

(Acting) Chief Fire Officer	Ref No: OKD16 19/20
September 2019	Key Decision: YES
Award of Contract for Delivery of Diesel Fuel	Part I
Fleet Manager	Electoral Division(s): ALL
<p>Summary</p> <p>Diesel fuel is currently delivered to 10 sites in the County to assist with re-fuelling requirements for vehicles and fire appliances in the Council's fleet. The storage of diesel fuel also forms part of the Council's overall resilience capability during times of fuel shortages and other emergency events.</p> <p>Currently the Council meets its diesel fuel requirement using a call-off contract procured through the Crown Commercial Service (CSS) in 2017. This contract expires on 30 September 2019.</p> <p>Following a collaborative procurement process in July 2019 with local Blue Light organisations, the Council is now in a position to award the contract for the purchase and delivery of diesel fuel to WFL (UK) Ltd t/a Watson Fuels as the best-value solution.</p> <p>The proposed contract length is 30 months starting on 1 October 2019.</p>	
<p>West Sussex Plan: Policy Impact and Context</p> <p>The delivery of fuel to sites in West Sussex ensures the workforce is both resilient and supported in their role in providing emergency response.</p> <p>This outcome supports the objective of making West Sussex a strong, safe and sustainable place.</p>	
<p>Financial Impact</p> <p>The route to market used for the group's aggregated requirement was the CCS Framework Agreement for Liquid Fuels (RM3801).</p> <p>The annual spend by the Council through the call-off contract will be approximately £248,000 per annum and will be funded from revenue.</p> <p>The total contract value is dependent on the base price of diesel fuel during the contract term but is expected to be approximately £620,000 over 30 months.</p> <p>The proposed contract is expected to deliver an anticipated saving of 1.04% per annum compared to the current contract.</p>	

Recommendations

The (Acting) Chief Fire Officer is asked to approve the award of contract to WFL (UK) Ltd, trading as Watson Fuels, to deliver diesel fuel to all ten sites in West Sussex from 1 October 2019 until 31 March 2022.

1. Background and Context

- 1.1 The decision to aggregate demand for diesel fuel with local Blue Light partners and commence a procurement was taken in May 2019 ([OKD02 19/20](#)).
- 1.2 The combined approximate annual diesel consumption for the whole group is 2,974,230 litres, of which 7% is delivered to sites owned by the Council.
- 1.3 The Council has also engaged with District and Borough Councils in West Sussex to further aggregate the volume and enhance the buying power of these organisations.
- 1.4 The further competition was carried out in July 2019 by the Crown Commercial Service (CCS) using the Framework Agreement for Liquid Fuels (RM3801). The opportunity was available to bidders for 2 weeks.
- 1.5 A total of 7 pre-approved suppliers were invited to bid on the requirement.
- 1.6 Since the requirement spans 2 of the geographical Lots defined by the Framework, the further competition was organised to provide bidders with the option to:
 - a) Bid on the requirement divided by Lot (thereby splitting the group's requirement);
 - b) Bid on the total requirement of the group.
- 1.7 The pricing structure of the proposed contract is described as a 'cost-plus' arrangement. The total diesel price (payable by the Council) is calculated in the following way:

$$\text{Total Pence per litre price} = \text{Commodity cost (Diesel)} + \text{Supplier Margin (fixed for contract period)} + \text{Framework Management fee (fixed for contract period)}.$$
- 1.8 Using an e-auction method, bidders were required to quote the margin they intend to apply to each litre of fuel delivered during the life of the contract.
- 1.9 The supplier margin covers their supply cost, distribution cost, cost of credit, overheads and profit
- 1.10 The diesel commodity price data is provided by S&P Global Platts.

1.11 The current margins paid by the Council under the current contract are detailed in the table below:

Supplier	Stations covered	Margin Price/Litre (£)	CCS Management fee Price/Litre (£)	Cost Build up Price/Litre (£) (margin +fee)
Certas Energy UK Ltd	6	£0.0181	£0.0020	£0.0201
WFL UK Ltd	4	£0.025	£0.0020	£0.027

1.12 Following the procurement and evaluation process, the option to meet the group's overall requirement was the most cost-effective outcome (rather than splitting the requirement over 2 Lots). This cost-build-up of the winning bidder is shown below:

Supplier	Council sites	Margin Price/Litre (£)	CCS Management fee Price/Litre (£)	Cost Build up Price/Litre (£) (margin +fee)
WFL (UK) Ltd t/a Watson Fuels	10	£0.0098	£0.0020	£0.0118

2. Proposal Details

2.1 It is proposed that the contract for the delivery of diesel fuel is awarded to WFL (UK) Ltd t/a Watson Fuels on the basis that:

- a) It offers the most cost-effective solution to the Council with an anticipated saving of 1.04% saving per annum;
- b) It follows from a compliant procurement process in line with the Council's Standing Orders for Procurement and Contracts;
- c) It demonstrates collaboration with local Blue Light partners to aggregate demand and achieve best value;
- d) It reduces the number of suppliers of diesel fuel from two to one.

