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|  | REPORT TO CABINET TO BE HELD ON 17 July 2018 |
| | Key Decision YES Forward Plan Ref No: - |
| Corporate Priority: Improving The Council | Cabinet Portfolio Holder : Cllr Chatt |

REPORT OF: DIRECTOR (NE) 18/132

WARDS AFFECTED: ALL

SUBJECT: REVIEW OF FUEL PROVISION TO THE COUNCIL

PURPOSE OF REPORT

To receive and approve the recommendations contained within this report regarding the supply of fuel and provision of Fuel Cards.

RECOMMENDATIONS

1. Authorise Officers to enter into contracts through an EU procurement compliant framework for the supply of various grades of fuel at retail forecourts, based on price and network, all purchased via fuel cards.
2. Authorise Officers to enter into contracts from an EU procurement compliant framework, for the supply of bunkered fuels and additional liquids – such as AdBlue [an exhaust solution].

REASON FOR RECOMMENDATIONS

To:

- (a) To ensure an uninterrupted supply of fuel for essential service delivery.
- (b) Comply with EU Public Procurement Regulations;
- (c) Comply with the Council's Financial and Contract Procedure Rules;
- (d) Ensure the appointment of a competent supplier to provide the services;
- (e) Deliver financial savings.

HIGHLIGHTED RISKS

- Risk of failing to comply with EU Public Procurement Regulations;
- Risk of failing to comply with the Council's Financial and Contract Procedure Rules;
- Interruption for supply of fuel cards.

1. INTRODUCTION

- 1.1 Fuel is critical to the operations of the Council, namely providing front line Council services through the usage of its vehicle fleet.
- 1.2 The total fuel cost for Scarborough Borough Councils vehicle fleet for 2017/18 was £462,982 [exc. VAT]. Of this amount, £457,385 was issued through fuel cards at retailers, with £430,306 being for road diesel. The remaining £5,596 was through our own bunkered stock of red diesel located at the Dean Road Depot, primarily for the use of grass cutting machinery based at Manor Road Nurseries. with the remaining £27,080 being on unleaded fuel and a small amount of red diesel outside of Scarborough.
- 1.3 A Fuel Card System is a system in which the fuel is bought centrally and often at an agreed discounted rate compared to the price paid by the general public on the forecourt. Cards are used at nominated refuelling stations on the fuel card provider's network, the fuel card provider submits an invoice which is paid by direct debit and is reconciled internally.
- 1.4 Scarborough Borough Council first introduced the use of Fuel Cards for the refueling of all its vehicles in early 2007.
- 1.5 The Council has also continued to hold a supply of bunkered fuel at Dean Road, reducing our exposure during general fuel interruptions. This tank is then periodically used and refilled, to prevent deterioration of the fuel and potential risk to vehicle engines. During the last changeover of the contents, the tank was found to be in a poor condition with internal and external corrosion. The tank was therefore condemned and removed.

2. CORPORATE OBJECTIVES AND THE COMMUNITY PLAN

- 2.1 Effective procurement is identified as a key aim toward improving the Council.

3. BACKGROUND & ISSUES

- 3.1 Road diesel remains the most common fuel used by the Council. The fuel purchased will have a 7.25% biofuel element which will rise to 8.5% in 2019. Officers have trialled a number of electric vehicles and are monitoring developments in this area, however our consumption is unlikely to change significantly for the foreseeable future. Once the technology for hybrid or electric becomes more advanced then we can look to diversify our fleet. We have designed for additional charging capacity at Dean Road Depot, following the consolidation of this workspace and Manor Road. At present, the councils front line services operate mainly from one of three locations:

- i) Dean Road Depot, Scarborough
- ii) Manor Road Nurseries, Scarborough
- iii) Discovery Way Depot, Whitby (a shared facility with Ringways and NYCC)

