

Finance and Resources Committee

10.00am, Friday, 6 December 2019

The Supply of Liquid Fuel

Routine
Wards All
Council Commitments

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
 - 1.1.1 notes that the Scottish Government established a new Liquid Fuels Contract (SP-19-009) in September 2019;
 - 1.1.2 notes that the Executive Director of Place, under delegated authority powers, approved the adoption of the new Scottish Government Liquid Fuels - Contract SP-19-009 for the period 14 October 2019 – 6 December 2019; and
 - 1.1.3 approves two call off contracts from the Scottish Government Contract for the period 7 December 2019 to 31 March 2022 (with the option to extend each for a further 12 months). The two contracts have an estimated value of £7.8m (for the four-year contract):
 - 1.1.3.1 the award of a contract to RIX Petroleum (Hull) Ltd for the supply of gas oil for heating; and
 - 1.1.3.2 the award of a contract to Certas Energy UK Ltd t/a Scottish Fuels for the supply of diesel, gas oil and petroleum.

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The Supply of Liquid Fuel

2. Executive Summary

- 2.1 This report seeks the approval of the Committee for the adoption of the new Scottish Government Liquid Fuels - Contract SP-19-009. This contract runs from 14 October 2019 to 31 March 2022 with the option to extend to 31 March 2023. This award is for two call off contracts for the supply of fuel to the Council.
- 2.2 The previous Liquid Fuel contract (which was also run by Scottish Government) ended on 13 October 2019. In order to provide continuity, call off contracts for the supply of fuel to the Council were approved under Delegated Authority by the Executive Director of Place to cover the period 14 October 2019 and 6 December 2019. The estimated cost of fuel during this period was £0.390m.

3. Background

- 3.1 The Council fleet is the biggest user of fuel with an average consumption of 2.5 million litres of diesel (road vehicles, and plant) and 22,000 litres of unleaded petrol (some cars and grass cutting equipment).
- 3.2 If there is severe winter weather demand for fuel can increase due to additional gritting duties. This is generally a small increase of up to 5% on the current overall usage.
- 3.3 The Council operates four bulk fuel sites to supply the fleet and allow services across the Council to obtain fuel.
- 3.4 In addition to the fleet use, this contract is expected to also be for a small number of Council buildings e.g. Lagganlia.
- 3.5 The previous contract for Liquid Fuel was procured through the Scottish Government. This ended on 13 October 2019. In advance of the contract ending, Scottish Government co-ordinated a procurement exercise for all local authorities across Scotland through Crown Commercial Service (CCS).
- 3.6 Scottish Procurement and CCS have developed and designed a formal sourcing strategy with input from a wide variety of stakeholders and advisors. The previous contract operated successfully for all 74 customers of the contract, with no significant issues raised.

- 3.7 This Scottish Government contract consists of four Scottish lots, (North, West, Central and South) and is divided into fuel types for all postal codes (including remote areas and Islands).

4. Main report

- 4.1 The supply of fuel is categorised as a supply contract called off from the CCS National Fuels Framework Agreement which was tendered at 80% Quality and 20% Price. This ratio was used to ensure that quality of service, including continuity of supply, was the driving principle.
- 4.2 The market for liquid fuels is different to other commodities bought by Scottish Procurement because it operates in a global market. The rationale behind Scottish Procurement undertaking a collaborative call off from the CCS National Fuels Framework Agreement is to achieve the best possible price by having the ability to influence the margin paid and security of supply on behalf of the Scottish Public Sector.
- 4.3 It should be noted that this contract is for delivery of bulk fuels to high value high risk customers, such as heating for schools.
- 4.4 Scottish Procurement has a strong track record of working in partnership with CCS with all necessary protocols well established over time. As a consequence, Memorandums of Understanding are in place with each customer utilising the contract.
- 4.5 Since 2015 no incidents of liquid fuel shortages have been reported by public bodies participating in the Scottish Government CCS call off.
- 4.6 This procurement was undertaken through an eAuction in order to fix the suppliers margin for the contract term (this is set at 2 pence per litre).

Interim Contract Arrangements

- 4.7 The previous contract ended on 13 October 2019 however the procurement process did not conclude in time for the new arrangements to be reported to Finance and Resources Committee in advance of this date.
- 4.8 On that basis, and to provide continuity, a call-off arrangement for the supply of Liquid Fuel was approved by the Executive Director of Place in accordance with the Council's Contract Standing Orders. This arrangement covers the period 14 October 2019 to 6 December and the estimated cost of this £0.390m.

New Contract Arrangements

- 4.9 The two call-off contracts which are relevant to the supply of Liquid Fuel to the City of Edinburgh Council are:
- 4.9.1 Certas Energy UK Ltd t/a Scottish Fuels for the supply of diesel, gas oil and unleaded petrol; and

4.9.2 RIX Petroleum (Hull) Ltd for the supply of gas oil for heating.

4.10 The expected cost of these contracts over the full four years of the contract is estimated at £7.8m (based on current usage and fuel price).

5. Next Steps

5.1 Assuming Committee approve the award of these two call-off contracts, the arrangement will run until 31 March 2022 (with the option to extend for one further year).

5.2 Within the Council, this contract will be managed by the Fleet and Workshops service with support from Procurement.

6. Financial impact

6.1 The cost of liquid fuel is budgeted and paid for within individual service departments, depending on usage.

6.2 The price of fuel supply is comprised of three elements:

6.2.1 the supplier's margin, which is fixed for the duration of the contract;

6.2.2 the CCS Commission fee of 0.2 pence per litre; and

6.2.3 the fuel price which fluctuates dependant on the published oil market price.

6.3 CCS publish the fuel prices weekly and have a 'bill checker' available on their website.

6.4 The estimated procurement cost of these call off contracts is below £0.01m.

6.5 The estimated value of these contracts, including the extension option is £7.8m based on current usage in litres, and fuel price. This is expected to be split 21% to the award to RIX Petroleum (Hull) Ltd and the remainder to Certas.

6.6 The volatile nature of fuel prices, and planned changes to the Council's fleet mean that the actual value of this contract may change.

7. Stakeholder/Community Impact

7.1 As this report deals with the supply of a commodity that is central to the operation of the Council, there should be no direct impact on stakeholders or communities.

7.2 The biggest impact public bodies can make in reducing CO2 from liquid fuel, gas and electricity is by:

- improving the energy efficiency of their buildings (heating oil, gas and electricity);
- reducing their travel/fleet journeys (petrol and diesel); and

- moving petrol and diesel vehicles to low or zero carbon sources for their power such as electricity.

7.3 Given the Council's commitment to net zero carbon by 2030 this type of call off contract does not commit the Council to using the full amount of fuel outlined in this report. Officers are currently looking at how to reduce carbon emissions over the four years of the contract. (For example: services are reviewing the current fleet to ensure that this is appropriate for the service delivered, ensuring that the vehicles are the correct type and well suited to their tasks, and increasing the fuel efficiency of all vehicles but particularly the larger vehicles. The Council is also actively replacing smaller vehicles with alternatively powered vehicle where this is possible.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 None.