
REPORT FOR: CABINET

Date of Meeting:	12 July 2018
Subject:	Vehicle Procurement Option re Capitalisation
Key Decision:	Yes, as it is significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.
Responsible Officer:	Paul Walker, Corporate Director Community
Portfolio Holder:	Cllr Varsha Parmar – Portfolio Holder for Environment
Exempt:	No, except for the Appendix which is exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 - information relating to the financial or business affairs of any particular person
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix - Estimated Capital Cost (exempt information not for publication)

Section 1 – Summary and Recommendations

This report sets out the proposal to have the flexibility to utilise capital and procure vehicles outright in the current vehicle procurement exercise.

Recommendations:

Cabinet is requested to:

(a) Recommend to Council that the Capital Programme for 2018/19 is increased by the indicative capital cost as set out in the Appendix (exempt information) to make provision for an option to purchase vehicles under the current tender exercise for the procurement of the Supply and Maintenance of Vehicles. The purpose of this decision is to give officers the flexibility to purchase, should that be the most economically advantageous option resulting from the procurement exercise.

(b) Delegate authority to the Corporate Director, Community, following consultation with the Portfolio Holder for Environment, Director of Finance and the Portfolio Holder for Finance and Resources, to decide the finalisation of the options based on the results of the procurement exercise and affordability.

Reason: (For recommendations)

To fulfil financial regulations that requires Cabinet decision to make adjustments to the Council's Capital programme, and to give officers the flexibility to purchase, should that be the most economically advantageous option resulting from the procurement exercise.

Section 2 – Report

- 2.1 In February 2015 Cabinet gave approval for the Directorate to embark on the procurement of its vehicle supply and maintenance services. This procurement covers all the vehicles utilised in delivering the Council's statutory services such as of waste collection; street cleanings; pest control and special needs transport. It also includes those vehicles used for generating commercial income such as trade waste, gardening and grounds maintenance. The procurement exercise includes the procurement of Brent Council's special needs transport vehicles as part of Harrow's management of that service.
- 2.2 The procurement strategy incorporated a market engagement exercise to which suppliers in the vehicle supply and maintenance industry were invited to meet with Directorate's Commercial Working Group to understand the Council's requirements and any relevant constraints. The engagement session also provided the opportunity for the Authority to understand what elements and options in the procurement would likely generate the best commercial proposals from these suppliers.
- 2.3 One option mentioned and discussed was the option for the Council to procure and own these vehicles outright as opposed to the current leasing arrangements. To incorporate this option into the procurement exercise, there need to be the provision in the capital programme to provide the flexibility, should this option, in fact generate the highest financial savings from this project.
- 2.4 This Report therefore seeks Cabinet approval to include this capital provision within the capital programme. This will then provide the flexibility needed for this option to be firmly put to the market within the procurement exercise. If the flexibility exists for this option it will then be fully evaluated as part of the tender process.

. It was originally decided not to incorporate an option to purchase vehicles outright but rather to progress with the option of hiring them instead. This stance has been discounted, as the opportunity to maximise savings means having all options available to bidders and evaluating each proposal on its own merits.

3 Options considered

- 2.5 The option considered was not to incorporate an option to purchase vehicles outright and to progress with the option of hiring vehicles. This has been discounted as the opportunity to maximise savings means having all options available to Bidders and evaluating each proposal.

4. Current situation

4.1 The Council is finalising its options for the procurement of the vehicle supply and maintenance services. The options in the OJEU notice and set out in the Invitation to Tender includes an option for outright purchase of vehicles. Cabinet approval for the capital provision is required in order to have this as a final option for bidders.

4.2 The purchase option will include two Lots featuring the procurement of new vehicles over a contract period of 15 years. This means the capital provision needed will vary, year on year. The Appendix sets out the estimated capital requirements and the timeline in which it will be required.

Risk Management Implications

There are no risk management implications related to this report as the report only seeks an adjustment of provision to be made in the Capital programme.

Risk included on Directorate risk register? No

Separate risk register in place? Yes

N/A

Procurement Implications

<p>The procurement implication is that Cabinet approval is required for the Capital programme flexibility, in order for the final submitted bids to incorporate proposals for the supply of vehicles for the Council's outright purchase.</p>

<p>The procurement documents incorporate a number of Lots that cover each of the options against which bidders can provide proposals. This Vehicle purchase is just one of those options. The Invitation To Tender (ITT) does states that the Council has the right to award all or none of the services that were included in the ITT. This allows officers the option to the removal of those specific Lots, should the capital provision not be made available.</p>
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Legal Implications

<p>The procurement of the Supply and Maintenance of Vehicles is being undertaken in accordance with the Public Contract Regulations 2015 (PCR) and the Council's Contract Procedure Rules.</p>
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<p>The tender documents specify that bidders can submit bids for either individual Lots or bids combining services under those Lots. The ITT also makes it clear that the Council has the discretion to award the Lots available</p>
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under the contract in any combination it deems fit to ensure the winning bidder submits the Most Economically Advantageous Tender (MEAT). This fulfils the requirement of the PCRs to ensure the Council adheres to the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

Financial Implications

The indicative capital costs for the Council's fleet over the 15 years of the proposed contract are set out in the Appendix (exempt information). These are arrived at based on estimated current market values of these vehicles and the whole life cycle of different types of vehicles. These provide an indication of the likely level and timing of capital requirements should the outright purchase option be the most economically advantageous option from the procurement exercise.

Based on the capital profile, the capital financing costs for the purchase in Year 1 of the contract are estimated at £3.6m per annum. However, it should be noted that this includes the costs of Brent vehicles, for which the costs are fully recharged to Brent as part of the provision of SNT service.

At this stage, the provision of capital funding in the capital programme is to ensure that the flexibility of using capital exists should the Council decide to purchase vehicles going forward. There is no financial commitment and/or authority to spend this capital funding until the approval of the proposed award of the contract is obtained following the completion of the procurement exercise. The financial affordability will be assessed as part of the procurement evaluation which will then inform how the capital financing costs associated with the purchase (if this option is chosen) will be met to ensure that there is no additional revenue costs to the Council. The financial implications will be provided in a further report when bidders' proposals are available to enable a full financial affordability analysis to be undertaken and the exact cost of capital financing to be ascertained.

Equalities implications / Public Sector Equality Duty

There are no equalities Implication to this decision.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

The proposals meets the Council's priorities and the Harrow Ambition Plan in terms of being more businesslike as it seeks to provide all possible options to ensure maximizing the financial benefits from the procurement.

Section 3 - Statutory Officer Clearance

Name:Dawn Calvert... Chief Financial Officer

Date:June 14th, 2018.....

Name:Sarah Inverary..... on behalf of the
Monitoring Officer

Date: ...June 14th, 2018.....

Section 3 - Procurement Officer Clearance

Name:Nimesh Metha Head of Procurement

Date:June 11th, 2018.....

Ward Councillors notified: NO as it impacts on all wards

EqIA carried out: NO

EqIA cleared by: Not required as the decision in the report is to make a capital provision only.

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste- Divisional Director-
Commissioning and Commercial Services.

Phone: 020 8424 1492, email- venetia.reid-baptiste@harrow.gov.uk

Background Papers: None

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

NO

(Call-in applies to
Recommendation (b))