



London Borough of Hammersmith & Fulham

Cabinet

8 FEBRUARY 2010

LEADER

Councillor Stephen Greenhalgh

CABINET MEMBER FOR CRIME & STREET SCENE

Councillor Greg Smith

CABINET MEMBER FOR CHILDREN'S SERVICES

Councillor Sarah Gore

HIRE OF VEHICLES:

PASSENGER TRANSPORT SERVICES 2010-2011

Wards

All

The current arrangement for the hire of wheelchair accessible vehicles to transport children with special education needs from home-to-school urgently needs to be renewed, although interim arrangements have been put in place, with advice from Legal. Entering into a new arrangement requires compliance with competition requirements.

Because of the urgency in having a new arrangement in place quickly, this report seeks prior approval to delegate the award of a contract for the provision of these vehicles to the Directors of Finance & Corporate Services, Residents Services, and Children's Services, following a competitive tendering exercise using a framework contract administered by the Eastern Shires Purchasing Organisation (ESPO). It is proposed that the contract, when awarded, runs until the market testing of passenger transport services is completed, Easter or September 2011.

A separate report on the exempt part of the Cabinet agenda provides confidential information about this matter.

CONTRIBUTORS

Directors of:

Residents Services,
Children's Services,
DFCS
ADLDS
AD SP&P

Recommendations:

1. That the Council calls-off the hire of specialised vehicles required for the statutory SEN home-to-school transport service from a supplier on the ESPO framework contract.
2. That the hire arrangement for these vehicles runs until the end of the school academic year, July 2011.
3. That, on urgency grounds, the award of this contract, likely be valued at around £350,000 for a 12-month period and around £500,00 for

HAS A PEIA BEEN COMPLETED? YES

**an 18-month period, be delegated to the
Directors of Finance & Corporate Services,
Residents Services, and Children's Services.**

- 4. That these Directors be authorised to agree
payments in advance to the successful
contractor if this is deemed to be in the
Council's financial and legal interests.**

1. INTRODUCTION

The Council currently hires 30 specialised wheelchair accessible vehicles from London Hire Ltd. to transport children with special education needs from home to school, and return. A further 6 specialist vehicles to take disabled adults from home to day centres and return are also hired from London Hire Ltd.

The current formal long-term contract for the SEN vehicles, dating back to 2002/03, has not been renewed due to uncertainties regarding how a future service will be delivered. The arrangement for the adult's vehicles expires in November 2010.

The passenger transport service – that is, the 76 drivers and escorts who transport the disabled children and adults – is being competitively tendered in 2010. The earliest this contract can realistically commence is Easter 2011; if there is any slippage, June (school half-term) or September (new school year) 2011.

When it starts, it is expected that the passenger transport contract will include:

- the service provided by the drivers and escorts;
- the 30-40 vehicles needed, that the contractor will source;
- route planning for the journeys;
- and possibly vehicle maintenance (though use of Bagley's Lane depot might be offered when tenders are invited.)

But, until this contract does start, the Council needs around 30 vehicles to provide this highly sensitive service – a statutory service with a high level of dependency not just for the disabled children and adults who rely on it, but their families and carers as well.

2. CURRENT ARRANGEMENTS

- 2.1 **Departmental**: the Council's vehicle hire contracts are delivered via Residents Services Department; previously, ownership resided in the Environment Department and, prior to that, when the current arrangements were put in place, with Direct Services Department. In respect of passenger transport services, the corporate client and budget holder for the vehicles is Children's Services Department.
- 2.2 **Age of fleet**: most of the existing fleet supplied by London Hire is 4-5 years old, with some vehicles being 7 years old. The service provided under the current arrangements has been good, responsive and reliable.
- 2.3 **Current cost**: the Council pay the current supplier in the region of around £400k pa for these vehicles. The cost charged per vehicle per month is contained in the Exempt part of this Cabinet agenda.

