

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBORHOOD SERVICES

TO:	POLICY COMMITTEE	
DATE:	14 FEBRUARY 2022	
TITLE:	LIQUID FUEL PROCUREMENT	
LEAD COUNCILLOR:	CLLR MCEWAN CLLR BROCK	PORTFOLIO: CORPORATE & CONSUMER SERVICES COUNCIL LEADER
SERVICE:	PROPERTY & ASSET MANAGEMENT - FACILITIES	WARDS: BOROUGHWIDE
LEAD OFFICER:	CHARAN DHILLON	TEL: 07817 085309
JOB TITLE:	ASSISTANT DIRECTOR PROPERTY & ASSET MANAGEMENT	E-MAIL: charan.dhillon@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1.1 Reading Borough Council currently spends in the region of £450k per year on liquid fuel supplies to support the corporate fleet for the provision of council services.
- 1.1.2 The Council procures the majority of its fuel centrally through a framework agreement managed by Crown Commercial Services (CCS) reducing risks and ensuring lowest price, through aggregating purchasing with other CCS customers. The report seeks permission to enter into a new framework agreement with CCS in March 2022 to ensure best possible cost and supply is maintained.
- 1.1.3 The Council has been successful in reducing its fuel and oil consumption by 31% since 2019 as a result of the Council's programme to replace fuel powered vehicles with electric vehicles (EVs) and ending the use of oil to fuel heating in buildings. The last oil heated building Darwin Close has now been sold.
- 1.1.4 The Council's Carbon Plan 2020-2025 includes specific targets to reduce the fossil fuel consumption of the Council's vehicle fleets by 50% by 2025. The main means of achieving this will be by electrification of the council fleet towards carbon neutral operations by 2030, which is being taken forward via the Vehicle Replacement Programme.
- 1.1.5 This report seeks the Policy Committee's approval to enter into and award a new contract for fuel supplies based on the framework's mini tender outcome. Under the framework Reading Borough Council is not committed to purchasing a minimum amount of fuel. This is a flexible contract that enables the Council to reduce the amount of fuel procured as it moves to an electric fleet and electric heating.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee to delegate authority to the Executive Director Economic Growth and Neighbourhood Services, in consultation with The Assistant Director of Property & Asset Management and the Assistant Director of Procurement to enter into and award the recommended fuel supply contracts for diesel petrol and gas oil for the period 31st March 2022 to 31st March 2025, through the Crown Commercial Services framework RM6177 Liquid Fuels.**
- 2.2 The Committee supports the development of targets and policies to reduce the use of fossil fuels for powering vehicles in the Council's operations.**

3. POLICY CONTEXT

- 3.1 Reading Borough Council's Carbon Plan 2020-25 sets out to reduce carbon dioxide emissions from its fleet, requiring significant reductions in fossil fuel use, the expectation of which is reflected in the contract.**

The projected requirement for liquid fuels over the life of the contract has been reduced in the following ways -

- a) Ongoing initiatives set out in the Vehicle Replacement Programme (as approved by SEPT Committee on 23 September 2021) to ensure RBC moves to all electric vehicles and during the transition ensure that the fleet is fuel efficient fleet, has speed-limiting of vehicles to 62mph, optimises routes, fuel efficient driver training. RBC currently has 14 electric vehicle chargers and ten electric vehicles one of which is a refuse freighter and will increase the number of both chargers and electric vehicles. The plan includes purchasing a further 6 all electric refuse freighters in 2022.
- b) Since the last fuel procurement exercise and the refurbishment of Bennet Rd to an all-electric low carbon building, the council no longer needs to include heating oil in this procurement exercise.
- 3.2 There is no commitment to purchase a minimum amount of fuel in the procurement exercise as the council move to an electric fleet.**

4. CURRENT POSITION

- 4.1 Reading Borough Council's liquid fuel expenditure for its corporate fleet and estate is currently approximately £450k per year. The authority procures the majority of its fuel centrally through a framework agreement Liquid Fuels RM3081 managed by Crown Commercial Services (CCS). CCS is a public sector Central Purchasing Organisation (CPO) and the CCS frameworks are established using a Government compliant process. The procurement risk strategy employs a flexible, advance purchase approach where prices are based on the cost of fuel on the day of purchase.**

- 4.2 The current list of liquid fuels, expenditure and supplier is as follows -**

Diesel is supplied by Wessex Petroleum (circa £430k per annum)
Petrol is supplied by Wessex Petroleum (circa £10k per annum)
Kerosene is supplied by Certas Energy (circa £0k per annum)
Gas Oil is supplied by Certas Energy (circa £10k per annum)

High price volatility makes future price predictions difficult to forecast.

