SCOTLAND EXCEL

FLEET CATEGORY STRATEGY DOCUMENT

JANUARY 2020

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Introduction

This strategy has been developed to scope the current Scotland Excel Fleet category, understand how councils currently interact with it, and to explore the potential opportunities available both short term and longer term.

It takes the main themes and links them to future vehicle and fleet management technologies, emissions regulations, tightening budgetary constraints and local authority revenue and capital funding models and the opportunity for different strategic procurement models to help facilitate these changing landscapes.

Looking to the mid to longer term, key strategic opportunities have been identified where Scotland Excel can play a major part in shaping future outcomes.

These include:

- Maximise the effectiveness of quality management information to help define future procurement needs and help drive commercial efficiencies.
- Increase greater awareness on the social value of community benefits and further strengthen and monitor these benefits in future procurements.
- Where possible, remove procurement barriers and strengthen sustainability by better understanding the balance between longer term sustainability and the 'short term' approach considering increasing budgetary constraints.
- Future proofing category procurement capability and include where appropriate working collaboratively and in partnership with other public sector organisations to maximise resources to proactively manage and promote the category benefits.
- Ensure indexation is being utilised across the category portfolio to maintain and improve competitive framework pricing.
- Continue to monitor and be aware of any legislative changes or technological advancements and fully evaluate the risks and opportunities that these may hold for the category (e.g. electric, hydrogen and other Ultra Low Emission Vehicles - ULEV technology).
- Support cross organisation work on Serious Organised Crime (SOC).
- Target resources to the active management and promotion of the category benefits to improve the uptake of fleet frameworks and minimise risk of contract leakage to other collaborative bodies.
- Further develop the internal team skills and experience in the understanding of the latest fleet technologies, fleet management techniques and methodologies.
- Assess new technologies and how 'fleet' can help support the circular economy and the digital agenda where applicable.

This strategy is about how effective fleet and fleet related procurement can enable Local Government to meet customer demands, reduce costs and address Public Sector Reform, by providing better public services, improved customer experiences and opportunities for collaborative frameworks and

projects to encourage shared best practice and a strategic approach to fleet procurements.

The strategy will be reviewed on a regular basis with an updated strategy produced for 2021/22.

2. Landscape

The UK fleet market today is a sophisticated multi billion pound industry that is large in size and can be complex and diverse in its structure, but one that offers significant opportunities from a strategic procurement perspective. There are various approaches employed to finance and procure vehicles and to operate a diverse fleet covering everything from small cars through to large specialist heavy duty vehicles, heavy plant, grounds maintenance equipment as well as supporting services such as spares, maintenance, lubricants, fuel and tyres. It is fair to say that very different methods and approaches are likely to yield very different results in different circumstances, both operationally and commercially and a one size fits all approach is not necessarily the optimum model.

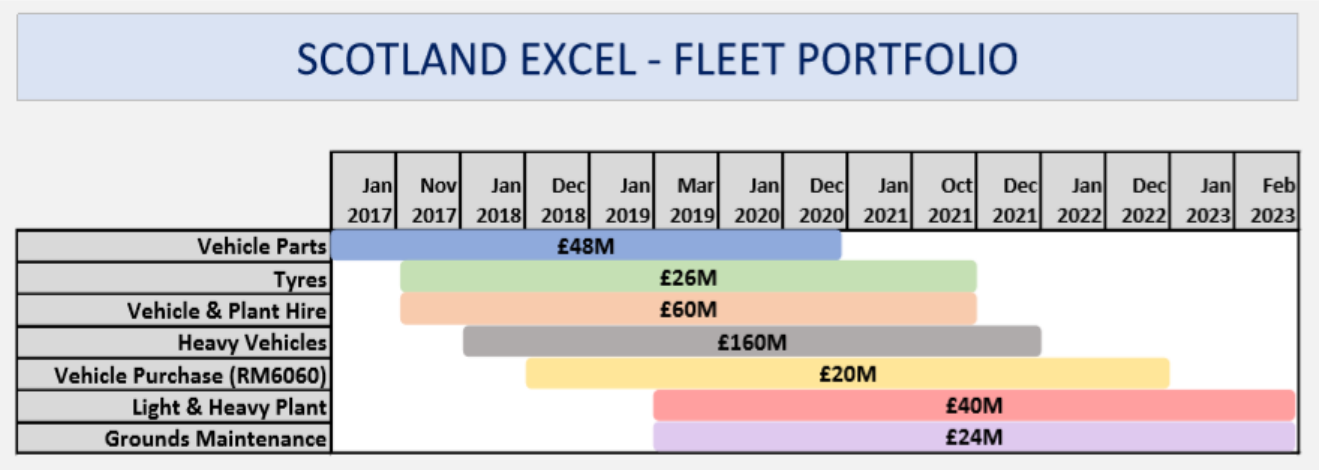
Scotland Excel has been involved in fleet and fleet related procurement activities since its inception in 2008 and continues to offer a portfolio of turnkey fleet procurement solutions to Scottish local authorities.

