

**7<sup>th</sup> September 2022**

<b>Report of</b>	<b>Assistant Director of Environment</b>	<b>Author</b>	<b>Robert Doran</b> ☎ 282612
<b>Title</b>	<b>Contract Award for Liquid Fuels (ref: 0307)</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 To award a contract for the supply of liquid fuels (diesel, diesel exhaust fluid (DEF) to Rix Petroleum, and hydrotreated vegetable oil (HVO)) and to be supplied to Shrub End Depot for use by the Council's fleet, for the period 1<sup>st</sup> October 2022 – 30<sup>th</sup> September 2023, to include the option to extend the supply contract for a further one year (1<sup>st</sup> October 2023 – 30<sup>th</sup> September 2024) subject to performance.

## 2. Recommended Decision

- 2.1 To award the contract for the supply of liquid fuels at the Shrub End Depot for use by the Council's fleet vehicles for the period 1<sup>st</sup> October 2022 – 30<sup>th</sup> September 2023, to include the option to extend the supply contract for a further year (1<sup>st</sup> October 2023 – 30<sup>th</sup> September 2024) subject to performance, to RIX Petroleum, under the ESPO Liquid Fuels Framework (Ref: 301-22).

## 3. Reason for Recommended Decision

- 3.1 The current contract for the supply of fuel to the Shrub End Depot for use by the Council's fleet vehicles is due to expire on 30<sup>th</sup> September 2022 and therefore a new contractual arrangement needs to be put in place. The supply of fuel is critical to the day-to-day operation of the Council services, in particular frontline services.
- 3.2 The use of a framework in such a volatile market reduces risk, as the aggregated value of the potential spend means suppliers will offer a competitive pricing structure that would not be available if the Council went to market just for Colchester.
- 3.3 Putting in place a one-year contract with the option to extend for one further year, provides the Council with the flexibility to change the contract should the demands and liquid fuel uses change, to ensure the Council gets value for money.

## 4. Alternative Options

- 4.1 Not having a contract in place would see the Council operating at odds to the financial rules and put at risk the financial budgets, resilience, and delivery of the Council's operations, therefore it is not an option to source liquid fuel supply without a contract.
- 4.2 The Council could issue an open tender or procure via another framework, (e.g., the Crown Commercial Services framework) to achieve a compliant contract if the ESPO

Liquid Fuels Framework agreement is not utilised. However, based on the market's volatility, these options would be more expensive.

## **5. Background Information**

- 5.1 The current contract for liquid fuel supply is due to expire on 30<sup>th</sup> September 2022. It is proposed that a new 1 year contract (for the period 1<sup>st</sup> October 2022 – 30<sup>th</sup> September 2023) is awarded as set out below, with the possibility of an extension of the contract of a further one year (for the period 1<sup>st</sup> October 2023 – 30<sup>th</sup> September 2024), subject to performance of the contractor.
- 5.2 It is proposed that the contract is for the supply of diesel, DEF, and HVO:
- Apart from the newly on-boarded electric fleet, and those scheduled in the coming year, the majority of the Council's fleet uses diesel.
  - DEF is pumped into the diesel fleet to reduce harmful gases being released into the atmosphere and ensures that diesel vehicles meet the latest Euro 6 exhaust emission regulations.
  - The Council is currently exploring alternative fuels that may support a greener fleet, including the use of HVO, as set out within the Fleet Transition Plan, which sets ambitions for a zero-carbon fleet by 2030. HVO will be incorporated into this procurement exercise, to ensure flexibility in the Council's approach, but a change of fuel will only be rolled out subject to a successful trial, with careful and detailed assessment of its impact.
- 5.3 The requirement for the liquid fuels over a 1-year term (1<sup>st</sup> October 2022 to 30<sup>th</sup> September 2023) has an estimated value in the region of £806,000, increasing to £1.6 million with a further one year contract extension. Current annual spend is approximately £806,000 per year, however this can fluctuate along with global oil prices. Therefore, any contracts to be awarded by the Council must comply with the appropriate legislation.
- 5.4 Following evaluation, it is proposed that the contract is awarded to Rix Petroleum under the ESPO Liquid Fuels Framework (ref: 301-22) which the Council is entitled to use as a Local Government Authority and is compliant under the Public Contract Regulations. This framework provides the Council with the best value and necessary flexibility to meet its requirements.
- 5.5 The framework has been awarded to eight contractors and a comparison of the prices and applicable margins submitted has been undertaken and enabled officers to make the recommendation to appoint a single supplier for the contract duration, via a Direct Award without the need for any further competition.
- 5.6 The framework agreement has pre-agreed terms and conditions of contract and an appropriate Service Level Agreement (SLA) with established clear quality standards and fixed pricing margins which overlay the weekly fuel prices, which is necessary in such a volatile market.

