

Finance and Resources Committee

10am, Thursday, 27 November 2014

Procurement of New and Replacement Cars and Vans

Item number	7.23 (a)
Report number	
Executive/routine	
Wards	All

Executive summary

This report supports the report titled 'Fleet Replacement Programme – Supply and Delivery of Cars and Vans', clarifying a number of issues which were raised by committee when that report was first heard at the committee meeting on 30 October 2014.

This report provides clarity in relation to the governance arrangements relating to the management of the fleet replacement programme, the rationale for the procurement of diesel vehicles as opposed to electric vehicles, future plans for procuring electric vehicles, and the projected financial benefit of procuring the new and replacement vehicles.

Links

Coalition pledges	P44 , P49
Council outcomes	CO18 , CO25
Single Outcome Agreement	SO4

Procurement of New and Replacement Cars and Vans

Recommendations

- 1.1 It is recommended that the committee notes the contents of the paper as assurance to support the procurement of 268 new and replacement cars and vans.

Background

- 2.1 On 30 October 2014, the committee considered a report titled 'Fleet Replacement Programme – Supply and Delivery of Cars and Vans'. This report sought approval to award a contract to Peugeot Motor Company PLC for the supply and delivery of 268 cars and vans.
- 2.2 When considering the report, committee decided to withhold a decision on the matter until such time as they could be assured that the procurement was in the best interests of the council on both an economical and environmental basis.
- 2.3 Principally, the committee wished to be assured that the procurement of the vehicles was affordable, and also wished to be informed of why the procurement did not specify electric vehicles as a requirement.

Main report

- 3.1 This report seeks to provide committee with the clarification that was sought during the meeting of 30 October 2014, regarding the proposed procurement exercise.
- 3.2 This report clarifies several key issues. These are;
 - the governance arrangements surrounding the overall fleet replacement programme;
 - the rationale for procuring diesel vehicles, and not including electric vehicles in this tranche of the replacement programme;
 - future plans to incorporate electric vehicles into the council's fleet;
 - current actions that are being undertaken by officers to reduce the environmental impact of the council's fleet; and
 - the financial benefit of procuring the 268 cars and vans.

Programme Governance

- 3.3 The fleet replacement programme is required to deliver a fit-for-purpose council fleet, as well as contributing towards an overall saving of £1.2m through improvements in fleet management practices.
- 3.4 The programme is managed by the Fleet and Travel Manager. The Executive Sponsor for the programme is the Acting Head of Environment and the Senior Responsible Officer is the Waste and Fleet Services Manager. The Programme Board also has the Council Scientific Services Manager and a Procurement Category Manager as participants, to help oversee the progress of the programme.
- 3.5 Officers from Corporate Finance and Corporate Procurement Services have assisted in the formulation of the programme and the calculation of the associated benefits.
- 3.6 The report titled 'Governance of Major Projects Progress Report' was considered by Committee at its meeting on 30 October 2014. It was noted that the report highlighted, in relation to the Fleet review, that "The project is underway but concerns have been raised in relation to the following areas; governance, scope, resource and programme planning. These concerns are currently being investigated and, if necessary, appropriate corrective action will be taken." It should be noted that these matters were raised through an internal Services for Communities portfolio assessment and reported to the Corporate Programme Office. Additionally, a recruitment exercise has enabled the resourcing of the programme as was intended, to ensure delivery within the required timescales. The corrective actions were put in place as part of that assessment but the timing of Committee Reports meant that detail was not included in the Progress Report. The current RAG (Red, Amber, Green) status of the fleet replacement programme is amber/green. The Corporate Programme Office will undertake assurance reviews over the lifetime of the project.

