

REQUEST FOR DMPC DECISION – DMPCD 2015 - 101

Title: Procurement Requests August 2015

Executive Summary:

This paper requests approval for procurement related activity for 2 projects, with an estimated multi-year value of up to £117.15m.

Recommendation

The DMPC is asked to approve the:


1. Request to instruct Crown Commercial Services to conduct a procurement exercise for the renewal of Call-off contracts for the Supply of Liquid Fuel via the existing Supply of Liquid Fuel Framework;
2. Initiation of the procurement of three 2 year Call-Off contracts for the Supply of Liquid Fuel via the Supply of Liquid Fuel Framework with an estimated value of £6.15m;
3. Renewal of the Customer Access Agreement with Crown Commercial Services for the procurement of energy from 1 April 2016 to March 2021;
4. Award of three 5 year contracts for the provision of electricity and gas with an estimated value of £111m.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for elected Members of the Authority. Any such interests are recorded below.

The above request has my approval.

Signature



Date

4/9/2015

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1 As part of the on-going process of managing contracts and tendering/re-tendering for goods and services, Procurement Services identifies contracts which require DMPC approval for either extension or to initiate contract action to tender or re-tender for goods or services or to award contracts.

2. Issues for consideration

- 2.1 The following items are requested to be considered for approval:

Supply of Bulk Fuel

The provision of bulk fuel plays a key role in support of the day to day operation of the MPS fleet and also contributes to the contingency plans for all London's emergency services during any fuel shortages or disruption to the fuel supply chain.

The MPS are seeking approval to instruct CCS to conduct a procurement exercise for the renewal of Call-off contracts for the Supply of Liquid Fuel and the initiation of the procurement of three 2 year call off contracts for the Supply of Liquid Fuel at an estimated value of £6.15m.

Supply of Energy

The procurement of energy has been outsourced to CCS who act as a Central Purchasing Body for 5 years, over this period MOPACs leverage it more effectively by aggregating its volumes with other contracting authorities.

The MPS are seeking approval to renew the Customer Access Agreement with CCS for the procurement of energy from 1 April 2016 to March 2021 and the award of three 5 year contracts for the provision of electricity and gas with an estimated value of £111m.

3. Financial Comments

- 3.1 The cost of the proposed contracts will be funded from within existing budgets.
- 3.2 Full details are contained within the reports attached.

4. Legal Comments

- 4.1 The recommendation can be lawfully approved in accordance with MOPAC Contract Regulations and EU/UK Procurement law.
- 4.2 In accordance with the MOPAC Scheme of Delegation and Consent (4.8), the DMPC must approve all requests to go out to tender for contracts that exceed £500,000.
- 4.3 Full details contained within the reports attached.

5. Equality Comments

- 5.1 Suppliers will be assessed prior to entering into agreements to ensure they comply with relevant legislation. It will be the responsibility of user departments to ensure that the MPS Equality and Diversity policies are adhered to through the life of the contract.
- 5.2 Suppliers may be asked to sign up to the Diversity Works for London Programme which assesses suppliers against the Equality and Diversity framework.

6. Background/supporting papers

6.1 MPS Briefing Papers

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form – YES

If yes, for what reason: Commercial Interest

ORIGINATING OFFICER DECLARATION:

	Tick to confirm statement (✓)
Head of Unit: Annabel Cowell has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Head of Strategic Finance and Resource Management has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature 

Date 04/09/15

Joint Investment Board 27 August 2015**APPROVAL TO INITIATE PROCUREMENT FOR THE SUPPLY OF BULK FUEL****Report by the Director of Strategic Procurement on behalf of the Commissioner****SUMMARY**

- The Metropolitan Police Service (MPS) requests approval to instruct Crown Commercial Services (CCS) to conduct a procurement exercise for the renewal of Call-off contracts for the Supply of Liquid Fuel (Bulk) via the existing Supply of Liquid Fuel Framework (RM1013) for an estimated value of up to £6.15m over two years.
- The Framework offers the MPS the best value for money as it combines the fuel requirements of over 200 Public Sector bodies, and aligns with other Greater London Authority (GLA) strategies
- The Framework period is from 1st October 2013 to September 2016 and the contracts are within the technical and financial scope of the framework.
- The Contracts will commence on 1st October following the expiry of existing contracts on the 30 September 2015.
- Based on MPS the historical Supply of Liquid Fuel (Bulk) consumption and future trends of the fuel market the total estimated spend for the two year period is £6.15m.