2.2 The proposed contract will start on the 1st October 2019 and operate for a period of 30 months until 31 March 2022.

- 2.3 Each organisation that took part in the collaborative procurement will enter into their own call-off contract with the winning supplier on the same commercial terms. This approach was detailed to bidders at the procurement stage.
- 2.4 The CCS management fee and supplier margin will remain fixed for the duration of the contract. The fuel price may/will fluctuate according to activity on the commodity markets.
- 2.5 The total contract value is expected to be approximately £620,000 over 30 months

3. Consultation

- 3.1 Consultation on the final bid response has been carried out with the following parties:
- Fire and Rescue Service Senior Leadership Team
 - Council's Procurement Board
 - Solicitor (Commercial)
 - Fleet Resource and Support Team Leader

4. Financial (revenue and capital) and Resource Implications

- 4.1 The following table represents the revenue implications of the proposed contract starting on 1 October 2019.

	Current Year 2019/20 £m	Year 2 2020/21 £m	Year 3 2021/22 £m
Revenue budget	£0,310*	£0,620	£0,620
Change from Proposal	£0	£0	£0
Remaining budget	£0,310	£0,620	£0,620

*pro-rata spend based on a contract start date of 1 October 2019.

- 4.2 There are no capital requirements as part of this proposal.
- 4.3 This proposal will ensure the purchase and delivery of diesel to sites in West Sussex from 1 October 2019 continues with a CCS-approved supplier and represents best value to the Council.
- 4.4 As part of the new arrangement, there is an expected saving of 1.04% per annum (equivalent of £2,600) compared to the previous contract and assuming the current commodity price of £1.01 per litre.
- 4.5 WFL (UK) Ltd t/a Watson Fuels already deliver to 4 sites in West Sussex and have the ability and capacity to deliver to additional sites in the Council.

4.6 The contract will continue to be administered by the Council's Fleet Team.

5. Legal Implications

5.1 The procurement will be undertaken in accordance with the Public Contract Regulations 2015 and WSCC Standing Orders for Contracts and Procurement ensuring the principles of transparency and equal treatment are maintained, ensuring acceptable time limits are applied and details of the award procedure made clear in the tender documents.

5.2 The current contract will expire on 30 September 2019 without the requirement to provide notice or initiate other proceedings.

6. Risk Implications and Mitigations

Risk	Mitigating Action (in place or planned)
Increasing commodity prices	Commodity prices will be monitored and reviewed during the lifetime of the contract.
The transition between contracts is not smooth in terms of delivery and invoicing	The incoming supplier already provides services to the Council and is familiar with WSCC processes. Communications with the outgoing supplier will be relevant and timely.
The supplier cannot manage demand or deliveries are consistently late	The collaborative group will work together to manage quality issues that may arise.
Compliance with environmental and health and safety regulation	In order to take part in the further competition, the Supplier will have had to demonstrate compliance with existing environmental and Health and Safety regulation and be in possession of the relevant licences to have qualified as an approved supplier on the Framework Agreement. These documents/accreditations will be requested from the Supplier prior to confirming the call-off.

7. Other Options Considered

7.1 The following options have been considered.

- a) Do nothing;
- b) Disaggregate requirement from the group and re-procure separately;

7.2 Option a) has been discounted on the basis that it would put the Council in a non-compliant position that may affect business continuity.

7.3 Option b) would ignore the demonstrable benefits of collaborating with partners and achieve best value through economies of scale.

8. Equality and Human Rights Assessment

8.1 The Equality Duty does not need to be address as part of this report which is dealing with purchase and delivery of diesel fuel and will not impact on any individuals with a protected characteristic.

9. Social Value and Sustainability Assessment

9.1 A sustainability appraisal has been completed for this procurement. As part of the pre-approval process for the Framework Agreement, potential suppliers will be required to demonstrate competency in the following areas:

- Fuel Quality - ensuring that fuel quality meets European Standards and British Standards or equivalent of both during the contract term;
- Storage facilities - providing information relating to the safety and suitability of the condition of Contracting Authority's storage tanks to prevent leakage;
- Fuel deliveries - supplying data of the volumes of liquid fuels delivered to delivery locations and ensuring logistics (vehicle movements) remain efficient.

10. Crime and Disorder Reduction Assessment

10.1 None

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Appendices - None

Background papers - None