The current Fleet category portfolio consists of six procurement frameworks covering:

- Heavy Vehicles (purchase only);
- Grounds Maintenance Equipment (purchase only);
- Light and Heavy Plant (purchase only);
- Vehicle and Plant Hire
- Tyres for Vehicles and Plant
- Vehicle Parts

Scotland Excel also offer their customers the opportunity to procure their car and van requirements through a formal partnership agreement with Crown Commercial Service (CCS) via the Vehicle Purchase framework. Scotland Excel also support other additional fleet related services in partnership with CCS, such as vehicle leasing, the provision of fuel cards and telematics systems.

In terms of framework lifecycle, the diagram below highlights the timelines for the current frameworks.



These seven frameworks have a combined overall annual forecasted value of nearly £100m per annum and are a key expenditure area against Scotland Excel's overall current contract portfolio.

3. Current Position

3.1 Heavy Vehicles

The Heavy Vehicles framework is a traditional capital purchase agreement and it came into effect from January 2018.

The twelve lots cover the majority of councils' heavy vehicle requirements, offering a full suite of chassis available upwards of 7.5 tonnes as well as various body build options (both custom and standard) and municipal sweepers. The finished vehicles encompass refuse collection vehicles (RCV), gully emptiers, landfill vehicles, tippers, dumpers, gritters, snowploughs, precinct and road sweeping vehicles etc. This framework covers the full project management of building completed vehicles to support councils' delivery of various public services.

There are twenty-nine suppliers on the framework and they also represent a healthy mix of small, medium and large organisations. Twenty-four suppliers are classified as SMEs. Four suppliers (DAF Trucks, Isuzu Trucks, MAN and Volvo) are leading international manufacturer of chassis and use a designated network of Scottish dealerships to undertake contractual requirements.

In line with REGULATION (EC) No 595/2009 - (type-approval of motor vehicles and engines with respect to emissions from heavy duty vehicles - Euro VI), all the designated heavy vehicles available to purchase through this framework conform to Euro VI emission standards. This has resulted in greener vehicles with lower emission levels, however this has come at a significantly higher initial purchase price.[1]

Although there will likely be a reduction in landfill activities as councils wind down these facilities in line with Scottish Government waste regulations, the requirement for heavy vehicles will still be healthy in most other functional areas of the councils (e.g. RCV's, gritting and road sweeping etc). Feedback from councils has indicated that there are little or no plans to outsource any of these activities to any significant degree in the short to medium term.

In terms of vehicle types, with the various waste collection strategies being in line with policy such as the Household Recycling Charter[2], there may be moves towards combi-bodied vehicles, plastic bodied food waste collection vehicles and overall a move towards smaller and lighter tonnage vehicles.

Currently there are very few electric, hybrid or hydrogen engine heavy duty chassis available and those that are in existence are prohibitively expensive, however over the coming years the choice and availability is predicted to gain momentum and reduce in cost. At present, there are also a number of niche retrofit manufacturers of electric drivetrains and once they are technologically proven it would be anticipated that these technologies will migrate quickly to the large scale volume manufacturers.

Given the very specialist nature of most council heavy vehicles, there are not many alternative procurement routes available for councils to purchase from. It would therefore likely require Scotland Excel to continue to provide a comprehensive heavy vehicles framework in a broadly similar fashion to what currently exists to cover until 2021 and beyond, embracing this new and emerging technology as it becomes more readily available.

[1] https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32009R0595

[2] https://www.zerowastescotland.org.uk/sites/default/files/Charter%20for%20Household%20Recycling.pdf

3.2 Cars and Light Commercial Vehicles (via CCS framework RM6060)

Since June 2017, upon expiration of Scotland Excel's 0612 Light Vehicles framework, Scotland Excel have partnered with Crown Commercial Service (CCS) to facilitate the purchase of light and commercial vehicles for Scottish local authorities under CCS framework reference number RM1070 and since December 2018, framework RM6060[3].

Crown Commercial Service (CCS) is an executive agency, sponsored by H.M. Government Cabinet Office. It brings together policy, advice and direct buying; providing commercial services to the public sector and saving money for the taxpayer.

CCS have a number of fleet related frameworks, and the framework 'RM6060 Vehicle Purchase' covers most, if not all, of the same requirements as previously facilitated by the original '0612 Cars and Light Commercial Vehicles' Scotland Excel framework.

The RM6060 Vehicle Purchase agreement has been established for the supply of vehicles and associated services to the UK public sector.

To quote CCS "the agreement is made up of suppliers who directly manufacture the required vehicles and are responsible for managing and controlling the complete supply chain from vehicle manufacture through to the supply, delivery and services, including after sales support, maintenance and servicing in all lots."

This Vehicle Purchase framework is supported by a leasing option on vehicle acquisition through CCS framework 'Vehicle Lease and Fleet Management - reference RM6096[4].

