

# **Cherwell District Council**

## **Executive**

**4 November 2013**

### **Award Of Liquid Fuel Contract**

## **Report of Head of Finance and Procurement**

This report is public

### **Purpose of report**

To consider the award of contracts to supply diesel to Cherwell District Council.

### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To approve the acceptance of the recommended tenders for the supply of diesel.

### **2.0 Introduction**

- 2.1 Cherwell District Council has an annual requirement for approximately 370,000 litres of diesel that is delivered to its storage tanks at Highfield and Thorpe Lane Depots. At current market prices this requirement has a two year value in the region of £816,000. The size of the contract award exceeds delegated authority arrangements and hence requires an Executive decision.

### **3.0 Report Details**

- 3.1 To secure the lowest cost of supply Cherwell District Council purchases diesel in bulk for deliveries to its storage tanks. This results in a lower cost per unit than would be obtained from garage forecourts.
- 3.2 The cost of diesel is made up of three elements: 1. cost of the product (this is tracked by The Platts Index) Platts is a global provider of energy, petrochemicals, metals and agriculture information, and a source of benchmark price assessments for those commodity markets since 1909 2. Duty 3. Delivery and profit.
- 3.3 As the Council cannot influence either element 1 (set by international markets) or 2 (set by Central Government) tenders are evaluated on element 3.

- 3.4 To minimise the cost of running a procurement exercise and to drive down the delivery & profit element of the fuel cost Cherwell District Council cooperated with Coventry City Council to run a further competition. This used the national 'Liquid Fuel framework contract' established by the Eastern Shires Purchasing Organisation (ESPO) on behalf of the PRO5 group (a public sector buying consortium).
- 3.5 Coventry grouped requirements by County and tendered these requirements with all the eligible suppliers on the Framework. For Oxfordshire this meant that Cherwell District Council's requirement was grouped with that of Oxfordshire Fire & Rescue service, Oxford City Council, Oxfordshire County Council and West Oxfordshire District Council to give a total requirement in excess of 1.8 million litres a year.
- 3.6 Coventry's analysis of the tenders received was checked by the joint Procurement Team and GB Oils were found to have submitted the most advantageous tender for the supply of red diesel and Harvest for white diesel. Harvest is the current supplier to Cherwell District Council and they have performed well. GB Oils have been a supplier to South Northamptonshire Council for the past two years and have also performed well. The marginally better terms offered by Harvest combined with slightly less advantageous terms for red diesel should result in a saving of approximately £1,400 a year. Hence this award slightly reduces Cherwell District Council's costs.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 Following a 'best practice' procurement exercise GB Oils and Harvest have submitted the lowest cost tenders for the supply of Diesel to Cherwell District Council for the next two years and the Executive is recommended to authorise the award.

## **5.0 Consultation**

Cllr Ken Atack, Lead Member for Financial Management

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 No reasonable alternatives.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 These are contained in the report.

Comments checked by:

Tim Madden, Interim Head of Finance and Procurement, 0300 0030106  
tim.madden@cherwellandsouthnorthants.gov.uk

## Legal Implications

- 7.2 The procurement has been undertaken in compliance with the Council's Contract Procedure Rules.

Comments checked by:

Kevin Lane, Head of Law and Governance, 0300 0030107,  
kevin.lane@cherwellandsouthnorthants.gov.uk

## 8.0 Decision Information

**Key Decision (Cabinet/Executive reports only) or delete if not Cabinet / Executive report**

**Financial Threshold Met: Yes**

**Community Impact Threshold Met: No**

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

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### Lead Councillor

Councillor Ken Atack, Lead member for financial management.

## Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Tim Madden, Interim Head of Finance and Procurement
Contact Information	0300 0030106 tim.madden@cherwellandsouthnorthants.gov.uk