Leeds CITY COUNCIL

Report author: Steve Blighton

~~Report of~~ **~~Project Manager (Sustainable Energy and Climate Change Team)~~**

Report to **Director of Resources and Housing**

Date: **18th April 2018**

Subject: **Electric vans additional funding authority for various Council departments**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	☒ No
Is the decision eligible for Call-In	☐ Yes	☒ No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3)	☐ Yes	☒ No

Summary of main issues

1. The Council currently has 118 hire vehicles as part of its overall fleet. All of these vehicles are required for officers of the Council to undertake their duties, however, the hire of vehicles does not provide full value for money for the Council in comparison to the purchase of vehicles (please see Appendix A).

2. A decision was therefore made to investigate the cost and process for the rationalisation and replacement of the current hire vehicles with a vehicle purchased and maintained within the council. Fleet Services have begun consulting with the departments who currently use hire vehicles to deliver their services and an initial 39 vehicles have been identified to be replaced with an electric small or car derived van. An additional 12 vehicles within the current non-hired fleet have also been identified as suitable for replacement as part of the normal fleet replacement programme and these vehicles have been included in an initial market sounding exercise to identify the costs for the replacement of 51 vehicles.

3. Due to the simplicity of the electric vehicle, maintenance costs are also less. To ensure diesel and petrol vehicles run smoothly and reliably, a number of parts need to be maintained; exhausts; catalytic converters; starter motors, spark plugs, oil, cooling systems; fuel pumps etc. Pure electric cars, on the other hand, have only three main components: the electric motor; the on-board charger and the inverter. This is the main reasons electric cars and vans can cost less to service and require less maintenance. Electric motors are also proving to be very robust, and require

very little maintenance. There will, however, be a period where maintenance staff require additional training to enable them to service electric vehicles, however as the fleet grows more staff will gain these additional skills.

4. As part of the first phase of this replacement a delegated decision (D44873) was approved for the purchase of 51 electric vehicles to replace 39 long term hire vehicles and 12 non-hire vehicles on the 12th October 2017. This was approved at the December Executive Board.

5. Following a number of recent procurement exercises delivered by the Council's Fleet Services and Procurement Unit, the council is now ready to award a contract for the supply of 51 electric vehicles for various departments across Leeds City Council. The total value of the tender exercise is £920,746.48. The initial value was estimated at £708,900.00 when the initial delegated decision was made in September 2017, subsequent to this the price for each vehicle has increased and therefore an additional £211,846.48 is required to replace these 51 vehicles.

Recommendations

6. The Director of Resources and Housing is requested to;

- Authorise an additional £211,846.48 taking the total authority to spend to £920,746.48 for the purchase of 51 vehicles to replace long term hire vehicles;

1 Purpose of this report

1.1 To inform the Director of Resources and Housing why it provides value for money to replace part of the fleet that is currently hired with council owned vehicles and why it is appropriate to replace these vehicles with a full electric alternative.

1.2 To seek approval;

- To procure 51 electric vehicles, with additional equipment such as beacons, roof racks, pipe holders and vents as required by the services, to the value of £920,746.48.

Vehicle	Additional Equipment	Cost	Number	Total
Electric small van/car derived van		£17,263.48	51	£880,437.48
	Beacon	£649.00	23	£14,927.00
	Roof rack & pipe holder	£819.00	15	£12,285.00
	Roof rack, pipe holder & ventilation	£919.00	12	£11,028.00
	Pest Control	£2,069.00	1	£2,069.00
				£920,746.48

2 Background information

2.1 A delegated decision for the purchase of electric vehicles to replace long term hires was approved in October 2017 and this procurement exercise will see the replacement of the first 39 hire vehicles. There is a requirement for all council vehicles to be compliant with the Clean Air Zone (CAZ) that will be implemented by January 2020, a report is due to go to the April Executive Board detailing the replacement requirements for fleet to comply with this and the fleet replacement programme through to 2023. There are however additional vehicles that require replacement and this report includes a further 12 which will be included within this procurement exercise, and to ensure that these will meet the restrictions of the CAZ they will be replaced with electric vehicles.

2.2 Executive Board approved the purchase of 51 vehicles as part of the “Improving Air Quality within the City” report on 13th December 2017.

