

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 21 JUNE 2016**



**REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: LAURA LANGSTAFF, HEAD OF PROCUREMENT**

**SUBJECT: AWARD OF A CONTRACT FOR SHORT TERM VEHICLE HIRE**

**SUMMARY OF ISSUE:**

Surrey County Council has various needs for vehicle access so that employees can carry out essential Council business. Access to vehicle hire provision ensures that services are supported to deliver statutory duties. This includes usage by adult and children's residential care homes, and the Surrey highways service..

The current contract for vehicle hire was directly awarded to the incumbent provider, Automotive Leasing on 1 August 2015. In preparation for the expiry of the current contract a competitive tendering process has been completed using a Crown Commercial Services Vehicle Hire Framework.

The outcome of the process is set out in this report. Due to the commercial sensitivity involved in the contract award process a Part 2 report has been produced. The Part 2 report details financially sensitive commercial information, including the prices and evaluation scores of all bidders.

**RECOMMENDATIONS:**

1. It is recommended that the contract is awarded to the following three suppliers
  - Lot 1: Europcar, for the provision of passenger car hire, light commercial vehicles, general on road and 4x4. The Contract is proposed to commence on 1 August 2016.
  - Lot 2: 4 x 4 with off road capability: Scot Group Ltd, trading as Thrifty Car and Van Rental are recommended for award. The Contract is proposed to commence on 1 August 2016.
  - Lot 3: UK Minibus hire: Sixt Hire Ltd is recommended supplier for award. The contract is proposed to commence on 1 August 2016.

## **REASON FOR RECOMMENDATIONS:**

A comprehensive procurement process using the Crown Commercial Services pre-established Vehicle Hire Framework was conducted. This has involved Surrey County Council conducting a mini-competition in accordance with Surrey County Council's own Procurement Standing Orders and also in adherence to the relevant legislative requirements. The recommendations provide best value for money for the Council following a combined quality/price evaluation process.

The bid from the preferred suppliers offers saving and value for money over the full contract term. Full financial details are included in Part 2 of this report. In summary, the lifetime contract value is £2.6m and this represents a saving of £48,000 in the first year.

The preferred suppliers have demonstrated they are able to deliver the high standard of service expected by Surrey County Council and will work with the Council over the full contract duration to make continuous improvements and add value.

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## **DETAILS:**

### **Business Case**

This report recommends the award of vehicle hire contracts to ensure that Surrey County Council services:

- Adhere to the EU Procurement Contract Regulations (2015) and relevant Surrey County Council Procurement Standing Orders.
- Achieve the best value for money ensuring sustainability of Surrey County Council services.
- Ensure that all vehicles hired are safe, fit for purpose and emit lower levels of carbon emissions benefiting Surrey County Council staff and residents alike.

### **Background**

1. Surrey County Council has various needs for vehicles. Vehicle hire is designed to be used as a short term option for staff to deliver essential public services such as transport needs for adult and children's residential care homes and the Surrey Council highways for essential maintenance and repairs. An example of vehicle hire usage has been supplied by one of Surrey County Council's residential homes who support looked after children. This example cites the use of a hire vehicle in 2015 whilst waiting for the delivery of a vehicle using a long term lease arrangement, leaving the residential home without access to a dedicated vehicle. This coincided with the summer holidays and a hire vehicle was promptly booked to ensure the young people were able to access to their local communities, attend social work reviews, visit their families and essential medical appointments.
2. Current need is met by a total Surrey County Council fleet of 176 vehicles; of these 43 vehicles are procured on long term lease, 95 vehicles are owned by Surrey County Council and 38 are procured on short term hire arrangements although this is subject to fluctuations dependent on service needs.

3. The current contract for short term vehicle hire was directly awarded to the incumbent provider Automotive Leasing on 1 August 2015. This contract is due to expire and a new contract is required to meet the continuing vehicular business needs of Surrey County Council.
4. Vehicle hire is designed to be used as a short term option for staff to deliver essential public services. Short term vehicle access can be required when services are in the process of ordering lease vehicles but have to wait for delivery of the lease vehicle as this can take 8-12 weeks. Surrey Highways also use vehicle hire options while Surrey County Council owned vehicles are being repaired to ensure continuity of service.
5. If longer term options are required managers are required to consider a longer term lease contract, vehicle purchase options or using the existing pool car arrangements.
6. A full tender process, compliant with the European Public Procurement Regulations and Procurement Standing Orders, has been carried out.

### **Procurement Strategy**

7. An alternative option considered when completing the Strategic Sourcing Plan (SSP) involved sourcing one supplier to deliver vehicle hire, vehicle leasing and vehicle management and maintenance. This option was not pursued due to the limited number of suppliers providing all these services and the resultant lack of market competition.
8. Another, alternative option considered was to collaborate with other local authorities to aggregate demand. This option was not pursued as the other local authorities were not aligned to our time constraints or scope. However, Surrey County Council is keen to explore this option in the future and therefore we are recommending a contractual period of 1+1+1+1 years to allow future opportunities to collaborative.
9. After an options analysis it was decided to invite tenders via a mini competition through the Crown Commercial Service Vehicle Hire Services framework (ref. RM1062) for lots 1, 2 and 3 as this demonstrated best value for money from the options appraisal. It also allows for aggregation of demand with other public bodies in the future.

### **Use of e-Tendering and Market Management Activities**

10. In order to openly conduct the mini-competition, and invite only the pre-approved suppliers on the Crown Commercial Services Vehicle Hire Framework, Surrey County Council's electronic tendering platform was used.
11. Eight expressions of interest were received. Five companies subsequently submitted tender responses.

