


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">5 SEPTEMBER 2016</p>	
<p>CALL-OFF FROM CCS FRAMEWORK (RM1013) FOR THE PROVISION OF TRANSPORT FUEL</p>	
<p>Report of the Cabinet Member for Environment, Transport & Residents Services – Councillor Wesley Harcourt</p>	
<p>Open Report</p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: David Page, Director for Safer Neighbourhoods</p>	
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1. EXECUTIVE SUMMARY

- 1.1. The Council currently buys diesel fuel for fleet and contracted service vehicles from Hall Fuels. The contract was procured in 2014 through an energy procurement framework, hosted by the Laser Energy Buying Group (who act on behalf of a number of authorities and central government departments). The current contract expires on 30/09/2016. As such, a retender exercise has been undertaken, again through Laser Energy Buying Group for a new 24 month fuel supply contract to run from 01/10/16 to 30/09/18. There were three responses to the recent tender invitation.

2. RECOMMENDATIONS

- 2.1. To approve the award of a call-off contract under the CCS Framework Agreement (RM1013) for a 24 month vehicle fuel supply contract, to the most cost effective tenderer, Harvest Energy. The contract will begin on 01/10/2016 and end on 30/09/2018, at a total estimated contract price as stated in the exempt report on the exempt Cabinet agenda.

3. REASONS FOR DECISION

- 3.1. Harvest Energy has proposed the most cost effective price for the supply of fuel, as per the table contained in the exempt report on the exempt Cabinet agenda.

4. PROPOSAL AND ISSUES

- 4.1. Fuel is delivered to fuel tanks in the Bagley's Lane depot, which is then drawn from the fuel pumps on a self-service basis. Fuel ordering and delivery is overseen by the Transport and Depot Manager, and is charged to the Transport budget in the first instance. Fuel is recharged to users (internal Council departments and external contractors), based on fuel usage that is tracked through individual fuel cards.
- 4.2. The tender was advertised through Laser Energy Buying Group, who acts on behalf of a number of authorities and central government departments. The energy procurement frameworks are OJEU compliant, contracted with Kent County Council acting as a Central Purchasing body.
- 4.3. The tender was conducted through an open procedure under OJEU Notice 2013/S 076-127585 on the TED platform.
- 4.4. There are five suppliers under lot 209 Automotive Fuels – supply to London and the South East.:
- Wessex Petroleum Ltd. t/a WP Group
 - World Fuel Services Europe
 - Hall Fuels a Division of Watson Petroleum Ltd
 - Harvest Energy
 - Certas Energy
- 4.5. Three of the above responded to the invitation
- Hall Fuels a Division of Watson Petroleum Ltd
 - Harvest Energy
 - Certas Energy
- 4.6. Harvest Energy submitted the cheapest estimated unit price per litre, as stated in the exempt report on the exempt Cabinet agenda (this is an estimate only as the actual price charged will vary in line with the Platts Index – see 4.8). All Prices are detailed in the exempt report on the exempt Cabinet agenda.
- 4.7. The actual price paid per litre for delivered fuel under this framework is made up of:
- Commodity price of the fuel

- Duty
- Supplier margin
- Management charge

- 4.8. Under this framework the commodity element of the price of the fuel purchased is calculated by reference to the Platts Index which can change on a daily basis. The preferred option is for a weekly lagged price. Where the Council is charged an average of the daily prices in the week preceding the week of delivery.
- 4.9. A savings methodology has been approved to assess the savings made by customers having access to this flexible pricing rather than having a fixed price for the commodity element of the price. In the last year of the previous Liquid Fuels framework savings were assessed at 3.5% of total spend across the framework.
- 4.10. Because the price of fuel can fluctuate each week, the prices quoted are the best estimated prices at the time of tender. However, through using the framework agreement the Council receives a reduced price, which would not be offered should we tender as an individual outside of the framework agreement.
- 4.11. The above price fluctuations exist under the current contract. For example the quoted tender price for the current contract was 106.64 ppl but the actual average cost paid for 2015/16 was 0.91 ppl. As such, actual future savings under this variable contract cannot be predicted with any certainty.
- 4.12. Fuel will be delivered as required when requested by the Transport and Depot Manager who monitors fuel levels and usage on a daily basis. Currently we order approximately 36,000 litres of fuel for each delivery. This would remain under the new contract.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. This procurement is based 100% on cost and therefore Harvest Energy is the preferred option.

6. CONSULTATION

- 6.1. Consultation is not necessary for this procurement.

7. EQUALITY IMPLICATIONS

- 7.1. There are no equality implications for this procurement.

8. LEGAL IMPLICATIONS

- 8.1. The Council is not specifically named in the OJEU notice as a contracting authority that is able to access the framework, however there is a link to a list of local authorities in which the Council is named. Therefore any risk of

challenge in this respect is considered low. It is understood that the mini-competition has been carried out in compliance with Regulation 33 (8) (c) of the Public Contracts Regulations 2015. Legal Services will work with officers to arrange for the execution of the Call-Off contract and the Order Form.

- 8.2. Implications verified/completed by: Kar-Yee Chan, Solicitor (Contracts), Shared Legal Services, 020 8753 2772.

9. FINANCIAL IMPLICATIONS

- 9.1. As set out in this report, the majority of any savings will not be retained by the Council but will be passed on to external customers instead. It should also be noted that the actual cost to the Council will be variable, according to the real time commodity element of the unit price (based on the Platts Index). As such, any future savings cannot be predicted with any accuracy and so cannot currently be relied upon to deliver ongoing budget reductions. Spend levels will continue to be monitored and reported as part of the Council's monthly monitoring cycle.
- 9.2. Implications completed by Kellie Gooch – Head of Finance Environmental Services, telephone 020 8753 2203.

10. IMPLICATIONS FOR BUSINESS

- 10.1. There are no implications for local businesses in the borough. There are no suppliers within LBHF who can provide this service.

11. RISK IMPLICATIONS

- 11.1. Savings achieved from the re-procurement contribute positively to the management of budget risk, risk number 1 on the Council's Shared Services risk register. Continuity measures are also noted on the risk register, risk number 6.
- 11.2. Implications completed by Mike Sloniowski - Shared Services Risk Manager, telephone 020 8753 2587.

12. PROCUREMENT AND COMMERCIAL IMPLICATIONS

- 12.1. The Interim Head of Procurement supports the report's recommendations.
- 12.2. Maintaining and securing vehicle fuel supply is business critical to several front-line services; as is also obtaining the best possible commercial deal to the Council's future financial position given the price sensitivity of the commodity.
- 12.3. A fair and transparent competition was run in accordance with the Public Contracts Regulations 2015 via an OJEU compliant framework managed by Kent County Council, use of which provides discounted prices. Five organisations were invited to tender, of which three returned bids. The new

contract is likely to see an increase in unit cost price over its duration, reflecting the recovery in the oil price. However, based on a continuation of current consumption, and on the tendered prices at the time of reporting, the price submitted by Harvest Energy, which is recommended for award, would cost an estimated £550,000 less over the contract period than the second-best price submitted. Should the commodity price rise above budget the Council should consider reviewing demand management.

- 12.4. Comments provided by John Francis, Interim Head of Procurement (job-share), telephone 020 8753 2582.

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES

None