## **6. Equality, Diversity and Human Rights implications**

- 6.1 Through the Council's procurement strategy, staff ensure that all procurement and purchasing documentation recognises, understands and supports the Council's policies with regards to equal opportunities, diversity, and human rights.

## **7. Strategic Plan References**

- 7.1 Fleet operations are a key element of the way the Council delivers its services to residents and businesses, and therefore this procurement exercise underpins much of the activity that will deliver against the strategic priorities.

## **8. Consultation**

- 8.1 The National ESPO Liquid Fuels Framework (Ref: 301-22) will be used for the liquid fuel procurement, due to the expertise and knowledge provided by the team and this will also ensure compliance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

## **9. Publicity Considerations**

- 9.1 The decision will be communicated through a contract award notice that will be published in accordance with the Public Contract Regulations 2015. In addition, relevant details will be included within the Council's Contracts Register that is published through Data share.

## **10. Financial implications**

- 10.1 The fuel budget for all services across the Council will be carefully monitored and the budget position over the term of the contract will be reviewed accordingly.
- 10.2 The Council will continue with its Fleet Transition Plan aiming for a zero-carbon fleet by 2030. This is set out in more detail under section 14, 'Environmental and Sustainability Implications' below. This transition will impact on fuel use and the associated budget over the coming years.

## **11. Health, Wellbeing and Community Safety Implications**

- 11.1 There are no health, wellbeing, or community safety implications.

## **12. Health and Safety Implications**

- 12.1 The Council has a corporate responsibility to ensure that all fleet and transport operations comply with national standards.

## **13. Risk Management Implications**

- 13.1 There could be budget pressure resulting from the impact of EU transition on oil prices and the war in Ukraine, that may result in fuel price increases. The price of fuel will be carefully monitored.
- 13.2 The Council will seek to mitigate against any potential risks by following the compliant procurement process and ensure contingency plans are in place for any failure of vehicles or fuelling issues that may impact on core services.

## **14. Environmental and Sustainability Implications**

- 14.1 The Council has worked with the Carbon Trust to calculate, and project, Council emissions to 2030. Through ongoing work at the Council and working with other consultants, the aim is to develop actions between now and 2030 to help the Council reach its net zero target by that end date. This includes a strategy to transition to a fully Electric Vehicle (EV) Fleet and the Council is working with experts at the Energy Savings Trust to develop this programme.
- 14.2 The first phase of this transition has started with the Council already having eleven fully electric vehicles and four hybrid vehicles within its current fleet. The procurement of additional light fleet EVs are due to be added in late 2022, early 2023.

- 14.3 Having considered the Energy Savings Trust recommendations, a large investment in an alternative fuel contract is not considered to be the most effective option at this time from a budget and sustainability perspective, however trials are currently in place with an alternative fuel HVO, and it is therefore proposed that this fuel option is included in the tender exercise should the trials prove to be successful.
- 14.4 The Energy Savings Trust have independently recommended an investment in alternative actions that will bring confirmed and affordable carbon reductions. Those that are already being progressed include:
- Driver training for fuel efficiency
  - Better use of fleet telematics to improve driving efficiencies (e.g., reducing idling)
  - Focussing on changing small fleet to EVs – including preparing Rowan House for electric charge points for small fleet – continued work with UK Power Networks
  - Ecargo bikes and how these could be used – Considering wider emissions savings in borough by helping businesses to reduce emissions and not just the Council
  - Plan efficient route to reduce emissions from fleet
- 14.5 All options, including alternative fuels, will be kept under review and as the market develops, including the emergence of further, independently verifiable, evidence to support viability assessments, this will be incorporated into the Council's fleet transition strategy.
- 14.6 The Council will continue to investigate and identify alternative options to improve the environmental impacts of the Council's fleet and will continue to identify and action any opportunities to trial new technology in line with the net-zero Carbon target.