- 2.4 **Future discounts**: an indication of the potential discounts raised by providers during a preliminary soft market testing exercise in return for advance payments, along with further reductions if the Council were to be directly responsible for vehicle maintenance, is also contained in the Exempt report.

3. MOVING FORWARD

- 3.1 Entering into a new short-term arrangement for vehicle supply requires compliance with EU and UK public sector procurement regulations. In order to fulfil these requirements in a timely and efficient manner, and align supply and service continuity with the 2011 passenger transport contract, it is recommended that the Council calls off the new vehicles from a supplier on the Eastern Shires Purchasing Organisation (ESPO).
- 3.2 **ESPO** is a consortium jointly owned by the following Councils: Leicester City, Peterborough City, Leicestershire, Lincolnshire, Warwickshire, Cambridgeshire, and Norfolk. The framework contract, which runs from 1st September 2008 to 31st August 2011, complies with EU procurement legislation, has 5 different categories/lots of passenger transport vehicles, with 8 pre-qualified suppliers in each category. Award of contracts is based on competitive tendering, with all 8 companies in the relevant category being invited to bid against the Client's (eg. LBHF's) specification. The competition is managed and administered by ESPO, in consultation and with input from the Client on any special conditions, tender evaluation sub-criteria and their relative percentage weightings. The management fee for running the competition is charged directly to the successful contractor, and would require no direct administrative action by LBHF.
- 3.3 Each contractor has established a Master Hire Agreement within the framework, which will form the basis of business awarded. In addition to ESPO's standard contract terms and conditions, we can also, if we wish, require the contractor to operate the contract hire agreement under a SLA, which can include issues such as late delivery and replacement vehicle availability.
- 3.4 Companies contacted during the preliminary soft market testing are on the relevant ESPO category for the supply of wheelchair accessible buses and mini-buses.

4. ISSUES

A contract specification stating LBHF's requirements has been produced by RSD and CHS officers. ESPO will be inviting bids against this.

Contract period: under ESPO's terms contracts cannot be extended, but they can have break clauses as a "special condition". It would therefore be

prudent to have the contract run until the end of the 2010/2011 school year, mid-July 2011, but with a break clause at Easter 2011. If the passenger transport contract commences on time, the contract can be terminated early; if it doesn't, supply will continue until the end of the 2010/2011 school year.

Tender evaluation: the main award criteria is set by the framework:

Commercial factors: hire rates, delivery, lead-in times;

Vehicle characteristics: operational suitability and quality;

Operational factors: warranty and after-sales support, maintenance and servicing arrangements, breakdown cover, relief vehicle provision etc.

However, clients are permitted to develop sub-criteria under these headings and apportion relative weightings to them. Early delivery has been stressed in the specification and weighted accordingly in the tender evaluation sub-criteria.

4.4 A LBHF Tender Appraisal Panel chaired by the Assistant Director of Residents Services for Cleaner Greener Neighbourhoods, with representatives from Children's Services and Finance & Corporate Services, has been established to liaise with ESPO and ensure LBHF's needs are met through use of the framework.

4.5 **Advance payments**: given the pressure to deliver cashable savings, there is a temptation to capitalize on the prospect of discounts in return for advance annual payments. This, though, needs to be weighed by the risk of supplier insolvency and the Council not being able to recover the sums paid. The ESPO Terms and Conditions do not safeguard the Council if a company goes into liquidation. ESPO conducted a check on the financial position of the vendors at the time of going out to tender but they are unable to revisit the selection.

4.6 It will therefore be imperative, should the recommendations of this report be agreed, that a robust and rigorous check is made on the current financial standing of any preferred bidder, along with their risk and credit rating, prior to any award decision being made that might involve advance payments.

4.7 The 8 pre-qualified suppliers on the ESPO framework are:

Alliance & Leicester	Dawson Rental	Lloyds TSB
London Hire	Specialist Fleet Services	SHB Hire
Translinc	Unilink	

4.8 Bids have been invited on the basis of seeking prices for monthly, quarterly, and six-monthly payments in advance. If Delegated Authority is granted, prior approval is also sought for the principle of advance payments being made where, in the professional judgment of senior

officers, this delivers improved value for money whilst also protecting the Council's interests.

