

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	9 September 2024
Title:	Procurement of Heating Oil and Road Fuels Framework
Report From:	Director of Universal Services

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Purpose of this Report

1. The purpose of this report is to seek approval to procure a new framework for the provision of building heating oil and vehicle road fuel services, and approval to spend within this new contract arrangement, to commence on 1 April 2025.

Recommendations

2. That the Executive Lead Member for Universal Services gives approval to procure and enter into contractual arrangements (in consultation with the Head of Legal Services) for the use of a heating oil and road fuel framework with a maximum spending capacity of £45 million over the four-year contract term for all framework users, including Hampshire County Council and other public sector organisations, commencing 1 April 2025.
3. That the Executive Lead Member for Universal Services gives approval for a contract spend of up to £6 million for Hampshire County Council over the four-year contract term to be funded from Directorate revenue budgets, to use the new heating oil and road fuels framework for its corporate estate, vehicle fleet and school sites.

Executive Summary

4. This paper seeks to set out the background of the framework and provide context for the procurement of the heating oil and road fuel framework and contract for the County Council and other public sector organisations.
5. The existing procurement strategy of a two-lot framework and spend was approved by the Executive Member for Commercial Strategy, Human

Resources and Performance, on 13 October 2020 with the contract let to a single supplier covering both lots, on 1 April 2021, on an initial two-year basis and then extended for an additional two years to 31 March 2025.

6. The existing framework and call-off contract expires on 31 March 2025. It is proposed to procure a new four-year framework, comprising two lots, for general mineral oil fuels and biofuels.

Contextual information

7. The current framework is open to any public sector organisation across the Southern region of England and is used to procure heating oil and road fuels. Current users include Hampshire County Council corporate sites and its vehicle fleet, 29 schools, 7 academies and other public sector organisations, including district councils in Hampshire and some emergency services.
8. As part of its overall Climate Change Strategy and commitment to target Net Zero Carbon by 2050, Hampshire County Council is reducing its use of fossil fuels and is converting to lower carbon alternatives for both heating and vehicle use where possible. However, there is still an ongoing need to purchase heating and road fuels for the foreseeable future.
9. Hampshire County Council has provided a heating oil and road fuel framework for more than a decade, on behalf of the County Council and other public sector organisations. The framework provides the most efficient route to market and flexibility with an established call-off process for fuel purchasing needs, fuel variety, and the ability to offer telemetry to enable the monitoring of fuel usage to aid automatic deliveries for refuelling and delivery efficiency.
10. It is proposed to procure the new framework to replace the current arrangements, on a four-year contract. The framework will continue to comprise two lots, one for conventional fuels and one for biofuels/hydrotreated vegetable oil (HVO) fuel, which allows for a fossil-free, low carbon diesel replacement and can be considered where it is economically viable. The biofuel lot will continue to support the reduction of road fuel vehicle carbon emissions where electric vehicles are not currently a viable alternative for larger delivery and service vehicles.
11. Each lot will have a single supplier so there will be a maximum of 2 suppliers to allow greater consistency and efficiency in bulk delivery.
12. The framework will include the option for remote fuel level monitoring to aid automatic deliveries for re-fuelling and to support the reduction in delivery mileage.

13. Annual call-off contracts under the framework will provide heating oil and road fuels to Hampshire County Council corporate sites and vehicle fleet. Schools and other public sector organisations will be able to establish their own call-off contracts under the framework arrangement.
14. The new framework will be for the duration of four years and will be procured by an open tender procedure.

Finance

15. The anticipated maximum total spend under the framework has been set at £45 million using call-off contracts. This is a reduction from £55 million under the current framework to ensure the value is more aligned with the current framework activity and allowing sufficient capacity to accommodate new framework users. Due to the volatility and uncertainty in the market influenced by global conflicts and events, a margin of flexibility around the overall framework spend has been included to absorb fluctuating costs, as experienced in 2022 to 2023 as a result of the Russian/Ukraine conflict. This is not an overall commitment to spend but a potential contractual ceiling should volume and costs increase. In summary, the maximum spending capacity has been set above the current level of actual spend to allow for market volatility and inflation; increased usage should we experience particularly cold winters over the period of the framework; and to enable new public sector users to join the framework (which potentially benefits both the new users through lower prices and Hampshire County Council through increased rebate income on the framework), without the need undertake a further procurement exercise.
16. The spend through the current framework for all users, including Hampshire County Council, is likely to be in the region of £29 million by 31 March 2025 as summarised in the table below. A similar framework spend is forecast for 2025 to 2029.

