

Agenda Item No:	6	
Committee:	Cabinet	
Date:	5 September 2022	
Report Title:	Diesel Fuel Supply Via ESPO Contracts	

Cover sheet:

1 Purpose / Summary

- 1.1 The Council's operational services use Diesel Fuel in the delivery of public services. This fuel is bought in bulk through national frameworks to ensure that the Council benefits from the economies of scale and has a contingent stock for service and port requirements.
- 1.2 The current framework contract expires 30 September 2022 and, in line with governance and procurement requirements, Cabinet approval is required for the proposed renewal of a contract available through a purchasing framework put in place by the Eastern Shires Purchasing Organisation (ESPO) on behalf of the authority.

2 Key Issues

- 2.1 The Council has used this method for procuring bulk fuel purchases for at least 20 years to deliver best value.
- 2.2 The contracts entered into through the ESPO frameworks provide a constantly updated and competitive price (based on Platts European Price Indexing) that contractors have to supply to with delivery schedules that allow for continuity of supply, reliability and timeliness.
- 2.3 The frameworks allow Fenland to benefit from economies of scale as a result 397 authorities across the country being able to access these tenders and contracts.
- 2.4 Current delivered fuel is £1.390 a litre (19 August) plus VAT.
- 2.5 The cost of fuel has been increasing, however the spend within the proposed contract is not expected to increase service budget requirements
- 2.6 The Council spends in the region of £470,000 on Diesel Fuel and Gas Oil each year.
- 2.7 The diesel delivered is Ultra Low Sulphur Diesel with a mix of Bio-diesel and the contracts allow for options and prices of increased levels of bio-diesel if required.
- 2.8 The contract term proposed is 2 years with a 2 year option to extend.

3 Recommendations

- 3.1 To agree delegated power for the Director(s) with responsibility for Environmental Services and The Port to procure Diesel Fuel through an ESPO tendered Framework with immediate affect to ensure continuity of supply for these key services.
- 3.2 To agree a contract term for this provision of 2 years, plus the option of 2 years extension.
- 3.3 To agree delegated power for the Director(s) with responsibility for Environmental Services and The Port in consultation with the relevant portfolio holder(s) to extend this contract to its full term of 4 years where it continues to deliver best value.

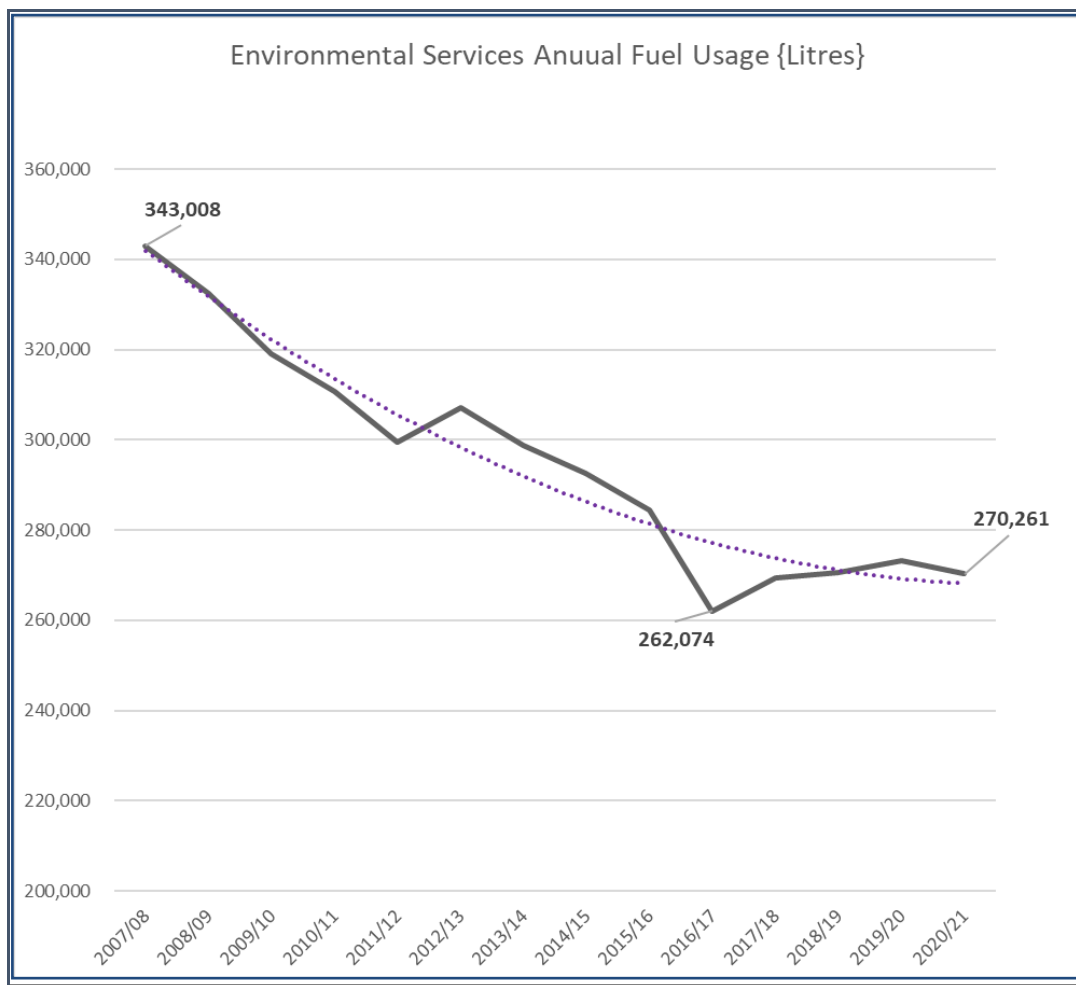
Wards Affected	ALL
Forward Plan Reference	<u>KEY/18JUL22/01</u>
Portfolio Holder(s)	Cllr Boden – Leader of the Council and Finance Portfolio Holder
Report Originator(s)	Mark Mathews – Head of Environmental Services
Contact Officer(s)	Mark Mathews – Head of Environmental Services Peter Catchpole – Corporate Director and S151 Officer
Background Papers	