Scotland Excel and our stakeholders had been fully involved in the strategic development of this most recent framework. A full strategic review of this framework and the overall fleet partnership strategy with Crown Commercial Service took place in Autumn 2019 and was further explored at the joint Scotland Excel/CCS fleet forum held in December 2019.

3.3 Tyres for Vehicles and Plant

One of the supporting fleet service frameworks, the Tyres for Vehicles and Plant framework covers tyres and associated services requirements for most light and heavy vehicles, grounds maintenance equipment and plant that councils own and operate within their fleet. It covers tyres and ancillary services for the full range of cars, vans, heavy vehicles, plant, tractors and wheeled ground maintenance equipment etc.

There are twelve suppliers over six lots and the framework covers the servicing aspects of supply and fitting and facilitates the opportunity to purchase the tyres directly to be fitted within councils' own workshops.

Twenty-nine Councils and Tayside Contracts are currently using this framework for their tyre services.

Although this framework is a traditional type of purchase arrangement, there are alternative tyre contract types available in the market and these have been previously considered during strategy development.

- A price per kilometre (PPK) contract is a viable option where tyre maintenance costs are treated as a fixed cost relative to vehicle usage.
- A fixed cost purchase and maintenance contract whereby the council would own the tyre as

[3] https://www.crowncommercial.gov.uk/agreements/RM6060
[4] https://www.crowncommercial.gov.uk/agreements/RM6096

an asset, but the invoice would be a fixed monthly amount based on annual usage.

- A fixed cost breakdown call-out which would consist of a fixed annual breakdown and call out charge split into fixed monthly payments.

Council stakeholders have previously not shown much appetite to pursue alternative options and in the case of the most recent procurement agreed to move forward based on a similar pre-agreed standard pricing model as before.

In terms of future trends, in recent years, different councils have different approaches to their tyre policies, most adhering to known quality brands whilst the minority of others will utilise cheaper and often unbranded tyres (and with uncertain/uncontrolled associated supply chains). In these cases, they will effectively rely on the service provider to gauge the quality of the unbranded tyres that will be fitted to their fleet. The trade off in utilising cheap tyres is often in areas such as whole life costs, potential (and perhaps unknown) environmental impacts, compromised braking and vehicle handling, safety etc. It is often very difficult to have insight and knowledge as to the overall supply chain and where quite often the manufacturer itself is to a large degree unknown and unregulated.

It is not anticipated that there will be any significant shifts away from continuing in the main to fit branded quality tyres, and this may be reinforced through the large global tyre manufacturers who are now competing vigorously against the less expensive unbranded tyres through market leveraging with their sub-brand tier of tyres which still offer high quality using previous generation technology but with the support and distribution of a mainstream tyre manufacturer.

3.4 Vehicle and Plant Hire

The Vehicle and Plant Hire framework was developed to reflect Councils requirements to hire a wide range of vehicles and plant which meet the Councils varied operational requirements. This framework covers the hire of vehicles and plant equipment on a daily, weekly, monthly, 6 monthly or annual basis, to support the requirement of councils' fleet and roads departments and went live in November 2017.

The sixty-nine suppliers on the framework across twelve lots cover cars, vans, minibuses, commercial vehicles, refuse collection vehicles (RCV's), various plant and ground maintenance equipment. This framework is based on a spot hire basis (i.e. for a day, week, month, 6 months, year etc) and covers many of the same vehicles and equipment that come under the purchasing frameworks for Vehicle Purchase, Heavy Vehicles, Heavy Plant and Grounds Maintenance equipment.

There are thirty councils and Tayside Contracts listed as participating and there has been significant spend forecasted to go through the framework with an annual estimated spend value of £14m.

Regarding potential changes in requirements, there is likely to be increased requirements for RCV's and a broader availability of waste vehicle types to cover areas such as separate food collection services etc. There is also a move in many councils to require additional safety equipment installed in vehicles, for example external vehicle body cameras, emergency engine cut off systems and recording CCTV.

The move towards having significantly greater scope of available plant type equipment available for hire should see more activity on this framework from council construction and roads departments. With the potential for increased construction requirements being served directly by councils themselves, access to plant equipment on a flexible hire type arrangement may be of great benefit over the next four years during this heightened period of activity.

3.5 Vehicle Parts

The Vehicle Parts framework is for the supply of spare parts to cover the range of manufacturers' vehicles owned and operated by councils. Over its seven lots, thirty-three suppliers cover a full range of replacement parts (both Original Equipment Manufacturer and aftermarket matching quality) for light and heavy vehicles of different manufacturers. Included are options for workshop consumables, auto electrics, sweeper brushes, hydraulics and replacement windscreens.

Twenty-nine councils plus Tayside Contracts are participating in this framework.

Looking ahead to the next decade, it would be envisaged that demand for spare parts would still necessitate a vehicle spares framework of sorts, however the scope and size of the framework depends considerably on whether there is a move towards an outsourced fleet maintenance model within councils and hence the downsizing of council fleet workshops. Current stakeholder consultation that has been carried out has not indicated that significant outsourcing of fleet maintenance is yet under consideration, however this landscape should be closely monitored moving forward as budgetary pressures and an ageing technical workforce combined could necessitate a rapid change to the status quo.