2.3 This specific opportunity was advertised in January 2018 on the Council’s electronic procurement portal – www.yortender.co.uk, and a number of companies submitted response in the form of a tender. All tenderers had to meet a desired specification to be eligible to have their price submission evaluated. The successful tenderer will then be awarded the contract.

2.4 Fleet Services and the Procurement Unit have undertaken a competitive procurement on behalf of various council departments and this report specifically relates to contract award for of 51 electric vehicles.

3 Main issues

3.1 A full tender evaluation exercise has been completed with the suppliers required to meet the requirements of the specification including minimum electric driving range requirements.

3.2 Eight suppliers were invited to tender, out of the eight there was only two submissions and six no responses. Of these two submissions one tender was

qualified so was discounted from evaluation as it did not meet the specification outlined in the tender documentation. The one remaining bid was evaluated and proved to be fully compliant. Tender submissions are evaluated on a price at 60% and quality of 40% split.

- The quality evaluation consisted of evaluating method and quality statements to include higher scores for winter driving range and delivery periods.

3.3 This procurement exercise was undertaken by way of mini competition tender from the council's own Vehicle Purchase Framework arrangement. All framework suppliers were vetted for compliance and competence.

3.4 The purchase cost is higher than anticipated as the original cost estimate was based on an older model for which production has now ceased. The new price is for a new electric van model which has a much greater range with a larger battery capacity. The electric vehicle whole life costs have been compared to the equivalent diesel Euro 6 van and over an anticipated 6 year term are cost equal.

3.5 There are currently 89 electric vehicle charging points located at strategic sites across the authority and also a home charging process for electric vehicles which will provide an appropriate infrastructure for the fuelling of these vehicles.

3.6 Mileage of all vehicles is being monitored as part of the development of a fleet management strategy including replacement and reduction, and this will see a flattening of curve between those vehicles with the highest and lowest annual mileages. Work is currently underway to develop this fleet management strategy which will adopt the following tenets;

- Reduction in overall number of fleet vehicles;
- Extend the vehicle life cycle;
- Telematics implemented in all council vehicles to reduce fuel consumption;
- Ultra Low Emission Vehicle (ULEV) as a primary vehicle of choice; and
- Diesel Euro VI or petrol Euro IV as an alternative if no ULEV is available;

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Fleet Services have consulted with service managers within the departments on the specifications of all the vehicles being purchased. The new vehicles will meet the specification required by the service to operate.

4.1.2 Fleet Services have worked with the Cutting Carbon and Improving Air Quality Breakthrough project to ensure that vehicles being purchased support the strategic work to reduce emissions from our fleets and make a contribution to improving public health through improving Air Quality. Fleet Services are consulting with senior managers to ensure that vehicles purchased will also be compliant with government legislation to enforce a Clean Air Zone in Leeds.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality, Diversity, Cohesion and Integration screening report was considered as part of the original delegated decision. This concluded a full Equality Impact Assessment was not required.

4.3 Council policies and City Priorities

4.3.1 The vehicles have been procured in accordance with the Council's procurement policies.

4.3.2 This report draws attention to co-ordinated working that demonstrates a contribution towards the following priorities contained in the Best Council Plan:

- Achieve the savings and efficiencies required to continue to deliver frontline services

4.3.3 The report highlights the contribution to the following Council Business Plan priorities:

- Developing Leeds as a Low Carbon city
- A carbon reduction target of 40% by 2020
- Improving the city's Air Quality through reductions in harmful pollution from diesel engines
- Spending Money Wisely – Achieving VFM in respect of its fleet replacement programme
- Ensuring that Leeds City Council's Fleet will be compliant with the introduction of a Clean Air Zone by 2020 in line with Government Legislation.

4.4 Resources and value for money

4.4.1 The expenditure for these acquisitions are funded through the existing capital programme and the Director of Resources and Housing has delegated authority to approve this spend.

4.4.2 Capital Funding and Cashflow

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2018 £000's	FORECAST 2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
REPLACEMENT HIRE VEHICLES	708.9		708.9				
OTHER COSTS (7)	0.0						
TOTALS	708.9	0.0	708.9	0.0	0.0	0.0	0.0
Authority to Spend required for this Approval	**TOTAL £000's**	**TO MARCH 2018 £000's**	**FORECAST 2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**	**2021/22 £000's**	**2022 on £000's**
REPLACEMENT HIRE VEHICLES	211.9		211.9				
OTHER COSTS (7)	0.0						
TOTALS	211.9	0.0	211.9	0.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	**TOTAL £000's**	**TO MARCH 2018 £000's**	**FORECAST 2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**	**2021/22 £000's**	**2022 on £000's**
LCC Supported Borrowing	920.8		920.8				
Other funding	0.0		0.0				
Total Funding	920.8	0.0	920.8	0.0	0.0	0.0	0.0
Balance / Shortfall =	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

4.5 Legal Implications, Access to Information and Call In

4.5.1 The contract award is a consequence of a previous delegated decision. As a result, it is classed as a significant operational decision and is therefore not subject to call in.