Report:

1 BACKGROUND AND INTENDED OUTCOMES

- 1.1 The Council's operational services use Diesel Fuel in the delivery of public services. This fuel is bought in bulk through national frameworks to ensure that the Council benefits from the economies of scale and has a contingent stock for service and port requirements.
- 1.2 The current framework contract expires 30 September 2022 and, in line with governance and procurement requirements, Cabinet approval is required for the proposed renewal of a contract available through a purchasing framework put in place by the Eastern Shires Purchasing Organisation on behalf of the authority.
- 1.3 The Eastern Shires Purchasing Organisation (ESPO), a partnership of the East of England county authorities procures fuel on behalf of the 397 local authorities across the country. Authorities can then take advantage of this framework as they wish. Through it authorities can select a suitable supplier based on delivery timescales and at an agreed price based on a recognised pricing framework, called the Platts European Price Index.
- 1.4 The authorities choose their supplier and enter into a contract of fixed term through this framework. Fenland has been using this contract approach for Diesel Fuel for at least 20 years.
- 1.5 The framework delivers competitively priced fuel in a timely and reliable manner. Both the Port and the Base have fuel storage to ensure continuity of service and can take advantage of large tanker deliveries to ensure lower delivery charges.
- 1.6 Fenland Environmental Service uses in the region of 270,000 litres of fuel a year, and the Port using up to 60,000 of Gas Oil through the same contract, with a combined budget in the region of £470,000.
- 1.7 Within Environmental Service, efficiencies through the regular use of logistics software and hybrid refuse vehicles; where electric bin lifts are run from batteries charged by the engine, has reduced the frontline environmental services fuel significantly over recent years.
- 1.8 Our fleet of frontline vehicles have modern diesel engines that also reduce emissions along with the electric bin lifts to improve fuel efficiency and noise levels for staff.
- 1.9 At current pricing (£1.39 a litre through the framework) and with reduced usage as shown in the graph below this is an annual saving of more than £100,000.

Figure 1 – Environmental Services Fuel Usage 2007-2021



2 REASONS FOR RECOMMENDATIONS

- 2.1 The proposed contract for Diesel Fuel and Gas Oil is expected to be achievable within existing budgets.
- 2.2 Services are making every effort to reduce fuel usage and maintain efficient services within budget. The ESPO contract offers reliable and effective fuel procurement as a result of a national framework that allows Fenland to access economies of scale.

3 CONSULTATION

N/A

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Alternatives are provided by other national Government frameworks, however the ESPO contracts offer advantages such competitive pricing, 48hr delivery response, reliability and good coverage of the region.

6 IMPLICATIONS

6.1 Legal Implications

- 6.1.1 The proposed arrangements in relation to the renewal of this contract are consistent with the Council's Procurement Code, national legislative requirements and our overall obligation to ensure best value in the delivery of services.

6.2 Financial Implications

- 6.2.1 Financial details are contained within the report. Management's assessment is that the proposed contract will provide best value for the Council. It should be noted that the savings figure referred to in 1.9 above is not an indication of savings delivered through the use of ESPO but provides an explanation that there has been a reduced diesel usage of approx. 73k litres over the last 15 or so years representing a saving of circa £100K at current prices. (73 x £1.39). The service will continue to explore and, where appropriate, implement further changes to reduce fuel usage and the impact of fuel costs on the Authority's overall revenue budget.

6.3 Equality Implications

N/A