Vehicle Specification

- 3.7 The 268 vehicles have been specified on the basis of being similar to the type of vehicle that they are replacing.
- 3.8 Of the 268 vehicles, 164 are being procured as replacements for vehicles that are currently hired from external vehicle hire organisations. There are financial benefits to the authority in undertaking this transition.
- 3.9 The remaining 104 vehicles are replacements for vehicles that are part of the council's existing fleet. The replacement of these vehicles is necessary as they are no longer economically viable to maintain or operate.
- 3.10 When considering the type of vehicle to be specified, officers considered the potential for the procurement of electric vehicles. At the present time, it was not

felt prudent to replace the existing diesel vehicles with electric vehicles. This decision was based on a number of reasons, in particular:

- The increased cost of an electric vehicle in comparison to a comparable diesel vehicle. Indicative costs from the Scotland Excel framework show that the lowest available cost for an electric car was approximately £21,200. This is significantly higher than the tendered price of £9,400 for the new diesel vehicles that have been specified.
- The lack of the required amount of charging infrastructure to allow the council to operate a significant fleet of electric vehicles. Although some charging infrastructure is available, a major capital investment will be required to provide the appropriate number of charging points to support the wider use of electric vehicles. This is in addition to the initial higher price of electric vehicles.

Future Use of Electric Vehicles

- 3.11 At the present time, the wholesale procurement of electric vehicles would create a financial burden for the council and would not facilitate the required level of financial savings.
- 3.12 It should be noted, however, that the council does already have 11 electric vehicles within the existing fleet, as well as three hybrid-fuel vehicles. It is recognised that, whilst not being suitable for many of the functions that the council undertakes, electric vehicles should have a place in a modern fleet. Moving forward, future tranches of the fleet replacement programme will consider electric vehicles as and when they are determined to be suitable.
- 3.13 In September 2014, Fleet Services registered an interest in the Scottish Governments 'Switched on Fleet' initiative. Through this scheme, Transport Scotland will provide funding to support evidence based analysis of public sector fleets, and to create new opportunities for the deployment of electric vehicles.
- 3.14 Indicative funding of £144,561 is available for the Edinburgh Community Planning Partnership over two years 2014/15 and 2015/16. In addition to the Council, at least two other partners are understood to be interested in securing an element of the funding for the future provision of electric vehicles in their fleets. This would increase the number of electric vehicles in public sector fleets in the city but reduce the amount of funding available to City of Edinburgh Council.
- 3.15 The Scottish Government has pledged to provide a consultant to undertake a review of the council's fleet and identify any vehicles that could be replaced with electric vehicles. This is expected to commence in December 2014 and will deliver a comprehensive report to each community planning partner. This will detail which existing vehicles could be replaced by electric vehicles, examples of where charge points could be located, as well as real time information on the

costs of vehicles in terms of purchasing and leasing. This work will also ensure that a business case is developed that is robust in terms of the total cost of ownership. It is intended that the outcomes of this work will inform subsequent tranches of the fleet replacement programme through 2015/16.

Improving Fleet Fuel Efficiency

3.16 Whilst the type of fuel that vehicles use is the key determinant of the amount of carbon dioxide and nitrogen oxides that they emit, there are other actions which are being progressed to contribute towards the aim of reducing emissions and fuel usage. These actions include;

- replacing old diesel vehicles with newer Euro V engines as part of the fleet replacement programme;
- investing in driver Certificate of Professional Competence (CPC) training to improve the level of competence of our drivers; and
- procurement of a vehicle telematics system to provide management information on vehicle usage, and identify further opportunities for improving fuel efficiency.

3.17 Appendix 1 details the emissions and fuel savings that will accrue through modernisation of the cars and vans fleet in the current procurement tranche.

Financial Benefits of the Procurement Exercise

3.18 A key driver for the progression of the procurement of the 268 new and replacement vehicles is the financial saving that will be realised. The table below provides a comparison of the total annual cost (including estimated annual fuel expenditure) of existing vehicle types, a newly procured version of these vehicles and the comparative electric version of the vehicle. It should be noted that the Scotland Excel framework does not offer an electric version of a medium or large van.

Vehicle Type	Total Annual Cost (Existing)	Total Annual Cost (New)	Total Annual Cost (Electric)
Car 3 Door	£3,763.61	£3,173.75	£4,199.90
Large Van	£5,209.27	£4,617.41	N/A
Medium Van	£4,783.64	£5,004.28	N/A
Small Van	£3,999.20	£3,274.04	£4,461.95
Car 3 Door	£4,555.51	£3,173.75	£4,199.90
Car 5 Door	£4,651.89	£3,149.89	£4,197.58
Large Van	£7,980.07	£5,146.34	N/A
Medium Van	£6,060.15	£5,004.28	N/A
Small Van	£4,918.02	£3,273.29	£4,461.95

