

ENVIRONMENT AND ATTRACTIVE CITY SCRUTINY COMMITTEE

16 JANUARY 2012

LOW CARBON VEHICLES IN THE DELIVERY OF PUBLIC SERVICES REVIEW 2011/12: REGIONAL PROCUREMENT OF ELECTRIC VEHICLES

REPORT OF THE CHIEF EXECUTIVE

Strategic Priority: SP5 - Attractive and Inclusive City

**Corporate Priorities: CIO1 – Delivering Customer Focused Services, CIO4
– Improving Partnership Working To Deliver ‘One City’**

1. Purpose of Report

- 1.1 To provide members of the Scrutiny Committee with the view of the North East Procurement Organisation (NEPO) on the opportunities, challenges and process for regional collaborative procurement of electric vehicles for the North East. This submission is in support of work by Sunderland to build a business case for initiatives in this area of importance for the regional economy and its environment.
- 1.2 The paper sets out the support that NEPO could provide working in close collaboration with Sunderland.

2. Background

- 2.1 Following the initial scoping of the Policy Review on 25 July 2011, members have commenced evidence gathering in relation to Low Carbon Vehicles – the Delivery of Public Services in Sunderland.
- 2.2 As part of the evidence gathering the Committee requested that NEPO be invited to give evidence around the opportunities for regional procurement of electric vehicles.

3. Current Position

Opportunities and Challenges for Regional Procurement

- 3.1 Procurement for more than one local authority or public body works best if there is a common need and a core set of specifications between willing partners. Scale doesn't always lead to better prices but it can if the supply market itself is wider than one location.
- 3.2 In the case of electric vehicles there is evidence that there is common interest in at least some of the region's local authorities in the collaborative procurement of electric vehicles and the associated support infrastructure with the aim of reducing and sharing costs to meet objectives for reduced carbon commitments and potentially to support a developing industry in the region.

3.3 The premise here is that a regional solution could deliver:

- A more sustainable and innovative solution for procuring electric vehicles as a service to the community as well as councils if more than one local authority is involved to share ideas about what is capable of being delivered and to share the resulting risks and benefits.
- More focused and valuable support by the public sector for suppliers based in the region subject to the EU competition regulations, bringing forward innovative products and services which could then be marketed outside the region.
- Commercial benefits in reducing unit costs and sharing investment by suppliers in infrastructure and support.

3.4 The challenges facing a regional approach include the risks of a public sector procurement which cannot discriminate in favour of location and the extra effort involved in mobilising support and commitment from other public sector bodies.

3.5 An important consideration is the extent to which sufficient up front commitment can be agreed to deliver the benefits described above as opposed to more common “framework” procurements which essentially avoid the need to make commitment at the time to the detriment of commercial terms available at all.

NEPO

3.6 NEPO is the collaborative procurement organisation for the North East local authorities. It is run by a Joint Committee including two elected members from each of the 12 authorities (the Sunderland members are Cllrs Tate and Spedding) and is funded partly by a membership subscription and through rebate generated from contract turnover with suppliers and from other income from activities.

3.7 As the region’s collaborative procurement organisation NEPO already has experience of mobilising involvement and commitment and of the pitfalls along the way.

3.8 NEPO’s governance and protocols help with:

- Providing a regional forum in the Joint Committee where procurement strategy and policy can be agreed and supported, backed up by the Officer Advisory Board and the Heads of Procurement in each authority.
- A process to which all 12 authorities have agreed where all will provide information and involvement in agreed projects but can then formally opt-out if a procurement is really not for them – making an assumption that everyone is “in” until otherwise notified.
- Determining who will do what including options for NEPO to take the lead and mobilise support and direct the procurement process or working with a lead authority, such as Sunderland, to provide capacity to support the procurement process

- 3.9 In the case of a potential collaborative procurement of electric vehicles and related services the project structure might be that Sunderland chair a project board and bring in the senior executives of participating authorities. NEPO would agree with Sunderland the respective roles through the procurement process involving as much as possible others in the specification and evaluation phases.

Public Sector Procurement Issues

- 3.10 Members will be aware of the responsibilities of running public sector procurements under the EU Procurement Directives to exclude discriminatory and anti-competitive behaviour from procuring bodies.
- 3.11 Consideration would need to be given to
- Developing a service based specification for the procurement, leasing and support of electric vehicles through a managed service provider who would then be at greater liberty to procure vehicles of choice.
 - Making use of probable changes to Government policy in the next year after the decision to award the Crossrail rolling stock contract to Siemens rather than Bombardier as well as the existing ability to take into account social considerations in procurement.
 - In November 2011 the Department for Business Innovation and Skills published a document called “Forward Commitment Procurement – Practical Pathways to Buying Innovative Solutions”. This advocates a process to engage with supply markets to develop solutions for unmet needs, consistent with the Public Procurement Regulations. These principles of supplier consultation and engagement, developing a business case and governance arrangements before engaging in a formal procurement process could be well suited to this developing requirement.
- 3.12 A key objective of the NEPO Joint Committee is the development of a supply base in the North East better able to compete for public sector contracts both in the region and elsewhere. Suppliers are helped to prepare for the complex public sector procurement process and are encouraged to register for access to the NEPO Portal through which most of the region’s major contracts (and many smaller ones) are advertised.
- 3.13 If the region’s public sector expenditure is to have the maximum impact on job creation and economic development it is going to take some bold initiatives to procure goods and services which are meeting new and innovative needs from suppliers in the North East. Investment and commitment from the region could provide a stronger base for expansion of their business into other markets with the benefit of experience in winning and delivering a public sector contract as a point of reference.

Commercial Viability

- 3.14 In developing a business case for this project it is essential that clear financial benefits are identified for each partner involved in the collaborative procurement of a service:

- For Sunderland there needs to be a cost effective, low budget solution which is better than going it alone;
- For Suppliers there must be a viable business in expanding the market for the use of electric vehicles in the North East;
- For other participating local authorities there needs to be an incentive for delivering the same service to meet their needs at a lower cost made possible by this initiative;
- For the NEPO Joint Committee there will need to be a recovery of procurement and contract management costs and a potential share of future revenues.

Suggested future ways of working

- 3.15 That Sunderland work with NEPO to develop a collaborative procurement strategy for electric vehicles for the North East's local authorities and other public sector organisations.
- 3.16 That the NEPO Joint Committee be appraised of the opportunity at an early stage to begin to develop support for the proposition.

4. Recommendation

- 4.1 That members of the Environment and Attractive City Scrutiny Committee note and comment on the information provided.

5. Background Papers

- Minutes of the Environment and Attractive City Scrutiny Committee; 25 July 2011 and 12 September 2011

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