- 3.2 Fuel for use by local authorities (either for the supply of bunkered facilities or for fuel cards) is normally procured through an EU compliant framework agreement managed by purchasing consortia e.g. the Crown Commercial Service, the Yorkshire Purchasing Organisation. The spend on fuel for Scarborough Borough Council is well above EU thresholds so an EU compliant framework provides an easier routes to market without the need to conduct a full EU tendering procedure.
- 3.3 At the expiry of the existing fuel card contract officers looked at options for fuel procurement. It was found to be financially viable to purchase a new diesel tank at Dean Road and refill Scarborough/Filey based vehicles from it on a routine basis. The difference between the cost of bunkered fuel compared to fuel drawn on fuel cards was found to be sufficient to warrant the change.
- 3.4 Officers submitted a business case for the investment and this was duly approved. The cost of the tank will be repaid on an invest to save undertaking, with a return on investment of 5-6 years. The tank will be operational from August and all diesel vehicles in Scarborough and Filey will be filled from it, with an expected annual usage of nearly 300,000ltrs.
- 3.5 Fuel will then be drawn from this tank and replenished as required by our bunkered fuel supplier.
- 3.6 Officers have approached other large fleet users for vehicles in Whitby, unfortunately it has not been possible to secure a supply which offers a saving compared to fuel cards.

- 3.7 The CCS has now re-tendered its Fuel Card framework contract and has recently made the award for the next four years.

4. CONSULTATION

- 4.1 Consultation has taken place between key fuel users across the Council, to ensure that the proposals meet their needs.

5. IMPLICATIONS

5.1 Policy

There are no policy issues arising from this report.

5.2 Financial

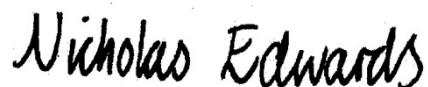
The cost of fuel is a large revenue commitment for the Council, and so prudent monitoring of fuel to reduce wastage is key. The new fuel tank at Dean Road is fitted with state of the art fuel monitoring to ensure management have accurate information on fuel spend by individual and vehicle. This mirrors the information available through our proposed fuel card supplier.

5.3 Legal

The award of an EU compliant call off contracts complies with the Council's Financial and Contract Procedure Rules and with EU Public Procurement directives.

5.4 Other

There are no other implications arising from this report.



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Risk Matrix

Appendix C

| Risk Ref | Date | Risk | Consequences | Mitigation | Current Risk Score | Target Score | Service Unit Manager/ Responsible Officer | Action Plan |
|----------|----------|--|---|--|--------------------|--------------|---|-------------|
| 1 | Jun 2018 | Failure to comply with the Council's Financial and Contract Procedure Rules. | Legal issues, potential impact on image of the Council. | Enter into new call off agreements through the Crown Commercial Service & Yorkshire Purchasing Organisation. | B1 | A1 | | All |
| 2 | Jun 2018 | Failure to agree new fuel purchasing regime. | Operational issues, potential impact on image of the Council. | Enter into new call off agreements through the Crown Commercial Service & Yorkshire Purchasing Organisation. | D4 | A1 | | All |

Glossary of Terms

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| Risk | An event which may prevent the Council achieving its objectives |
| Consequences | The outcome if the risk materialised |
| Mitigation | The processes and procedures that are in place to reduce the risk |
| Current Risk Score | The likelihood and impact score with the current mitigation measures in place |
| Corporate Objectives | An assessment of the Corporate Objectives that are affected by the risk identified. |
| Target Risk Score | The likelihood and impact score that the Council is aiming to achieve |
| Service Unit Manager | The Service Unit or Officer responsible for managing the risk |
| Action Plan | The proposed actions to be implemented in order to reduce the risk to the target score |

Risk Scoring

| | | | | | | |
|---------------|-------------------|----------|----------|----------|----------|----------|
| Impact | 5 | | | | | |
| | 4 | | | | | |
| | 3 | | | | | |
| | 2 | | | | | |
| | 1 | | | | | |
| | | A | B | C | D | E |
| | Likelihood | | | | | |

Likelihood:

A = Very Low

B = Not Likely

C = Likely

D = Very Likely

E = Almost Certain

Impact

1 = Low

2 = Minor

3 = Medium

4 = Major

5 = Disaster