
Procurement for the Supply of Diesel and Biofuel for Strategic Reserve Storage Tanks

| Report to: | Date: |
|---|---------------|
| Investment & Finance Board | (via email) |
| Commissioner's Board | 17 April 2024 |
| Deputy Mayor's Fire and Resilience Board..... | 30 April 2024 |
| London Fire Commissioner | |

Report by:
John Miles Head of Category – Asset & Estates

Report classification:
For decision

For publication

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This report refers to the delivery of diesel to the 37 strategic reserve storage tanks located at fire stations. Crown Commercial Services (CCS) has a national framework contract National Fuels Framework Agreement RM (6177) for the supply of diesel for strategic reserve storage tanks and delivery of fuels (both diesel and bio-diesel - Hydrotreated Vegetable Oils (HVO)) to those tanks. A subsequent procedure called a Further Competition, is to be carried out by LFB utilising the CCS Framework to identify a bidder to provides the most competitive rates for the LFB diesel and bio-diesel fuel requirements.

This report seeks authority to commit expenditure to allow an award of the contract to the winning bidder following the Further Competition.

For the London Fire Commissioner

The London Fire Commissioner agrees that funds be allocated from the existing Fire Stations Fuel budget for the purpose of supplying both diesel and biodiesel to the strategic fuel tanks. The contract duration will be for 2 years from the start of the contract.

The values for this contract are in part two.

The LFC agrees that a contract for the supply of both Diesel and HVO Biodiesel to the strategic fuel tanks be entered into in accordance with the arrangements set out in Part Two of this report.

1 Introduction and background

- 1.1 In 2005, the replacement of 39 above ground diesel tanks took place. All tanks had a capacity of 5000 litres, apart from Croydon (20000L) and Kensington (1500L). In January 2014, following the closure of Kingsland Road and Southwark fire stations, two diesel tanks were removed.

- 1.1 The strategic capacity of the remaining 37 diesel tanks provides an adequate stock of diesel for six weeks (based on average consumption) to enable the London Fire Commissioner (LFC) to support the frontline service delivery, if there is any reason that deliveries cannot be made to them. These tanks are used for day-to-day refuelling by the stations they are attached to ensure frontline services are maintained.
- 1.2 Delivery of diesel to the 37 strategic reserve storage tanks located at fire stations allows operational staff easy access to fuel if accessing petrol station forecourts is problematic, for example, due to bad weather or if there is an issue with supply at petrol stations.
- 1.3 The previous procurement was undertaken utilising the CCS Framework following a national aggregation of Public Sector requirements and a Further Competition between framework suppliers.
- 1.4 Given the current context around worldwide increases in fuel and the uncertainty this creates, the estimated value is provided in Part 2 of the report and it reflects potential increases in fuel prices to mitigate the impact of price volatility over the term of the contract.
- 1.5 The London Fire Brigade (LFB) has committed to supporting the Mayor's plan to deliver Carbon Net Zero (CNZ). To assist in delivering this, the LFB has held a pilot scheme to establish if biodiesel can be used as a 'drop in' substitute for regular diesel for the Fire Appliances. This is considered to be a stepping stone in the LFBs CNZ strategy for the Fire Appliances whilst the LFB is investigating and developing the option for electric Fire Appliances.
- 1.6 The outcome of the Biodiesel (Hydrotreated Vegetable Oils (HVO)) pilot scheme was successful. It confirmed that the biodiesel can be added to the fire appliances engines without any impact with the engines' performance or maintenance regime.
- 1.7 The requirement to source Biodiesel to support the roll out into more fire appliances has been included into this procurement.
- 1.8 The commodity price for HVO biodiesel is higher than standard diesel. CCS have advised that currently the average price for HVO is c53 pence per litre higher than mineral diesel.
- 1.9 The budget values are in set out in Part 2 of the report.

2 Objectives and expected outcomes

- 2.1 This contract will support the delivery of frontline services of LFB. The bulk storage provision is required to ensure resilience is maximised where difficulties in obtaining fuel might be experienced for a range of reasons. The risks associated with having reduced fuel supplies cannot be underestimated and therefore this contract will ensure that the risks associated with fuel shortages are mitigated as far as is reasonably possible by maximising the quantity of fuel held by the bulk fuel storage arrangements.
- 2.2 The route to market used is the CCS compliant framework which is accessible to the LFB and a Further Competition will be completed to ensure the contract is tendered in accordance with the Public Contract Regulations 2015. This framework was identified as the preferred option as it is used by numerous public bodies and the suppliers within the Framework are recognised providers in the market. There is an expectation that LFB will secure good rates due to

economies of scale given the size of client's pool and the total volume of fuel involved.

