



**Metropolitan Police Authority**

**Resources Sub-Committee 16 July 2009**

**Finance and Resources Committee - 30 July 2009**

**VEHICLE FUEL CHARGE CARD FACILITIES**

**Report by Director of HR on behalf of the Commissioner**

### **Summary**

This report seeks approval to sign a new Agreement for the supply of Vehicle Fuel Cards. The cards will be used to re-fuel the MPS vehicle fleet.

The current contract with Arval for the provision of fuel cards is due to expire on 31st August 2009. OGCbuying.Solutions (OGCbs) has established a framework agreement for use by or on behalf of UK Public Sector Bodies including Police Services for Fuel Card (or equivalent) Solutions and Associated Services. The duration of the framework agreement is for two years with OGCbs having the option to extend by a further two periods of one year (i.e. two years + 1 year + 1). This paper seeks approval to join the OGCbs framework for approximately 2 years with an option to extend for two periods of 1 year in line with an extension of the framework agreement. There will be no need to re-tender during the framework agreement. In the event of any material change in Fuel Card Technology or Processes, OGCbs may establish a new framework agreement in which case there would be a re-tender and Members approval would be sought.

#### **A. RECOMMENDATIONS - that**

Members approve the signing of an agreement under the OGCbs framework for the provision of fuel cards for the supply of vehicle fuel with Arval for two years with an option to extend for a further two periods of one year.

#### **B. SUPPORTING INFORMATION**

**Background**

1. A fuel card is a payment card for petrol, diesel and other fuels at filling stations. One of the main reasons that fuel cards are used is the elimination of the requirement for cash or credit cards at filling stations. Virtually all fleets use the fuel card facility for the provision of business fuel. Fuel cards are either allocated to vehicles and the registration number of the vehicle appears on the card, or is without registration for use on vehicles such as hire cars where the registration frequently changes. However the OCU has the facility to reconcile these transactions against their hire vehicles.
2. OGCbs has established a framework agreement for use by or on behalf of UK Public Sector Bodies including Police Services for Fuel Card (or equivalent) Solutions and Associated Services. The duration of the framework agreement is for two years with OGCbs having the option to extend by a further two periods of one year (i.e. two years + 1 year + 1). [REDACTED]. A variety of fuels are required, the most common of which are unleaded and diesel. The provision of a fuel card is necessary to enable fuelling of the MPS fleet from both agency fuel sites and the MPS bulk fuel installations. The contract includes the provision of detailed information to allow the comprehensive management of the expenditure and consumption.

### Procurement Process

2. The procurement strategy adopted for re-tendering these services was to use the pan-government OGCbs Framework Agreement, which has been competed using the European Union Negotiated procedure. The requirements were advertised in the Official Journal of the European Union.
3. The OGCbs Framework Agreement offers excellent purchasing power using the combined fuel requirements of local and central government agencies as well as key industry partners i.e. Royal Mail. [REDACTED].
4. The replacement of the Fuel Card Contract regularly reported to the MPA Finance and Resources Committee has been included in the Contracts Rolling Programme and re-tendering work was planned to start in ample time to identify the replacement supplier before expiry of the current Agreement on 31st August 2009.
5. The OGCbs new framework was due to be awarded in the early part 2009. However, due to unforeseen delays in the tendering process related to the legalities surrounding data security from The Cabinet Office, the results were not available until mid-June 2009. This has

caused a significant delay in the release of the new OGCbs Framework and therefore a late selection of the new MPA Fuel Card Provider.

### **Selected Bidder**

6. The objective of the framework selection process was to optimise overall value for money both on an initial and long term basis. Key areas for the MPS were technical ability, information provision, the ability to draw fuel virtually anywhere to enhance operational availability, ongoing price competitiveness and pricing flexibility i.e. ability to swap between pump price minus rebate and Platts pricing ( a recognised index which is based upon the market price of oil) depending on prevailing economic conditions.
7. The evaluation process was completed by the OGCbs in line with their standard procedure and identified Arval as the highest scoring tenderer.
8. We evaluated the various pricing mechanisms provided by the suppliers in response to OGCbs' tender. [REDACTED]
9. The MPA is entitled to select Arval as its supplier without the need for further competition since they were the best bidder and the only company that can meet our requirements in terms of go anywhere coverage, comprehensive management information provision and rebate.
10. Given the uncertainty around global economic climate and oil prices over the next few years, the use of this framework enables the flexibility to move between suppliers and different pricing mechanisms depending on prevailing conditions. TSD will review the contract on a quarterly basis and change strategy if this would yield sufficient benefits via mini-competition, if appropriate, supported by OGCbs.

