

Notice of KEY Executive Decision

Subject Heading:	Commencement of a procurement process for the replacement of Passenger Transport Assets
Decision Maker:	Neil Stubbings – Strategic Director of Place
Cabinet Member:	Councillor Barry Mugglestone– Cabinet Member for Environment
SLT Lead:	Neil Stubbings – Strategic Director of Place
Report Author and contact details:	Simon Blake 01708 433202 Simon.Blake@havering.gov.uk
Policy context:	Supporting the Places objectives within the Corporate Plan and in particular the Council's Air Quality Action Plan 20182023
Financial summary:	There are no direct financial implications associated with commencing the procurement process as this will be conducted within existing resources. The indicative total value of the procurement is £1.647m funded from a combination of capital receipts generated from the disposal of existing vehicles and the Internal Leasing Reserve.
Reason decision is Key	Expenditure or saving (including anticipated income) of £500,000 or more
Date notice given of intended decision:	30.04.24

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Relevant OSC:	Place OSSC
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well

Place - A great place to live, work and enjoy X

Resources - Enabling a resident-focused and resilient Council

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Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

Transport Services seek approval to commence a procurement process for the supply of 16 replacement vehicles within the Passenger Transport fleet as follows:

- (a) 2 vehicles via a mini competition under **Lot 2** of the Procurement Partnership Limited Minibus, Bus and Coach Procurement Framework at an estimated contract value of £177k
- (b) 14 vehicles via a mini competition under **Lot 3** of the Procurement Partnership Limited Minibus, Bus and Coach Procurement Framework at an estimated contract value of £1.470m.
- (c) Requesting to waive 70 – 30 ratio split to place the onus on quality rather than price.

The reasons for the waiver is to make sure quality products are procured that have a good build quality, longevity and excellent reliability to meet a high demand service.

AUTHORITY UNDER WHICH DECISION IS MADE

Part 3, para 3.3 of the Constitution –Powers of Members of the Senior Leadership Team.

Contract powers: (a) to approve commencement of a tendering process for all contracts above a total contract value of £500,000

STATEMENT OF THE REASONS FOR THE DECISION

Havering's Passenger Travel Services (PTS) currently operates 52 vehicles that provide specialist home to school transport, conveying children & adults with either physical or mental disabilities to various specialist schools or day centres for Children's Services and Adults Social Care (CAD). Unlike some local authorities, Havering do not hold any 'spare' fleet assets, as a result of which all 52 vehicles are in daily use. The 16 vehicles that require replacing are all at the end of their useful operating life.

The PTS service works with client departments to reduce the demand for Home to School transport promoting other solutions where possible e.g. independent travel training, as a means of mitigating increasing demands and consequent budgetary pressures upon the service. Notwithstanding these efforts, demand for transport has increased significantly over the past 7 years from 38 education routes in 2017/18 (303) passengers to 42 education routes in 2022/23 with an average of (449) passengers transported per day by PTS.

Demographic forecasts for the borough indicate an ongoing and potentially increasing need for Home to School transport over the next 4-7 years linked to the forecast increase in children with Special Educational Needs. (see table below)

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Borough wide (Primary, Secondary, Special Schools and Post 16) demand

Academic year	Cognition and Learning	Communication and Interaction	SEMH	Physical and/ or Sensory	Totals
2020/21	544	905	272	173	1894
2021/22	574	1057	312	195	2138
2022/23	562	1251	385	204	2402
2023/24	592	1354	381	205	2533
2024/25	621	1525	418	215	2779
2025/26	631	1702	438	227	2998
2026/27	645	1891	452	246	3234
2027/28	655	2082	451	264	3452
2028/29	673	2269	448	280	3670
2029/30	691	2433	448	292	3864

As a further measure to mitigate budget pressures on Children's and Adults Services, the PTS service seeks to utilise available capacity within the fleet outside of core hours to undertake additional contract and ad-hoc work for other clients, with the operating surplus from this activity being used to reduce recharges to internal clients.

The 16 vehicles will meet the current LEZ / ULEZ standards for London and will be running on GTL (Natural Gas to Liquid).

Beyond the core internal work, acquiring these vehicles will be advantageous when it comes to additional income from private hire and adult work for schools in neighbouring boroughs.

