

# GREATER LONDON AUTHORITY

## REQUEST FOR DEPUTY MAYOR FOR FIRE AND RESILIENCE DECISION – DMFD179

### Title: Award of Contract for the Supply of Lease Cars

#### Executive summary:

This report requests that the Deputy Mayor for Fire and Resilience authorise the London Fire Commissioner (LFC) to commit expenditure, as detailed in part 2 of this report, for the supply of lease cars to the London Fire Brigade. The lease cars are for senior uniformed officers (ranks from Station Commander to Commissioner) for responding to emergency incidents as well as other business use; the vehicles are also available for officers' personal use.

Each lease is for a period of 36 months with a 16,600 annual mileage allowance (50,000 over the three years). The lease car scheme provides a full maintenance package that includes tyres, windscreens, breakdown recovery and full comprehensive vehicle insurance.

The London Fire Commissioner Governance Direction 2018 sets out a requirement for the London Fire Commissioner to seek the prior approval of the Deputy Mayor before “[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...”.

#### Decision:

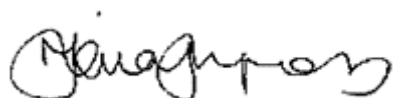
That the Deputy Mayor for Fire and Resilience, subject to completion of a successful procurement exercise, authorises the London Fire Commissioner to commit expenditure as detailed in part 2 of the report for the supply of lease cars for a contract term of three years. The contract will commence as soon as possible upon approval of this decision, expected to be February 2023.

#### Deputy Mayor for Fire and Resilience

I confirm that I do not have any disclosable pecuniary interests in the proposed decision.

The above request has my approval.

#### Signature:



#### Date:

10 February 2023

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DEPUTY MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 Report LFC-0665y sets out the background to the requests that the Deputy Mayor authorise the London Fire Commissioner (LFC) to commit expenditure for the supply of lease cars, subject to the completion of a successful procurement.
- 1.2 London Fire Brigade (LFB) currently operates two vehicle car schemes for senior uniformed officers: the lease car scheme, and the essential car users (ECU) schemes. The lease scheme, the larger of the two schemes, has approximately 200 vehicles. It is a fully maintained scheme which includes LFB administration throughout the period of the lease. The ECU scheme has approximately 60 users. This scheme allows the officer to apply to place their own privately owned vehicle on to the scheme. A prerequisite is that officers provide their own business cover vehicle insurance including commuting. However, when officers are on emergency response calls the insurance element is covered by the LFB. For both schemes part of the criteria requests the vehicles meet the LFB's vehicle emission's requirements (CO<sub>2</sub>/g/km and NO<sub>x</sub> rating). The current emission level settings are 130g/km CO<sub>2</sub>/g/km or less and "moderate" or better for NO<sub>x</sub>.

#### **2. Objectives and expected outcomes**

- 2.1 The LFC policy (PN770 Brigade Car Scheme and Milage Rates) provides guidance for both schemes. The majority of the vehicles on both schemes require emergency response equipment, for example, audible warning device, blue beacon, and a covert repeater number plate holder to be fitted to the vehicle. This element is covered under a separate "Reception, Installation/Removal of Emergency Equipment" contract. The remainder of vehicles on the schemes are Fire and Rescue Service (FRS, non-operational) staff who, due to their existing contractual rights, remain on the scheme. Should these officers leave their posts their replacements will not be offered a vehicle on the lease car scheme.
- 2.2 A full maintenance package is included with the lease car scheme including tyres, windscreens, breakdown, and relay service. The scheme also includes fully comprehensive motor insurance provision for the vehicles which covers UK, Europe, and Ireland. The maintenance package forms part of the "total lease cost calculation" which includes the following:
  - Finance rental
  - Maintenance (including servicing and vehicle recovery)
  - Disallowed value added tax (VAT, 10 per cent of the finance rental). Although the LFB is VAT registered, due to personal use of the vehicle this element cannot be reclaimed from HM Revenue Customs
  - Insurance, windscreen and tyres costs.
- 2.3 Users may select any make or model commonly available in the UK, provided the vehicle meets the LFB emissions criteria. The vehicle must have a nitrogen oxide (NO<sub>x</sub>) rating of moderate (for diesel vehicles) or better and a have a CO<sub>2</sub> rating of less than 130g/km. Each vehicle will also need to have the following:

- A solid roof (no soft tops) that can support either a magnetic or suction mounted beacon
- Minimum engine capacity of 900cc
- Able to carry four adult passengers
- A minimum height restriction of 1200mm
- Able to carry an LFB kit bag in the rear (boot) luggage area.

2.4 LFB put forward a proposal to lower the emission levels currently set at a maximum CO2 rating of 130g/km for each vehicle order. In table 1 below is the agreed schedule, which commenced April 2022, to reduce the emissions on a descending scale to 120g/km by October 2022. From January 2025, all new cars on the scheme must be non-diesel and zero emissions capable, in line with the Mayor's London Environment Strategy.