4.6 Risk Management

4.6.1 If the replacement of these vehicles does not take place there is a risk that in the long term, the use of hire vehicles will be more costly to the authority, with this exercise the hire of 51 diesel vehicles would be £255,855.35 more costly than the replacement with electric vehicles over the six year lifetime of a small van.

5 Conclusions

5.1 A competitive procurement exercise has been completed and the whole life costs of the vehicles are comparable with a Euro 6 equivalent vehicle to the same specification. The purchase of these vehicles will provide value for money for the council when compared to the cost of hire for the same life cycle.

6 Recommendations

6.1 The Director of Resources and Housing is requested to;

- Authorise an additional £211,846.48 taking the total authority to spend to £920,746.48 for the purchase of 51 vehicles to replace long term hire vehicles;

Background documents[1]

Improving Air Quality within the City Executive Board Report – 13th December 2017

[1] The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix A – Overall savings with regard to purchase over hire

Please note: This table is produced to demonstrate that the purchase of vehicles as opposed to the hire of vehicles is a financially prudent decision. An annual inflationary increase of 3% has been applied to the cost of fuel, maintenance and annual hire costs.

Vehicle Type		**Small Van**						
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total Cost**
Annual Mileage		8700	8700	8700	8700	8700	8700	
Capital Cost per vehicle		£18,053.85						
Capital Charge	16.67%	£3,008.98	£3,008.98	£3,008.98	£3,008.98	£3,008.98	£3,008.98	£18,053.85
Interest	2.04%	£368.30	£368.30	£368.30	£368.30	£368.30	£368.30	£2,209.79
Total Charge per vehicle		£3,377.27	£3,377.27	£3,377.27	£3,377.27	£3,377.27	£3,377.27	£20,263.64
Number of vehicles		51	51	51	51	51	51	
All vehicle capital cost		£172,240.97	£172,240.97	£172,240.97	£172,240.97	£172,240.97	£172,240.97	£1,033,445.85
Fuel Cost (electric)	£0.041	£18,191.70	£18,737.45	£19,299.57	£19,878.56	£20,474.92	£21,089.17	£117,671.37
Maintenance	£1,022.00	£52,122.00	£53,685.66	£55,296.23	£56,955.12	£58,663.77	£60,423.68	£337,146.46
Total Purchase Cost		**£242,554.67**	**£244,664.09**	**£246,836.78**	**£249,074.65**	**£251,379.66**	**£253,753.82**	**£1,488,263.68**
Average Hire Cost	Per day	£10.76	£11.08	£11.42	£11.76	£12.11	£12.47	
Fleet Surcharge	20%	£2.15	£2.22	£2.28	£2.35	£2.42	£2.49	
	Total	£12.91	£13.30	£13.70	£14.11	£14.53	£14.97	
Total Hire Cost		£240,356.88	£247,567.59	£254,994.61	£262,644.45	£270,523.79	£278,639.50	£1,554,726.82
Fuel Cost (diesel)	£0.066	£29,284.20	£30,162.73	£31,067.61	£31,999.64	£32,959.63	£33,948.41	£189,422.21
Total Hire Cost		**£269,641.08**	**£277,730.31**	**£286,062.22**	**£294,644.09**	**£303,483.41**	**£312,587.91**	**£1,744,149.03**
								£255,885.35

Inflation	**3%**						
Fuel Cost Electric		£0.04	£0.04	£0.04	£0.04	£0.05	£0.05
Maintenance (Electric)		£1,022.00	£1,052.66	£1,084.24	£1,116.77	£1,150.27	£1,184.78
Hire Cost		£10.76	£11.08	£11.42	£11.76	£12.11	£12.47
Fuel Cost Diesel		£0.07	£0.07	£0.07	£0.07	£0.07	£0.08