- 2.3 The procurement for the supply of fuels is managed by CCS full information on the Framework can be found at <https://www.crowncommercial.gov.uk/agreements/RM6177>.
- 2.4 The CCS Framework allows for a procedure called a Further Competition to identify the preferred bidder. A further competition will be carried out by LFB using this CCS framework and templates. The successful bidder will be notified to LFB following this competition as achieving the best overall value for money.
- 2.5 This report seeks to request authority to commit expenditure to award the call off contract to the preferred bidder. The new contract's duration will be 2 years from the start of the contract.
- 2.6 The approach to the procurement is compliant with LFB's Standing Orders for Contracts and Tenders (Part 3).
- 2.7 Historic data used, is in part 2.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.
- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
 - eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic.
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.

- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 3.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- tackle prejudice
 - promote understanding.
- 3.8 An Equality Impact Assessment has not been undertaken for this requirement as the purchase of diesel and HVO Biodiesel does not impact on the protected characteristics as described under the Public Sector Equality Duty (section 149 of the Equality Act 2010).

4 Other considerations

Workforce comments

- 4.1 No workforce implications or any for consultation with representative bodies other than for information purposes.

Sustainability comments

- 4.2 The new contract will have the option of moving to HVO and away from mineral diesel. HVO is a paraffinic, synthetic diesel and is a drop-in replacement for conventional mineral diesel and has the potential to save carbon emissions. The plant feedstock used to produce HVO absorbs CO₂ as it grows, meaning the 'well to wheel' emissions are substantially lower than conventional mineral diesel which releases trapped carbon. HVO's chemical structure is nearly identical to that of mineral diesel, this means it can be used as a drop-in alternative with no modifications or changes necessary to the existing fleet, making it a complete replacement for diesel. At the present time HVO is estimated to cost circa 10% per cent more than diesel fuel. The balance between HVO and mineral diesel should consider both the environment and value for money.
- 4.3 Engagement with our fire appliance suppliers, Scania and Mercedes, has confirmed that there is no adverse impact on performance, servicing, or warranties by using HVO instead of, or alongside standard diesel in the LFB's fire appliances. A pilot scheme has been carried out with Babcock (LFB's vehicle provider) to test a fire appliance under 'blue light' conditions. Babcock also carried out a tailpipe emissions test.
- 4.4 The outcome of this pilot scheme confirmed that the emissions will be zero for HVO fuel and that the fire appliance had no adverse impact on its performance and maintenance regime.

Procurement comments

- 4.5 The procurement comments are contained in the body of this report. Appendix 1 summarises the current usage and market information available and the estimated future expenditure.

Communications comments

- 4.6 The new contract will need a communications strategy to be developed and implemented. The purpose is to ensure that the continued ordering of the fuel for the strategic storage tanks isn't interrupted. The audience will be the FRS staff at the stations who order the fuel for the strategic storage tanks.
- 4.7 This strategy will be to inform the stations:
Who the diesel supplier will be from the new contract start date,
the POM system has been updated, and
which stations have been identified as switching to HVO Biodiesel for the storage tanks.
- 4.8 This will be developed closer to the contract start date, once the supplier is known.
- 4.9 The LB Press office have been notified of this requirement and procurement process, so are in a position to work with Procurement and Commercial when the procurement process is live, in case of questions.

5. Financial comments

- 5.1 The estimated contract value is based on recent purchasing history and represents a continuation of current activity levels, alongside the further rollout of HVO Biodiesel. Further financial information is provided in part two of the report.

6. Legal comments

- 6.1 Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "LFC") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the LFC specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
- 6.2 By direction dated 1 April 2018, the Mayor set out those matters, for which the LFC would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
- 6.3 Paragraph (b) of Part 2 of the said direction requires the LFC to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".
- 6.4 The Deputy Mayor's approval is accordingly required for the LFC to purchase fuel for Strategic Reserve Storage Tanks which has an estimated cost exceeding £150,000 and is set out in full in Part 2 of the report.
- 6.5 The arrangements proposed is consistent with the LFC's duty under section 7 (2)(a) of the Fire and Rescue Services Act 2004 ("2004 Act") to secure the provision of personnel, services, and

equipment necessary to efficiently meet all normal requirements for firefighting and under section 5A of the 2004 Act to do anything it considers appropriate for the purposes of the carrying out of any of its functions.

- 6.6 The report sets out details for the proposed procurement, and procurement via the CCS framework is compliant with the Public Contracts Regulations 2015 and the LFC's standing orders on procurement. The Crown Commercial Service have conducted a compliant procurement in accordance with regulation 33 of the Public Contracts Regulations 2015 to set up CCS National Fuels Framework Agreement RM6177. In addition, CCS have aggregated public sector requirements and undertaken a further competition, from which the Commissioner is able to make a compliant call off award of contract.

List of appendices

| Appendix | Title | Open or confidential* |
|----------|-------------------------------|-----------------------|
| 1 | Market Analysis of Diesel use | Open |

Part two confidentiality

Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part Two form, together with the legal rationale for non-publication.

Is there a Part Two form: YES

Appendix 1

Market Analysis

We are currently unable to provide an accurate estimate of future price per litre as the market is too volatile and therefore none of our suppliers can provide an accurate estimate, this is the case for both diesel and HVO.

This analysis is in part 2.