A. RECOMMENDATIONS - That Members

1. Approve the request to instruct Crown Commercial Services (CCS) to conduct a procurement exercise for the renewal of Call-off contracts for the Supply of Liquid Fuel (Bulk) via the existing Supply of Liquid Fuel Framework (RM1013) for an estimated value of £6.15m over two years starting on 1st October.
2. Approve the initiation of the procurement of three (3) twenty four (24) month Call-off contracts for the Supply of Liquid Fuel (Bulk) via the Supply of Liquid Fuel Framework (RM1013) in line with the relevant Framework lots as indicated in the table below.
3. Note: The use of the CCS Bulk Fuel Framework aligns with other GLA member's procurement strategies. MPS consumption historically represents between 1% and 2 % of volume covered by the Framework. Savings of approximately £63,000 per annum have been achieved for the MPS against the previous arrangements for both managing procurement in house and buying fuel non-collaboratively.

Table 1

Lot No	Lot Name	No of Suppliers
109	Heating Oil England London and South East	5
209	Automotive Fuel England London and South East	5
301	Marine Oil UK excluding Northern Ireland	5

B. SUPPORTING INFORMATION**Background**

1. The provision of bulk fuel plays a key role in support of the day to day operation of the MPS fleet and also contributes to the contingency plans for all London's emergency services during any fuel shortage or disruption to the fuel supply chain. In the event of industrial action affecting fuel supply MPS is responsible for providing fuel to London Fire Brigade, London Ambulance and other security partners.
2. Marine fuel is fundamental in supporting the operation of the MPS Marine Policing Unit (MPU) which is responsible for policing the 47 miles of River Thames within the MPS area (Dartford to Hampton Court) as well as providing a specialist response capability to over 250 miles of canals and waterways, lakes and reservoirs and other bodies of water in London.
3. Bulk fuel for MPS buildings provides heating and back-up generation in the event of disruption to energy supply at local, regional or national level. The primary requirement is to support back-up generation.
4. Fuel for the MPS Vehicle Fleet is supplied to six bulk fuel sites geographically spread across London at locations where there are concentrations of sufficient fleet vehicles to justify a bulk site depot. Fuel drawn from these sites provides approximately 15% of the total MPS routine usage.
5. The estimations for future fleet fuel consumption allow for the change from diesel to unleaded of around 10-20% in the next financial year, and the potential increase for diesel and unleaded purchases using bulk fuel sites due to budget decentralization. It is anticipated that budget decentralization will give OCU commanders greater accountability and visibility of the cost differential between retail and bulk fuel sites.

Table 2

Fuel type	Estimated volume October 2015 to September 2017
Diesel	4,000,000 to 4,500,000 litres
Unleaded	500,000 to 800,000 litres
Marine Fuel	200,000 to 250,000 litres
Heating Oil	1,500,000 litres

Procurement Strategy Information

6. The current Call-off contracts via the existing Supply of Liquid Fuel Framework (RM1013) expire on 30th September 2015. The lots and respective suppliers that the MPS currently use are indicated in the table below.

Table 3

Lot No	Lot Name	MPS Supplier
109	Heating Oil England London and South East	Hall Fuels
209	Automotive Fuel England London and South East	Certas ULSD (Diesel) Harvest Energy (Petrol)
301	Marine Oil UK excluding Northern Ireland	Hall Fuels

7. The Framework covers an annual combined consumption of 350 million litres and serves over 3400 customers with a combined total of over 6,000 sites taking liquid fuel deliveries. MPS consumption historically represents between 1% and 2 % of volume covered by the Framework.
8. CCS awarded the framework in 2013 for a 2 year initial term with an option to extend by two further 1 year periods (2+1+1). The first extension was awarded and expires in August 2016 with one final extension remaining.
9. This Framework is being used as it exploits the significant buying power of the Public Sector and enables the MPS to avoid undertaking a full OJEU tender exercise which can take up to nine months due to the complexity of the commodity being purchased. It is estimated by the Cabinet Office that the internal cost of running a simple procurement action is in the region of £30,000, with each bidder incurring similar bid costs.
10. The price paid pence per litre for delivered fuel under this Framework is made up of:
- Commodity price of the fuel
 - Duty
 - Supplier margin
 - GPS management charge