**Table 1: Vehicle Emissions**

<b>Date</b>	<b>CO2g/km</b>	<b>NOx Rating</b>
01/04/2022	130 g/km CO2	NOx 'low' for diesel cars
<b>01/10/2022</b>	<b>120 g/km CO2</b>	<b>NOx 'low' for diesel cars</b>

- 2.5 There are currently approximately 200 leased vehicles on the scheme. The vehicle totals are given for guidance and information only. The LFC cannot guarantee the make or numbers of cars that will be requested in future:
- 2.6 The LFC reserves the right to review its policy of providing senior officers from the ranks of Station Commander to Commissioner with leased cars which may either decrease or increase the current level. The LFC may also decide to make changes to the way it currently operates its leased car scheme, for example, officers may no longer be able to select any car of their choice.
- 2.7 All new lease vehicles must comply with the latest emissions standards at the time of ordering and in line with the environmental and sustainability policies.
- 2.8 LFB recognises the importance of the net zero 2030 strategy and is committed to achieving sustainable outcomes. Over the life of the proposed contract, LFB will work with lease car providers to achieve more sustainable outcomes including the provision of hybrid or electric vehicle options, as well as exploring longer term options to achieve efficiencies and sustainable outcomes through changes in policy and operational delivery.
- 2.9 LFB Policy 770 has been updated following discussions with the relevant staff representative bodies to ensure that from January 2025, all cars added to the scheme will need to be non-diesel and zero emissions capable, in line with the Mayor's London Environment Strategy. To

achieve this staff will only be allowed to order cars which are not zero emissions capable until January 2024, this takes account of an estimated 9-15 month vehicle lead time for factory build orders based on current assessment of supply chain timescales<sup>1</sup>. Due to this policy and the current profile of the fleet this will ensure that there will be no non-zero emission capable cars in the lease fleet from 2027. Please see table 2 below. It should be noted that this is the worst-case scenario and assumes LFB officers order similar cars as at present, until they have to order zero emissions capable vehicle. LFB will continue to work with staff to encourage sustainable choices at the point that lease agreements renew and it aspires to achieve higher numbers of hybrid or full electric leases than the table below represents, recognising that personal choices are influenced by a greater understanding of the impact of climate change and continuing developments in technology.

**Table 2: Emissions Profile - Orders Based On Current Fleet Profile replacement**

Fuel Type	2022	2023	2024	2025	2026	2027	2028
Petrol	43	43	28	26	9	0	0
Diesel	69	69	64	63	18	0	0
Hybrid	61	61	81	84	146	173	173
Full Electric	4	4	4	4	4	4	4
	177	177	177	177	177	177	177

*All officers have to order zero emission capable vehicles from January 2025*

- 2.10 If the move toward zero emission capable vehicles were to be accelerated, then additional consultation would be required with the representative bodies. LFB is exploring options as to the future provisions for officer cars with Central Operations. This may involve revising the lease car provision and looking at different models for staff car provision including ECU scheme and salary sacrifice schemes. An options paper is currently in development to provide more detail.

#### *Costs*

- 2.11 The average annual spend for the lease car scheme over the last four financial years has been £1,200,000 and is made up of the following:
- Windscreen & Tyres
  - Inspections (delivery & return)

<sup>1</sup> Lead times may vary dependent on timescales within the supply chain at a given point in time.

- Road Tax (yearly increases)
- Lease Car Insurance
- Lease Car Charge (finance rental and maintenance)
- Insurance Excess (insurance repairs)
- Excess Mileage Charges

2.12 The main costs (finance rental and maintenance) are paid to the lease company a year in advance and LFB recovers its costs as “officer contributions” monthly over the 36-month lease term. The other costs mentioned, for example, excess mileage and road fund licences increases, are charged by the lease company throughout the term of the lease but are not recharged to the lease users; whereas the costs for the tyres and windscreens are added to the formula along with the motor insurance premium to create the “IWT” (insurance, tyres and windscreens) cost, which is recharged to the officer as part of the annual rental (total lease cost).

2.13 To obtain the annual rental “total lease cost” the following criteria are used:

- Finance Rental
- Maintenance
- Disallowed VAT (10% of the finance rental)
- IWT (Insurance, tyres & Windscreens)

A breakdown of the allocated budget for these costs is shown in Part 2 of this report. As part of the calculation an agreed annual subsidy which is index linked is provided by the LFB for each lease which is deducted from the total annual rental. Any remaining costs above the subsidy are met by the officer and paid over a 12-month period.

