

**REQUEST FOR DMPC DECISION – PCD 313****Title: Provision of Bulk Fuels****Executive Summary:**

This paper seeks approval to award two call-off agreements via Crown Commercial Services (CCS) Framework (RM3801) for the on-going requirement of Bulk Fuels. The agreement value is estimated at £3.25m per annum based on historical usage and spends.

MOPAC approved the procurement initiation in June 2017 (PCD 215), the value approved for the MPS spend is £13m over a 4 year term.

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.

**Recommendation:**

The DMPC is asked to

1. Approval to award two call-off agreements via CCS for the Provision of Liquid Fuels valued at £6.5m each with; Certas Energy UK Ltd and WFL (UK) Ltd/t/a Hall Fuels
  - The total estimated cost of the contract is £13m over a 4-year period (£3.25m per annum). This will be met from devolved fuel budgets across the MPS
  - The call-off agreements will be for 2 years with two optional 1 year extensions (2+1+1)
  - The agreement commencement date is 1st April 2018

**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. Any such interests are recorded below.

The above request has my approval.

**Signature****Date**

29/01/18

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. 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 shortages or disruption to the fuel supply chain. In the event of an industrial action affecting the fuel supply MPS is required to provide a critical fuel reserve to ensure continuation of operational policing for a minimum of 10 days, before the national emergency plan for fuel is invoked by the Department of Energy and Climate Change.

#### **2. Issues for consideration**

- 2.1. To support the Mayor's ambition for London to become a zero emission city, Fleet Services will be working towards the interim target of phasing out fossil diesel use by 2020. Within the duration of this contract alternative non-fossil diesel will be explored and once the feasible solution is identified trials will be undertaken. Working in conjunction with Property Services, Fleet Services will refine the bulk storage strategy in line with the reducing volume of diesel vehicles.
- 2.2. The GLA utilised the CCS framework for their fuel requirements and was part of the competition conducted by CCS on behalf of all public sector bodies in August 2017, each authority is now required to award their own call-off agreements from the framework. The GLA usage volume would have been considered as part of the wider combined volume in the competition (as well as the MPS'), as such this has had the same effect and benefits as a more formal collaborative exercise would have achieved.

#### **3. Financial Comments**

- 3.1. The agreement value is estimated at £3.25m per annum. This will be met from existing devolved fuel budgets (revenue) across the MPS.

#### **4. Legal Comments**

- 4.1. There are no direct legal implications arising from this report. Call off from a current Framework Agreement that is accessible to the MPS is a compliant route to market in accordance with the Public Contracts Regulations 2015.

#### **5. Equality Comments**

- 5.1. There are no direct equality or diversity implications arising from this report.

#### **6. Background/supporting papers**

- 6.1. Report.

**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.

**Part 1 Deferral:**

Is the publication of Part 1 of this approval to be deferred ? NO

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rational for non-publication.

Is there a **part 2** form – Yes

- If yes, for what reason: Exempt under Article 2(2)(a) of the Elected Local Policing Bodies (Specified Information) Order 2011 (Data Protection Section 43 – Commercial Interests).

**ORIGINATING OFFICER DECLARATION:**

<b>Head of Unit:</b> The Chief Financial Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> There are no legal issues arising from this proposal.	✓
<b>Financial Advice:</b> The Chief Financial Officer has been consulted on this proposal.	✓
<b>Equalities Advice:</b> No Equality and Diversity issues identified.	✓

**OFFICER APPROVAL****Chief Executive 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 *R. Lawrence*

Date *24/01/18*



**Provision of Bulk Fuels – SS2/17/4 – Contact Award****MOPAC Investment Advisory Board 24<sup>th</sup> January 2018****Report by Jiggs Bharij on behalf of the Deputy Commissioner****Part 1 – This section of the report is suitable for MOPAC Publication.****EXECUTIVE SUMMARY**

The Metropolitan Police Service (MPS) are seeking approval to award two call-off agreements via Crown Commercial Services (CCS) Framework (RM3801) for the on-going requirement of Bulk Fuels. The agreement value is estimated at £3.25m per annum based on historical usage and spends.