11. Under this Framework the commodity element of the price of the fuel purchased is calculated by reference to the Platts Index which can change on a daily basis. The Framework provides an option of selecting either daily or weekly lagged prices. Daily lagged prices are charged at the Platts close of business price on the day before the day of delivery (Market on close). Weekly lagged prices are charged as an average of the daily prices in the week preceding the week of delivery.
12. Fuel hedging is allowed for under the Framework however the MPS level of consumption is not large enough to benefit from price hedging. Currently there are no public sector organisations price hedging bulk fuel under the CCS Framework including the Ministry of Defence, with the largest overall volume.
13. This contract value is subject to variable costs due to fluctuations in the wholesale market, changes in Government levied duty and MPS consumption in general. To allow for these variable costs, a contingency has been added to the contract value making the estimated value of the contracts up to £6.15m over two years.
14. Due to the volatile nature of the Fuel markets, savings can be difficult to achieve and measure. However, CCS has reported that in the last year of the previous Liquid Fuels Framework savings were assessed at 3.5% of total spend. This equates to a saving of approximately £63,000 per annum for MPS compared to previous arrangements.
15. Use of bulk fuel is essential in minimising the cost of fueling the MPS fleet of c. 5,300 vehicles. The pence per litre of bulk fuel, particularly for unleaded fuels are on average cheaper than what is available at the fuel retailers. Officers are encouraged to utilise bulk fuel sites where it is appropriate.
16. CCS will manage a mini competition via the Supply of Liquid Fuel Framework (RM1013) on behalf of the MPS to re-new the Call-off contracts. MPS' bulk fuel consumption will be aggregated with all other CCS customers with co-terminus expiry of the Call-off. There are 217 other bodies aggregated under this Call-off including Transport for London (TfL), Merseyside Police and West Midlands Police.
17. CCS aims to manage this procurement process via an eAuction in August 2015 so that suppliers have enough time to set-up the contract service before the go-live date of 1st October 2015.
18. The Call-off contracts will have a validity of two years, regardless of whether CCS awards the final option to extend the framework.
19. Evaluation will be carried out 100% on price as the qualitative element was evaluated at the initial framework stage.

Options Appraisal

The following options are identified as available to MPS:

Option 1 – Continue with the Supply of Liquid Fuel Framework (RM1013)

- 20. This option involves renewing the Call-off contracts via the CCS Supply of Liquid Fuel Framework (RM1013) adopting the same methodology used by the MPS since 2013.
- 21. The Framework offers the MPS the best value for money as it combines the fuel requirements of over 200 Public Sector bodies.
- 22. The Framework exploits the significant buying power of the Public Sector and enables the MPS to avoid undertaking a full OJEU tender exercise which can take up to nine months due to the complexity of the commodity being purchased.

Option 2 – Use an Alternative Framework Agreement

- 23. The primary alternative framework to the CCS Framework is the Eastern Shires Purchasing Organisation (ESPO) Liquid Fuels Framework (Framework: 301). The ESPO Liquid Fuels Framework has an aggregated volume of 100,000 litres.
- 24. However, the ESPO Liquid Fuels Framework offers a lower aggregated volume in comparison to the CCS Supply of Liquid Fuel Framework (RM1013) providing reduced economies of scale. Furthermore, the ESPO framework does not have the geographical coverage to service the London area and the framework is set to expire on 30th September 2015 with no option to extend. As a result, this option does not provide a viable solution for MPS.