Also, the increased adoption of electric vehicles will also see a shift away from traditional combustion engine spare parts and a move more into electronics parts and potentially user serviceable field replacement units which may increase investment costs if council service departments store spare parts in a more traditional fashion.

3.6 Grounds Maintenance Equipment

The Grounds Maintenance framework consists of thirteen lots and twenty-six suppliers and facilitates the purchase of grounds maintenance equipment including tractors, mowers, chainsaws, stump grinders and various other items of grounds maintenance equipment.

It was forecasted that the annual spend on grounds maintenance equipment by councils was around £6million per annum and thirty councils plus Tayside Contracts had indicated that they would be purchasing equipment through the framework.

In terms of the products themselves, the technological advancements in heavy duty grounds maintenance equipment has been relatively slow and certainly well behind that of vehicles. Electric and solar powered motorised equipment has made an appearance at a domestic level, however at a professional level it has thus far been sparse and where available it is prohibitively expensive. Notwithstanding the environmental benefits, there are significant health and safety benefits to be had in the reduction of vibration and noise levels and negating the requirement to carry and store fuel etc.

3.7 Heavy Plant

The Heavy Plant framework is set up to provide a framework to allow councils to purchase both light and heavy plant.

The seven lots of the framework covers the supply and delivery of an extensive range of commonly purchased light and heavy plant equipment including, but not limited to excavators, pedestrian operated plant, ride on rollers, towed equipment, static plant, forklifts/ telehandlers, trailers, loaders, dumpers, dozers, pavers, planers and pressure washers.

It was forecasted that the annual spend on light and heavy plant equipment by councils was around £10 million per annum and thirty-one councils plus Tayside Contracts had indicated that they would be purchasing equipment through the framework.

There have been some technological breakthroughs in heavy plant engine technology, but it is unlikely that electric or semi electric plant engines will become the first-choice option due to high expense and the very heavy duty torques required where non diesel engine technology cannot match the large and powerful diesel engines. The latest technological advancements are mostly in areas such as electro-hydraulics and computerised control systems and better safety features. This is likely to result in more expensive plant and in being more complex and costly to service and repair.

4 Opportunities and Risks

The wide and diverse nature of the fleet portfolio means that there are various risks and opportunities which can impact the portfolio.

4.1 Legislation and Policy

The Procurement Reform (Scotland) Act 2014[5], Public Contracts (Scotland) Act 2015[6] and accompanying statutory guidance applies to all procurements of £50,000 and above. While this includes some additional requirements which will impact local authority procurements previously below threshold, the changes are perhaps less significant for Scotland Excel.

On 1 April 2016, the UK Government introduced the National Living wage, which increased the statutory minimum wage by 7.5% for those 25 and over. All recent fleet frameworks have monitored and encouraged the payment of the Scottish or Real Living Wage through the tendering process and therefore it is naturally increasingly challenging to balance budget pressures with workforce matters and sustainability considerations.

In terms of vehicles themselves, The Scottish Government has communicated a pledge to phase out the need for new petrol and diesel cars and vans across Scotland by 2032, eight years ahead of the UK Government target[7]. This obviously has major potential implications across many facets of Scottish society, the economy and the vehicle and support infrastructure and therefore will also have a major influence in the shape of future strategic fleet and fleet related services procurement as we move towards that point in time.

4.2 Stakeholder Relations

Stakeholder engagement is a key element of any successful procurement team. The Fleet category team enjoys very positive and good working relations with its providers, councils and in particular council Fleet Managers who have been key in progressing the shape of the current framework portfolio and the very healthy adoption and spend levels that go through them.

The fleet category team hold regular fleet forums in addition to individual framework/tender development UIG's and these forums are an excellent platform for both the procurement community and the technical experts to come together and explore ideas, future developments and strategic opportunities that may exist. These forums are an open floor for ideas and views to be aired and shared and have been traditionally very well attended. The fleet forum group are now very well established and there is an embedded level of mutual trust that now exists and it is important to always look to maintain and strengthen this wherever possible.

[5] http://www.legislation.gov.uk/asp/2014/12/pdfs/asp_20140012_en.pdf
[6] http://www.legislation.gov.uk/ssi/2015/446/pdfs/ssi_20150446_en.pdf
[7] https://www.gov.scot/policies/renewable-and-low-carbon-energy/low-carbon-transport/

The latest forum group meeting was held in December 2019 and had representation from seventeen councils and Tayside Contracts.

There has been a lot of work undertaken recently with various councils to assist in their maximum utilisation of the fleet contracts wherever possible and these relationships will be strengthened by closer communications moving forward.

In addition, the fleet category team issues regular communications to our council stakeholder group either by email, newsletters and on the Scotland Excel website, keeping them up to date with news regarding the frameworks, market information, supplier developments and other relevant business that may impact their community.

