

LONDON FIRE BRIGADE

PART TWO

Confidential facts and advice

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 Governance Team for advice.

This information is not for publication because: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).

Legal recommendation on the grounds of keeping the information confidential:

In the event the information contained in this Part Two 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 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 which 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.

The recommended period for non-publication of Part 2 is 12th July 2024

Legal Adviser

I make the above recommendations that this information should be considered confidential at this time.

Name: Thomas Davies	Date: 26/03/24
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Confidential decision and/or advice

Executive Summary

That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner 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 duration will be for 2 years from the start of the contract.

The London Fire Commissioner agrees that £1,292,381.44 be allocated from the existing Fire Stations Fuel budget for the purpose of supplying both diesel and biodiesel to the strategic fuel tanks.

Introduction and background

The commodity price for HVO biodiesel is higher than standard diesel, a budget uplift has been agreed of £170,000 for the 2024/25 financial year to accommodate for the higher commodity price.

The previous total spend for bulk storage diesel over 2022/23 and 2023/24 financial period was £865,801 with Certas Energy. The price of fuel fluctuated throughout the contract and was updated on a weekly basis by the Purchasing Unit following an update from CCS by email. This price comprised of the commodity cost of diesel, the fixed supplier margin and the CCS fixed fee for managing the framework. A 10 % uplift is applied to this figure of £865,801 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 p.a. which gives an additional spend of £340,000 over the contract term. This results in a final total value for the 2024/25 and 25/26 financial period of £1,292,381.44. If the contract appears to be at risk of exceeding this then an additional governance paper will be submitted to approve the additional expenditure.

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

Fuel Expenditure – Diesel	
	2023/24 - £ 337,827
	2022/23 - £ 527,974
	Total - £865,801
	+ 10% Uplift
	Revised Total - £952,381.44
	HVO Uplift for 2 years - £340,000
	Final Total - £1,292,381.44

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Financial comments

estimated contract value is based on recent purchasing history and represents a continuation of current activity levels with a 10% market volatility contingency, alongside the further rollout of HVO Biodiesel.

Fuel budgets held by Fire Stations are set to meet both the costs of fuel for the strategic reserve storage tanks, and that purchased for routine refueling of fire appliances through fuel cards, which is subject to a separate governance report.

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 the 2024/25 financial year and any identified budgetary pressure reported at the earliest opportunity to inform management action, including identification of any offsetting savings from within the wider Fire Stations budget. Should offsetting savings not be identified then additional budget pressure would require 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.

		2022/23		2023/24		2024/25		2025/26		TOTAL Estimated 2 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		646,191		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				

Appendix 1

Market Analysis

The following analysis of the market has been undertaken in March 2024:

Year	Mineral Diesel Ordered (Litres)	Annual Spend	Avg Cost Per Litre (Inclusive of commodity, delivery and mark up)
2023-2024	285,605	£ 337,827	£ 1.18
2022-2023	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 – £1.26 per litre. Pricing for HVO has been a c£0.53 higher than mineral diesel.			