

SHEFFIELD CITY COUNCIL



Executive Director Report

Report of: Eugene Walker

Report to: Executive Director

Date: 24 February 2016

Subject: Provision of Liquid Fuels

Author of Report: Paul Rayton 27 37590 / Phil Edwards 20 37418

Key Decision: YES

Reason Key Decision: Expenditure/savings over £500,000

Summary:

Sheffield City Council has a requirement to purchase liquid fuels (diesel, gasoil and unleaded petrol) to assist with the continuation of its daily activities. Over the previous four years this requirement has been met by calling-off from the Yorkshire Purchasing Organisation (YPO) liquid fuels framework. This framework has recently been retendered by YPO and this report seeks Executive approval to call-off from the new YPO liquid fuels framework.

Yorkshire Purchasing Organisation is a publicly owned procurement organisation and one of the largest formally constituted public sector buying organisation in the UK. YPO set up a number of frameworks compliant with the public procurement regulations against which contracting authorities may 'call-off' against, subject to benchmarking on value for money.

This new framework has been procured by YPO in line with the Public Procurement Regulations, initially for a period up to 31 October 2017, with the option to extend for a further 24 month period up to 31 October 2019. It has been competitively tendered on the open market to ensure best-value for

customers wishing to call-off from it. In turn, further independent benchmarking of the framework has been undertaken by Sheffield City Council's Commercial Services function to confirm the framework offers best value for the Council in meeting its liquid fuels requirements.

Under the Leader's Scheme of Delegation, this requirement is defined as a 'Commonly Recurring Item' (i.e. being something which the Council routinely purchases to enable the continuation of its day to day business activities) and is also defined as a Key Decision as expenditure is over £500,000. Approval therefore falls under 'Executive Functions Delegated to Officers'.

Reasons for Recommendations:

The YPO framework from which the Council's liquid fuels requirements have been met previously has been retendered by YPO and replaced with a new framework, competitively tendered on the open market in compliance with the Public Procurement Regulations.

Further independent benchmarking of the framework undertaken by the Council has concluded that the YPO framework offers a simple route to market and that the recommended supplier for Sheffield is competitive, has provided the most economically advantageous tender and offers best value overall. It is therefore recommended that the YPO framework is called-off against in order to meet the Council's liquid fuel requirements.

The framework will be further benchmarked by the Council at regular intervals to ensure continued best-value, in particular October 2017 when YPO will run a further competition between those contractors party to the framework to reassess quality and for contractors to refresh their pricing.

Recommendations:

That the Executive Director approves a call-off contract with the most economically advantageous contractor or contractors from the YPO Liquid Fuels framework for a period through to 31 October 2017.

That the Executive Director delegates authority to the Director of Commercial Services or her nominated representative to award call-off contracts for the Council's liquid fuel requirements.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Jayne Clarke
Legal Implications
YES Cleared by: Sarah Bennett
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO Cleared by:
Human Rights Implications
NO Cleared by:
Environmental and Sustainability implications
YES Cleared by:
Economic Impact
NO Cleared by:
Community Safety Implications
NO Cleared by:
Human Resources Implications
NO Cleared by:
Property Implications
NO Cleared by:
Area(s) Affected
All Wards
Relevant Cabinet Portfolio Lead
Cllr Ben Curran
Relevant Scrutiny Committee
Scrutiny Management Committee
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

