

Ultra Low Emission Car Leasing

Date: 21st April 2022

Report of: Head of HR

Report to: Chief Officer HR

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

- This report proposes Leeds City Council ('LCC') calls-off the ESPO framework contract to award a contract for leasing ULEV (Ultra Low Emission Vehicles) cars to NHS Fleet Solutions.

Recommendations

- To call-off the ESPO framework contract to award a contract for leasing ULEV (Ultra Low Emission Vehicles) cars to NHS Fleet Solutions.

Why is the proposal being put forward?

1. As part of LCC's Climate Emergency plans, it is intended to address the impact of our "grey fleet" (i.e. mileage that staff claim back for going about LCC business in their own vehicles).
2. To support staff to switch vehicles car leasing is an attractive and affordable option given the relatively higher cost to buy new ULEV cars. As car leasing would operate as a salary sacrifice arrangement this also provides further benefits in terms of the current HMRC tax position regarding company cars which are ULEVs. In turn, salary sacrifice offers savings to LCC as an employer by making savings on employers National Insurance and pension contributions.
3. Given the impact of Covid-19, it was necessary to defer setting up a new car leasing scheme in 2020. However, supplier discussions have taken place, suggesting it would be more beneficial to use an external framework set up by a central or regional purchasing organisation. Most of these are set up as Employee Benefits frameworks with limited choice over providers. But the 319_9 (Employee Benefits) framework established by ESPO offers a wider range of six suitable high-volume suppliers, including our previous supplier and other organisations that supply to the NHS and other public sector bodies. Under the terms of this framework LCC can undertake a mini-competition to determine the best provider.
4. As result a mini competition exercise was initiated. In 2022 bids were evaluated and it was found that overall best-value was offered by NHS Fleet Solutions.

What impact will this proposal have?

5. Through evaluating bids we expect the contract to offer benefits in terms of:
 - Reducing grey fleet mileage with potential c.200 staff annually replacing diesel or petrol vehicles with ULEVs
 - Salary sacrifice savings of around £150k on employment costs – with a gross cumulative saving of up to £450k in a 3 year period.

What consultation and engagement has taken place?

6. This proposal has been shared with the Executive Board Member for Resources and with the Executive Board member for Infrastructure and Climate. The trade unions have also been informed about the proposal to re-offer a car-leasing scheme. Saving to be created by this measure was also agreed by Executive Board and Full Council as part of the 2022/23 budget.

What are the resource implications?

7. Whilst a gross saving has been identified for this proposal, various administrative overheads need to be considered. This includes HR and BSC resources. Previous experience of car leasing also shows some provision needs to be made for "bad debt" when lease arrangements end prematurely, and money paid to leasing companies needs to be recovered from employees. Based on this it is proposed the BSC manage an account to afford any debt provision and administration costs. This is estimated at c.£25k per annum. However estimated

salary sacrifice income for an estimated £150k in leases would be give an annual net saving of £125k. This would also be subject to how quickly orders can be fulfilled and cars delivered.

What are the legal implications?

8. Procurement Legal (Procurement and Commercial Services) have advised that this framework has been reviewed and approved in terms of how the framework has procured and its call-off terms and conditions. The further competition has been conducted in accordance with the ESPO guidance and LCC's Contract Procedure Rules.
9. Having assessed the ESPO Pricing Schedules for suppliers under Lot 6, the car leasing scheme is offered a zero cost to the Council in terms of implementation and services delivered under the scheme.

What are the key risks and how are they being managed?

10. Not having an arrangement in place to offer ULEV car leasing risks slippage with Climate Emergency targets. However, capacity issues will need to be managed going forward in terms of the administration of the car leasing scheme. This will be further explored and as part of the contract implementation. Likewise we need to appreciate the car supply market currently means long order timescales and that savings may not immediately accrue.
11. To address this we will work closely with the supplier to promote and market the scheme. This will include some important "myth-busting" about hybrid and electric vehicles and helping staff to appreciate the savings that can be made from using these vehicles in terms of their running costs and the tax advantages. Where possible we will work with staff who are essential car users, undertaking jobs that require using a car to be performed effectively. Helping and encouraging these staff to use the scheme will make the biggest difference over the life of the contract.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

12. This proposal directly relevant in terms of supporting the Climate Emergency. It also will generate savings.

Options, timescales and measuring success

What other options were considered?

13. An alternative option was to specify and tender a contract from scratch. Due to the timescales involved in conducting a full procurement procedure this would delay any implementation. Also it is unlikely LCC would be able to achieve volume discounts that a framework contract will offer across a wider customer base.
14. Having a car leasing option also does not preclude LCC from considering a wide range of other alternative options to encourage staff to travel less or travel differently for work purposes. It

does however recognise that for some work being able to use a personal vehicle is a low cost and efficient means of travel.

How will success be measured?

15. Success will be measured in terms of how leasing contributes to CO2 reductions from our grey fleet and allied savings. Other, supplementary KPIs will be considered as the contract is let e.g. performance of the supplier, user satisfaction etc.

What is the timetable for implementation?

16. This will be subject to the tendering exercise and successful supplier implementation plans. It is envisaged this would go live in spring 2022.

Appendices

NA

Background papers

NA