

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD168

Title: Procurement for the Supply of Diesel and Hydrotreated Vegetable Oil for Strategic Reserve Storage Tanks

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

Publication of the information included in this report is deferred as its disclosure would be likely to prejudice the commercial interests of the London Fire Commissioner (LFC).

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:
31 July 2022

Legal adviser recommendation on the grounds for not publishing information at this time:

In the event the information contained in this Part 2 report is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered that access can be denied on the basis that such information constitutes exempt information under:

Section 43(2) of the Act on the basis that the information in this report includes information that is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Public Interest Assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point.

The Information Commissioner has recognised that a wide range of commercial information relating to ongoing procurement activity may be covered by this exemption. In this instance the information in this Part 2 report includes information in relation to future procurement plans for a contract for the supply of diesel fuel, and the LFC's financial position in relation to the procurement.

The recommended period for non-publication of the part 2 report expires on 31 July 2022, to allow for the completion of that procurement and contract award process.

Legal Adviser – I make the above recommendations that this information should be considered confidential at this time

Name: Katherine Davis

Date: 12 May 2022

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

This report recommends that the estimated contract expenditure of £976,000 for the years 2022-23 and 2023-24 is approved.

The previous total spend over two years (2019-20 to 2020-21), with Certas Energy, was £814,000. The price of fuel fluctuated throughout the contract and was updated on a weekly basis by the Purchasing Unit, following an update from Crown Commercial Services (CCS) by email. This price comprised the commodity cost of diesel, the fixed supplier margin, and CCS's fixed fee for managing the framework.

The current expenditure on fuel cards for April and May 2021 and 2022 is attached at Appendix1 giving forecast expenditure of 1.329M for 2022/23 i.e. budget overspend of £329,000. LFB has not been informed of any additional changes from demand due to changes in operational requirements.

There are a range of pressures in the economy which has an impact on fuel prices LFB pay and at present these are being monitored. It is likely that further budget increases will be required however it is not possible to predict when this might be felt as it is dependent on a range of macro-economic factors which are outside LFB's control. This is a demand-led service and fuel is required to support the operations of the LFC.

Fuel and energy are driving inflationary pressures and are in higher than the general levels of inflation. LFB expect the overspend to continue and increase, but given the current volatility have stated it would be impossible to predict.

Financial comments

The report notes the actual spend in previous years as below:

Financial year	Actual spend (£000)
2021-22	390 (estimated)
2020-21	258
2019-20	556

The contract value is based on the actual spend with Certas Energy (from 2019-20 to 2020-21), totalling £814,000. It includes an estimated 10 per cent increase in costs for RPI and price fluctuations over the life of the contract; and an estimated figure to reflect the circa 10 per cent higher costs for the option to move to hydrogenated vegetable oil. This gives an overall 20 per cent higher estimated contract value of £976,000. The figure of £814,000 was used as these are actual spend figures, rather than the estimated spend figures for 2021-22. This report recommends that the estimated contract expenditure of £976,000 for the years 2022-23 and 2023-24 is approved.

The Fire Stations budget for fuel is a single budget line of £1,500,000 per annum, which covers both diesel for tanks at stations and fuel-card transactions at retail suppliers. As set out above, the estimated contract expenditure for diesel strategic reserve storage tanks only has been budgeted at £976,000 over two years. This equates to an average cost of £488,000 per annum. This is expected to be covered within the existing

budgets.

The part 1 report notes at paragraph 2.3 that a further competition against the CCS Framework took place in January 2022. It identified a preferred bidder for contract award expenditure under this contract, to be monitored against the estimated value of £976,000. If the estimate is exceeded during the two years of the contract, given the current volatility of fuel, then another report will be prepared seeking approval to revise the contract value. Any increase that cannot be contained within existing budgets will require additional savings to be sought to meet the additional budget pressure.

Appendix

1. Fuel expenditure by LFB, April-May 2021 and April-May 2022
2. Part 2 of report LFC-0683x

Appendix 1 Fuel Expenditure

Invoice Number	Invoice Date		Invoice (NET) Total £		Diesel Purchased (Litres)
E2013774394	07/04/2021		14,397.67		13,193.19
E2013786501	14/04/2021		16,033.93		14,262.11
E2013808525	21/04/2021		17,644.59		15,351.93
E2013837110	28/04/2021		17,900.33		15,700.65
E2013873284	05/05/2021		19,114.89		16,337.63
E2013895573	12/05/2021		18,191.31		15,894.59
E2013928517	19/05/2021		16,756.09		14,511.49
E2013949204	26/05/2021		14,998.69		12,863.44
Average weekly cost 21/22			16,675.00	Average purchase 21/22(litres)	14,764.00
E2015240832	06/04/2022		25,289.83		15,807.32
E2015265990	13/04/2022		22,790.45		13,954.52
E2015305976	20/04/2022		23,529.23		14,271.96
E2015315894	27/04/2022		27,808.58		17,619.66
E2015363115	04/05/2022		27,866.55		17,928.80
E2015389717	11/05/2022		27,075.94		17,514.98
E2015430910	18/05/2022		25,563.40		16,431.75
E2015454417	25/05/2022		26,483.58		16,677.99
Average weekly cost 22/23			25,570.00	Average purchase 22/23 (litres)	16,275.00
25,570 multiplied by 52 weeks = Estimated Expenditure 2022/23			1,329,640	Increase in fuel purchased	10.23%

less budget of £1m =budget shortfall

329,640