

Report to Cabinet

23rd November 2017

By the Cabinet Member for Waste, Recycling and
Cleansing

DECISION REQUIRED



**Horsham
District
Council**

Exempt Appendix A under paragraph 3 of Part 1 of
Schedule 12A to the Local Government Act 1972

Sussex and Surrey Joint Fuel Procurement e-auction

Executive Summary

Horsham District Council requires diesel as its main form of fuel for the fleet of vehicles serving a number of departments. The purpose of this report is to ask Cabinet to approve the preferred bidder for the supply of diesel based on the most competitive fixed rate surcharge for supply of diesel for the next 2 years.

The current contract for supply of diesel had not been reviewed for a number of years and therefore it has been necessary to undertake an exercise to obtain diesel at the most competitive price balanced against quality and the ability to supply. Whilst the overall saving achieved is relatively small over the 2 year period, the proposal to award the fuel supply contract is covered under key decisions given the total value of the contract and the impact which affects every ward across the district.

In order to achieve best value a reverse electronic auction (e-auction) managed by Crown Commercial Services (CCS) was conducted on behalf of the Sussex and Surrey Joint Procurement Partnership which Horsham District Council benefited from. The joint procurement exercise included a number of essential service providers such as the Sussex and Surrey emergency services. This helped provide the associated economies of scale.

The e-auction allowed suppliers to compete with each other during the auction reducing their supplier surcharge which is applied for the supply of fuel. The auction also allowed suppliers to make multiple offers rather than the traditional tendering exercise which limits opportunity to one final unit price which includes a supply surcharge. The use of reverse e-auctions with multiple bid options therefore promotes cost savings. The base price of fuel is of course variable as a commodity however what is negotiable is the margin made by the supplier which has now been fixed dependant on volume required as a whole.

In 2018/19 with a new fuel efficient fleet we estimate the annual fuel purchase to be around 500,000 litres of diesel saving approximately £4,500 per annum however this is subject to a varying base fuel rate. The e- auction submission has been evaluated accordingly. Key considerations of the auction exercise included: overall unit cost per litre, quality of product and the ability to supply fuel in a timely manner to meet demand.

Recommendations

That Cabinet is recommended to accept the bid and award the supply contract to Company A (exempt appendix A), as the preferred supplier of diesel for the next 2 years.

Reasons for Recommendations

- i) The e-auction offers a preferential overall cost per litre for fuel based on given volumes within a partnership using our current supplier with fixed margins applied to supply diesel from current supplier Company A.

Background Papers - None

Wards affected: All wards affected

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Background Information

1 Introduction and Background

- 1.1 The purpose of this report is to seek the approval to award the contract for the supply of fuel for the next 2 years with fixed supplier surcharges.
- 1.2 The new contract will be at a lower price than the existing contract which means a cost saving over the 2 year period based on overall price per litre against total fuel use per annum.

2 Relevant Council policy

- 2.1 Efficiency – providing value for money services by securing the best price per litre for diesel to power the council's fleet of vehicles.

3 Details

- 3.1 The current contract for the supply of diesel has not been reviewed for a number of years and therefore it has been necessary to undertake an exercise to obtain fuel at the most competitive price, balanced against quality and the ability to supply.
- 3.2 A reverse e auction has been conducted through a framework agreement managed by CCS and the submission has been evaluated accordingly. Key considerations of the exercise included regulatory compliance, base unit costs per litre, plus supplier and framework supplier margins along with the ability to supply in a timely manner to meet local demand.
- 3.3 From the procurement exercise undertaken, Tender Company A has emerged as the Preferred Bidder. The preferred Bidder submitted the lowest supplier profit margin per litre on fuel which includes transport and delivery costs for diesel to Hop Oast Depot. The margin is £0.0181 per litre.
- 3.4 In addition to the fuel supplier mark up the framework provider, CCS also adds on a surcharge of £0.0020 per litre which gives a total surcharge supply price of £0.020 giving a total of £0.02p.
- 3.5 The existing fuel supply contract is based on market price, which has been on average £0.94p per litre for the last year. Making use of economies of scale the new contract allows the fuel provider to buy the fuel at a lower price. Once supplier margins have been added we would still see a saving of 0.088p per litre. The anticipated fuel usage with the new fleet is around 500,000 litres per annum therefore creating a saving of approximately £4,500 per annum.

4 Next Steps

- 4.1 If agreed by Cabinet, we wish to enter into a new contract using the preferred bidder for 2 years.
- 4.2 The contract needs to be awarded formally to Company A based on the e-auction submission.

5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 The Waste & Recycling Policy and Advisory Group supported the proposals and recommendations within the report discussed at the meeting held on November 10th 2017
- 5.2 The Councils Monitoring Officer and Director of Corporate Resources have been consulted and their comments have been incorporated in to this report.

6 Other Courses of Action Considered but Rejected

- 6.1 The Council could continue to purchase diesel at a higher unit cost and incur greater costs.
- 6.2 There were other suppliers who participated in the e-auction which elicited a preferential unit cost from the preferred supplier.
- 7.1 There would be an annual purchase of around 500,000 litres of diesel saving an estimated £4,500 per annum (subject to varying fuel base rate). Exempt Appendix A outlines the pricing structure and cost per unit.

8 Legal Consequences

- 8.1 Part 4G of the Council's Constitution provides Contract Standing Orders.
- 8.3 The Council has used the CCS framework agreement which has given equal opportunity to suppliers on the framework via a reverse e – auction.

9 Risk Assessment

- 9.1 The base fuel price may fluctuate over the next 2 years which can be tracked which will affect the overall unit price per litre however the margins applied by the supplier and CCS are fixed

10 Other Considerations

- 10.1 This proposal does not impact on Crime & Disorder; Human Rights; Equality & Diversity and Sustainability matters.