- 4.3 Overall the Council's use of oil and fuel has reduced by 31% since 2019. The use of oil to heat corporate buildings in the Council's estate has ended completely following the disposal of Darwin Close.
- 4.4 The key strategic outcomes which are supported through the CCS framework are -
- Mitigating risks of supplier price increases
 - Price advantage through purchasing in volume
 - Flexibility to buy reducing quantities of fuel oils as the fleet moves to electric vehicles and reduces consumption of fossil-based fuel oils.
 - Securing deliveries in times of fuel crisis

5. PROPOSALS

- 5.1 The recommended option is to enter into a new fuel supply contracts using the Crown Commercial Services (CCS) Framework to achieve the lowest cost and enhanced certainty of supplies, due the size of the contract used nationally by local and central government departments.
- 5.2 CCS is a public sector Central Purchasing Organisation (CPO) and the CCS frameworks are established using a Government compliant process. The procurement strategy will follow a mini e-tender exercise with contract starting in March 2022 to March 2025.
- 5.3 Other options such as fuel cards were considered however the CCS frameworks is advantageous in terms of cost and business continuity. As we are already using CCS framework for this provision, this will enable us to maintain consistency and gives us reassurance that this framework will perform to our requirements, providing the desired terms and conditions. CCS also have a wider national coverage and implications are therefore that we would expect a greater demand aggregated to get the best deal overall for RBC.
- 5.4 The contract will be a flexible contract enabling Reading Borough Council to reduce the amount of fuel procured as it increases the number of electric and ultra-low emission vehicles in its fleet. Currently RBC has 208 vehicles in its fleet of which nine are electric, 181 are Euro 6 standard and 18 are older vehicles. Plans are being developed to increase the number of electric and ULEVs (Ultra Low Emission vehicles). Under the framework Reading Borough Council are not committing to purchase a certain amount of fuel and will not be penalised for ordering less.
- 5.5 Following the move of staff from Darwin Close to an all-electric building at Bennet Rd. Kerosene will no longer be required to heat the Darwin Close building saving 23,000 litres of fuel per annum, reducing liquid fuel expenditure and reducing carbon.
- 5.6 A new target to reduce fossil fuel use by 50% by 2025 has been incorporated into the Carbon Plan 2020-25, helping to move the Council significantly towards net zero carbon operations by 2030.

6. CONTRIBUTION TO STRATEGIC PRIORITIES

- 6.1 The recommendations in this report are designed to ensure the efficient delivery of key Council services. This supports corporate plan aims as follows:
- **Healthy Environment** - this procurement supports tackling climate change and working towards our goal of a carbon neutral town by 2030, by reducing the predicted amount of liquid fuels used as the council moves to increasing use of electric fleet and the refurbishment of Bennet Rd, which has delivered an all-electric building negating the need for kerosene for heating. The effective procurement of fuel and shift to electric

fleet is crucial to the delivery of the Council's Carbon Plan, supporting the effective management and use of natural resources.

- **Inclusive Economy** - This procurement supports us in keeping Reading at the forefront of advances in technology as we utilise developments that enable us to use less fuel through more efficient use in our buildings, vehicles and equipment that would have previously used more fuel.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way". The procurement of liquid fuel is essential for the delivery of Council services does not require consultation.

7.2 Information about the process and the chosen supplier would be available to the public.

8. EQUALITY IMPACT ASSESSMENT

8.1 This decision is not expected to have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief and therefore no Equality Impact Assessment (EIA) is relevant to the decision.