Scotland Excel's fleet and environment team have close ties with APSE and the team are active participants not just at the main annual Aviemore event, but at regular APSE Scotland Transport and Mechanical Services Advisory Group meetings, again forging closer and stronger relationships with fleet managers across the Scottish councils.

In terms of suppliers, regular contract management meetings are held where the primary objective is to maximise framework value, however these can be excellent sources for gaining insight into the latest market information, new technologies, product innovation and future possible changes in vehicle regulations and legislation.

4.3 Market Place and Trends

4.3.1 Vehicles/Engine Technology

In terms of sustainable procurement aims, it is recognised that vehicles by their very nature are less environmentally friendly both from a manufacturing and distribution perspective and from the utilisation of the vehicles. However, they are necessary to undertake the vital services for the public such as regular waste collection from public households and winter road gritting etc. It is important to bear in mind that according to the Department of Transport, in 2018 the road transport sector produces about 33% of the UK's total emissions of carbon dioxide[8] (CO2 - the main greenhouse gas) and it is important that any future strategy takes this into account. For this reason, low-carbon vehicles, electric or hydrogen cell vehicles and greener biofuels offer opportunities to radically reduce the environmental impact of road transport – both locally in terms of reduced air pollution emissions and lower noise and globally in terms of climate change.

As detailed previously, under European Law it is a requirement that all heavy vehicles registered, delivered or sold after 31st December 2013 must adhere to Euro Vi standard.

Euro emissions have now been in place for just over 20 years, and although there is no so called 'Euro Vii' in regulation yet, it is perhaps inevitable that further restrictions in pollutant emissions will come into force. This is very unlikely to be before 2021, however it is more a case of when it comes into force rather than if it comes into force. The Brexit issue has obviously cast greater uncertainty on future European emission standards and what impact they may have within the UK (or Scotland) is unclear at this present time.

Given the history of the significant investment in Research and Development that manufacturers

[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf

undertake to attain these standards, it is safe to assume these lower emission vehicles will come at a significant price premium. Budgets and the planning for these vehicles within the councils must be carefully considered once legislation is declared.

In terms of light vehicles, the main trend has been the increase in the availability of electric cars and lighter load vans and this is set to continue and likely to gather pace over the coming years. The other area of growth that many vehicle manufacturers will likely develop further will be in higher efficiency petrol based engine technology in favour of diesel, again this will assist in lowering emissions and improving fuel efficiency. Due to the aforementioned Scottish Government planned phasing out of new petrol cars by 2032, this trend for Scotland at least, may be short lived before they are difficult or expensive to source.

As the market proliferation of electric and other ULEV cars continue, the charging infrastructure will become more widespread and range coverage will become less of an issue as battery technology improves. This will help facilitate the growth in both private and public sector ownership. Increased manufacturing volume of the vehicles should see a significant reduction in their unit pricing and again this should boost the speed of further adoption of electric technology.

Another example of new vehicle technology is the development of driverless (autonomous) vehicles such as the Google car. This technology is not as niche as it may be currently perceived as mainstream volume vehicle manufacturers such as Peugeot-Citroen and Mercedes-Benz, for example, have unveiled working cars utilising driverless technology. There are now many examples of testing worldwide that has been successfully trialled and in Scotland, five autonomous buses are set to serve up to 10,000 passengers a week between Fife and Edinburgh across the old Forth Road Bridge from 2020[9]. The impact that autonomous vehicles may have in the UK or Scotland is still not clear, however, the pace towards the introduction and adoption of such technology does not appear to be slowing down.

4.3.2 Fuel Monitoring and Telematics

One area of technology growth is in fuel monitoring and telematics systems. Fuel monitoring systems are gaining popularity as they are easy to retrofit and require no modifications to vehicles. This assists in not only monitoring vehicle fuel consumption but also helps minimise consumption and in turn results in decreased fuel costs.

Telematics is very similar and the various web-based telematics systems are proving more popular with councils, facilitating a range of vehicle monitoring functions including journey and route planning, driver behaviour, speeding, monitoring poor driving conditions which can have a major impact in reducing wear and tear on the vehicles and a subsequent reduction in servicing and maintenance costs.

4.3.3 Vehicle Safety Technology

The recent advancements and likely future advancements in safety related technology in vehicles is rapid and far reaching. There are many optional safety related technologies that can either come as standard with the vehicles, be specified as an optional costed extra or be retrofitted by dealers or council workshops.

Examples of these technologies include Electronic stability control (ESC); blind spot mirrors/cameras; alcohol ignition interlocks; daytime running lights; lane departure warning systems; fatigue detectors and tyre pressure monitoring sensors etc.

[9] https://www.transport-network.co.uk/CAV-Scotland-to-host-self-driving-bus-first/16266

It is expected that safety technology will continue to progress at pace and will likely become standard fit in many vehicles as manufacturers compete for market share in a crowded marketplace.