2.14 The finance and service costs in appendix 2 of the attached report LFC-0665y (table 3) are taken from sample quotations supplied by the current leasing companies pre-July 2021 which led to vehicle orders being placed. The IWT and subsidy costs are from the IWT calculations and CPI indices (subsidy) for 2020/21 financial year.

#### Collaboration

2.15 Under the Policing and Crime Act 2017, the LFC has a duty to keep collaboration opportunities (with police and ambulance services) under review and, where it is in the interests of efficiency or effectiveness, to put those collaboration opportunities into practice. Colleagues in procurement have examined several collaborative frameworks across the public sector. However, some of the “special” terms and conditions the LFB require, for example, tyre depths and the administration of penalty charge notices, are not readily accepted by some of the frameworks. The Halton Housing Framework (HHF) which is accessible to LFB, confirmed they were able to add these special terms for any LFC mini competitions. Therefore, this is considered the most appropriate route to market and LFC have used the HHF framework for the last two contract terms.

- 2.16 Wider collaboration was sought from other Fire Rescue Services and full details of the proposed procurement have been shared to all fire and rescue services via the NFCC ICT Managers group and the NFCC Procurement group. In addition, the procurement opportunity was shared with the GLA Collaborative Procurement group. No collaboration partners have been identified at this time.
- 2.17 Collaboration within the GLA Group with the Metropolitan Police Service and Transport for London was also sought, but none of the groups offered a parable scheme that included a full business and personal use options, so could not be considered.
- 2.18 The leased car scheme is an optional alternative to the essential car users' scheme and is available to staff who are deemed by LFB to be essential users whose duties are of such a nature that it is essential for them to have a car at their disposal whenever required. The ability to have access to a vehicle to attend incidents at need is critical to the delivery of the front-line service. Whilst LFB are considering the future options for essential car users it is imperative that users continue to have access to vehicles in order to effectively discharge their duty. It should be noted that any change to the current provision will require consultation with staff side union representatives (Fire Brigades Union (FBU), Fire Officers' Association (FAO) and Prospect). With the two schemes combined LFB has a "grey fleet" of approximately 260 vehicles. The majority of eligible officers (77%) chose the option to lease a vehicle rather than providing their own privately owned vehicle. The continuation of the scheme via a framework agreement will allow for this necessary service provision.

### **3. Equality comments**

- 3.1 The LFC and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
- 3.4 The Public Sector Equality Duty requires the LFC, in the exercise of all his functions (i.e. everything the LFC does), to have due regard to the need to:
- eliminate discrimination, harassment and victimisation and other prohibited conduct.
  - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
  - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic.
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

3.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.

3.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard to the need to:

- tackle prejudice, and
- promote understanding.

3.8 A full Equality Impact Assessment is being developed in line with the award of the contract and will be in place prior to award.

#### **4. Other considerations**

##### Procurement and sustainability

4.1 The Halton Housing Association (HHA) are a housing association who have been providing lease car arrangements for several years across the public sector. They have partnered with Link Asset Services Group to provide the procurement and commercial input to the framework.

4.2 Link Group acquired Capita Asset Services from Capita plc which is a recognised provider of outsourced services to the public sector. The new business was renamed as Link Asset Services Group.

4.3 The intention is to utilise the HHA Framework Lot 1, which is managed on behalf of HHA by Link Asset Services Group. There are eight suppliers in the Lot and one of these is a small or medium enterprise (SME); this probably reflects the challenge for SMEs to arrange the level of capital needed to provide the services. The framework allows a range of lease contract lengths which fits with LFB policy. HHA is a Contracting Authority (as defined in PCR 2015) and are entitled to call-off supplies in accordance with the provisions of this Framework Agreement. Link Treasury Services Limited, trading as Link Group of 65 Gresham Street London EC2V 7NV ("Link") is managing the framework on behalf of HHA. The most appropriate lot on the HHF framework is Lot 1 (Contract Hire of Cars and Light Commercial Vehicles up to 5,000 kg G.V.W).

4.4 The framework was subjected to a full OJEU procurement and a contract notice, reference 2020/S 210-514715, was placed in the Official Journal of the European Union on 28 October 2020 seeking expressions of interest from suppliers for the provision of a range of fleet vehicles and associated assets for HHA and other public sector bodies. The contract notice 2020/S 210 514715, confirming the award of the contract, was placed on 19 January 2021.