9. LEGAL IMPLICATIONS

9.1 In accordance with the Local Government Act 1972, all the powers of the local authority are held by the Council, which has established Committees with delegated authority to take decisions on its behalf. The decision to award contracts for high value services (above £500,000) constitutes a 'key decision' and as such the decision should be made by the committees or an appropriate delegation is made.

9.2 The procedures for procurement of services are set out in the Council's Contract Procedure Rules under part 4 of the Council's Constitution. In respect of framework agreements set up by another body advice should be sought from Procurement, and where appropriate Legal, to confirm the ability of the Council to legally access such arrangements.

9.3 The value of the contracts under the aggregated value provision, are above the threshold (regarded as high value) for services in the Public Contracts Regulations 2015 and as such the tender will be published in the Government's e-procurement portal, Find a Tender service (FTS). The use of an appropriate framework would meet this provision on the basis that the framework would already have been advertised in the Government's e-procurement portal. The Council's contract procedure rules recommend that "Where a recurring pattern of purchases can be seen for like supplies, services or works, consideration should be given as to whether one or more framework agreement(s) would represent better value in terms of price, service, invoicing or other administration costs".

10. FINANCIAL IMPLICATIONS

10.1 Currently fuel budgets are paid centrally in the Council but allocated to individual service budgets. The annual costs of fuel for the following year are forecast based on previous year costs, market trend and move to an electric fleet. The supplier's margin is known and set for the term of the contract.

10.2 Fuel costs in 2020/21 was approximately £450k per annum incurred by the Council's corporate fleet, this takes into account a reduction in fuel consumption with the

introduction of electric vehicles. The future make up of fleet in terms of electric vehicles is expected to increase greatly leading up to 2030. The councils intention is to move half of the fleet to electric by 2028, this will potentially half the expenditure on liquid fuels, enabling future procurement at expiration of this contract in 2025 to target savings.

- 10.3 As we already use the framework, we are aware that there is either likely to be a very small increase in the margin charged or it will remain the same, proposed costs are outlined in **appendix 1**. It is also likely that fuel costs will increase as national volumes decrease.

11. ENVIRONMENTAL & CLIMATE IMPLICATIONS

- 11.1 The proposal reflects Reading Borough Council's Carbon Plan 2020-25 by reducing the predicted amount of liquid fuels used as the council moves to an electric fleet. The reduction is based on the introduction electric vehicles, a more fuel-efficient fleet, speed-limiting vehicles to 62mph, optimising routes, fuel efficient driver training and the refurbishment of Bennet Rd, which has delivered an all-electric building negating the need for kerosene for heating.

- 11.2 The introduction of fuel targets and the reduction of fossil-based fuel for Council operations will form a key aspect of the Carbon Plan and contribute to the delivery of the Reading Climate Emergency Strategy and its aim of a carbon neutral Reading by 2030.

- 11.3 The move to an electric fleet will also contribute to the reduction in air pollution in the borough.

12. BACKGROUND PAPERS

APPENDIX 1 - Proposed Fuel Types Quantity and Cost

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The margin charge per litre is the amount charged by CCS for managing the framework and the amount charged by the supplier for their overheads which includes delivery and is the additional pence per litre (ppl) charged for example previously the amount was £0.2 pence per litre. The margins are added to the weekly commodity cost of fuel, which is available via the CCS webpage under the documents section.

Proposed supplier schedules based on the mini tender carried out

Fuel	Contract name	Future Supplier	Margin charged per litre	Qty litres per annum	Est initial cost per annum of framework and supplier margin
Diesel	RM6177 :The Supply of liquid fuels	Via tender exercise outcome between January & February 2022	Via tender exercise outcome	300,000	£400k based on weekly cost of fuel at the time of order and supplier margin
Petrol	RM6177 :The Supply of liquid fuels	Via tender exercise outcome between January & February 2022	Via tender exercise outcome	10,000	£14k based on weekly cost of fuel at the time of order and supplier margin
Gas Oil	RM6177 :The Supply of liquid fuels	Via tender exercise outcome between January & February 2022	Via tender exercise outcome	10,000	£7k based on the weekly cost of fuel at the time of order and supplier margin