4.3.4 Web based supplier product interfaces

The last few years has seen vehicle manufacturers (primarily car manufacturers) making available on-line vehicle configuration simulation systems whereby the public could effectively self-configure the entire vehicle to their own needs. This configuration would cover everything that could possibly be selected from the body type, colours, interiors, wheels, optional extras etc. These types of on-line facilities have now moved into the commercial and heavy vehicle world, and it is likely to become more widespread moving forward.

Similar to the vehicles themselves, web-based software is now also becoming more popular for identifying spare parts for vehicles and many of the OEM (Original Equipment Manufacturer) and larger aftermarket parts factor companies are now developing web-based parts identification systems which will facilitate more rapid and efficient parts selection.

4.3.5 Hosting and Managing Web Based Vehicle Parts ID System

In terms of managing vehicle parts and future vehicle parts frameworks, there are software parts management software systems available that will manage councils' portfolio of parts contracted prices, but will also instantly and easily match any aftermarket part number to the manufacturer's original part number (OEM) as these OEM part numbers and descriptions for all the major car and van manufacturers are pre-loaded onto their database system. This tool could be a fantastic asset for both Scotland Excel and the councils to control contract pricing and help facilitate simple benchmarking and the selection of best value parts. This has historically been the biggest single weakness in vehicle parts contracts or frameworks and can only be fully addressed through software such as this.

There may be an opportunity in the future for Scotland Excel to host such an off the shelf software system on behalf of the member councils and effectively run our pricing schedules hosted on software such as 'The Cloud' for example.

4.3.6 Imprest/Consignment stock

It has been commonplace in the automotive parts industry for suppliers to operate as a value-add service Imprest or consignment stock facilities. This is a service whereby stock is owned by the supplier but is stored at the customer's premises, only being invoiced upon its issue from the stores. This is now being taken a stage further with some parts suppliers fully retrofitting customers stores with shelving and designing efficient storeroom layouts, controlling the parts stored through effective demand management, measuring parts usage and being responsible for replenishment and stocking the shelves etc. By utilising this system, the customer does not need to actively manage any stores activity short of picking the appropriate parts off the shelf and down dating the stores' inventory management system accordingly, normally through bar coding. Interestingly, evidence has shown that often the savings can be quite considerable for the customer whilst suppliers have increased their profitability – a win-win situation. It is likely that services such as these will become more prevalent from parts suppliers moving forward.

4.3.7 Vehicle technology and emission regulations

It is generally agreed within the industry that more sophisticated vehicle technology and ever stricter

emission regulations will push the initial purchase price of vehicles higher. This more advanced technology will also likely see a move to less user serviceable vehicle parts and perhaps to ever more specialist maintenance requirements. In addition, if more councils move towards electric vehicles the need for spares may radically diminish as these vehicles have fewer moving parts subject to any wear and tear. These factors could result in significantly less requirements for in house maintenance and a reduced or changing requirement for vehicle spares.

4.4 Outsourcing

4.4.1 Outsourcing and Shared Services

Whilst the outsourcing of current in-house services can also be viewed as a potential threat and is detailed in the next section in this report, the outsourcing of council fleet vehicle maintenance can also be viewed as an opportunity. The procurement of vehicle maintenance facilities could be of considerable monetary value and of critical importance to council operations. Scotland Excel could lead in the sourcing and facilitate the procurement of any such maintenance services or look to partner with other procurement centres, such as Crown Commercial Service.

There is also the potential opportunity for Scotland Excel in the future to assist in helping councils to better manage any sharing of resources or assets to increase their efficiencies and to cut costs.

4.4.2 Managed/outsourced stores services

A step further than the utilisation of Imprest stock options could be the adoption of a more formal managed stores solution where a supplier takes full control of the council stores and becomes responsible for the supply and management of all related goods to the council. Such an outsourced arrangement could have potential TUPE implications and this may be an important factor that requires consideration. This type of arrangement could have a major impact in areas such as vehicle spares provision.

4.4.3 Financial Outsourcing Services/Vehicle Leasing

The financial outsourcing services market could potentially be a risk longer term. It has been the case that most councils themselves have provided the capital to fund vehicle purchases. However, these finance companies provide financial outsourcing services globally and they have significant resources. These companies have teams of specialists who structure and source funding solutions for their customers and their aim, is to make sure they get value for money and genuine savings when financing vehicles, plant and equipment. This may become a more prevalent means of sourcing and financing council fleet requirements into the next decade.

4.5 Collaboration and Partnerships

4.5.1 Partnership

The first step towards this was working in close collaboration with Crown Commercial Services (CCS) to partner and adopt the use of their existing vehicles purchase framework. This strengthens the purchasing power of a pan UK customer base, leverages efficiency savings and fleet procurement expertise and negated the requirement for Scotland Excel to tender where it was not strictly necessary. This partnership arrangement has been operating successfully for more than 2 years and Scotland Excel were fully involved in influencing the development of the next generation framework that went live in December 2018.

Scotland Excel are also actively supporting other CCS fleet related procurement frameworks such as vehicle leasing, telematics and fuel cards. These 'value add' fleet services augment to our customers what Scotland Excel ourselves offer under our own framework agreements portfolio, and with our support helps ensure that engagement into the use of these additional frameworks is made as easy as possible for our customers.