### **C. FINANCIAL IMPLICATIONS**

1. [REDACTED]. Due to the volatile nature of the fuel market, it is only possible to estimate the final spend under this agreement based on current consumption figures and prices. [REDACTED]

[REDACTED] The new framework also offers enhanced management information and the ability to block certain fuel types and commodities.

2. Furthermore, since the main cost variable over which we will have no control is the pump price, the OGCbs arrangement means we are not dependent upon any one supplier's current pricing policy as we have the ability to switch between numerous fuel forecourt providers. Also, because the Arval card includes the supermarket sites, the retailers who are driving competition in the market (who don't need to make a profit on fuel), will remain within the MPS's scope of access.
3. The level of actual spend will depend on where police officers choose to refuel their vehicles because with the Arval card they will be able, in the same way as a private individual, to refuel at those sites that are cheapest e.g. the supermarket chains. Since fuel charges are passed to (B)OCUs who hold the devolved fuel budgets, OCU commanders will be able to balance the benefits of cheaper fuel prices against the need for increased police visibility in certain areas and the distance traveled to obtain fuel. Units will be able to check the cheapest fuel in their area via the Arval website and fuel accordingly. [REDACTED]  
[REDACTED] It is also proposed that users are prevented from using "super" fuels that offer no discernible benefit over standard fuels but typically cost more than 5 pence per litre more.
4. In protecting the MPS against fuel card misuse a number of processes and standing operating procedures (SOPS) are in place that highlights areas of potential concern. These range from Suspect Transaction Analysis Reports (STAR), to all transaction data being available to the local Finance and Resource Manager (FRM) for their interrogation. Any areas of concern are referred to the local FRM for investigation and the conclusion returned to Transport Services to close the case.
5. [REDACTED]
6. The management and operation of the Fuel Card Contract is an area that is reviewed by Internal Audit in line with their programme.
7. We shall be sharing this work to maximize savings opportunities with the National Policing Improvement Agency (NPIA). As part of Waveplan (top ten police suppliers by value) they are undertaking a similar exercise on behalf of the other Police forces with many of the same ideas to drive efficiencies and savings across the board.

#### **D. RACE AND EQUALITY IMPACT**

1. The procurement process required bidders to declare their existing policies and initiatives and future actions with regard to promoting a working environment that actively encourages equal opportunities and non-discrimination on the grounds of race, gender, disability, sexual orientation, religion or belief and age.
2. The equality and diversity record of the Preferred Bidder is of a calibre commensurate with the OGCbs requirements, aspirations and reputation. The Contract ensures compliance with all equality and diversity related matters and includes setting up a mechanism to monitor performance in respect of equal opportunities and diversity throughout the lifetime of the contract.

#### **E. LEGAL IMPLICATIONS**

1. The OGCbs established a framework agreement for use by or on behalf of UK Public Sector Bodies, including the police as there was a general need for fuel card solutions and associated services. The framework agreement commences on 23<sup>rd</sup> August 2009 for an initial period of two years to the 22<sup>nd</sup> August 2011. OGC have the option to extend the framework agreement for a further two periods of one year to August 2013, accordingly the Authority may properly agree that the MPS agree the contract with Arval under the framework agreement for two years until the 22<sup>nd</sup> August 2011 with the option to extend the contract for a further two periods of one year in line with any extension of the Framework Agreement. The Framework Agreement and the procurement process thereunder fully complies with the EU Procurement Directives.
2. As the suppliers on the framework agreement were selected through the OJEU, a further OJEU advert is not required when awarding the current contract. The award of the contract fully complies with the Public Contract Regulations 2006.

**Report Author:**

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[REDACTED]