MOPAC approved the procurement initiation in June 2017 (PCD 215), the value approved for the MPS spend is £13m over a 4year term.

The Provision of Bulk Fuels is an essential requirement for the MPS in order to meet its operational capability. Therefore, if a solution for the supply is not implemented following the current arrangements, the MPS operational effectiveness and ability to supply contingent fuel would be compromised.

**Recommendations**

The Deputy Mayor for Policing and Crime, via the Investment Advisory Board (IAB), is asked to approve the following recommendation:

**Approval to award two call-off agreements via CCS for the Provision of Liquid Fuels valued at £6.5m each with:**

- i. Certas Energy UK Ltd and**
- ii. WFL (UK) Ltd/t/a Hall Fuels**

- The total estimated cost of the contract is £13m over a 4-year period (£3.25m per annum). This will be met from devolved fuel budgets across the MPS
- The call-off agreements will be for 2 years with two optional 1 year extensions (2+1+1)
- The agreement commencement date is 1st April 2018

**Time sensitivity**

A decision is required from the Deputy Mayor by Wednesday 31<sup>st</sup> January 2018. This is because the current agreements with Certas Energy Ltd and Harvest Energy Ltd are due to expire on the 31st March 2018. This will allow sufficient time to complete the required commercial activity to award contracts.

## **Non-confidential facts and advice to the Deputy Mayor for Policing and Crime**

### **Introduction and 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 shortages or disruption to the fuel supply chain. In the event of an industrial action affecting the fuel supply MPS is required to provide a critical fuel reserve to ensure continuation of operational policing for a minimum of 10 days, before the national emergency plan for fuel is invoked by the Department for Business, Energy and Industrial Strategy.
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 specialist response capability to over 250 miles of canals and waterways, lakes and reservoirs and other bodies of water in London.
3. 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 necessitate resilience measures. Fuel drawn from these sites provides approximately 15% of the total MPS routine usage.
4. 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.
5. The CCS 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 GLA member's procurement strategies. The GLA utilised the CCS framework for their fuel requirements and was part of the competition conducted by CCS on behalf of all public sector bodies in August 2017, each authority is now required to award their own call-off agreements from the framework. The GLA usage volume would have been considered as part of the wider combined volume in the competition (as well as the MPS'), as such this has had the same effect and benefits as a more formal collaborative exercise would have achieved.
6. CCS completed further competition for the MPS Bulk Fuels requirements and details of the products and the successful suppliers are listed below:
  - Certas Energy UK Ltd:
    - Gas Oil (Used for MPS Boats & for Heating Oil)
    - Petrol ULSP
    - Gas to Liquid
    - Kerosene
  - WFL (UK) Ltd/t/a Hall Fuels:
    - Diesel Fuel

### **Issues for consideration**

7. The current agreements with Certas Energy Ltd and Harvest Energy Ltd will expire on the 31st March 2018.

8. To support the Mayor's ambition for London to become a zero emission city, Fleet Services will be working towards the interim target of phasing out fossil diesel use by 2030. Within the duration of this contract alternative non-fossil diesel will be explored and once the feasible solution is identified trials will be undertaken.
9. In line with the Fleet Services Air Quality Strategy 2017-2020, the usage of diesel will reduce which will result in a rise of unleaded fuel by approximately 10-20% in the next financial year. Working in conjunction with Property Services, Fleet Services will refine the bulk storage strategy in line with the reducing volume of diesel vehicles. Figure 1 in Appendix 1 shows the volume transition from diesel to unleaded fuel and table 1 details the overall estimated contingency fuel volumes over the contracted four year period.
10. In order to reduce the consumption of diesel fuel Fleet Services are currently prioritising the replacement of existing diesel assets. Figure 2 in Appendix 1 shows the estimated reduction of diesel vehicle numbers as a percentage of the overall fleet via the planned vehicle replacement activity.
11. The MPS intends to transition from Gas Oil to Gas to Liquid for the Marine Policing Unit when it is feasible as this supports the Mayor's London Environmental Strategy and will reduce harmful emissions.
12. Certas Energy have recommended Ultra 35 as an alternative fuel for Gas Oil (for Heating Oil purposes), this is also considered a cleaner fuel for the environment. The feasibility of switching products and the cost implications will be explored with Property Services and with Certas.