At Theme Board (19.12.22) The proposal was made not to replace the recommended 27 buses referenced in the Key Ed report, but to recommend replacing the 8 of the oldest buses out of the 27. The decision to defer the remaining vehicles (19) in total will then be reviewed after the Director of Children Services delivers their report and findings to cabinet.

It was also suggested at this Theme Board that PTS should apply for Community Bus Certificates which would allow the deferred vehicles a grace period up to October 2025 (exemption against ULEZ Charges). PTS has successfully applied to TFL for Community Bus Certificates for the 23 vehicles for a grace period for (non –compliant ULEZ vehicles) up to October 2025. However, this action only delays the ULEZ charges.

The CAD review has clearly identified the demand for buses is growing and not reducing in-line with their new HTS policy. It is proposed to use the remaining available balance of £1.67m from the existing capital Project Code C38880 to purchase 16 buses.

OTHER OPTIONS CONSIDERED AND REJECTED

Do nothing

In light of the increasing demand upon the Passenger Travel Service in recent years it is considered essential to replace the old and potentially non-compliant existing fleet with new

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vehicles. These vehicles are at the end of their natural operating life and extending the life of the vehicles will see more age related breakdowns with increased maintenance and hire costs. This would impact on home to school routes. If vehicles were not available some routes would temporarily be suspended until the vehicles were made available again.

Currently the vehicles are under 5 tonnes and are LEZ /ULEZ compliant due to the TFL community bus certificates with a grace period to October 2025. However, the LEZ/ULEZ threshold will still apply to these vehicles in less than 19 months. It takes at least 40 – 60 weeks from place of order for the recommended replacements vehicles to be built. If the vehicles are not replaced the potential impact will generate a fine of £100 per day on each occasion that a vehicle enters the ULEZ/LEZ area or 190 academic days x 100 x 16 vehicles = £304k. It would not be operationally feasible to undertake core LBH routes using only the remaining 27 compliant vehicles.

Spot Hire

The 16 seat coach built buses are becoming harder to acquire via spot hire and would cost in the region of £1,675 per month for a 16 seat LEZ/ULEZ Euro 6 compliant vehicle. These vehicles would be used for a minimum of 45 weeks per year. The proposed vehicles under WLC, are £1,462.19 per month on average, £212.81 less per month than the hired vehicle.

Contract hire rather than purchase

These vehicles require a large capital investment which specialist hire companies would have little interest in. Maximum contract hire term is 7 years and the annual lease charges would be higher than purchasing them outright. Purchasing the vehicles reduces PTS running costs and charges to its internal clients over the operating period.

BEV (Battery Electric Vehicle) and Infrastructure

A paper was presented at Theme Board on the 8th June 2020 linked to the details below:

An extensive evaluation was undertaken of the potential to transition fleet assets to electric vehicles including purchase costs, operating costs, range restrictions, warranties and infrastructure requirements. If we were to revisit this evaluation again, a further feasibility study would be required from UK Power Networks to establish Central Depots required power consumption, grounds costs including cabling and the provision of a new substation. On top of this, a charging network supplier would need to be identified including costs of smart chargers to be installed (rated @ 22kw) x 52 vehicle points.

Equivalent electric vehicles, where available and are generally between 2-3 times the price of a conventional Euro 6 alternative and whilst operational savings are generated, the financial modelling undertaken indicates that the level of savings would require a 53 year payback period in order to recover the additional capital investment.

PTS vehicles ordinarily have a 10 year operating life and most manufacturers of electric vehicles will not warranty the batteries beyond 5 years, presenting operational and financial risks. Furthermore the stated operational range of these vehicles is a maximum of 100 miles on a single charge, presenting further operational risks as the average daily mileage for the PTS fleet is 80 miles and winter operations can drastically reduce the battery operating range due to heating and multiple tail lift operations. The need to charge regularly would reduce fleet availability and impact on the delivery of the PTS operations including support functions under an emergency such as the recent pandemic.