Scotland Excel and Crown Commercial Service now influence each other's fleet strategies in order to maximise best value to the public sector, provide fleet support procurement solutions from 'cradle to grave' and to future proof our solutions to ensure latest technologies are available and adopted.
Our collective vision is to be the "go to provider" for total fleet solutions and market insight for public sector fleets.

In terms of collaborating with other public sector bodies, opportunities exist for sharing best practice with other procurement organisations. In addition to CCS, Scotland Excel have for example already collaborated with other national procurement organisations on shaping a vehicle parts framework, and this could be an ongoing process that could move forwards into other areas of fleet and possibly beyond. Closer to home, opportunities exist working on joint fleet related projects with other Scottish public sector bodies such as APUC and NSS National Procurement for example.

4.5.2 Associate Members and Increasing Category Spend

Opportunities exist in forging stronger collaborative links with other public sector partners and associate members. Associate members can often have high spend in fleet related areas. Several associate members have purchased equipment off these frameworks (Ground Maintenance Equipment and Hire of Vehicles and Plant) and opportunities beyond these likely exist and further stakeholder engagement should be sought.

4.5.3 Stakeholder in Supplier Product Development and Innovation

Scotland Excel is a conduit and influencer of high levels of council spend flowing through the fleet frameworks, and the current fleet portfolio has an advertised overall forecast value of almost £0.5bn. This potential spend should in theory support the councils having more of a voice and being a more involved stakeholder group with perhaps some influence over future supplier/manufacturer product development and innovation to result in products that better suit the needs of councils. This could be especially relevant in relation to Refuse Collection Vehicles, for example, and how they may be configured and the associated equipment that applies. This could also be relevant in vehicle parts.

Events such as APSE Aviemore will likely be fertile ground for discussions on future requirements, technology and products between suppliers and councils, however a more formal and focussed approach may bolster and underpin these activities more effectively.

Scotland Excel could potentially expand the already existing Fleet Forums that take place with councils and create supplier/product focus group forums to include key suppliers in the industry to help shape the future fleet landscape.

4.6 Others

4.6.1 Workforce Matters/Apprenticeships

Many of the fleet arrangements are quite labour intensive such as heavy vehicles bodybuilding and tyre fitting services for example, and these are ideal types of operations where creating employment

and apprenticeships could be a major advantage to creating sustainable employment.

Other opportunities may exist in school and college placements and work experience to help develop an understanding of technical skills.

By incorporating workforce matters into the procurement of these goods and services, Scotland Excel can help not just to create local jobs, but create careers for young people and help ensure they are well paid and are sustainable into the future.

4.6.2 Alternative Frameworks and competition from other collaborative organisations

The proliferation of frameworks that are accessible for councils to use is a potential major risk to the ongoing growth of the Scotland Excel fleet frameworks.

As already detailed earlier in this strategy, it has been Scotland Excel's own strategic decision to partner with an external collaborative organisation in CCS, however this partnership has been carefully considered and has been viewed strategically as strengthening Scotland Excel's fleet solutions offering to Scottish local authorities, as opposed to weakening its position.

There are other organisations in addition to CCS that have fleet related frameworks and these organisations are actively pursuing council business. These include Procurement for Housing; NSS and The Procurement Partnership for example.

Extensive Scotland Excel engagement is undertaken with councils to ensure that the fleet related frameworks are fit for purpose and that Scotland Excel remains their partner of choice however considering current financial restraints, more resource needs to be allocated to the ongoing management and promotion of the category benefits. Whilst this will minimise the risk of other collaborative procurement organisations encroaching on existing Scotland Excel markets, it will be important to remain vigilant of alternative procurement solutions.

4.6.3 Serious Organised Crime

Although fleet and fleet related services have not been traditionally an area of the economy that Serious Organised Crime (SOC) has featured particularly heavily, it is vitally important that public money does not fund and support criminal activities. Scotland Excel has engaged with Police Scotland and the Scottish Government on how to prevent suppliers with connections to SOC being awarded onto our frameworks, and we will continue to engage with these bodies going forward on the best methods to deal with this important area.

4.6.4 Lack of in-house vehicle technicians

The age profile of council fleet managers and that of their qualified vehicle engineers is such that in the longer term many will be heading towards retirement age. There are serious potential skills gaps that may appear soon and there is apparently a dearth of new talent coming through the ranks. School leaver apprentices qualifying as time served engineers are increasingly thin on the ground as they are being lost to other often better paid industries such as oil and gas and private sector fleet organisations.

This could again have a major impact on this category area as councils in the longer term may have little option but to outsource much of their vehicle maintenance services.

4.6.5 Brexit

At the point of writing this strategy, the threat of a no deal Brexit is looming large and this may have

a significant impact on the commercial performance of some of the frameworks. For example, if there are tariffs imposed on EU imported products or a negative run on the pound, there could be increased prices imposed on the frameworks.

