PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD238
Procurement for the supply of diesel and biofuel 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This information is not for publication until the stated date, because: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:
12 July 2024

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

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered, based upon the information provided by the London Fire Commissioner (LFC) and General Counsel for the LFC, that access can be denied on the basis that such information constitutes exempt information under section 43(2) of the Act. This is 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 Commissioner's financial position in relation to the procurement. Disclosure by the LFC would therefore be likely to have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred for the purposes of this contract.

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

Name: Stephen Fernandes-Owen (TfL Legal) **Date: 7 May 2024**

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

Confidential decision and/or advice:

This report requests that the Deputy Mayor for Fire authorises the London Fire Commissioner (LFC) to commit revenue expenditure of up to £1,292,381.44 for the purpose of supplying both diesel and HVO biodiesel to the strategic fuel tanks. The contract will last two years.

The previous total spend for bulk storage diesel over 2022-23 and 2023-24 was £865,801, with Certas Energy. The price of fuel fluctuated throughout the contract and was updated weekly by the Purchasing Unit following an email update from the Crown Commercial Service (CCS). This price comprised the commodity cost of diesel, the fixed supplier margin and the CCS fixed fee for managing the framework. A 10 per cent uplift is applied to this figure, to factor in the potential market movements that may occur during the contract period, giving a total of £952,381.44. The HVO biodiesel budget is £170,000 per year, which gives an additional spend of £340,000 over the contract term. This results in a final total of £1,292,381.44 for 2024-25 and 2025-26. If the contract appears to be at risk of exceeding this, an additional governance paper will be submitted to approve the additional expenditure.

The table set out below shows the value of the diesel purchased at stations during the past two years.

Table 1 – Expenditure on diesel from 2022 to 2024

2023-24	£337,827
2022-23	£527,974
Total	£865,801
	+ 10% uplift
Revised total	£952,381.44
HVO uplift for two years	£340,000
Final total	£1,292,381.44

The estimated contract value is based on recent purchasing history. It represents a continuation of current activity levels with a 10 per cent market volatility contingency, alongside the further rollout of HVO biodiesel.

Fuel budgets held by fire stations are set to meet the costs of both fuel for the strategic reserve storage tanks, and that purchased for routine refuelling of fire appliances through fuel cards, which is subject to a separate report seeking approval for the LFC to commit revenue expenditure (Deputy Mayor for Fire and Resilience Decision 237).

A summary of the estimated financial value of both contracts against the planned fire stations fuel budget is set out below. While the estimated combined contract costs are in excess of planned budget, it should be noted that actual costs will depend on market prices at the point of purchase, and the level of fuel required for operational purposes.

This will be monitored during 2024-25, and any identified budgetary pressure reported at the earliest opportunity to inform management action. This includes identification of any offsetting savings from within the wider fire stations budget. Should offsetting savings not be identified, additional budget pressure would need to be funded from Budget Flexibility Reserve, reducing the reserve flexibility in future years. As set out in the 2024-25 Budget Report, the forecast balance on the Budget Flexibility Reserve at 31 March 2025 is £8.8m.

A review for inflation will also be undertaken as part of 2025-26 budget planning.

Table 2 – Estimated value of contracts and against fire stations fuel budget

		2022-23 £	2023-24 £	2024-25 £	2025-26 £	Total estimated two-year contract £
Fuel cards	Annual cost based on current purchasing	1,436,666	1,468,103	1,452,385	1,452,385	2,904,769
	Market price contingency (10%)			145,238	145,238	290,477
	[A] Total estimated contract value			**1,597,623**	**1,597,623**	**3,195,245**
Storage tanks	Annual cost based on current purchasing	337,827	527,974	432,901	432,901	865,801
	Market price contingency (10%)			43,290	43,290	86,580
	Biodiesel/HVO uplift			170,000	170,000	340,000
	[B] Total estimated contract value			**646,191**	**646,181**	**1,292,381**
	[C] Overall total estimated contracts value			**2,243,814**	**2,243,814**	
Fire stations fuel budget	2023-24 base budget		1,910,000	1,910,000	1,910,000	
	2024-25 budget growth (HVO roll-out)			170,000	170,000	
	Total annual budget – fire stations fuel			**2,080,000**	**2,080,000**	
	Potential budget pressure in 2024-25 if maximum contract values reached			**163,814**		

Market analysis

An analysis of the market has been undertaken in March 2024, as set out in Table 3 below.

Table 3 – market analysis

Year	Mineral diesel ordered (litres)	Annual spend	Average cost per litre (inclusive of commodity,delivery and mark-up)
2023-24	285,605	£337,827	£1.18
2022-23	369,297	£527,974	£1.43

Historic pricing supplied by CCS has shown that the commodity price for diesel fluctuated in the past 12 months (2023-24), between £1.02 and £1.26 per litre. Pricing for HVO has been circa £0.53 higher than mineral diesel per litre.