### **Key Implications**

12. By awarding a contract to the suppliers recommended for the provision of vehicle hire to commence on 1 August 2016, the Council will ensure that it can continue to provide its vehicle business needs to deliver essential services.

13. Performance has been designed within the contract to be monitored through a series of service levels. Please refer to table 1.

**Table 1: Service levels**

Service Levels				Service Credit for each Service Period
Service Level Performance Criterion	Key Indicator	Service Level Performance Measure	Service Level Threshold	
1 Achieve a no 'turn-down' hire service on the total core vehicle range.	98% of orders achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
2.Achieve a 1-hour breakdown recovery service in the event of a vehicle breakdown	98% of breakdown incidents achieved	at least 98% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
3. Achieve no vehicle breakdowns	99% of hires achieved	At least 99% at all times	98%	0.5% Service Credit gained for each one per cent below the specified Service Level Performance Measure
4.Achieve a 1-hour replacement vehicle service in the event that a vehicle breakdown is not repairable within 1 hour of attendance	98% of non-repairable breakdown incidents achieved	At least 98% at all times	98%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure
5.Maintain a complaints monitoring database	99% of hires fulfilled without complaint	At least 99% at all times	99%	2% Service Credit gained for each one per cent below the specified Service Level Performance Measure

14. The management responsibility for the contract lies with Transport Co-ordination Centre in the Travel and Transport Group. It will be managed in line with the Contract Management Strategy and plan as laid out in the contract documentation which also provides for review of performance and identified continuous improvements in performance.

### **Competitive Tendering Process**

15. The contract has been let as a competitive tendering exercise. It was decided that the best route to market was a mini-competition using the Crown Commercial Service Vehicle Hire Framework because it allows for aggregation of demand with other Public Bodies, whilst also recognising that different suppliers specialise in different services. An invitation to tender was available for download to all suppliers pre-approved on the Crown Commercial Service Vehicle Hire Services framework (ref. RM1062). Suppliers were given 23 days to complete and submit their tender. These tenders were then evaluated against agreed criteria and weightings with a 70% price and 30% quality ratio.

### **CONSULTATION:**

16. Representative internal stakeholders who use the current vehicle hire contract have been consulted with at all stages of the commissioning and procurement process including designing the specification, evaluating tenders and agreeing the contract award. This stakeholder engagement will increase the quality benchmark required, and shape the service delivered through the contract.

### **RISK MANAGEMENT AND IMPLICATIONS:**

17. As a call off contract from a pre-established framework there is no obligation for Surrey County Council to use the Contract and it can source alternative methods of vehicle hire.
18. All tenderers successfully completed satisfactory financial checks as well as checks on competency in the delivery of similar contracts at the initial framework stages.
19. The successful contractors will be required to perform against the service level credits stipulated in the Contract (see table 1). Service credits are a form of measuring performance. Performance below the service levels stipulated can result in financial penalties, which incentivises suppliers to deliver to the required standards as set out in the contract.
20. The following key risks associated with the contract and the contract award have been identified, along with mitigation activities:

Table 2: Identified risks and mitigation activities

	<b>Risk Description</b>	<b>Mitigation Activity</b>
Financial	Service budget is reduced	There is no commitment within this contract to use the contract, and there is no guarantee or predictions made of future usage or demand.

Reputational	Reduced contract value means the contractor places a less experienced team on the contract	Proportional contract management and monitoring of performance against the service level agreements will mitigate this risk.
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#### **Financial and Value for Money Implications**

21. The annual spend during 2014/15 was £639,000 .
22. The bid from the preferred suppliers offers saving and value for money over the full contract term. Full financial details are included in Part 2 of this report. In summary, the lifetime contract value is £2.6m and this represents a saving of £48,000 in the first year. Full details of the financial implications are set out in the Part 2 report.
23. The new contract anticipates a decrease in the cost of this activity, as well as an improvement in the service levels being delivered under the new contract.

#### **Section 151 Officer Commentary**

24. The Section 151 Officer supports the contract award detailed in this report. Expected costs and savings, set out in the accompanying Part 2 report, are based on current vehicle usage and could therefore change in the future. These estimated savings are spread across a number of council service areas, and where material it is expected that savings will be identified and reported through the in-year budget monitoring process. There is no obligation within the contract for the council to maintain current usage levels, for example if requirements change.

#### **Legal Implications – Monitoring Officer**

25. The procurement complied with the Public Contract Regulations 2015 and the Council's Procurement Standing Orders.
26. The Crown Commercial Service's Framework Agreement RM1062 was used to identify best value.
27. Section 111 of the Local Government Act 1972 allows the Council to procure vehicles needed to help facilitate the discharge of its functions.

#### **Equalities and Diversity**

28. An equalities impact assessment has not been completed as the results of this procurement process do not impact on any policy or other decisions and is neutral in any impact.
29. TUPE arrangements are not applicable to this contract.

#### **Climate change/carbon emissions implications**

30. This contract will support the Greening Government Commitments of reducing CO2 emissions by the current target of 20% by ensuring that all the vehicles used in this contract are members of British Vehicle Rental and Leasing

Association that supports car hire and leasing companies to reduce their carbon emissions through appropriate sourcing of vehicles.

**WHAT HAPPENS NEXT:**

31. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call in' period)	30/06/16
'Alcatel' Standstill Period	27/06/16 – 08/07/16
Contract Signature	11/07/16
Contract Commencement Date	01/08/16

**Contact Officer:**

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**Consulted:**

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**Annexes:**

N/A

**Sources/background papers:**

N/A

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