

## Notice of KEY Executive Decision

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|--|---|
| <b>Subject Heading:</b>                        | Commencement of a procurement process for the replacement of Passenger Transport Assets   |
| <b>Decision Maker:</b>                         | Councillor Barry Mugglestone– Cabinet Member for Environment  |
| <b>Cabinet Member:</b>                         | Councillor Barry Mugglestone– Cabinet Member for Environment  |
| <b>SLT Lead:</b>                               | Neil Stubbings – Strategic Director of Place  |
| <b>Report Author and contact details:</b>      | Simon Blake<br>01708 433202<br><a href="mailto:Simon.Blake@havering.gov.uk">Simon.Blake@havering.gov.uk</a>   |
| <b>Policy context:</b>                         | Supporting the Places objectives within the Corporate Plan and in particular the Council's Air Quality Action Plan 20182023   |
| <b>Financial summary:</b>                      | The indicative total value of the procurement is £1.042m funded from a combination of capital receipts generated from the disposal of existing vehicles and the Internal Leasing Reserve. |
| <b>Reason decision is Key</b>                  | Expenditure or saving (including anticipated income) of £500,000 or more  |
| <b>Date notice given of intended decision:</b> | 03.09.25  |

**Key Executive Decision**

|  |            |
|--|------------|
| <b>Relevant OSC:</b>                                 | Places O&S |
| <b>Is it an urgent decision?</b>                     | No         |
| <b>Is this decision exempt from being called-in?</b> | No         |

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

People - Things that matter for residents    X

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

Resources - A well run Council that delivers for People and Place. X

## **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 5 replacement vehicles within the Passenger Transport fleet as follows:

- (a) 5 vehicles via a mini competition under **Lot 1** of the Procurement Partnership Limited Minibus, Bus and Coach Procurement Framework at an estimated contract value of £1.042m
- (b) Requesting to waive 70 – 30 ratio split to place the onus on quality rather than price, Quality 60 /Price 40.

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 3.2 Executive Functions**

- 3.7 To approve an exception to the Contracts Procedure Rules set out in Part 4 of this constitution, in accordance with Rule 14(1) of those Rules.
  - 14.1 No exception to these Rules shall be permitted except upon approval by an individual Cabinet member using an Executive Decision or by some other provision in this Rule. The report shall set out the background, the rule being waived, the reasons the waiver is required, how value for money will be demonstrated, any legal or financial risks or implications and shall be approved by the Director of Legal and Governance and the Chief Executive.
- 3.8 To approve the commencement of the tender process, to award contracts, agree extensions of contract terms where the value of such matter is between £1,000,000 and £2,000,000 subject to consultation with the Strategic Director of Resources. (Note: Pension Committee has powers to invite tenders and award contracts for investment matters within their terms of reference)

### **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 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

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service. Recent changes to the Home to School Transport policy have achieved an increase in Personal Travel Budgets as an alternative to direct transport provision – there has also been some success in transferring children previously transported in private taxi to existing PTS bus routes, achieving a lower unit cost.

Notwithstanding these efforts, demand for PTS transport has increased significantly over the past 8 years from 303 passengers per day in 2017/18 to a daily average of 430 passengers in 2025/26.

Demographic forecasts for the borough indicate an ongoing 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)

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

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

Approval was given in 2023 to replace 13 buses from a remaining available balance of £1.67m from the existing capital Project Code C38880. Vehicles of this nature have a lengthy lead-in and manufacture time, such that these previous replacements are only now arriving on the fleet.

It was decided in 2023 to defer replacement of the remaining 7 vehicles that were due for replacement at that time:

- due to there being insufficient funds within the fleet replacement reserve at that point
- to allow sufficient time to monitor the impact of the new Home to School policy, relative to demographic growth pressures, in order to confirm future fleet capacity requirements

The operating life of some of these retained vehicles has since increased to 15 years as a consequence, presenting an increased risk of unplanned maintenance, higher operating costs and resultant unavailability.

These remaining 7 vehicles are also non-ULEZ compliant, albeit they are temporarily exempt from incurring daily fines courtesy of a TfL Community Bus Certificate, which expires in October 2027.

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Having reviewed current and forecast operating needs, the Transport service is recommending replacement of the existing 7 x 16 seat buses with 5, larger capacity, 28 seat, wheel chair-accessible vehicles. This proposal reduces the number of vehicles required, and related operating costs, whilst increasing the seating capacity (28 additional seats when compared against the 7 existing vehicles) to absorb future demand.

The proposed replacement vehicles will be ULEZ-compliant, eliminating the risk of ongoing fines once the current exemption certificate expires.

Beyond the core Home to School work, acquiring these vehicles can also be utilised for external hire, generating additional income outside of core hours.

## **OTHER OPTIONS CONSIDERED AND REJECTED**

### ***Do nothing***

In light of the ongoing 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 vehicles. These vehicles are at the end of their natural operating life and extending the life of the vehicles further still 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 an extended grace period to October 2027. However, the LEZ/ULEZ threshold will still apply to these vehicles in less than 19 months. It takes at least 40 weeks from place of order for the recommended replacements vehicles to be built. If the 7 non-compliant 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 7 vehicles = £133k. It would not be operationally feasible to undertake core LBH routes using the remaining compliant PTS vehicles.

### ***Spot Hire***

The 28 seat coach built buses are not available on spot hire, only on long term contract hire with a maximum duration of 7 years and excess mileage penalty clauses. Outright purchase gives the operator the advantage of a longer operating period and no limitations on mileage.