Following the General Election of December 2019, there may be an increased risk of negative currency fluctuation which could impact supply chain costs and therefore increased framework pricing.

4.6.6 Vehicle Charging Infrastructure

In the Scottish Government's programme for Scotland 2019, it is stated that an additional £17 million will be provided to support the demand for Ultra Low Emission Vehicles (ULEV's), as well as providing in excess of £20 million to support the ongoing development of charging infrastructure investment by local authorities, homes and businesses.[10]
The opportunity is ripe for a Scottish public sector collaborative framework for charging infrastructure and this is an area that Scotland Excel is currently scoping with the aim of providing customers a future proofed procurement solution.

5 Market Prices

For Scotland Excel's purposes, indexation provides a statistical method to compare the percentage change in market prices (the Market Index) against the percentage change of framework prices (the Contract Index) for each of its frameworks.

There is a diverse range of markets associated to Scotland Excel's collection of fleet frameworks, with a focus mainly on inflation, diesel, steel and exchange rates. As the markets for each framework are not necessarily closely linked they all display differing trends.

Overall Scotland Excel indexation for the fleet category is fairly stable. In general, the fleet frameworks perform as strongly on indexation with frameworks maintaining strong price indices. Any future review of the portfolio should take into account the impact on indexation.

A summary of the primary indices within the fleet portfolio are below:

Consumer Price Index (CPI):
CPI is tracked for a number of frameworks within the category and is used to show changes in the rate of inflation. The CPI calculates the average price increase as a percentage for a basket of 700 different goods and services which are changed to reflect society's buying habits. An increase in inflation may indicate an increase in supplier overhead costs or, particularly important to the fleet service contracts, salary increases. Currently CPI is tracking with minimal increases.

Oil/Diesel:
The price per litre of diesel was at a low point of 101 pence per litre in February 2016, however it had risen to 136.7ppl by October 2018 and by September 2019 was sitting at 131.4ppl.[11]
The price of diesel and oil could affect goods and services being supplied through many of the fleet frameworks with the cost of transportation/delivery could be subject to fluctuation although many suppliers already undertake bulk deliveries, potentially negating the impact of delivery cost changes.

Exchange Rates:
Exchange rates provided from the Bank of England are used to track fluctuations in currency. As it

[10] https://www.gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20/
[11] https://www.statista.com/statistics/299552/average-price-of-diesel-in-the-united-kingdom/

currently stands and with major uncertainty still surrounding the exact terms of exiting the EU, the strength of the pound remains relatively weak and this could result in further price rises, especially for imported products.

Following the General Election of December 2019, there may be an increased risk of negative currency fluctuation which could impact supply chain costs and therefore increased framework pricing.

Metals:
Overall, prices of metal in the last few years have dropped significantly however some suppliers would propose that some of the fall is cancelled out by increases in the cost of manufacturing. Considering steel in particular, the dramatic fall in price is likely due to the oversupply of steel into the market, which is currently around 600m tonnes of steel annually. The Bank of America Merrill Lynch consider the global oversupply of steel so damaging that they are calling the next few years "Steelmageddon."[12]

6 Conclusions and Future Plans

Scotland Excel's fleet category team successfully manage a very strong and well embedded suite of frameworks as well as strategically partnering with Crown Commercial Service. Scotland Excel are also looking to current and future requirements and technologies and work is now underway in developing a procurement solution for electric vehicle charging infrastructure.

Continuing operational excellence is paramount in this dynamic sector. By maintaining good relations with a broad range of key stakeholders, keeping abreast of industry news and monitoring market trends, the team will continue to perform to the high level required.
As highlighted previously in this strategy paper, it is fair to say that looking forward towards the short to medium term (i.e. up to 2022), the fleet category is likely to remain very strong and with relatively high levels of expenditure.

Scotland Excel will continue to support council fleet departments with sustainable, progressive, innovative and value for money procurement solutions, wherever possible, and if it is strategically aligned, will shape, support and assist councils in accessing existing partnership agreements to facilitate fleet support services.

It is highly unlikely that many, if indeed any councils would look to outsource much of their fleet services in this timeframe and the relationships between Scotland Excel and the current council fleet managers will remain strong. As such, it is envisaged that councils will continue to support our frameworks in favour of any alternatives wherever possible.

Longer term beyond 2022, much of how things may look depends on the individual internal decisions that councils make regarding their fleet departments – whether they may view the leasing of vehicles as the way forward, whether they recruit fresh talent to replace an ageing workforce in their fleet departments and if council succession planning is not properly considered then the potential loss or weakening of these strong relationships could impact where this category stands.

Regardless, given that councils would progress their own internal change over differing periods of time, it would be highly likely that Scotland Excel would be expected to continue to provide similar fleet

[12] https://www.cnbc.com/2019/03/19/steel-stock-investors-beware-price-crushing-steelmaggedon-is-coming.html

frameworks in some form and scale in the longer term and that Scotland Excel would require the skills and resources required to meet these challenges and opportunities.