



LONDON FIRE BRIGADE

Report title

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

Report to

Corporate Services Directorate Board
Commissioner's Board
Deputy Mayor's Fire and Resilience Board

Date

15 February 2022
9 March 2022
26 April 2022

Report classification

For Decision

The subject matter of this report deals with the following LFB strategic priorities

Delivering excellence

The support of front-line services by the provision of fuel at key strategic stations is crucial to ensuring that sufficient fuel exists to support our operational activities. This contract will help to ensure that a fuel reserve is maintained at these stations and that additional deliveries can be secured when required.

Report number – LFC-0683x

Report by: Assistant Director, Technical and Commercial

PART I - 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 to those tanks. This followed a collaborative procurement led by CCS who aggregated public sector requirements. A procedure called a Further Competition, was arranged by CCS to identify the bidder which provides the most competitive rates for fuel and LFB confirmed its wish to take part by providing its estimated fuel requirements. This report seeks authority to commit expenditure to allow an award of the contract to the winning bidder following the Further Competition.

Recommended decision**For the Deputy Mayor**

That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner to commit revenue expenditure to enter a supply of diesel for strategic reserves contract for the value set out in part 2 of the report following a procurement exercise

This decision will only be taken after further consultation with the Greater London Authority's finance and legal advisers and Corporate Investment Board.

For the London Fire Commissioner

That the London Fire Commissioner delegates authority to Assistant Director Procurement & Commercial to enter a contract for the supply of diesel for strategic reserves contract for two years for the value contained in part 2 of this report. This expenditure is subject to the prior approval of the Deputy Mayor for Fire and Resilience.

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 The previous total spend over 2019/20 and 2020/21 was £814,000 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.
- 1.5 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.

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 LFC and a Further Competition has been 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 and this was finalised in January 2022. The Further Competition was carried out by CCS with the suppliers on the framework. The preferred bidder was notified to LFC following this competition as achieving the best overall value for money. This report seeks to request authority to commit expenditure to award the call off contract to the preferred bidder.
- 2.5 The approach to the procurement is compliant with LFB's Standing Orders for Contracts and Tenders (Part 3).
- 2.6 The table set out below shows the fuel which was purchased at stations during the past two years. An instruction was issued by the Assistant Commissioner – Fire Stations in March 2020 to request that appliance should be refuelled at local petrol stations, and that the reserve fuel tanks should not be used. This was rescinded in June 2020. Additionally, it should be noted that our fuel card supplier (BP) determined that fuel could be obtained from its fuel service station without charge. This resulted in less fuel being obtained from the bulk tanks and reduced the fuel expenditure.

Fuel Expenditure
2021 - £ 390,000 (Estimated)
2020 - £ 258,000

- 2.7 The framework provider (CCS) has confirmed that should LFB wish to move in whole or in part to using HVO, this can be arranged with the winning supplier. At the present time HVO is estimated to cost about 10 per cent more than diesel fuel. It is anticipated that the fuel provided under the proposed contract will primarily be diesel, with LFB aiming to move toward greater use of HVO, notwithstanding other initiatives such as the development of new types of fire appliances using other fuel sources. The estimated contract value set out in part two of the report incorporates the potential financial impact of greater use of HVO under this contract. Further considerations regarding the use of HVO are set in paragraphs 4.2-4.3.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to consider 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 been undertaken which finds that there is neither a positive nor negative impact on individuals within any of the protected characteristics groups, and no further opportunities to advance equality between people who share a protected characteristic nor to foster good relations in the community.

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 It is suggested that within the new contract that the option of moving to HVO and away from mineral diesel is considered. 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 LFC's heavy vehicles. In order to understand any operational risks of using HVO instead of standard diesel, LFB have requested that Babcock (LFB's vehicle provider) carry out a standard performance test, this will test the fire appliance under 'blue light' conditions. Babcock will also carry out a tailpipe emissions test.

Procurement comments

- 4.4 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.

5. Financial comments

- 5.1 This report recommends contract expenditure of the value placed in the part 2 report is approved.

6. Legal comments

- 6.1 Under section 9 of the Policing and Crime Act 2017, the LFC (the "Commissioner") 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 Commissioner 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 Commissioner 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 Commissioner 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 Commissioner to purchase Diesel 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 Commissioner's power under section 5A of the Fire and Rescue Services Act 2004 to do anything it considers appropriate for the purposes of the carrying out of any of its functions.
- 6.6 Furthermore, under section 7 (2)(a) of the aforementioned legislation, the Commissioner has the power to secure the provision of personnel, services, and equipment necessary to efficiently meet all normal requirements for firefighting.
- 6.7 The report sets out details for the proposed procurement, and procurement via the CCS framework is compliant with the Public Contracts Regulations 2015. The Crown Commercial Service have conducted a compliant OJEU 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.

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

John Tunnicliff

Assistant Director/Head of Service

Sally Hopkin has reviewed the documentation and is satisfied for it to be referred to Board for consideration.

✓

Advice

The Finance and Legal teams have commented on this proposal.

(Hameera Darr) Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)

✓

(Omolayo Sokoya) Financial Advisor, on behalf of the Chief Finance Officer

✓

(Jennifer Porter) Responsible Procurement Manager



List of Appendices

Appendix	Title	Open or confidential
1.	Market Analysis of Diesel use	Open

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.

The following analysis of the market has been undertaken in March 2022:

Fuel Source	Litres yearly	Annual Cost	Monthly Average Litres	Weekly Average Litres	Daily Average Litres
Diesel Tanks at Stations	296,909	£265,210	24742	5,709	813
Diesel via Agency Cards	800,562	£949,286	66,713	15,395	2,193
Total 2021-22		£1,214,496			
Pence Per Litre (PPL) Rate and Predictions					
PPL during 2021/22	£0.98-£1.40 (excluding VAT)				
Spot PPL - 21 March 2022	141.89				
Using lowest price and highest price to estimate percentage. The increase in the lower and higher PPL rates equates to an increase between 1.34% - 44.78%. If this is applied to the 141.89 this equates, in the worst case to 2.05ppl or £1,758,347 (£1,214,496x44.78%)					