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|--------------------------|--|--|--------------------------|
| <b>Subject:</b>          | <b>Procurement of Bunkered Fuel</b>                          |  |                          |
| <b>Date of Meeting:</b>  | <b>26 June 2018</b>  |  |                          |
| <b>Report of:</b>        | <b>Executive Director Economy, Environment &amp; Culture</b> |  |                          |
| <b>Contact Officer:</b>  | <b>Name:</b>   | <b>Simon Cooper</b>                      | <b>Tel:</b> 01273 290364 |
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| <b>Ward(s) affected:</b> | <b>All</b>   |  |                          |

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of this report is to ask Committee to approve the procuring and awarding of contract(s) for the supply of diesel, based on the most competitive rates for supply.
- 1.2 The current contract for supply of diesel has expired and therefore it is necessary to undertake an exercise to obtain diesel at the most competitive quantity break prices balanced against dependability of supply.

**2. RECOMMENDATIONS:**

That the Committee:

- 2.1 Approve the procurement for the supply of diesel, based on the most competitive rates for the next four years;
- 2.2 Grants delegated authority to the Executive Director for Economy, Environment & Culture to carry out the procurement and award of the contract referred to in 2.1 above.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Council needs to operate a fleet of vehicles to deliver front line services such as the transportation of service users in Adult and Children's Services, providing responsive services to vulnerable members of the community, and meeting the operational requirements of waste collection and street cleaning services. Services using vehicles already have budget provisions for the costs associated with running a fleet such as fuel.

**4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 It is necessary to undertake an exercise to obtain diesel at the most competitive quantity break prices balanced against dependability of supply, to ensure that large orders will proffer lower costs, per litre. BHCC intend to use the East Shires Purchasing Organisation's (ESPO) Framework that has been extended until 2020. A further competition, within the framework agreement, will be set for daily

or weekly pricing to offset pricing risks. Weekly pricing has been used by BHCC previously. Bulk buying ensures that prices are less expensive than forecourt prices. BHCC uses over 880,000 litres of bulk diesel for its fleet of vehicles per year and bulk buying saves on average 5 pence per litre, for white diesel, on forecourt prices, helping provide the associated economies of scale. This equates to an approximate saving of £55,760, enjoyed previously. The annual cost of bulk fuel is in the region of £800,000.

- 4.2 Whilst the overall saving achieved is relatively small, the proposal to award the bulk, diesel supply contract is covered under key decisions given the total value of the contract and the impact that affects every ward across BHCC.
- 4.3 In order to achieve best value, a mini-competition will be conducted using the nationally recognised Framework agreement. The supply of liquid fuels through a Liquid fuel framework offers the ability to run mini tenders to national fuel suppliers providing supply of Gas Oil, Diesel, Petrol, Kerosene and alternative heating fuels.
- 4.4 The Council could purchase diesel at a higher unit cost and incur greater costs, using forecourts.
- 4.5 Although diesel emits Hydrocarbons (HC), NOx and Particulate Matter (PM) it is one of the most efficient dense fuels available. It contains more usable energy than petrol and delivers better fuel economy. Diesel engine technology is improving and regulated in the European union. The latest standard is Euro stage 6, which significantly reduces the emissions- HC, NOx and PM's. HGV's and Welfare buses are the largest users of fuel for the Council, currently, 35% of which are at euro 6 standard (58% Euro 5). The 88 HGV's and Welfare buses run by the council will all be at the euro 6 standard by 2022.
- 4.6 Light commercial vehicles and cars are measured for CO2 emissions. Diesel produces less CO2 emissions than petrol as it produces more energy. However, any new vehicle will be Euro 6 in future.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 No community engagement has taken place for the procurement of bunkered fuel, as this is a resource for the front line services that most have had consultation.

## **6. CONCLUSION**

- 6.1 The procurement of bunkered fuel should be the recommended course of action as there is a need to award a bulk diesel supply contract to meet contract standing orders and procurement regulations.
- 6.2 To obtain diesel at the most competitive prices with the dependability of supply, through a nationally recognised framework agreement will cost less than using fuel cards on retail forecourts.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The 2018/19 revenue fuel budgets have been set based on the current bulk procurement contract. It is important to continue to obtain the best possible fuel prices to enable services to achieve their budgetary targets. The fuel budgets will be reviewed as part of the Targeted Budget Monitoring (TBM) process following the award of a new contract.

*Finance Officer Consulted: Gemma Jackson*

*Date: 11/06/2018*

### Legal Implications:

- 7.2 The Council's Contract Standing Orders (CSOs) require that before expressions of interest can be invited from potential bidders for a contract valued at £500,000 or more, approval must be obtained from the relevant committee.
- 7.3 The procurement in relation to the supply of bunkered fuel must comply with all relevant European and UK public procurement legislation as well as the Council's CSOs. The value of the proposed contract means that the Public Contracts Regulations 2015 will apply in full to the procurement. Using the Government Framework Agreement for the procurement of fuel will ensure that many of the requirements of such regulations will already have been complied with, but the call off contract will need to be awarded in a manner consistent with the Framework Agreement and the regulations.

*Lawyer Consulted: David Fairfield*

*Date: 17/04/2018*

### Equalities Implications:

- 7.4 There are no equalities implication with the procurement of fuel.

### Sustainability Implications:

- 7.5 Diesel is still the most economic fuel used at present. With the introduction of Euro Stage 6 engines the adverse effect of the emissions are significantly reduced.

### Any Other Significant Implications:

- 7.6 Newer vehicles that are procured by the council are less polluting and therefore have less impact on the local environment. In some cases using less fuel.

### Crime & Disorder Implications:

- 7.7 Fuel theft is a concern and bunkered fuel is stored and managed in secured Council depots. A system of driver, vehicle and mileage entry ensures a robust fuel management approach. Exception reports are produced using the bunkered fuel software.

Risk and Opportunity Management Implications:

- 7.8 Having bunkered fuels ensures storage and use in cases of emergencies, both locally and nationally.

Public Health Implications:

- 7.9 Transportation of service user in adult and children's services require the use of vehicles, most of which require liquid fuel. In addition, to provide environmental services such as waste collections and street cleansing, will need larger vehicles that currently operation more efficiently with diesel. Diesel is still the most economic fuel used at present. Euro Stage 6 engines significantly reduce harmful emissions.

Corporate / Citywide Implications:

- 7.10 Having bunkered fuel ensures the Council vehicles have diesel to use to ensure their services are not adversely affected

**SUPPORTING DOCUMENTATION**

**Appendices:**

None

**Documents in Members' Rooms**

None

**Background Documents**

None