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PRE-DECISION CONSULTATION

None.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Simon Blake

Designation: Head of Transport

Signature: S.Blake

Date: 05.03.24

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The Council has a statutory duty under Section 508A(1)(c) of the Education Act 1996 to promote the use of sustainable modes of travel to meet the school travel needs of their area. The recommendations within this report are in keeping with this duty.

The proposed procurement value exceeds the applicable public procurement threshold for supply contracts stipulated in the Public Contracts Regulations 2015 ("PCR"). Therefore, this procurement is subject to the full PCR regime. The use of a Framework is compliant with Regulation 33 of the PCR.

The framework is open to all Local Authorities in the UK and members of the Procurement Partnership Limited including the London Borough of Havering. The Framework itself was launched in August 2021. Participating authorities therefore have until August 2025 to call-off from this Framework.

According to the Council's Contract Procedure Rule (CRR) 20.4, where a framework agreement is operational, all subsequent purchases under a framework either do not require further competition (if a single supplier) or, if there are two or more suppliers for those goods or services on the framework, follow the express framework provisions for choosing a supplier or in the absence of an express framework a mini competition should be held amongst the relevant suppliers.

The framework affords participating authorities the option of holding a mini-competition provided that the Council identifies which Suppliers within the Lot(s) are capable of supplying the required Vehicles and develops a Mini-Competition tender setting out its requirements and specification, making the tender available to the Suppliers identified as suitable to participate via an online electronic 'eTender' portal.

Officers intend to conduct mini competitions and tenders will be evaluated against 40% price and 60% quality weightings. CPR 18.4 requires tenders to be evaluated against pre-determined best price-quality ratio of 70% cost and 30% quality weighting. Therefore, Officers also seek authority to waive this Contract Procedure Rule.

CPR 14 provides that a waiver of the Rules is permissible if all relevant law is complied with and the contract falls within one of the exceptions listed in CPR4.4. The most relevant exception is that the waiver is in the best Interests of the Council. The Public Contract Regulations confirm that contracting authorities have flexibility of choice in selecting their price/quality evaluation model. Officers have satisfied themselves that the requirements for a waiver have been met in this instance and that this decision will result in the best value for the Council overall.

FINANCIAL IMPLICATIONS AND RISKS

The indicative value of the PTS vehicle procurement is £1.647m. This decision only seeks to commence a procurement process so is accordingly of little financial impact. No costs are envisaged for carrying out the procurement process as it will be undertaken by existing Council staff. A subsequent Key Decision or Cabinet report will be issued to approve the final purchase. Whilst the financial implications of the purchase will be reassessed at that time, the expected implications are set out below for completeness.

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Capital Implications of the purchase

There is currently capital budget available for the purchase of the 16 new buses due to deferring the replacement of 19 buses back in December 2022. The budget is established within Asset Management against capital project C38880.

Replacement vehicles across the corporate fleet are largely funded from the Internal Lease Reserve with a contribution from capital receipts generated from the sale of existing vehicles. The Internal Lease Reserve will be replenished over the useful life of the vehicles through the annual whole life cost charge to revenue. The Council generally purchases fleet assets (rather than leasing/contract hire) and then applies an internal financing charge over the operational life of the vehicle. This financing charge is set at a rate that replenishes the vehicle replacement reserve on a rolling basis. The existing vehicle will be sold, realising a capital receipt and the reserve is used to fund the difference between the sums realised from sale of the old vehicle and the purchase price of its replacement.

Revenue Implications of the purchase

As stated above, there will be an annual charge to the service Passenger Travel Service revenue budgets (PTS) to reflect the whole life cost (WLC) of the vehicles. This includes the replenishing the internal lease plus annualised costs of the estimated routine maintenance/MOT costs, road fund licence and insurance costs over the life of the vehicle. It is estimated that the net annual Whole life cost of the replacement vehicles will be £9k more than the current vehicles and the revised cost will be covered within existing budgets. A breakdown of these costs are outlined in the table below:

Item	Old Vehicles (£)	New Vehicles (£)	Difference (£)
Financing	164,693	187,634	22,941
Tax	3,540	2,640	- 900
Maintenance	103,426	90,468	- 12,958
Total	271,659	280,742	9,083

What is not included in the table above are the likely ULEZ fines that will be imposed once the Community Bus Certificate (exemption) expires in October 2025. This is estimated to cost: £100 fine per day per bus x 190 academic days x 16 vehicles = £304K per annum. In addition, the replacement of these vehicles will also avoid Passenger Travel Service from funding further ad hoc maintenance costs. These are currently quite high as the vehicles have reached the end of their useful life which has already been extended from 7 to 13 years.

