

NHSBT Board
26 September 2019

Liveried Vehicle Lease Provider, Contract Award

1. Status – Official

2. Executive Summary

A commercial vehicle lease arrangement is utilised by NHSBT to procure and operate its fleet of c. 330 liveried vehicles that support day-to-day delivery and transportation operations. The current agreement with Automotive Leasing and Hitachi Capital Leasing is coming to the end after utilising the one-year extension (three years + one optional year extension).

The current contract expires on 31 August 2019. NHSBT has no requirement for contract hire services until 1 December 2019. The contract award for the new contract will be 1 November 2019 – 31 October 2023 which will allow NHSBT to order the first of the bi-annual replacement tranche for 2020 in December 2019.

There are 75 expected vehicle replacements required between 1 November 2019 – 31 October 2023.

The delay to contract tender was due to Crown Commercial Services (CCS) removing the old framework on 1 April 2019 and delaying the release of the new framework being released on 1 May 2019, therefore assurance was required that a meaningful tender process took place whilst not leaving NHSBT out of contract for the late 2019 replacement tranche (July 2019 order). NHSBT extended the current contract to cover the late 2019 vehicle replacement order to 31 August 2019. NHSBT carried out a tender process which involved all the suppliers on the CCS framework vehicle lots 1 and 2, for vehicle leasing. Following the tender exercise, the proposal is to award to one supplier - Hitachi Capital Leasing for lot 2 (LGV/vans above 3.5 tonnes) framework vehicles.

The expected cost of the contract award for the outflow of the duration is £3,100,000. Total lease value will be entered into within the 4 year period which will require Board approval, with the payments representing this total stretching out in a phased basis up until 2030.

3. Action Requested

The NHSBT Board is asked to:

Approve the award of contract NHSBT1243 for four years to Hitachi Capital Leasing for £3,100,000.

4. Purpose of the paper

This paper will be used to seek approval to award contract NHSBT1243 - Contract for the Provision of Vehicle Leases - Contract Hire without Maintenance from 1 November 2019 to 31 October 2023.

The purpose of this paper is to provide assurance that the decision to award this contract has been made with due regard to the proper process and to ask the Board to approve the recommendation.

The expenditure is authorised and signed off for approval for bi-annual vehicle replacement tranches.

5. Background

The provision of commercial vehicle leasing, particularly operating leases, has been selected in order to ensure that; NHSBT vehicle replacement programme stays on plan, vehicle reliability is maintained, costs are reduced, and service to our customers and stakeholders is not compromised. Vehicles are compatible with the latest emissions legislation and compliant with forthcoming introduction of Clean Air Zones (CAZs) in major cities. The contract will cover a requirement for approximately 75 liveried vehicle replacements across various functions of NHSBT, during the four year period. It will ensure that:-

- NHSBT maintains a robust vehicle replacement programme.
- Operational reliabilities are maximised.
- Vehicle maintenance costs are managed downwards.
- Lower fuel consumption and co² emissions are achieved.
- Latest vehicle technologies are employed.
- A good corporate image is presented.

NHSBT carried out a tender process which involved all the suppliers on the CCS framework for vehicle leasing. Evaluation was undertaken against agreed tender criteria and in line with scoring model for the framework. Hitachi Capital vehicles solutions will be the supplier against commercial leasing lot 2. Through the replacement vehicle programme, the Executive team will be requested to approve supplier and costs of commercial vehicle leasing services to NHSBT

Advantages of recommended supplier:

- Hitachi Capital Vehicle Solutions are the incumbent vehicle lease providers and as such, have gained expert knowledge in the way in which NHSBT operates.
- Agreed profit/ windfall sharing at end of vehicle lease periods should vehicle residual prices change.

Contingency and continuity of supply.

- Continuity of such an arrangement means that there will be no set-up delays or the steep learning curves that a new provider would undoubtedly face.

Impact on Sustainability:

- Sustainability is affected by lower fuel consumption and co2 emissions. Lower vehicle maintenance costs are achieved utilising the latest in vehicle technology to drive commercial emissions down in line with the NHSBT sustainability policy.

6. Proposal

- 6.1 It is proposed that NHSBT takes up the option to award the contract for the four year period from 1 November 2019 to 31 October 2023 in light of CCS updating the framework agreement and the requirement for a replacement vehicle order to be raised in December 2019.
- 6.2 The maximum cost of the contract will be £3,100,000 for this period. See Appendix 1.
- 6.3 Funding will be requested for authorisation through the replacement vehicle programme business case.

NED Reviewers

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Appendix 1

Expected Lease costs – four-year contract.



Expected
Replacement for NHS