- 4.9 **Vehicle maintenance:** Feedback from the market during the preliminary soft market testing indicated that further price reductions could be obtained if LBHF took responsibility for the vehicles maintenance and M-o-T. ESPO can invite contractors to bid both on the basis of workshop maintenance being offered by the Client and not being offered, but advise that it is best if we specify clearly which option we prefer.
- 4.10 If LBHF undertake the maintenance, RSD have advised that the vehicle workshops at Bagleys Lane can only really operate this arrangement where brand new vehicles are supplied, due to maintenance risks associated with second-hand vehicles, or costs will increase significantly; conversely, suppliers will probably want to check and verify our workshops prior to signing a contract.
- 4.11 The hire vehicles will only be needed until the new contract arising from the competitive tendering of the passenger transport service is ready to commence. The Tender Appraisal Panel are establishing with ESPO the scale of relative benefits and risks of hiring new and second-use vehicles, and which of these options is likely to be more economically advantageous to the Council over the contract period.

5. THE NEED FOR URGENCY & PRIOR APPROVAL

- 5.1 Provision of SEN home-to-school transport is a statutory service. The current vehicle hire arrangement has expired, although interim arrangements are in place with the current contractor. Entering into a new arrangement requires competition. However, linking the award decision to the Committee cycle may mean a decision not being made until late-March, followed by a further Alcatel "standstill period" of 2 weeks. It is important that the new contract is in place as quickly as possible.

6. COMMENTS OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

- 6.1 The value of the contract is likely to be between £350,00-£500,00 over the contract period. There are a number of options that will need to be considered when agreeing payment terms for the awarded contract. Broadly speaking there are two options. Paying with no discount and no payment in advance or paying a reduced sum by paying an agreed amount up front.
- 6.2 This decision should be based on the preparation of a cost/risk model based on bids seeking prices for:
- a) no payment in advance; or

- b) monthly, quarterly, six-monthly, and annual payments in advance. It will be imperative to build into the model an analysis of the current financial standing of any preferred bidder, along with their risk and credit rating, prior to any award decision based on advance payments. It will be necessary to outline the financial savings (discounts) as a result of any payment upfront.
- 6.3 It may be possible for further price reductions if LBHF took responsibility for the vehicles maintenance and M-o-T. In order to fully explore these options contractors must be invited to bid on the basis that the workshop maintenance could be offered by the LBHF. It has been noted in the report that if LBHF undertake the maintenance, RSD have advised that the vehicle workshops at Bagleys Lane can only really operate this arrangement where brand new vehicles are supplied.
- 6.4 The comments made by the Director of Finance & Corporate Services in respect of current costs per vehicle per month are contained in the Exempt report on this agenda.
- 7. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**
- 7.1 Subject to the terms of the Master Hire Agreement and SLA referred to in this report the Assistant Director of Legal and Democratic Services agrees with the recommendations of this report.
- 7.2 The Client Department is advised to seek evidence from ESPO as to the publication of the relevant OJEU Notice and Contract Award Notice.
- 8. COMMENTS OF THE ASSISTANT DIRECTOR FOR STRATEGY, PERFORMANCE & PROCUREMENT**
- 8.1 The comments of the Assistant Director for Strategy, Performance & Procurement are reflected in the report and its recommendations. The AD for Strategy, Performance & Procurement will advise and be represented on the Tender Appraisal Panel for the hiring of the SEN vehicles.
-

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	All background and TAP papers, and ESPO framework documents.	Dave Newman, Head of Waste Management & Transport Ext. 1191	Waste, Recycling & Transport, Residents Services Dept. 77-89 Glenthorne Rd. London W6 0LJ 020-8753-1191
CONTACT OFFICER:		NAME: John Francis, Principal Procurement Officer, CHS & FCS ext. 1328.	