

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
18 April 2023

Report Title: Procurement of Fuel

Submitted by: Executive Director of Sustainable Environment

Portfolios: Recycling & Environment

Ward(s) affected: All

Purpose of the Report

To ask cabinet for authority to utilise a number of different procurement options for the purchase of fuel for the Council's vehicle and plant fleet. Fuel purchased includes White Diesel, and Hydrotreated Vegetable Oil (HVO) which the Council now uses in a large number of its waste and streetscene service vehicles.

Recommendation

That

1. Cabinet approve the procurement process including 'spot market' purchasing for White Diesel and Hydrotreated Vegetable Oil (HVO) for use in the Council's vehicle and plant fleet.

Reasons

- The Council purchases around 400,000 litres of fuel each year, traditionally white diesel. Diesel is procured from existing agreed procurement frameworks, such as CERTAS and ESPO. The Council is now using Hydrotreated Vegetable Oil (HVO) in a large part of its fleet following approval for its use by Cabinet in September 2022. Supply of HVO is not as widely available as traditional white diesel, and is not currently available on any procurement frameworks.
- The market for fuel can be volatile, and has been especially so over the last twelve months, with the war in Ukraine and other factors affecting global supplies. Wholesale prices can and do fluctuate on a daily basis, therefore the ability to purchase fuel on the spot market can be advantageous from a financial perspective.

1. **Background**

- 1.1 The Council has four fuel tanks, which total 36,000 litres capacity, providing enough supply for the Council's fleet and plant to operate for around ten weeks. With the use of HVO now becoming mainstream as well as traditional white diesel, one of the tanks has now been designated for HVO, with a second switching over to HVO during April.

- 1.2 The Council has traditionally purchased its fuel (white diesel) via CERTAS as part of a national contract for the public sector.
- 1.3 ESPO another framework the Council uses for various supplies and contracts also has a framework for fuel, “ESPO – Liquid Fuels 301_22 Framework Fuel Prices”.
- 1.4 Updated prices from both frameworks are received on a weekly basis.
- 1.5 Use of HVO fuel was approved by Cabinet in September 2022, and is now in use for all vehicles capable of running on it without modification.
- 1.6 If supplies of HVO become difficult, vehicles can easily swap back to using white diesel, and the two fuels can be mixed in storage tanks if required, although the preference is to keep them separate, so that vehicles and plant which cannot run on HVO, are not fuelled with it inadvertently.

2. **Issues**

- 2.1 While the benefits in using HVO fuel in reducing emissions are evident, the cost is significantly dearer than white diesel, averaging around 40 to 50p a litre more expensive, and it is showing the same signs of price volatility in the market as is being experienced with regular petrol and diesel, even though HVO is not crude oil based.
- 2.2 HVO is not readily available on traditional procurement frameworks for fuel supplies, and doesn't necessarily follow market price indices for traditional fuel, as it's not oil based, but none the less travels through fuel supply terminal infrastructure.
- 2.3 Orders for HVO have been procured through ringing suppliers, some local, to obtain the best price. Thus far a local company BD fuels have been the most competitive.

3. **Proposal**

- 3.1 For the purchase of white diesel it is proposed to continue using existing national frameworks, all be it that the volume of diesel will be only around 30% of what has been purchased traditionally due to the introduction of HVO.
- 3.2 For the purchase of HVO fuel it is proposed to obtain the best price through purchasing on the spot market. This will involve the Fleet Stores Officer and Fleet technical officer contacting a list of suppliers, both national and local, to obtain the best price. Each time HVO needs to be purchased, at least three quotes will be obtained in writing (by email) from suppliers. The supplier who is able to offer the best price, with guaranteed delivery, will be given the order.
- 3.3 Over the next twelve months, and more suppliers of HVO are identified, it is proposed to formulate an agreed 'select list' of suppliers from whom quotes can be obtained. Additionally, as the use of HVO fuel increases, frameworks such as the ones currently used by the Council will start listing it as a commodity for supply.

4. **Reasons for Proposed Solution**

4.1 As HVO fuel is not currently available for purchase through agreed procurement frameworks, there is no other option but agree a formal procurement process for the purchase of HVO than purchasing on the spot market using an agreed quotation process, as outlined in section 3.

5. **Options Considered**

5.1 Due to the nature of the current purchase arrangements for HVO, there are no alternative options for its purchase, other than ceasing to use it, which would impact negatively on the Councils need to reach its Net Zero target for Carbon Dioxide emissions by 2030.

6. **Legal and Statutory Implications**

6.1 The use of the CERTAS and ESPO frameworks for the purchase of fuel, offers a compliant procurement process in line with Public Contract Regulations 2015.

6.2 Regularity and Assurance Compliance is established as part of the methodology set out in the proposals, section 3, for the purchase of HVO.

7. **Equality Impact Assessment**

7.1 An equality impact assessment is not required as part of this report.

8. **Financial and Resource Implications**

8.1 Over the last twelve months approximately £560,000 has been spent on fuel. An additional budget allowance has been made for the purchase of HVO fuel following Cabinet approval in September 2022.

8.2 Based on projections, HVO fuel will make up around 70% of the Councils total fuel purchase moving forward.

9. **Major Risks**

9.1 The use of a compliant framework agreement to procure supplies minimises possible procurement challenges.

9.2 Not being able to use compliant frameworks, due to the supply of goods not being listed on them, requires an alternative agreed method of procurement, with adequate controls in place given the high value of expenditure on fuel.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 The procurement of fuel, especially that of HVO, will support the Councils target for being net zero for its own operations by 2030, as well as delivery of the following UNSDG:



11. **Key Decision Information**

11.1 This is a key decision as revenue expenditure for the purchase of fuel over a twelve month period will exceed £250,000 revenue.

12. **Earlier Cabinet/Committee Resolutions**

12.1 There are no earlier Cabinet/Committee Resolutions.

13. **List of Appendices**

13.1 There are no appendices.

14. **Background Papers**

14.1 There are no background papers.