#### **Contributes to the MOPAC Police & Crime Plan 2017-2021<sup>1</sup>**

13. The MPS operates a fleet of cars, vans, minibuses, motorcycles, large goods vehicles, marine vessels, along with items of plant and equipment.
14. The fleet profile and distribution across operational business groups supports the Police and Crime plan and enables the MPS to have a mobile workforce which is capable of: responding to incidents, protecting victims and vulnerable people, transporting officers and equipment across London and the UK.
15. In order to ensure a better police service for London the MPS is committed to;
  - Delivering policing where and when Londoners need it, in their communities, on the move, online at night and work.
  - Increase protection for victims and vulnerable people.
  - Ensure the MPS meets its national and international strategic policing requirements.
  - Keeping children and young people safe.
  - Tackling violence against women and girls.
  - Standing together against hatred, intolerance and extremism.

#### **Financial Implications**

16. The total MPS price per litre of fuel is made up of the following elements:

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<sup>1</sup> [Police and crime plan: a safer city for all Londoners | London City Hall](#)



- CCS Management Charge
- Supplier Margin
- Cost of Fuel including duty plus
- Commodity cost are issued weekly (Platts Price)
- The commodity cost is a variable charge and referenced against market indices. The current rates for each fuel type will be issued to CCS on the 1st working day of each week.

17. The supplier margins include the following cost factors:

- Supply Costs
- Distribution Costs
- Cost of Credit
- Suppliers Overheads
- Supplier Profits

18. The estimated cost of the contract is £13m over a 4-year period (£3.25m per annum). This will be met from devolved fuel budgets across the MPS.

19. Note the contract award does not commit the MPS to any expenditure.

#### **Legal Comments**

20. There are no direct legal implications arising from the recommendations set out in the report. Call-offs from a current Framework Agreement that is accessible to the MPS is a compliant route to market in accordance with the Public Contracts Regulations 2015.

#### **Equality Comments**

21. 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. Procurement Services have a contract management toolkit that contains a section on Responsible Procurement which encourages contract managers to work with their suppliers, signposting them to support services. Additionally, suppliers may be asked to sign up to the Diversity Works for London Programme which assesses suppliers against the Equality and Diversity framework.

22. There are considered to be no negative equality or diversity implications arising from this procurement process. The approved company will be 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 will consider their ability to act as a responsible employer and meet employment obligations deemed commensurate with wider GLA objectives.

#### **Real Estate Implications**

23. No real estate implications are anticipated with this contract award.

24. Due to the MPS estate shrinking, Fleet Services may require the use of temporary bowsters supplied with fuel to be hired and deployed as and when required, full details of this requirement is currently being explored via the new CCS Supply of Liquid Fuel Framework.



## Environmental Implications

25. There are environmental implications associated with the use of fuel oil across the MPS fleet and potential pollution risk associated with its storage.
26. Fleet Services will continue to monitor usage and support carbon reduction initiatives (such as replacing vehicles with reduced CO<sub>2</sub>g/km emissions per vehicle) in line with the Mayor's London Environment Strategy and MPS Environment and Sustainability Strategy 2017 – 2020. In addition, Fleet Services will soon publish the Fleet Services Air Quality Strategy 2017/2020 which supports the move away from diesel fuel vehicles and towards a hybrid and electric vehicle fleet. Over the next four years Fleet Services expects a significant shift toward petrol or hybrid fuel vehicles and will therefore review the bulk fuel critical reserves to reflect the fuel usage across the fleet. There will also be an ongoing requirement to comply with the Oil Storage Regulations to prevent pollution.
27. Fleet Services are working with industry fuel partners to evaluate the potential use of Gas to Liquid (GTL) to replace diesel fuel usage, which will include Marine Fuel and Heating Oil. GTL potentially can offer significant reductions in atmospheric pollutants especially oxides of nitrogen and particulate matter. Fleet Services will be evaluating this new fuel technology in the near future along with understanding potential costs and if successful we will include this in the new technical specification.