- 3.19 By procuring the cars and vans, as proposed in the report to committee on 30 October 2014, an annual revenue saving of £187,417 will be realised. Appendix 1 provides a detailed analysis of the current costs of each existing vehicle compared to the projected future costs for the replacement cars and vans. Appendix 2 also offers a more detailed comparison of the total cost annual cost of the existing fleet, alongside the proposed new fleet and electric versions of those vehicles (where applicable).
- 3.20 A key benefit of the proposed procurement costs of each vehicle is the inclusion of a manufacturer's warranty; four years for cars, and five years for vans. This will provide a level of security to the council whereby any warranty repairs are the responsibility of the vehicle supplier.
- 3.21 The increased reliability of a new fleet also offers increased financial certainty to the council. The reliability of the existing fleet is extremely unpredictable and vehicles are labour-intensive to maintain, with increased requirement for expenditure on parts. The unpredictable nature of the fleet makes it extremely difficult to plan effectively the required level of labour within the fleet workshops.
- 3.22 Investing in the new fleet of vehicles will provide the council with reliability for the frontline services that rely on these vehicles, whilst also allowing the support structure within the fleet workshops to operate as efficiently as possible.

Measures of success

- 4.1 The new and replacement cars and vans will be more reliable and the expensive practice of using 'spot hires' over long-term periods will be reduced.
- 4.2 The new vehicles will be fitted with Euro V engines, improving air quality through reduced Nitrogen Oxide and Particular Matter (PM₁₀).
- 4.3 Frontline services will improve as a result of improved vehicle reliability.

Financial impact

- 5.1 The ongoing annual revenue saving is anticipated to be £187,417, with further savings to end users through improved kilometres per litre of fuel used.

Risk, policy, compliance and governance impact

- 6.1 The Fleet Replacement Programme is considered a Council Major Project and will be subject to ongoing scrutiny through the Corporate Programme Office. The procurement activity (Fleet Vehicle Upgrade) was developed under the Commercial Excellence Programme with the assistance of Ernst and Young to

deliver cost savings over Scotland excel pricing through development of mini-competition.

Equalities impact

7.1 There are no identified equalities impacts arising from this report.

Sustainability impact

- 8.1 These vehicles are required to be compliant with the current regulations and have the latest emission reduction technology reducing the impact of council fleet on air quality.
- 8.2 In order to meet the council's air quality and carbon management commitments, the vehicles have been specified to be compliant with Euro V standards.

Consultation and engagement

- 9.1 Fleet Services have engaged with Commercial and Procurement Services throughout the procurement exercise.
- 9.2 Further to the committee meeting of 30 October 2014, the comments of committee members have been used to inform the scope of this report.

Background reading/external references

[Air Quality Assessment and Report](#)

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Links

Coalition pledges	P44 – Prioritise keeping our streets clean and attractive P49 – Continue to increase recycling levels across the City and reducing the proportion of waste going to landfill
Council outcomes	CO18 – Green – we reduce the local environmental impact of our consumption and production CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
Appendices	Appendix 1 – Detailed Cost Analysis of each existing vehicle compared to the projected future costs for the replacement cars and vans Appendix 2 – Comparison of the total cost annual cost of the existing fleet, alongside the proposed new fleet and electric versions of those vehicles

Appendix 1 – Detailed Cost Analysis of each existing vehicle compared to the projected future costs for the replacement cars and vans

