

To: Delegated Decisions of the Board Member, Finance and Efficiency

Date: 4th November 2011 **Item No:**

Report of: Head of Direct Services

Title of Report: Award of contract for the supply of liquid fuel to Oxford City Council.

Summary and Recommendations

Purpose of report:

To grant delegated authority to the Executive Director for City Services to award a call off contract for the supply of liquid fuel following a mini tender through a national framework to source suitable suppliers. The new contracts will be for two years.

Key decision? No.

Executive lead member: Councillor John Tanner.

Policy Framework:

- Transform Oxford City Council by improving value for money and service performance
- Tackle climate change and promote sustainable environmental resource management

Recommendation(s):

Delegate authority to the Executive Director for City Services to enter into the new call off contracts for liquid fuel following the mini tender through a national consortia ,

1. Summary

- 1.1 This report sets out the procurement route being undertaken to appoint new suppliers to provide liquid motor fuel to the Council. The council has 2 fuel bunkering facilities and is the sole supply of fuel for all of its vehicle and plant fleet.

2. Background

- 2.1 Since October 2007, Oxford City Council has had a contract with Harvest Energy Ltd for the supply of bio fuels and additives. This contract has now expired and a new arrangement needs to be sought.
- 2.2 The Council currently purchases approximately 700,000 litres of 5% bio diesel and 25,000 litres of ultra low sulphur gas oil per annum.
- 2.3 The Executive Board approved the move from LPG to Euro 4 and 5 diesel powered vehicles under 3.5 tonnes gross vehicle weight (GVW) in October 2006. The majority of LPG/petrol vehicles have now been returned to the leasing company and replaced with diesel or sub 110g/km petrol vehicles; therefore the tender should seek agreements for the supply of liquid fuel products only, as purchase of LPG products are part of an existing supply agreement Flogas UK Ltd.

3. Tender Process

- 3.1 A mini tender using an EU compliant framework available to the Council is being undertaken on behalf of Oxford City Council and Cherwell District Council by Pro 5 who are the lead Government Buying Consortia. The mini tender is in progress and should be complete by December 2011.

Pro 5 will carry out the financial assessments and tender evaluation on our behalf and then provide both Council's with the information and a recommendation which the Council can then chose to accept or reject.

- 3.2 The evaluation methodology of the tender will be based on price, technical capability and conditions of contract as set out in the framework.

4. Savings

- 4.1 Tenderers have been requested to submit detailed financial proposals on their proposed pricing methodology. It is worth noting that the bulk supply of fuel is a high volume / low margin business with the difference in margins being between 2 and 4 pence per litre, meaning that the savings to be gained even on the supply of 500,000 litres per annum of diesel will amount to relatively small sums

5. Other Options

- 5.1 The Constitution and Procurement Strategy requires officers to advise what other options are available before giving project approval and awarding a contract of over £100K. These are detailed below:

Continue as we are - To remain compliant and ensure best value is achieved, the Council is obliged to make provision for a replacement contract.

Use an existing contract or framework set up by another organisation - Previous research showed that other local authorities of a similar size who had benchmarked prices on offer from organisations such as OGC did not produce savings on the prices achieved via their own tenders, particularly due to the low margin nature of the business.

6. Benefits of this Contract

- 6.1 The tender process will enable bidders to submit competitive pricing and tailor their offers to meet the Council's requirements. The contract will also require the provider to meet the Council's policy requirements.

7. Financial Implications

- 7.1 Vehicles using greater than the 5% blend of biodiesel may incur minor additional maintenance costs due to a 25% increase in the frequency of fuel filter changes. If the whole refuse fleet were to change to a blend of more than 5% the extra costs would not exceed £1,500 per annum.
- 7.2 The Council is currently paying a 1.70 pence margin per litre. The budget allocated to the supply of liquid fuels for 2011/2012 is £750,000 and a 26% increase has been built into the Direct Services budget. The Council service teams will make every effort to reduce vehicle mileage as part of our policy of reducing our carbon footprint.

8. Legal Implications

- 8.1 There are no legal implications as this contract will be tendered in accordance with the EU procurement regime.

9. Climate Change/Environmental Impact

- 9.1 The tender documentation provides the Council with the opportunity to buy higher blends of biodiesel (5-30%). Due to the nature and impact that bio fuel production can have on food prices any increase in the content of bio fuel in new supplies will be subject to approval by the Director.

10. Equalities Impact

- 10.1 Companies taking part in the OGC mini tender process comply with the Council's Living Wage policy..

11. Risk Management

11.1

Risk	Likelihood	Mitigation
The fuel supplier goes into administration	M	The framework has other suppliers on it that could be utilised should this happen
The price of fuel significantly increases	H	This has been considered as part of the budget setting process

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List of background papers:

Not applicable