

Cherwell District Council

Executive

5 September 2016

Award Of Liquid Fuel Contract

Report of Chief Finance Officer

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 tender for the supply of diesel for October 2016-September 2018.

2.0 Introduction

- 2.1 Cherwell District Council has an annual requirement for approximately 363,000 litres of diesel that is delivered to its storage tanks at Highfield and Thorpe Lane Depots. At current market prices this requirement has an annual value in the region of £317,000. 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 CDC cooperated with the Eastern Shires Purchasing Organisation who ran a further competition using the national 'Liquid Fuels' framework contract.
- 3.5 ESPO 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 diesel requirement in excess of 1.4 million litres a year.
- 3.6 ESPO analysed the tenders received and Certas Energy UK Ltd were found to have submitted the most advantageous tender for the supply of both white and red diesel. The margins offered by Certas Energy UK Ltd are unfortunately higher than the current contract and will result in an increase of approximately £2,300 a year.
- 3.7 ESPO proposes to run a further competition for the supply of diesel for October 2016 – September 2018.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Following a 'best practice' procurement exercise Certas Energy UK Ltd have submitted the lowest cost tender 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 The increase in margins offered by Certas Energy UK Ltd should result in an increase of approximately £2,300 a year.

Comments checked by:

Paul Sutton, Chief Finance Officer, 0300 0030106,
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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,
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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

Sound budgets and customer focused council

Lead Councillor

Ken Attack, Lead Member for Financial Management.

Document Information

Appendix No	Title
None	
Background Papers	
None	
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