Total Framework Spend 2021-2025				
	Apr 21 - Mar 22	Apr 22 - Mar 23	Apr 23 - Mar 24	Estimated Apr 24 – Mar 25 spend
TOTAL	£6,693,315	£8,670,282	£6,506,782	£6,500,000
Total framework spend				£28,370,379

17. The maximum anticipated Hampshire County Council spend under the framework is £6 million over the four-year period. Given proposed efficiencies through a reduction in Hampshire County Council's estate and a focus on fuel efficiency, the anticipated fuel use is expected to be lower, however a contingency on spend headroom has been included to manage unforeseen rising costs of the kind described above. This value is not a commitment to spend but allows for flexibility for additional Hampshire County Council departmental use and market fluctuations. Call-off contracts and purchases will be funded from existing directorate revenue budgets.
18. The below table outlines the Hampshire County Council spend of around £4 million under the current framework.

Hampshire County Council Spend 2021-2025				
	Apr 21 - Mar 22	Apr 22 - Mar 23	Apr 23 - Mar 24	Estimated Apr 24 - Mar 25 spend
TOTAL	£1,493,559	£992,909	£679,039	£700,000
Total Hampshire County Council spend				£3,865,507

19. Hampshire County Council administers the framework for all users and this work is funded through the use of a rebate from the suppliers. The current rebate of 0.20 pence per litre is included within the delivered price. The rebate is claimed back from the supplier on all spend through the framework and paid to Hampshire County Council, on a quarterly basis. For the new framework, the rebate will be between 0.20 and 0.30 pence per litre and considered against market conditions as part of the tender. The rebate currently covers the full cost of administering the framework and will be reviewed on an annual basis.

Performance

20. The proposed new framework and contract will incorporate robust performance management arrangements in line with contract management best practice.
21. Management information will be used to inform the regular assessment of supplier performance and to ensure customer's needs are being met. Action will be taken to address any shortfall in performance.

Consultation and Equalities

22. Internal and external customer representatives have previously been consulted on the requirements for the new contract and their feedback has been incorporated into the proposed contract arrangements and scope of service.
23. Legal and Procurement advice has been sought and has informed the procurement proposals.
24. An Equality Impact Assessment (EIA) has found the impacts for these proposals are neutral, as they will ensure the continuation of the existing service without any direct impact on service users.

Climate Change Impact Assessments

25. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
26. As part of the framework, an entire lot is dedicated to alternative fuels to help reduce the reliance on fossil fuels, reduce greenhouse gas emissions and improve air quality. Since its inception in 2021, we have seen over 2 million litres of biofuels/HVO procured through this lot.
27. Noting as above that Hampshire County Council seeks to reduce its use of fossil fuels as part of its Climate Change Strategy, there remains an ongoing need to make provision to purchase heating and road fuels for the foreseeable future. Nonetheless, it is critical that delivery of this framework takes all steps possible to limit its impact on emissions.
28. Therefore, as part of the framework specification, there will be key requirements for environmental priorities. These will include key performance indicators for minimising the number of deliveries, reducing waste, and a reduction in carbon emissions. Within the evaluation criteria, the procurement exercise will seek to target use of a supplier who is part of the Renewable Fuels Assurance Scheme.

29. There will be a requirement for the supplier to report on their carbon emissions, to enable the County Council to better understand the indirect carbon emissions of its suppliers and contractors.

Conclusions

30. The framework offers Hampshire County Council and other public sector organisations the most efficient route to market and flexibility. In light of Hampshire County Council reducing its carbon emissions through decarbonisation we will continue to monitor the spend, usage and changing demands over the contract period.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	No

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

- 2.1 The proposal is to procure a framework to provide heating oil and road fuel to Hampshire County Council and other public sector organisations to operate as per existing arrangements. Therefore, after consideration of equality, there is no anticipated impact on Hampshire residents or staff. Subsequently, the equality impact remains neutral for all category characteristics.