Hire/Fleet	Generic Type	Count of Fleet Num	Fleet/Hire Charge	New Fleet Charge	Saving To Current Fleet	Annual Miles	MPG Current	MPG New	Litres Per Car (Current)	Litres Per car (New)	Litres Fuel Saved per group	Tonnes CO ₂ Saved	Nox Current Fleet	Nox New Fleet
Fleet	Car 3 Door	19	£ 57,592.01	£ 52,200.60	£ 5,391.41	5720	39	67	665.9	387.6	5287.2	3.1	88574.2	31886.7
	Large Van	3	£ 12,265.72	£ 11,895.18	£ 370.54	8752	39	67	1018.8	593.0	1277.3	0.7	21398.6	7703.5
	Medium Van	38	£ 124,677.12	£ 146,950.94	-£ 22,273.82	8425	28	37	1366.1	1033.8	12626.8	7.3	260922.3	93932.0
	Small Van	44	£ 135,437.81	£ 120,467.23	£ 14,970.58	7193	39	67	837.3	487.4	15397.0	8.9	257941.0	92858.8
Fleet Total		104	£ 329,972.66	£ 331,513.95	-£ 1,541.29									
Hire	Car 3 Door	13	£ 49,699.78	£ 35,716.20	£ 13,983.58	5720	39	67	665.9	387.6	3617.5	2.1	21817.2	21817.2
	Car 5 Door	22	£ 87,097.99	£ 60,424.61	£ 26,673.38	5411	39	67	629.9	366.7	5791.3	3.4	34926.9	34926.9
	Large Van	21	£ 134,800.89	£ 83,266.26	£ 51,534.63	8752	28	37	1419.1	1073.9	7248.8	4.2	53924.6	53924.6
	Medium Van	69	£ 314,466.87	£ 266,831.97	£ 47,634.90	8425	28	37	1366.1	1033.8	22927.5	13.3	170560.8	170560.8
	Small Van	39	£ 155,880.85	£ 106,748.42	£ 49,132.43	7193	39	67	837.3	487.4	13647.4	7.9	82306.6	82306.6
Hire Total		164	£ 741,946.38	£ 552,987.46	£ 188,958.92									
Grand Total		268	£ 1,071,919.04	£ 884,501.41	£ 187,417.63						87820.8	50.9	992372.2	589917.1

All Figures per Annum

Fleet Charge Saving £ 187,417.63

Environmental

Fuel Saving 87820.8 Litres
 CO₂ Saving 50.9 Tonnes
 Nox Saving 41% Reduction
 Euro 3 vehicles PM 0.05 g/km Euro 5 PM 0.005 g/km

Appendix 2 – Comparison of the total cost annual cost of the existing fleet, alongside the proposed new fleet and electric versions of those vehicles

Hire/Fleet	Vehicle Type	Annual Charge (Existing)	Annual Charge (New)	Annual Charge (Electric)	Annual Miles	MPG (Existing)	MPG (New)	MPG (Electric)	Annual Litres (Existing)	Annual Litres (New)	Annual Litres (Electric)	Annual Fuel Cost (Existing)	Annual Fuel Cost (New)	Annual Fuel Cost (Electric)	Total Annual Cost (Existing)	Total Annual Cost (New)	Total Annual Cost (Electric)
Fleet	Car 3 Door	£3,031.16	£2,747.40	£4,157	5720	39	67	N/A	665.9	387.6	N/A	732.5	426.4	42.9	3763.6	3173.8	4199.9
	Large Van	£4,088.57	£3,965.06	N/A	8752	39	67	N/A	1018.8	593.0	N/A	1120.7	652.4	65.6	5209.3	4617.4	N/A
	Medium Van	£3,280.98	£3,867.13	N/A	8425	28	37	N/A	1366.1	1033.8	N/A	1502.7	1137.1	63.2	4783.6	5004.3	N/A
	Small Van	£3,078.13	£2,737.89	£4,408	7193	39	67	N/A	837.3	487.4	N/A	921.1	536.1	53.9	3999.2	3274.0	4461.9
Hire	Car 3 Door	£ 3,823.06	£ 2,747.40	£4,157	5720	39	67	N/A	665.9	387.6	N/A	732.5	426.4	42.9	4555.5	3173.8	4199.9
	Car 5 Door	£ 3,959.00	£ 2,746.57	£4,157	5411	39	67	N/A	629.9	366.7	N/A	692.9	403.3	40.6	4651.9	3149.9	4197.6
	Large Van	£ 6,419.09	£ 3,965.06	N/A	8752	28	37	N/A	1419.1	1073.9	N/A	1561.0	1181.3	65.6	7980.1	5146.3	N/A
	Medium Van	£ 4,557.49	£ 3,867.13	N/A	8425	28	37	N/A	1366.1	1033.8	N/A	1502.7	1137.1	63.2	6060.1	5004.3	N/A
	Small Van	£ 3,996.94	£ 2,737.14	£4,408	7193	39	67	N/A	837.3	487.4	N/A	921.1	536.1	53.9	4918.0	3273.3	4461.9

