene & Open Spaces

Reason for Report: To advise Members on the results of the procurement exercise for the provision of fleet supply and maintenance and seek approval to award the contract to the successful bidder.

RECOMMENDATION:

- (i) That Cabinet awards the contract jointly with Exeter City Council for fleet supply and maintenance to Supplier C with effect from 1 June 2019 for a term of 7 years with an option for a 7 year extension.
- (ii) That the Group Manager for Street Scene & Open Spaces explores further opportunities for joint working for Fleet Management.

Financial Implications: Table 1 (Appendix A) compares the annual cost of supply and maintenance under the new contract against our forecast expenditure for the next seven years if the Council were to continue its current approach of acquiring its own fleet through capital purchases and contracting out only maintenance and repair. The current budget for 2019-20 is £960,810 for the General Fund and £101,300 for the HRA.

Damaged and unfair wear and tear costs are not included as the Council will still have to fund these in either situation. A budget of £70,000 is thought appropriate for the General Fund and £5,000 for the HRA. This cost is currently within the existing maintenance budget.

Costs savings on this contract may be achieved by reducing the size of the Council's fleet and disposing of vehicles which may be underutilised.

Further savings could be achieved through a shared Fleet Management arrangement by the awarding of a joint contract and shared working arrangements.

Legal Implications: The method of procurement followed to date complies with the Procurement Contracts Regulations 2015 and the Council's Financial Regulations. The 10-day standstill period will apply before the contract can be formally entered into. The Council holds an Operator's Licence for its Large Goods Vehicles and it is a requirement of this licence to have in place a robust and effective vehicle maintenance regime which this contract will ensure.

Risk Assessment: An open and transparent tendering process was undertaken to avoid the potential for challenge, whilst at the same time ensuring that the chosen contractor is suitably equipped and prepared to deliver the service.

An options appraisal risk matrix that identifies the key risks is shown in section 13.5

Equality Impact Assessment: None arising from this report

Relationship to Corporate Plan: Ensuring compliance with procurement regulations and to deliver our Corporate Plan priorities within existing financial resources.

1.0 INTRODUCTION

1.1 The purpose of this report is to consider the outcomes of the recent procurement exercise completed with Exeter City Council for the supply and maintenance of the Council's fleet. It includes both the vehicles for the General Fund and the Housing Revenue Account (HRA).

2.0 BACKGROUND

2.1 Mid Devon District Council have a statutory duty to provide a range of services that depend on having access to a variety of vehicles. The effective operations of these statutory functions depend on having reliable vehicles that are readily available and operate safely.

2.2 There are several fleet procurement options available to the Council. In order to ensure we achieve value for money and effective management of the associated risks, work has been undertaken to analyse the options. The results are summarised in this report and include input from an independent consultant with specific experience in the area of municipal fleet procurement acting as a 'Critical Friend'.

2.3 Mid Devon District Council currently operates 97 road-going vehicles and 7 items of powered equipment such as lawn mowers and a telehandler which will be included in this contract.

2.4 Fleet and plant assets have been purchased as capital items as and when required, resulting in a fleet varying in age from new to over 10 years old. Mini tenders have been used under procurement frameworks for vehicle and plant purchases.

2.5 Sinking funds have been used by the General Fund to ensure enough capital is available when items are due for replacement. The HRA has used reserves to fund vehicle replacements.

2.6 The Council currently uses one main supplier for its vehicle maintenance requirements, as well as a number of other suppliers for tyre replacement and specialist maintenance and repair. To ensure compliance with procurement regulations it was necessary to tender for these services.

2.7 The annual budget for the General Fund vehicle maintenance and spot hire is currently set for 2019/20 as £401,210. The HRA's annual budget for vehicle maintenance and spot hire is currently set for 2019/20 as £101,300. The budget for sinking funds for replacement of vehicles for 2019/20 is set at £559,600. The current and optimum life span of larger vehicles is 7 years and 10 years for vans.