- 4.5 Organisations likely to access this agreement have asset fleets ranging from less than ten to over 500 vehicles, it is important that smaller organisations such as district councils and housing associations can be supported by this framework. The range of clients serviced by this framework reduces the risk of poor delivery. It allows LFB to be confident that its importance to the framework owner and its suppliers is sufficiently material to ensure that any issues experienced will be dealt with quickly.
- 4.6 The call off contract competitions from this framework will be undertaken in line with the GLA group Responsible Procurement policy, this includes ensuring suppliers are compliant with the Modern Slavery Act. Additionally, given the renewed focus in this area to support London's recovery aims around employment, the skills and apprenticeships requirement will be added where applicable.
- 4.7 Value for money is being supported by a reduced rebate system where manufacturers are only charged a maximum rebate of £10 for individual vehicles valued up to £100,000, thereby removing costs from the supply chain resulting in more competitive quotes from the manufacturers.
- 4.8 The Sustainability comments are contained with the body of this report which identifies the LFB's reduction in carbon emissions as shown in table one (vehicle emissions). LFB has also seen a steady positive increase in the number of petrol hybrids, PHEV's, and full electric vehicles (EV's) since 2017, accounting for 29% of the lease car fleet which at one point was 92% diesel fuelled vehicles.

#### Workforce comments

- 4.9 All the recommendations within the report that is vehicle emissions, covert repeater number plate holder etc. were fully consulted with the staff side union representatives (FBU, FOA and Prospect) at both the Joint Committee for Middle Managers and the quarterly Lease Car Forum meetings. Consultation through the two forums will continue with the user specification prior to any mini competition being actioned

#### Conflicts of interest

- 4.10 There are no conflicts of interest to declare from those involved in the drafting or clearance of this decision.

### **5. Financial comments**

- 5.1 This report seeks approval for expenditure and award of contract for the supply of lease cars. The revenue total cost as laid out in part 2 of the report.
- 5.2 With regards to non-pay inflation: all LFC contractual inflationary increases are reviewed on an annual basis. The LFC budgets for non-pay inflation on an item-by-item basis, and the LFC will review those assumptions as part of its budget process for 2023/24. If inflation rates are above current assumptions a resulting budget increase will need to be submitted as part of LFC's annual submission to the Mayor's GLA Group budget process and/or the contract will need to be reviewed to assess whether it is possible to reduce the annual cost via a reduction in service. If inflationary increases result in in-year financial pressures, this will be reported on as part of regular financial reporting and met through the use of the Budget Flexibility Reserve. The Budget Flexibility Reserve has a forecast balance of £17.1m as at the end of the 2022/23 financial year.



- 5.3 LFC standard terms and conditions include clauses on indexation and termination that can be utilised in the event that inflationary pressures affect the performance of the contract. If a contract is no longer viable then LFC will seek to terminate it on this basis, or work with suppliers to pause delivery and/or renegotiate what is being delivered. This is preferable to inserting a break clause for inflation as such pressures apply across the market so it is unlikely that benefits will be gained from terminating a contract in order to go back out for competition.

## **6. Legal comments**

- 6.1 Under section 9 of the Policing and Crime Act 2017, the LFC is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the LFC specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
- 6.2 By direction dated 1 April 2018, the Mayor set out those matters, for which the LFC would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the Deputy Mayor).
- 6.3 Paragraph (b) of Part 2 of the said direction requires the LFC to seek the prior approval of the Deputy Mayor before “[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...”. The decision to enter a contract for lease cars for the value described in part 2 of this report will therefore require approval from the Deputy Mayor.
- 6.4 The statutory basis for the actions proposed in this report is provided by sections 7 and 5A of the Fire and Rescue Services Act 2004 (FRSA 2004). Section 7 (2)(a) FRSA 2014 provides that the LFC has the power to secure the provision of personnel, services, and equipment necessary to efficiently meet all normal requirements for firefighting. Section 5A of the same Act allows the LFC to procure personnel, services, and equipment they consider appropriate for purposes incidental or indirectly incidental to the fire services functional purpose.
- 6.5 The proposed procurement of lease vehicles, via the Halton Housing Association Framework Agreement adheres with the duties of the LFC under the Public Contract Regulations 2015.
- 6.6 These comments have been adopted from those provided by the LFC’s General Counsel Department in report LFC-0665y to the London Fire Commissioner.

## **Appendices and supporting papers:**

Appendix 1: Current lease vehicles by manufacturer

Appendix 2: Lease car sample calculations

Appendix 3: LFB Policy Note 770 - Brigade Car Schemes and Mileage Rates

Appendix 4: Part 1 of Report LFC-0665y - Award of Contract for the Supply of Lease Cars

## Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

### Part 1 Deferral:

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – YES**

### ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

#### Drafting officer

Richard Berry has drafted this report with input from the LFC and in accordance with GLA procedures and confirms the following:

✓

#### Assistant Director/Head of Service

Niran Mothada has reviewed the documentation and is satisfied for it to be referred to the Deputy Mayor for Fire and Resilience for approval.

✓

#### Advice

The Finance and Legal teams have commented on this proposal.

✓

#### Corporate Investment Board

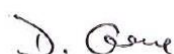
A summary of this decision was reviewed by the Corporate Investment Board on (insert date) .

### EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**



10 February 2023