## Background/supporting papers

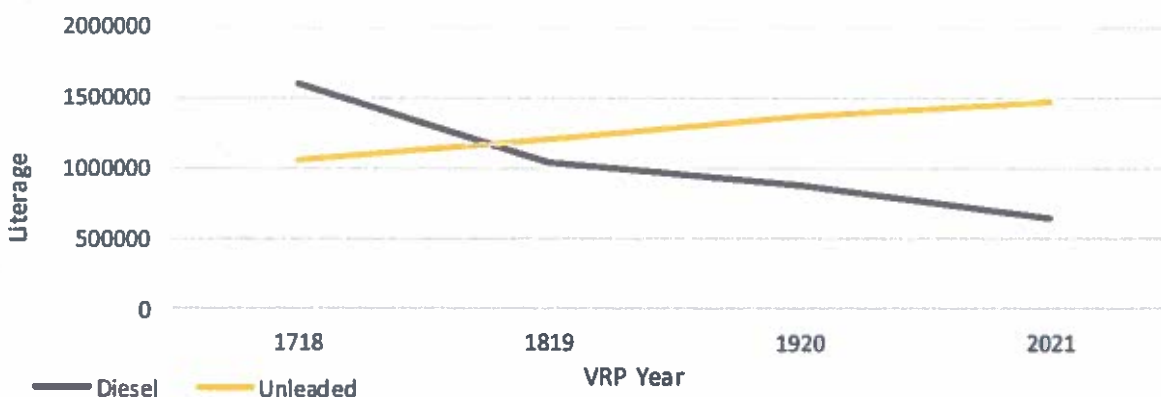
28. Appendix 1

Figure 1 - Estimated reduction in diesel volumes over four years

Table 1 - Estimated contingency fuel volumes over four years

Figure 2 - Changes to MPS fleet fuel types as a result of planned VRP activity

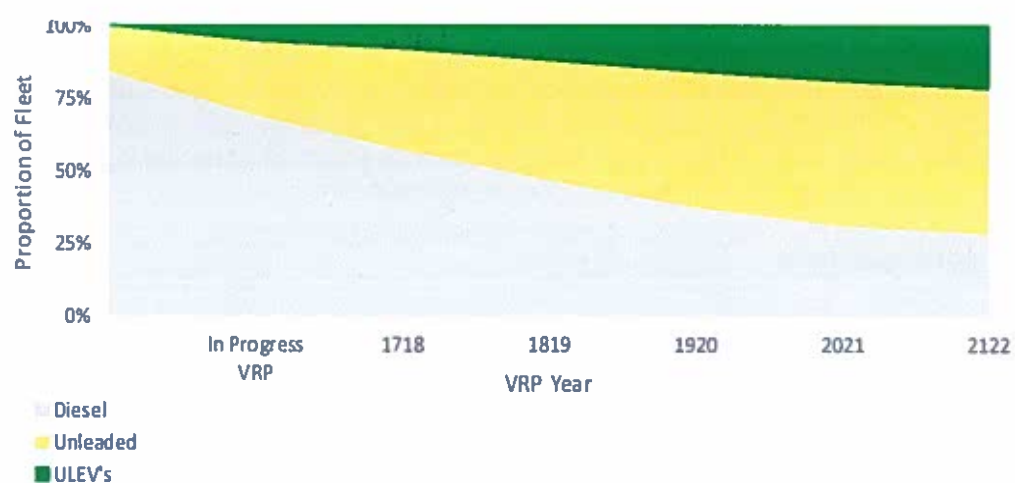
**Figure 1 Estimated Reduction in Diesel Volumes Over Four Years**



**Table 1 Estimated Contingency Fuel Volumes Over Four Years**

Fuel Type	Estimated contingency volume
Diesel	3,500,000 to 4,500,000 litres
Unleaded	4,500,000 to 6,000,000 litres
Marine Fuel	600,000 to 700,000 litres
Heating Oil	1,500,000 to 2,500,000 litres

**Figure 2 Changes to MPS fleet fuel types as a result of planned VRP activity**



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