2.8 Contract Hire is generally more cost effective than prudential borrowing because the leasing companies have more expertise in disposing of vehicles at the end of life and they can maximise the residual value, thereby reducing the whole life cost. The other advantages of this option are;

- The leasing companies have greater purchasing power and are able to secure more competitive prices from the manufacturers than the Council.
- Leasing companies are able to secure comprehensive extended vehicle warranties from the manufacturers that may not be available to the Council.
- These suppliers as owners of very large numbers of vehicles are able to utilise their relationship with manufacturers to resolve issues and warranty repairs swiftly.
- The leasing company takes on the risk of the residual value of the vehicles at the end of the term.
- Contract hire is generally more flexible should there be a change in requirements or method of working and would allow swapping of vehicles (provided it is included in the tender specification).
- A significant benefit is the removal of the risk of unforeseen maintenance costs.

2.9 In 2017 Mid Devon District Council and Exeter City Council were in the same situation: owning their own vehicle fleet, with maintenance carried out by long standing contracts with local suppliers. Both councils needed to tender their contracts to ensure compliance with procurement regulations and demonstrate value for money.

2.10 The two councils therefore jointly used the services of Ricardo to assist with the procurement of a new contract. A joint tender process was expected to deliver reduced costs by sharing consultant costs, create opportunities for joint working and potentially the increased size of the contract would make it more attractive to bidders.

2.11 The specialist nature of fleet contracts, and as neither council had an existing contract, meant that appointing a consultant was the most cost effective approach to ensuring a successful procurement exercise with a detailed contract. The tender was based on a contract hire arrangement, under which the contractor would provide a fleet to the councils and manage the repair and maintenance. It is envisaged that major fleet providers are able to purchase municipal vehicles more cheaply than individual councils and to negotiate with subcontractors to achieve competitive maintenance costs.

2.12 Existing suppliers were notified of the contract tender and invited to confirm whether the Transfer of Undertakings (Protection of Employment) Regulations 2006 applied to any employees engaged in providing services to the Councils. All Mid Devon suppliers confirmed that there were no TUPE implications.

3.0 THE PROCUREMENT PROCESS

3.1 The procurement was conducted using the competitive procedure with negotiation (CPN).

3.2 The Council's intention is to let a contract for seven years with the option to extend for a further seven year period.

3.3 Advertising the contract

3.4 The contract was advertised via a contract notice in OJEU (the official journal of the European Union) on 28/08/2018.

3.5 Following publication of the notice, there was a window of opportunity for suppliers to express their interest in the project and submit their completed SQ (Selection Questionnaire). The closing date for receipt of SQs was 22/09/2018 midday.

3.6 The notice prompted 54 expressions of interest but only 6 companies submitted a completed SQ by the date and time required.

3.7 All 6 of these companies passed the initial SQ stage and were invited to the next stage of the process; ISIT (Invitation to submit initial tenders).

4.0 EVALUATION CRITERIA AND WEIGHTING

4.1 Any contract will be awarded on the basis of the most economically advantageous tender. The award criteria contained a mix of quality and commercial considerations.

4.2 The high level award criteria and weightings used for this procurement are set out below:

Quality 400 Points (40%)

MS1	30	Service Management Plan to include: Management Structure for the Contract, Social Value and innovation and flexibility
MS2	30	Staff resources, including their management training and recruitment
MS3	60	Vehicle / Plant Resources
MS4	120	Service Delivery
MS5	70	Vehicle and Plant workshop
MS6	30	Mobilisation and Exit plan including TUPE Transfer
MS7	20	Performance monitoring, local management and reporting, including customer care and ICT arrangements
MS8	40	Health and Safety and Quality Management Plan

Price 600 Points (60%)

