

**Wiltshire Council**

**Cabinet**

**14 July 2020**

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**Subject: Contract Award – Vehicle Fuel**

**Cabinet Member: Cllr Bridget Wayman Cabinet Member for Highways, Transport and Waste**

**Key Decision: Key**

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### **Executive Summary**

The Council currently purchases Vehicle Fuel on an ad-hoc basis, obtaining three quotations each week and selecting the cheapest price submitted. This is far from ideal and not in compliance with the EU Public Contracts Regulations 2006 (as amended).

This method of purchase leaves the Council vulnerable to fuel prices changes and hinders strategical planning.

There is an opportunity to deliver savings and improve strategic planning with changing the way the Council purchases fuel.

Use of a Framework contract will allow the Council to take advantage of low prices generated through economies of scale.

### **Proposal**

To approve the award of a contract to Certas Energy under Crown Commercial Services Framework RM3801 for diesel and gas oil.

### **Reason for Proposal**

To comply with the EU Public Contracts Regulations 2006 (as amended) and deliver a projected saving of £23,000 per annum.

**Terence Herbert  
Chief Executive Officer**

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### **Purpose of Report**

1. To award a fuel purchasing contract to Certas Energy under Crown Commercial Services (CCS) to achieve significant savings for Wiltshire Council.

### **Relevance to the Council's Business Plan**

2. The provision of fuel and its costs impacts upon the delivery of all services within the Council and the delivery of the Business Plan.

### **Main Considerations for the Council**

3. The Council currently purchases Vehicle Fuel on an ad-hoc basis, obtaining three quotations each week and selecting the cheapest price submitted. This is far from ideal and not in compliance with the EU Public Contracts Regulations 2006 (as amended).
4. This method of purchase leaves the Council vulnerable to fuel price changes and hinders strategic planning.
5. There is an opportunity to deliver savings and improve strategic planning with changing the way the Council purchases fuel.
6. Due to the standardised nature of fuel purchases there are a range of Frameworks available. The CCS Framework RM3801 has been identified as a good fit for the Council's requirements based on contract terms. Use of a Framework contract will allow the Council to take advantage of low prices generated through economies of scale.
7. The procurement process was carried out by CCS under its own framework RM3801 (expiring 23 July 2021) National Fuels.
8. CCS ran a further competition on Wiltshire Council's behalf. There were two bidders for each commodity, Certas Energy and WFL Ltd t/a Watson Fuels.

9. CCS then ran an e-auction to further better the price. Certas Energy submitted the lowest prices for both commodities.
10. By joining this procurement exercise, the Council will be able to award a contract for its fuel requirements, to commence on 1 August 2020, for a 20 month period.
11. The contract has been estimated at £1.4 million per annum.
12. CCS is an executive agency sponsored by the Cabinet Office.
13. The contract will expire in March 2022. In March 2022 CCS is due to run an e-auction for existing customers and proposes that Wiltshire Council takes part in this event to realise new pricing.
14. Savings achieved from the initial tender evaluation are just over £23,000 per annum.
15. The evaluation was based solely on Price Per Litre margin.

### **Background**

16. The Council operates a wide range of vehicles, machinery and plant that requires liquid fuel to operate.
17. Fuel is stored in tanks in the Council's depots throughout the county.
18. The Council currently purchases Vehicle Fuel on an ad-hoc basis, obtaining three quotations each week and selecting the cheapest price submitted.
19. Current usage is approximately 1.4 million litres of diesel and 68,000 litres of gas oil annually.

### **Overview and Scrutiny Engagement**

20. The Chairman and Vice-Chairman of the Environment Select Committee have been briefed on this report

### **Safeguarding Implications**

21. None.

### **Public Health Implications**

22. None.

### **Procurement Implications**

23. This procurement process was carried out by CCS with a further competition under its own framework RM3801 National Fuels.

