

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	28 <sup>th</sup> May 2013
<b>Report of:</b>	Head of Highways and Transport
<b>Subject/Title:</b>	Key Decision 7 - Contract for the Supply of Liquid Fuels
<b>Portfolio Holder:</b>	Councillor D Topping

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### 1.0 Report Summary

- 1.1 Cheshire East currently has a contract with GB Oils Limited for the supply of Liquid Fuels via a Government Procurement Service (GPS) Framework Agreement. This contract expires on 31<sup>st</sup> May 2013 and work has been ongoing to manage arrangements for the re-tender of this contract. This report outlines the options for the new contract.

### 2.0 Decisions Requested

- 2.1 Members are requested to approve the use of an existing public sector framework arrangement as outlined in section 11.2. The framework is available to the Council via the AGMA agreement and is awarded on the basis of a mini competition managed by the Yorkshire Purchasing Organisation. The arrangement is available to the Council until 30<sup>th</sup> September 2015.

### 3.0 Reasons for Recommendations

- 3.1 In order to put in place a new contract for the supply of Liquid Fuels that will deliver a cost effective and quality solution for the Council.

### 4.0 Wards Affected

- 4.1 No impact on any specific wards.

### 5.0 Local Ward Members

- 5.1 No impact on any specific wards.

### 6.0 Policy Implications

- 6.1 No significant policy implications.

## **7.0 Financial Implications**

- 7.1 The level of spend on Liquid Fuels is approximately £1,600,000.00 per annum.
- 7.2 The spend figure above is calculated from the usage data of all Cheshire East establishments including schools.
- 7.3 The aim of the new contract will be to make additional cost savings and by utilising the PRO 5 Framework Agreement Ref: 301 we will be able to take advantage of the rebate scheme operated by the YPO which may attract up to a 0.65% dividend depending on baseline spend per annum.

## **8.0 Legal Implications**

- 8.1 The YPO agreement has been identified as a framework agreement that meets the Council's requirements and is compliant with the Public Contracts Regulations 2006. The YPO framework agreement was entered into for an initial term of 24 months from 1<sup>st</sup> October 2011 but can be extended for a further period of 24 months, hence the need to undertake a further mini competition for the period from 1<sup>st</sup> October 2013 should the framework agreement be extended by YPO. The Council would enter into a call off contract once a mini competition exercise has been concluded. The terms of the contract would be drafted by Legal services in accordance with the overall terms of the Framework Agreement.

## **9.0 Risk Management**

- 9.1 All contract agreements are closely monitored throughout the contracted period to ensure that the Council continues to obtain and maximise value for money and consistent levels of service. A requirement of the contract is for continuous improvement throughout the term of the contract to ensure that best value is achieved.
- 9.2 To enhance visibility and control over the procurement of Liquid Fuels, management information reports will be requested from any future provider to assist with the monitoring of energy consumption data and costs. If the contract is fully utilised by the whole Council, the management information report will provide accurate spend data for the supply of Liquid Fuels.

## **10.0 Background**

- 10.1 Cheshire East currently has a contract with GB Oils Limited for the supply of Liquid Fuels via a GPS Framework Agreement. This contract expires on 31/05/2013 and work has been ongoing to

manage arrangements for the re-tender of this contract. Various procurement options were reviewed and a decision was taken to utilise the PRO 5 Framework Agreement Ref: 301.

- 10.2 With mounting pressure to deliver savings in an environment of reducing budgets and increased resource constraints, collaboration between public sector organisations is becoming more important than ever – thus utilising the PRO 5 Framework Agreement Ref: 301 with other AGMA authorities.
- 10.3 PRO 5 has put a Liquid Fuels framework in place, which is open for all Local Authorities to use.

## **11.0 Options**

### **11.1 FORMAL PROCUREMENT PROCESS**

Due to the level of spend on Liquid Fuels a re-tender of the contract will inevitably require a formal procurement process to be undertaken. The Council could go out to tender detailing specific requirements for Cheshire East. However, this is not recommended due to the timescales involved and the cost of tendering. It is considered that there would be no benefit in this approach over and above the collaborative options already available – the Council would be dealing with the same supply market and not able to leverage demand with other Local Authorities.

### **11.2 USE EXISTING FRAMEWORK**

Another option is to board an existing framework. The PRO 5 Group has put a Liquid Fuels framework in place, which is open for other authorities to use. This framework has been let by the Eastern Shires Purchasing Organisation (ESPO) on behalf of the PRO 5 Group – the Yorkshire Purchasing Organisation (YPO who are a member of the PRO 5 Group) will conduct mini-competitions on behalf of the Association of Greater Manchester Authorities (AGMA) and therefore as Cheshire East is a member of AGMA we are permitted to utilise this arrangement. The outcome of the procurement process via a mini-competition conducted on behalf of all the AGMA authorities (of which Cheshire East is a member) by the Yorkshire Purchasing Organisation (YPO) using the PRO 5 Framework Agreement Ref: 301 (PRO 5 is a public sector buying consortium consisting of CBC, ESPO, NEPO, YPO and GPS) and award a contract for the period initially being 01/06/2013 – 30/09/2013 and thereafter 01/10/2013 – 30/09/2015 following a further mini-competition. This would be a corporate contract and can be utilised by all Cheshire East establishments including schools.

### **11.3 BENEFITS**

The benefits of the framework and the reason that the framework was set up are to:

- Harness the substantial leverage of public sector spend to achieve maximum value for money.
  - Minimise duplication of effort by removing the need for individual organisations to tender or re-tender .
  - Increase market competition.
  - Enable small councils to benefit from the leverage that the Pro5 Group are best placed to secure.
  - Enable authorities to have access to improved management information.
  - Enable authorities to take advantage of the YPO rebate scheme and achieve savings.
- 11.4 Another option is to utilise the new framework that the GPS will establish – however this will not be in place until September 2013, thus meaning we would not have a contract for Liquid Fuels for a 3 month period. We would also not be able to deliver savings to the same degree as we could by utilising the PRO 5 Framework Agreement Ref: 301.

#### **Joint Working with AGMA**

- 11.5 Discussions have taken place with AGMA and they too are utilising the PRO 5 Framework Agreement Ref: 301.
- 11.6 It is therefore recommended that members endorse the use of the PRO 5 Framework Agreement Ref: 301.

#### **12.0 Access to Information**

The background information relating to this report can be inspected by contacting the report writer:

Name: Kevin Melling  
Designation: Head of Highways and Transport  
Tel No: 01270 686336  
Email: [kevin.melling@cheshireeast.gov.uk](mailto:kevin.melling@cheshireeast.gov.uk)