5.0 SCORING METHODOLOGY

5.1 The scoring methodology used to evaluate the quality criteria was:

Score	Classification	Definition
0	No response (complete non-compliance)	No response at all or insufficient information provided in the response such that the solution is totally un-assessable and/or incomprehensible.
1	Unsatisfactory response (potential for some compliance but very major areas of weakness)	Substantially unacceptable submission which fails in several significant areas to set out a solution that addresses and meets the requirements: little or no detail may (and, where evidence is required or necessary, no evidence) have been provided to support and demonstrate that the Provider will be able to provide the services and/or considerable reservations as to the Provider's proposals in respect of relevant ability, understanding, expertise, skills and/or resources to deliver the requirements. Would represent a very high-risk solution for the Councils.
2	Partially acceptable response (one or more areas of major weakness)	Weak submission which does not set out a solution that fully addresses and meets the requirements: response may be basic/ minimal with little or no detail (and, where evidence is required or necessary, with insufficient evidence) provided to support the solution and demonstrate that the Provider will be able to deliver the services and/or some reservations as to the Provider's solution in respect of relevant ability, understanding, expertise, skills and/or resources to deliver the requirements. May represent a high-risk solution for the Councils.
3	Satisfactory and acceptable response (substantial compliance with no major concerns)	Submission sets out a solution that largely addresses and meets the requirements, with some detail (or, where evidence is required or necessary, some relevant evidence) provided to support the solution; minor reservations or weakness in a few areas of the solution in respect of relevant ability, understanding, expertise, skills and/or resources to deliver the requirements. Medium, acceptable risk solution to the Councils.
4	Fully satisfactory/ very good response (fully compliant with requirements).	Submission sets out a robust solution that fully addresses and meets the requirements, with full details (and, where evidence is required or necessary, full and relevant evidence) provided to support the solution; provides full confidence as to the relevant ability, understanding, expertise, skills and/or resources to deliver the requirements. Low/No risk solution for the Councils.
5	Outstanding response (fully compliant, with some areas exceeding requirements)	Submission sets out a robust solution (as for a 4 score – above) and, in addition, provides or proposes additional value and/or elements of the solution which exceed the requirements in substance and outcomes in a manner acceptable to the Councils; provides full confidence as to the relevant ability, understanding, expertise, skills and/or resources not only to deliver the requirements, but also exceed it as described. Low/No risk solution for the Councils.

5.2 The scoring methodology used to evaluate price was:

Lowest price AES submitted receives maximum score of 600. Other Applicants' prices are scored in accordance with the following equation:

$$\% \text{ Score} = \frac{\text{Lowest Tendered price}}{\text{Tenderer's price}} \times 600$$

AES = Annual equivalent sum

6.0 INITIAL TENDERING STAGE

- 6.1 Tender documents were released through the e-tendering portal www.supplyingthesouthwest.org.uk on the 11th October 2018. Under the CPN procedure this is known as the Invitation to Submit Initial Tenders (ISIT).
- 6.2 Submissions were received on the 9th November 2018 from a total of 3 suppliers.
- 6.3 The remaining 3 suppliers who were sent the ISIT chose not to submit a bid. No reasons were provided by these suppliers for their non-response.

7.0 INITIAL EVALUATION

- 7.1 The first part of the evaluation of initial tenders is a compliance checklist obtaining the following mandatory requirements:

a)	Was the submission received on time?
b)	Has the Provider submitted all the necessary Forms and Certificates, and are they appropriately signed?
c)	Has the Provider submitted a completed set of Method Statements comprising a Service Delivery Plan and all requested enclosures?
d)	Has the Provider submitted a completed Pricing Schedule and have all the items been priced?
e)	Has the Provider completed the mandatory Vehicle and plant requirements in Schedules 3a and 3b?

- 7.2 Supplier A failed to meet c, d and e of the above mandatory requirements and they were advised of this fact and that their bid wouldn't be considered in the onward process.
- 7.3 The evaluation of the initial bids for the remaining suppliers is shown in the in the confidential appendix Table A.
- 7.4 A number of clarifications for both supplier tenders were raised during the evaluation. These were sent to the suppliers for response, along with a list of items which the Councils were seeking to negotiate on. In addition, the suppliers were asked to provide a list of the items that they wished to negotiate on. This meant that in advance of the negotiation meetings, both parties knew all items which were tabled for negotiation and could prepare accordingly.