Any savings to the PTS budgets will be used to offset any costs arising in the service to ensure that the overall charge to internal clients namely adults & children's services is kept as low as possible.

Wherever possible these vehicles will be used to maximise income by utilising spare capacity to provide ad hoc services to external clients such as schools, academies and other Councils.

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Reduce costs may also make the service more competitive when bidding for such work, generating more income should there be an increase in contracts won.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

There are no anticipated HR issues resulting from this decision

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

An EqHIA (Equality and Health Impact Assessment) is usually carried out when a current or planned service/policy/activity is likely to affect staff, service users, or other residents. It is acknowledged that in emergency or urgent situations it will not always be possible to carry out an EqHIA in advance of a relevant activity, however, managers will undertake the required EqHIAs at the earliest opportunity.

In all situations, urgent or not, the Council will seek to ensure equality, inclusion, and dignity for all.

PTS transport is generally provided on behalf of vulnerable client groups due to age, physical or mental disability or a combination of all factors.

The replacement fleet assets will continue to be fully accessible to wheelchair users with the appropriate comfort, cooling / heating, lighting, wheel chair securing, all age seat belts and other safety features for the welfare of our service clients

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HEALTH AND WELLBEING IMPLICATIONS AND RISKS

Below lists the positive health and wellbeing implications relating to the proposed decision to purchase the 16 buses designed to carry children & adults with special educational needs.

- The New Buses are designed for maximum comfort and come with full climate control , tinted windows and mood lighting to aid Mental health and wellbeing
- The New Buses are fully accessible and will provide all age groups access to education or any other training opportunities agreed by the authority (CAD)
- Employment, income, opportunities for economic development
- These buses will be able to access green spaces (parks), sports facilities, and any other opportunities to allow the clients to be active in partnership with CAD
- The buses will be used to take clients to day centres which allows the clients the opportunity to interact socially with other people, social isolation, community support networks and being able to live independently
- Ability to access health and social care services

Flexible Transport, and connections to places within or between the Borough.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

The Buses to be purchased are EURO 6e with stop start systems and Ad blue. A treatment injected into the SCR (Selective Catalytic Reduction) systems which removes harmful nitrogen oxide converting it into nitrogen and water.

All of the New Buses will be fully compliant to meet the strict ULEZ / LEZ standards for London and will be running on GTL .This is the current green alternative fuel to diesel which all our current fleet vehicles operate on.

GTL complies with EN15940 standards and reduces NOx by 37% and Particulate Matter by 50% reducing our carbon footprint.

Other advantages of GTL:

- It has a much higher cetane number (fuel burns better within the engine)
- It has a higher mass calorific value
- It has a lower sulphur levels
- It has lower levels aromatics
- It is almost free from other unsaturated molecules such as olefins (unsaturated hydrocarbon compounds)
- More efficient combustion at lower temperatures (improved cold starting)
- Fully Bio- Degradable and Non Toxic with a low hazard rating (evaporates if spilt)
- Reduced noise levels by 1-4Db (uniform combustion shortens ignition delay reducing diesel knock)
- Reduced fuel consumption due to a more efficient fuel burn rate
- No smell from the fuel or from the exhaust

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- Reduction in the following harmful gases: Nitrogen oxides (NO_x) Particulate Matter (PM) Carbon monoxide (CO) and Hydrocarbons (HC) all associated with respiratory illness.

Other measures to reduce fuel consumption:

All PTS bus drivers are subjected to periodic training which includes eco driver training and anti-idle training, which identifies the health benefits and the impact on the environment from efficient driving techniques.

All bus routes are designed to be as fuel efficient as possible taking in the need of our clients, distance, time and destination.

BACKGROUND PAPERS

None

APPENDICES

None

Key Executive Decision

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed

Name:

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

Lodging this notice

The signed decision notice must be delivered to Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____