REPORT TO THE EXECUTIVE DIRECTOR

PROVISION OF LIQUID FUELS

1.0 SUMMARY

- 1.1 Sheffield City Council has a requirement to purchase liquid fuels (diesel, gasoil and unleaded petrol) to assist with the continuation of its daily activities. Over the previous four years this requirement has been met by calling-off from the Yorkshire Purchasing Organisation (YPO) liquid fuels framework. This framework has recently been retendered by YPO and this report seeks Executive approval to call-off from the new YPO liquid fuels framework.
- 1.2 Yorkshire Purchasing Organisation is a publicly owned procurement organisation and one of the largest formally constituted public sector buying organisation in the UK. YPO set up a number of frameworks compliant with the public procurement regulations against which contracting authorities may 'call-off' against, subject to benchmarking on value for money.
- 1.3 This new framework has been procured by YPO in line with the Public Procurement Regulations, initially for a period up to 31 October 2017, with the option to extend for a further 24 month period up to 31 October 2019. It has been competitively tendered on the open market to ensure best-value for customers wishing to call-off from it. In turn, further independent benchmarking of the framework has been undertaken by Sheffield City Council's Commercial Services function to confirm the framework offers best value for the Council in meeting its liquid fuels requirements.
- 1.4 Under the Leader's Scheme of Delegation, this requirement is defined as a 'Commonly Recurring Item' (i.e. being something which the Council routinely purchases to enable the continuation of its day to day business activities) and is also defined as a Key Decision as expenditure is over £500,000. Approval therefore falls under 'Executive Functions Delegated to Officers'.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 As this is a 'Commonly Recurring Item' required for the Council to deliver its day to day business activities the impact upon the people of Sheffield is indirect as without a supply of fuel other essential and critical services provided by the Council may be affected, or may be delayed or have additional costs incurred in their delivery.
- 2.2 For example, refuelling the Council's white bus fleet which transports a number of children to and from school each day is done from the fuel pumps at Staniforth Road which is quicker, easier and more efficient than using fuel cards and going to a petrol forecourt to refuel, and reduces bureaucracy. Other parts of the Council's vehicle fleet similarly are

refuelled and which are used in the provision of social services.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 The key outcome of the report will be approval to proceed with calling-off from the Yorkshire Purchasing Organisation liquid fuels framework which ensures the Council has a secure and sustainable supplier of unleaded petrol, diesel and gasoil for its daily operational needs.
- 3.2 A sustainable supply from a reputable supplier is critical to ensure the Council may continue to operate its fleet at a competitive rate, have in place sufficient fuel stock for emergency planning purposes and minimise the risk of spillage and environmental degradation by using a proven contractor with trained tanker drivers.

4.0 REPORT BACKGROUND

- 4.1 Sheffield City Council has a requirement to purchase liquid fuels (diesel, gasoil and unleaded petrol) for the continuation of its daily activities. A typical annual requirement will see the need for around 700,000 litres of diesel for Staniforth Road / Claywheels Lane depot storage tanks; a further 70,000 litres of unleaded petrol for the Staniforth Road tank and 130,000 litres of gasoil (for cemeteries, Council depots and Norton Nurseries for example).
- 4.2 The fuel storage tanks at Claywheels Lane and Staniforth Road depots are used primarily for refuelling the Council fleet, but they also act as a civil contingency requirement for emergency planning purposes. For these reasons it is critical that the Council has in place an approved accredited market tested supplier of liquid fuel products who can deliver in a timely manner.
- 4.3 As part of the procurement exercise undertaken by YPO, YPO included separate Lots for specific geographical areas to further ensure best value for local public bodies calling-off the framework, and to further ensure ability to deliver at specified areas. Sheffield was one such specific Lot offering further reassurance on continuity of supply and ensuring the most economically advantageous contractor is recommended by YPO. Differing contractors will have lower (or higher) costs for delivering to some areas as opposed to others for example, and lotting in this way helps contractors price more competitively.

5.0 LEGAL IMPLICATIONS

- 5.1 The requirement under this contract is to provide the Council with liquid fuel products, specifically diesel, gasoil and unleaded petrol. Whilst not in itself a statutory requirement, having access to a secure source of fuel will assist Council officers who do provide statutory and other essential services to the citizens of Sheffield. There are also requirements under Emergency Planning requirements to have well stocked fuel tanks at Staniforth Road and Claywheels Lane.

- 5.2 Specific to the YPO framework, there is no formal tie-in period for the Council should evidence suggest an alternative approach may prove more competitive (i.e. an alternative framework or analysis that the Council may achieve a better deal by undertaking its own procurement exercise in line with the Public Procurement Regulations). In this eventuality further approval under Leader's Scheme of Delegation would be required and a report recommending the appropriate course of action would be presented. Any notice required to a contractor would be more than covered by the time taken with seeking approval and running any procurement exercise.
- 5.3 There are no TUPE implications arising from the previous framework / contractor.
- 5.4 The contractor is responsible for obtaining all licences, authorisations, consents or permits required in relation to the performance of the framework requirements and ensuring the products delivered are in line with statutory requirements.