8.0 NEGOTIATION STAGE

- 8.1 Negotiation meetings were held on 11th and 12th December 2018 at Exeter City Council offices.
- 8.2 The meetings were recorded and full notes taken and issued to respective suppliers. The notes included each negotiation point and the resolution reached during the meeting discussion.

8.3 Suppliers were also notified where a change that would affect their bid had been agreed with the other supplier. This was to ensure that at the next round of tenders, there remained an even playing field.

9.0 FINAL TENDER STAGE

9.1 All points from the negotiation meeting were incorporated into the tender documents to produce a final version of the tender and accompanying schedules.

9.2 These Final tender documents were released through the e-tendering portal on the 24th December 2018. Under the CPN procedure this is known as the Invitation to Submit Final Tenders (ISFT).

10.0 ROCO MEETING

10.1 Following the negotiation meetings, based on the volume of points which were discussed and the intricacies of the contract, the project team decided to add an additional stage to the procurement process in the form of the Revised or Confirmed Offer (ROCO) meeting.

10.2 The purpose of this meeting was to ensure that both parties (Councils and suppliers) were clear on, and had fully understood, the discussion that took place in the negotiation meetings.

10.3 Again, full notes were taken and issued to the respective suppliers who confirmed their agreement to them by return.

11.0 FINAL EVALUATION

11.1 Both suppliers provided on time submissions by the deadline of 5th February 2019.

11.2 Evaluation was conducted individually by officers of the contracting authorities who then came together in a moderation meeting to review and agree final scores and comments.

11.3 A summary of the final scoring is shown in the confidential appendix Table B

12.0 PRICING

12.1 A breakdown of the pricing has been set out in the confidential appendix in Table C which accompanies this report. It also provides a comparison of the current expected costs versus the costs if the recommended option is progressed.

13.0 PROJECT RISKS/ BENEFITS

- 13.1 The tender specification required bidders to explain how they offer flexibility over the profile of the vehicle fleet during the term of the contract. This could include accommodating service changes, adding new services or reducing the fleet. The preferred supplier has provided a satisfactory response on this matter.
- 13.2 The vehicles will no longer be owned by the Council once replaced through this contract and therefore there could be a risk if the supplier went into liquidation. The preferred supplier has given options for entering into suspensive lease arrangements with the bank if this eventuality occurred. This would remove the likelihood of essential vehicles being removed.
- 13.3 The Council currently has built up significant sinking funds for future replacement of vehicles. Moving to a contract hire arrangement means these funds can be released for other purposes.
- 13.4 The preferred supplier has given options of moving suitable vehicles for both authorities to greener type vehicles. This will be more suitable currently for Exeter's fleet due to the nature of a city as opposed to a rural district environment. This includes supplying electrically-powered light commercial vehicles where suitable. A contract hire arrangement reduces the technical risk to the Council of adopting new technology. In some cases diesel propulsion will remain the most practical option so any change will be based on a sound business case. Replacing older diesel-powered vehicles with new Euro 6-equivalent vehicles will also reduce direct emissions.
- 13.5 Risk assessment for awarding contract to Supplier C

RISK	IMPACT	LIKELIHOOD	CONTROL MEASURES
Financial failure of contractor	High; vehicles will be under ownership of the contractor	Low	Suspensive Lease/Financial checks
Contractor fails to implement correct maintenance and repair arrangements through its subcontractors	Medium	Low	Robust contract management arrangements/ fleet checks
Council committed to high levels of revenue expenditure for 7 years	High	High	Contract clauses to allow vehicles to be given back early with agreed sums

Risk assessment for NOT awarding contract

RISK	IMPACT	LIKELIHOOD	CONTROL MEASURES
Non-compliance with procurement regulations	High	Low	Re-tender Contract
Council unable to procure favorable terms for maintenance-only arrangements	Medium	Medium	Market test

14.0 CONCLUSION

- 14.1 The outcome of the procurement shows Supplier C to be the winning bidder. Cabinet approval is therefore sought to award the contract to them, following a mandatory 10-day standstill period.

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Circulation of the Report: Cllr Peter Hare-Scott, Leadership Team

List of Background Papers: