

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	18 NOVEMBER 2019		
TITLE:	LIQUID FUEL PROCUREMENT		
LEAD COUNCILLOR:	CLLR EMBERSON CLLR PAGE	PORTFOLIO:	CUSTOMER AND CONSUMER SERVICES
SERVICE:	CORPORATE FACILITIES MANAGEMENT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	FRANCES MARTIN	TEL:	0118 937 4024
JOB TITLE:	EXECUTIVE DIRECTOR DEGNS	E-MAIL:	Frances.martin@reading.gov. uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1.1 Reading Borough Council currently spends in the region of £510k 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 risk 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 November 2019 to ensure best possible cost and supply is retained.
- 1.3 The Council has reduced its fuel and oil consumption significantly since 2008, with consumption having fallen by 53% over this period.
- 1.4 The Council is developing a programme to replace fuel powered vehicles with electric vehicles (EVs) and also ceasing the use of oil to fuel heating in buildings. The Council's 2020 to 2025 carbon plan will include specific targets to manage the fossil fuel consumption of the Council's vehicle fleets downwards towards carbon neutral operations by 2030.
- 1.5 This report seeks the Policy Committee's approval to enter into new contracts for fuel supplies. 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 and cleaner ultra-low emission fuel efficient fleet and electric heating.

2. RECOMMENDED ACTION

- 2.1 The Committee delegates authority to the Executive Director Economic Growth and Neighbourhood Services and the Assistant Director of Procurement to enter into the recommended fuel supply contracts for diesel petrol and gas oil for the period November 2019 to 31ST March 2022, through the Crown Commercial Services framework R3081 Liquid Fuels.
- 2.2 The Committee supports the development of targets and policies to reduce the use of fossil fuels for powering vehicles and buildings in the Council's operations.

3. POLICY CONTEXT

3.1 Reading Borough Council’s Carbon Plan 2015-2020, sets out to reduce carbon dioxide emissions and is reflected in the contract.

The projected requirement for liquid fuels over the life of the contract has been reduced by 50,000 litres per annum and achieved in the following ways -

- a) Ongoing initiatives to ensure RBC has a fuel efficient fleet, electric vehicles, speed-limiting vehicles to 62mph, optimising routes, driver training and conversion of oil heating to electric heating. RBC currently has 12 electric vehicle chargers and nine electric vehicles and will increase the number of both chargers and electric vehicles when suitable vehicle types become available and financially viable.
- b) The refurbishment of Bennet Rd will deliver an all-electric building negating the need for using oil to heat the Darwin Close building which is due to become empty in April 2020.

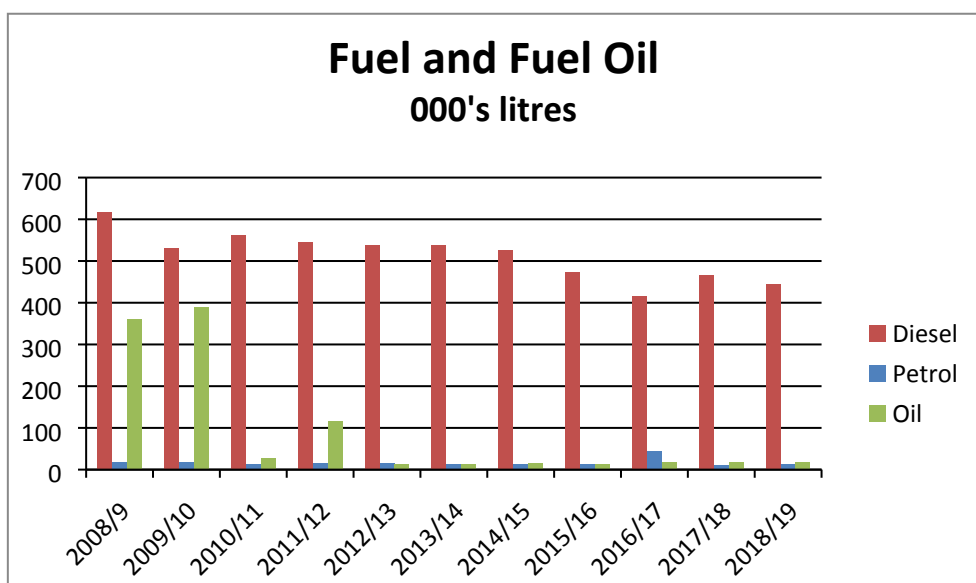
3.2 In 2019 Reading resolved to lead by example to achieve a carbon neutral Reading by 2030. Reading Borough Council is working with the Reading Climate Change Partnership to develop a third climate strategy. This will link to a range of new council strategies including

4. CURRENT POSITION

4.1 Reading Borough Council’s liquid fuel expenditure for its corporate fleet and estate is currently approximately £510k 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). 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 CCS frameworks were established using an OJEU compliant process. Table 1 below outlines the term of the current CCS framework contracts Reading Borough Council has entered into. The Council has the option to enter into the new contract via a mini e tender under the framework in November 2019.

Figure 1 - Graph showing fuel oil consumption 2008 to present



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

Diesel is supplied by Harvest Energy (circa £469k per annum)
Petrol is supplied by Harvest Energy (circa £15k per annum)
Kerosene is supplied by Wessex Petroleum (circa £13k per annum)
Gas Oil is supplied by Wessex petroleum (circa £13k per annum)

High price volatility makes future price predictions difficult to forecast.

4.4 Overall the Council's use of oil and fuel has reduced by 53% since 2008. The use of oil to heat corporate buildings in the Council's estate will finish completely upon the disposal of Darwin Close.

4.5 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.

5. PROPOSALS

5.1 The recommended option is to enter into new fuel supply contracts with the framework following the mini e tender exercise results starting in November 2019. The contract is 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.

5.2 In the second quarter of 2020 staff from Darwin Close move 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.

5.3 A new target for fossil based vehicle fuels will be incorporated into the 2020 to 2025 carbon plan. This will relate to the amount of mileage required for the Council's business and will help to move the Council significantly towards carbon neutral operations by 2025.

6. CONTRIBUTION TO STRATEGIC PRIORITIES

6.1 Fuel supplies are critical to the delivery of most Council services. All of the strategic priorities of the Council Plan are involved, although the ones underlined below are especially affected by procurement choices.

- Securing the economic success of Reading and provision of job opportunities
- Ensuring access to decent housing to meet local needs
- To protect and enhance the lives of vulnerable adults and children
- Keeping Reading's environment clean, green and safe
- Ensuring that there are good education, leisure and cultural opportunities for people in Reading
- Ensuring the Council is fit for the future

- 6.2 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.

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 OJEU threshold for services in the Public Contracts Regulations 2015 and as such require advertisement in the Official Journal of the European Union (OJEU). The use of an appropriate framework would meet this provision on the basis that the framework would already have been advertised in the OJEU. The Council 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 2018/19 were the costs incurred by the Council's corporate fleet was £510k per annum, set against the context of 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 but has still to be confirmed.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The proposal supports Reading Borough Council's Carbon Plan 2015-2020 by reducing the predicted amount of liquid fuels used by 50,000 litres per annum. The reduction is based on the introduction of a more fuel efficient fleet, electric vehicles, speed-limiting vehicles to 62mph, optimising routes, fuel efficient driver training and the refurbishment of Bennet Rd, which will deliver 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 2020 to 2025 Carbon Plan and contribute to the delivery of the Council's climate change strategy and resolution to become a carbon neutral borough by 2030.

12. BACKGROUND PAPERS

- 12.1 Appendix 1 - Current and Proposed Fuel Types Quantity and Cost Comparison

APPENDIX 1 - Current and Proposed Fuel Types Quantity and Cost Comparisons.

The margin 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 so 1.51ppl is £0.0151 per litre. The margins are added to the weekly commodity cost which is available via the CCS webpage under the documents section.

Table 1: Current contractual supplier schedules

Fuel	Contract name	Current Supplier	Cost £ Sept 19	Margin charged by CCS & Supplier	Quantity	Margin charged by CCS & Supplier
Diesel	RM3801: The Supply of liquid fuels	Harvest Fuels	1.0228	0.20ppl CCS & 1.5ppl	350,000	£5,950 plus cost of fuel at time of purchase
Petrol	RM3801: The Supply of liquid fuels	Harvest Fuels	1.0461	0.20ppl CCS & 8.00ppl	15,000	£1,250 plus cost of fuel at time of purchase
Gas Oil	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 2.76ppl	14,000	£414.40 plus cost of fuel at time of purchase
Kerosene	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 3.89ppl	23,000	£940.70 plus cost of fuel at time of purchase

Table 2: Future Proposed supplier schedules based on the mini tender carried out

Fuel	Contract name	Future Supplier	Cost £ Sept 19	Margin charged per litre	Qty per annum	Est Cost per annum of framework and supplier margin
Diesel	RM3801: The Supply of liquid fuels	Wessex Petroleum Ltd	1.0228	0.20ppl CCS & 1.0ppl Wessex	327,000	£3,600 plus cost of fuel at time of purchase
Petrol	RM3801: The Supply of liquid fuels	Certas Energy Ltd	1.0461	0.20ppl CCS & 5.00ppl Certas	15,000	£780 plus cost of fuel at time of purchase
Gas Oil	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 1.51ppl Wessex	14,000	£239.40 plus cost of fuel at time of purchase
Kerosene	RM3801: The Supply of liquid fuels	Certas Energy Ltd	0.5793	0.20ppl CCS & 1.9ppl Certas	23,000	£483 plus cost of fuel at time of purchase