6.0 FINANCIAL IMPLICATIONS

- 6.1 The goods required under this contract are demand led and the value of spend fluctuates in line with commodity costs (and duty applied), but based on historic usage and current costs expenditure will be in the region of £750,000 annually.
- 6.2 Costs for the calendar year 2015 for all three fuel types (exc. VAT) was £752,585. Minor savings are expected by flexing the new framework and having one supplier deliver diesel and a different supplier deliver gasoil / unleaded petrol, but most of the costs are made up of duty and VAT, and then cost of product, with supplier margins fairly tight so there is limited opportunity to drive down costs. The cost of oil is low at the moment which is keeping the cost of product down, although this is more likely to go up, in the medium term if not short term
- 6.3 This amount is comfortably above the Public Procurement Regulations threshold requiring an open tender process compliant with these Regulations. YPO have carried out such a compliant tender exercise and which has been benchmarked to ensure it offers the Council best value.
- 6.4 The value may increase in line with additional demand from the insourcing of the social housing repairs and maintenance contract in future years, although the target operating model for that is currently being developed and much of the fuel requirement for the fleet required to perform the functions of this requirement may be better met via fuel cards.
- 6.5 The cost of the fuel under the YPO framework is based on Platts weekly lagged prices plus supplier premium, YPO management fee and any applicable small load premiums.

- 6.6 Platts is a provider of energy information and a source of benchmark price assessments in the physical energy markets and is widely used as the baseline for industry pricing.
- 6.7 The supplier premium has been market tested as part of the YPO procurement exercise and is considered competitive.
- 6.8 Efforts are made to order sufficient quantity to avoid or minimise any small load premium being payable when ordering for the large storage tanks at the Council depots as sufficient quantity can be ordered; smaller deliveries are for unleaded petrol and some deliveries to satellite locations are however required from time to time which necessarily will be smaller deliveries with a corresponding small load premium being applicable.

7.0 ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

As part of the procurement exercise undertaken by YPO, suppliers (whether blenders of biofuel or distributors), are required to ensure that the biofuels they blend/distribute have minimal social, economic and environmental impacts in their production. Suppliers are also expected to have an audit programme and/or supply chain management procedures to track biofuels to ensure that, where possible, the fuel has originated from sustainable sources. There is also a requirement on suppliers to be aware of and comply with Renewable Transport Fuels Obligation (RTFO).

8.0 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Sheffield City Council carries out its own procurement exercise. This may encourage other local suppliers to bid although for the most part contractors bidding would be those that have just bid for the current YPO framework. Also, anything other than a local or sub-regional procurement exercise specifically with Sheffield (and possibly other local and city-region public bodies) in mind would simply replicate what YPO have undertaken. This option will remain on the table however (as there is no tie-in with YPO) should benchmarking indicate that further savings could be generated from this approach.
- 8.2 'Do nothing' is not an option as the amount of fuel the Council requires sees spend above the OJEU requirements of the Public Contracts Regulations ensuring a formal procurement process must be followed. Doing nothing would also mean the Council having no contract in place with a supplier and the fleet then having to be fuelled via fuel cards, reducing efficiencies and also meaning the storage tanks could not be restocked.

9.0 REASONS FOR RECOMMENDATIONS

- 9.1 The YPO framework from which the Council's liquid fuels requirements have been met previously has been retendered by YPO and replaced with a new framework, competitively tendered on the open market in compliance with the Public Procurement Regulations.

- 9.2 Further independent benchmarking of the framework undertaken by the Council has concluded that the YPO framework offers a simple route to market and that the recommended supplier for Sheffield is competitive, has provided the most economically advantageous tender and offers best value overall. It is therefore recommended that the YPO framework is called-off against in order to meet the Council's liquid fuel requirements.
- 9.3 The framework will be further benchmarked by the Council at regular intervals to ensure continued best-value, in particular October 2017 when YPO will run a further competition between those contractors party to the framework to reassess quality and for contractors to refresh their pricing.

10.0 RECOMMENDATIONS

- 10.1 That the Executive Director approves a call-off contract with the most economically advantageous contractor or contractors from the YPO Liquid Fuels framework for a period through to 31 October 2017.
- 10.2 That the Executive Director delegates authority to the Director of Commercial Services or her nominated representative to award call-off contracts for the Council's liquid fuel requirements.

Paul Rayton / Phil Edwards
Category Manager / Workshop Supervisor
January 2016