Option 3 – Purchase Fuel from Retailers with Fuel Cards

- 25. The final option is for bulk fuel to be provided from retailers through the use of fuel cards. The benefit of this option is the increased geographical coverage for fuel supply through retailer's forecourts.
- 26. The average cost of fuel supplied by retailers is more expensive than fuel supplied by bulk fuel sites and does not provide best value through aggregated spend. In addition, purchasing fuel from retailers does not a solution for the management and storage of contingent fuel supplies. For the second quarter of 2015 the average price for bunker diesel available to MPS was 8.1 pence cheaper than the average price paid by MPS at retail sites, for unleaded the corresponding price was 2.7 pence cheaper.
- 27. The increased cost associated with purchasing fuel from retailers combined with the inability to manage contingent supplies demonstrates that this option is not a credible option for MPS.

One Met Model

28. Renewing the Call-off contracts via the CCS Supply of Liquid Fuel Framework (RM1013) is compliant with the One Met Model as the solution is a collaborative approach that provides a robust, scalable and best value solution essential in delivering an improved policing capability.

C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS**Equality and Diversity Impact**

1. There are considered to be no adverse equality and diversity implications arising from this procurement process. The applicants shortlisted were evaluated for acceptable equality and diversity statements, as well as their ability to meet the MPS requirements under the Equality Act 2010 as a supplier to MOPAC. The evaluation exercise considers the applicants ability to act as responsible employers and meet employment obligations deemed commensurate with wider GLA objectives.

Financial Implications

2. The MPS is seeking to initiate a procurement exercise via the CCS Supply of Liquid Fuel Framework (RM1013) for a total estimated contract value is of up to £6.15m over the course of 2 years. Actual spend on bulk fuel for the FY 13/14 & 14/15 came to a total of £3.67m, which equates to 14.6% of the total MPS spend on fuel. A 30% increment has been factored in to account for inflation and the increased use of Bulk Fuel Sites.
3. The cost of the contract will be met from existing fuel budgets. These total £12m for the current Financial Year with an estimated £1.75m relating to bulk fuel.
4. While it is difficult to quantify the level of savings that will be generated by renewing callout options, it is to be expected that there will be significant economies of scale gained compared to the much smaller ESPO option.
5. It should be noted that there is implicit uncertainty around the effect that fuel devolution will have on the use of the spend on bulk fuel. Similarly the sale of MPS buildings is also likely to impact on the property related bulk fuel usage. The assumption is that there will be at least a 10% increase in the use of bulk fuel by the Boroughs as they try to reduce their fuel costs & carbon footprint.

6. Investment Criteria

Criteria	Minimum score required	MPS Score	Comments
Business Requirement	3	5	The requirement is the renewal of Call-off contracts for the Supply of Liquid Fuel (Bulk) via the existing Supply of Liquid Fuel Framework (RM1013). Liquid Bulk Fuel is essential to the operation of the fleet and for contingency
Cashable Revenue Saving	1	0	Savings are delivered by aggregating demand with other public sector bodies using the same framework and through the cost avoidance of reducing spend with retailers.
Return on Investment	4	0	
Total	8	5	
Total exc ROI	4	5	

Legal Implications

7. There are no direct legal implications arising from the recommendations set out in this report.

Call-Off's from a current Framework Agreement that is accessible to the MPS is a compliant route to market in accordance with the Public Contract Regulations 2015.

The Director of Strategic Procurement has delegated authority to award contracts pursuant to paragraph 7.23 of the MOPAC Scheme of Delegation & Consent.

Consultation Undertaken

8. Consultation grid

Key stakeholder engagement	Supportive / Supportive with concerns / Not supportive / Not affected
Fleet Services Fuel Manager	Supportive
Fleet Services Procurement Category Lead	Supportive
Energy Manager Conservation Officer	Supportive

Risk (including Health and Safety) Implications

9. The supply of bulk fuel is an essential requirement for MPS' operational capability. Therefore, if a solution for the supply is not implemented following the current arrangements on 30th September 2015, the MPS' operational effectiveness and ability to supply contingent fuel would be compromised.

Environmental Implications

10. There are environmental implications associated with the use of fuel oil across the MPS fleet and potential pollution risk associated with its storage. Fleet Services should continue to monitor usage and support carbon reduction initiatives (such as replacement of vehicles with reduced CO₂g/km emissions per vehicle) in line with the Mayoral commitment to reducing CO₂ emissions. There will also be an ongoing requirement to comply with the Oil Storage Regulations to prevent pollution.

Report author: Tim Murray, Senior Procurement Specialist

Background papers: None