### ***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***

Currently the government has introduced a £30million depot charging scheme to support businesses and local authorities in installing the necessary infrastructure for charging zero emission heavy goods vehicles, vans, buses and coaches. The scheme offers fleets up to 75% off the eligible project costs with a deadline of 28<sup>th</sup> November for applications. The scheme is capped at £1million and all agreed works to be completed by 31<sup>st</sup> March 2026. This is a tight deadline to meet and would require a full site survey of Central Depot to establish the sites

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current electrical demand and spare capacity including the power required for the site if all the fleet was BEV.

Equivalent electric vocational vehicles, are available and are generally twice the price of a conventional Euro 6 alternatives. BEV's offer some operational savings such as slightly reduced maintenance and cost of charging vs fuel usage which is dependent on the type of charger required and the established cost of the supply (Kwh). However the initial outlay for these type of vehicles and the uncertainty surrounding residual values would drive the operational cost up for internal leasing and the costs to clients, also the charging infrastructure would need to be established first in any case.

### **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: 29.08.25

## **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.

A call off from an active, fit for purpose framework (procured under Regulation 33 of the Public Contracts Regulations 2015) is a permissible route to procurement.

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

The framework affords participating authorities the option of holding a mini-competition, managed and delivered free of charge by TPPL via the Delta e-Sourcing portal. This option is also in accordance with the Council's Contract Procedure Rule (CRR) 20.4.

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, for the reasons set out in this report, 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 governance sets out the background, the rule being waived, the reasons the waiver is required, how value for money will be demonstrated and any legal or financial risks or implications. 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**

This paper seeks Cabinet Member approval to commence a procurement via a Framework (Procurement Partnership Limited Minibus, Bus and Coach Procurement Framework) with an indicative value of the PTS vehicle procurement of £1.042m. A subsequent Key Decision will seek approval to award the contract. Whilst the financial implications of the purchase will be reassessed at that time, the expected implications are set out below for completeness.

The paper has expressed that due to the size and significant cost of each of these buses, that the outright purchase option as oppose to an external lease is the preferred avenue. The paper also recommends deviation from the Council's standard weighting criteria, via a waiver, due to the importance of getting the right quality of bus given the capital outlay.

#### **Capital Implications of the purchase**

Due to vehicle lead times, delivery of the 5 buses will not be until the financial year 2026/27. Therefore, the Original Capital Programme Budget for 2026/27 will reflect this as a new addition subject to approval of this paper.

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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.

This purchase will not incur borrowing costs, as the reserve and appropriate capital receipts will fund it.

### **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 £2.7k less 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<br>x 7 (£) | New Vehicles<br>x 5 (£) | Difference<br>(£) |
|-------------|-------------------------|-------------------------|-------------------|
| Financing   | 77,875                  | 86,750                  | 8,875             |
| Tax         | 1,162                   | 1,150                   | (12)              |
| Maintenance | 47,662                  | 36,095                  | (11,567)          |
| Total       | 126,699                 | 123,995                 | ( 2,704)          |

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 2027. This is estimated to cost: £100 fine per day per bus x 190 academic days x 7 vehicles = £133,000 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 15 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. Reduced costs may also make the service more competitive when bidding for such work, generating more income should there be an increase in contracts won.

Along with the modelled cost reduction, and further ULEZ and maintenance charges, considering the PTS vehicles are all in used with no spare fleet vehicles, if the old vehicles are not replaced and breakdown, leading to an extended time out of operation or are deemed unfit



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for use, this could cost the council further in costs of providing alternative provision for the Home-to-School transport service.

### **Completes phase of original Cabinet Paper**

This procurement will complete the phase of PTS bus replacement originally approved by Cabinet in November 2022, which sort to replace 27 buses in total for £2.2m. Following that paper, only 4 were purchased, following a range of reasons such a change to Children's Services Policy, provider failure and wishing to avoid borrowing costs a staggered approach was pursued. In April 2024, a subsequent decision to procure 16 buses was agreed but due to rising manufacturing costs and demand for vehicles, the Council purchased 13 buses to remain within the budget envelope.

Therefore, the cost is estimated to have risen to £3m with a purchase of 22 buses overall. This reduction in buses is not purely down to cost rises but also a change to the preferred model (i.e. purchasing 5 larger buses compared to 7 direct replacements).

## **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.

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

The replacement of these vehicles will have a positive impact on residents with protected characteristics, particularly disabled children and adults who rely on accessible transport. The new vehicles will be fully wheelchair-accessible and equipped with safety and comfort features. An Equality and Health Impact Assessment has been considered and confirms that the proposal supports the Council's duties under the Equality Act 2010. The Council will continue to monitor service delivery to ensure equitable access and high standards of care.

### **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 assist clients with tackling social isolation as they will be transported to day centres which allows the clients the opportunity to interact socially with other people, community support networks and to help 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 6d 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.

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

HVO complies with EN15940 and the supply chain is approved under the Renewable Energy Directive (RED II) issued with an ISCC (International Sustainability and Carbon Certificate) which validates the supply and is also approved under the Renewable Fuels Assurance Scheme.

HVO reduces up to 90% Net CO2 reducing our carbon footprint.

Other advantages of HVO:

- Reduced greenhouse gases emissions.
- Improved air quality – Burns cleaner producing less NOx and particulate matter, leading to cleaner air in urban areas.
- Sustainable and renewable – Made from used cooking oil.
- Reduced Carbon Footprint.
- Direct drop-in replacement for diesel fuel with no requirements for filter changes from first use.
- More efficient combustion at lower temperatures (improved cold starting)
- Longer Shelf life – Does not require heating when stored.
- Reduction in the following harmful gases: Nitrogen oxides (NOx) Particulate Matter (PM) Carbon monoxide (CO) and Hydrocarbons (HC) all associated with respiratory illness.
- Approved by major engine manufacturers.

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 \_\_\_\_\_