**Equalities Impact of the Proposal** (detailing conclusions identified from Equality Analysis, sections 4 and 5)

24. None.

**Environmental and Climate Change Considerations**

25. The use of alternative fuels is being considered in the emerging Fleet Strategy.

**Risks that may arise if the proposed decision and related work is not taken**

26. Savings identified will not be achieved.
27. Fuel prices are volatile and not entering into this contract costs could be significantly more.
28. Non-compliance with EU Public Contracts Regulations 2006 (as amended)
29. The sourcing approach continues to be based on spot purchasing rather than a trading strategy.

**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

30. Poor supplier performance including unacceptable delivery times. Poor supplier performance will be mitigated by ensuring the contractor delivers services in line with Key Performance Indicators within the Framework.
31. Poor Quality Products. The supplier is required to deliver fuel that conforms to industry mandated specifications. Failure to deliver products that meet the required standard will be dealt with within the mechanisms contained within the contract. Ultimately, the contract contains the mechanism to terminate the contract for poor supplier performance.
32. Reduction in volume of products required. There is a possibility that due to the use of greener vehicle fuelling methods that the volume of traditional liquid fuel required may reduce. The contract is a call-off off contract and the Council is not tied into any minimum order level. Should volumes reduce significantly fuel prices have the potential to increase slightly; however, this framework works on the basis of pence per litre (ppl) price margins, NOT the ppl price itself as the ppl is influenced by the oil market which is volatile and changes daily. Therefore the ppl cannot be set for a period longer than about a week. Most fuel suppliers price weekly in advance so only the price for the week ahead can be determined.

## Financial Implications

33. Funding for these fuel costs is met from the Fleet Management and Maintenance budgets.
34. Savings achieved from the initial tender evaluation are just over £23,000 per annum.

## Legal Implications

35. None.

## Options Considered

36. The alternative options considered were:

- (i) **Do nothing. Rejected.** Liquid fuel is essential in delivering front line operations.

To comply with the Public Contract EU Public Contracts Regulations 2006 (as amended) Wiltshire Council, needs to enter into a procurement contract to avoid any further spend breaches.

- (ii) **Let a bespoke council contract. Rejected.** The Council's spend on liquid fuel is in scope of EU Procurement Regulations which would require a full EU compliant tendering exercise which would require significant officer resource and would take time to carry out.

The Council's fuel use, although significant cannot compete with economies of scale that existing framework contracts offer. The bespoke approach does not deliver best value to the Council. Using an existing framework will save officer resources and deliver greater value for money.

- (iii) **Reconfigure service to use a Commercial Fuel Card system. Rejected.** A Fuel Card system does not offer the Council adequate resilience in the event of fuel shortages. Bunkered fuel stores allow Wiltshire Council to purchase additional stocks when prices are low, fuel cards would not offer the same opportunity. In addition, fuel cards would be tied to local petrol stations; there is also an issue with access to gas oil with fuel cards.

## Conclusions

37. The Council operates a wide range of vehicles, machinery and plant that requires liquid fuel to operate.
38. The Council currently purchases Vehicle Fuel on an ad-hoc basis, obtaining three quotations each week and selecting the cheapest price submitted. This is far from ideal and not in compliance with the EU Public Contracts Regulations 2006 (as amended).

39. Current usage is approximately 1.4 million litres of diesel and 68,000 litres of gas oil annually.
40. Due to the standardised nature of the product there are a range of Frameworks available. The CCS Framework RM3801 has been identified as a good fit for the Council's requirements based on contract terms. Use of a Framework contract will allow the Council to take advantage of low prices generated through economies of scale. Best value reviewed as part of the CCS Framework onboarding.
41. The CCS contract is awarded under a National Framework procured in compliance with the EU Public Contracts Regulations 2006 (as amended).
42. CCS provides a call-off Framework for the provision of Liquid Fuels.
43. The evaluation was based solely on Price Per Litre margin.

**Parvis Khansari**  
**Director of Highways & Environment**

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Report Author:

**Adrian Hampton**

Head of Local Highways, Weather and Emergency

28 May 2020

### **Background Papers**

The following documents have been relied on in the preparation of this report:  
None

### **Appendices**

Appendix 1 - Officer Decision Report

Appendix 2 – Vehicle Fuel Comparison