**SURREY COUNTY COUNCIL**

**CABINET MEMBER FOR LOCALITIES AND COMMUNITY WELLBEING**

**DATE:** **9 MARCH 2016**

**LEAD OFFICER:** **TREVOR PUGH – STRATEGIC DIRECTOR, ENVIRONMENT AND INFRASTRUCTURE**

**SUBJECT:** **EMERGENCY SERVICES COLLABORATION - INTEGRATED FUEL MANAGEMENT**

## SUMMARY OF ISSUE:

The blue light partners (Surrey Fire and Rescue Service, West Sussex Fire and Rescue Service, East Sussex Fire and Rescue Service, Surrey and Sussex Police) across Surrey and Sussex are working together to create an integrated transport function, to improve efficiency and effectiveness of operations.

In order to facilitate this, agreement is sought to adopt an integrated vehicle fuel system across partners, funded by £0.4m from the Fire Transformation Fund grant.

## RECOMMENDATIONS:

It is recommended that the Cabinet Member for Localities and Communities Wellbeing approves implementation of the integrated fuel management solution through:

- rationalising bunkered fuel sites across the Emergency Services Collaboration Programme (ESCP) partners, replacing those required;
- enabling access between the ESCP partners to each others' sites for refuelling;
- the joint procurement of bulk fuel with the ESCP partners through an existing Crown Commercial Services' Framework; and
- the joint procurement with the ESCP partners of fuel controller units for the bulk fuel tanks and a fuel management system.

## REASON FOR RECOMMENDATIONS:

This work forms part of and is aligned to the wider public services reform agenda and it is important to note that whilst the proposal can be delivered independently, it supports and enables a wider inter-linked series of activities. Aligning these processes and procedures offers the opportunity to facilitate a future Integrated Transport Function between partners.

If approved, the integrated fuel management solution will:

- Deliver estimated financial savings of £0.34m to the ESCP partners over an initial four year period delivering reduced ongoing annual costs of £17,000 per annum.

- Facilitate joint working, enabling further collaboration and integration of the Transport functions of 'blue light' partners across Surrey and Sussex. To enable further potential savings.
- Reduce the number of bulk fuel tanks thus reducing the risk of environmental impacts.
- Reduce the overall bulk fuel capacity with no detrimental impact on fuel resilience.
- Develop shared access on a 24/7 basis to improve fuel resilience
- After a period of transition, improve the administration and management of fuel.
- Reduce expenditure on fuel infrastructure.
- Through joint contract frameworks, bulk fuel will be purchased at the best possible price.
- Through greater shared access to bulk fuel sites, reduce expenditure on (more expensive) fuel purchased at commercial forecourts.

**DETAILS:**

## Background

1. This project is the first in a series of coordinated initiatives enabling the collaboration and integration of the Transport functions of 'blue light' partners involved in the wider Emergency Services Collaboration Programme (ESCP), across Surrey and Sussex.

2. The ESCP forms part of Surrey's Public Services Transformation Working Together Programme. It is also an integral part of the public service reform agenda and its activities are aligned to the recently published prospectus on Devolution from the three Southern Counties (3SC). These transformational plans provide the opportunity for the emergency services partners to work closer together, improving service to the public, reducing costs, increasing resilience, reducing overlap and responding to the changing pattern of demand. The work of the ESCP is also aligned to the proposed statutory duty for further collaboration planned for introduction in early 2017 as set out in the Government's Spending Review 2015.

## Present Situation

3. Currently partners maintain separate arrangements for the procurement, storage and management of vehicle fuel. This represents a significant duplication in processes and resources whilst also impeding interoperability and reducing resilience.

4. There are 70 bulk fuel tanks currently in use (in Surrey and Sussex) of varying sizes with a total capacity of over 860,000 litres. A number of these are either close enough to each other to warrant exploring their closure or, due to their condition, will ultimately need to be replaced by individual partners. While the proposed changes will reduce the number of bulk fuel tanks and their overall capacity, it will increase the number of tanks accessible to each partner.

**Proposed Solution**

5. The proposal is to run an integrated fuel management system with blue light partners in Surrey and Sussex. This would enable shared use of each other's bunkered fuel sites and implementation of a fuel management system. Along with joint procurement contracts to achieve greater purchasing power to reduce the cost of fuel.

6. This capability will be delivered by procuring bulk fuel at the best possible price; investing in infrastructure; adjusting bulk fuel site access arrangements as well as amending invoicing, data and reporting processes. The proposed changes are also designed to enhance fuel resilience and will have no detrimental impact on each partners' business continuity arrangements i.e. the continuous provision of bulk fuel. Local Resilience Forums are recognised as a key stakeholder as part of the change process.

7. Enabling staff to have shared access to bulk fuel sites across the region is one of the key drivers in reducing the percentage of (more expensive) fuel being purchased at forecourts. As part of the integrated fuel management system, agreements will need to be reached with other blue light partners to agree shared access to each other's sites and the shared fuel resilience capability.

8. All planned changes are taken in view of maintaining or enhancing resilience. This includes maintaining sufficient reserve stock levels, enabling 24/7 access at more sites and enhancing supply chain management through improved re-ordering processes.

9. In summary, these proposed changes will see seven bulk fuel tanks closing, reducing the total number from 56 to 49 and 12 of the remaining 49 tanks will need to be replaced. There is then a varying requirement to upgrade the other associated components at each of the 49 sites to the standard needed to operate an integrated fuel management system.

10. The required investment will be partially offset by the savings made through the avoidance of future capital and revenue expenditure to maintain and\or remove life expired bulk fuel infrastructure. Savings will also be generated through purchasing bulk fuel at a cheaper rate from joint contract frameworks as well as increasing the percentage of bulk fuel that is used, through shared use of sites as, litre for litre, it is cheaper than fuel purchased at commercial forecourts. Greater savings should be achieved through further integration that this project enables.

11. The development of the shared access element of the proposal relates to the need to allow partner organisations access to each-others' bulk fuel sites. Whilst the initial analysis of the proposed 49 sites has not identified any insurmountable issues, a site by site assessment will be undertaken in advance of the infrastructure changes to assess and define any issues.

12. The proposal of the integrated fuel management system has been approved by the ESCP Strategic Board, in accordance with the Programme's governance arrangements, to utilise the Fire Transformation Fund Grant. This grant is held by Surrey as a syndicated grant with East and West Sussex Fire and Rescue Authorities.

13. Surrey's Procurement team are leading the procurement process for this project; the team are fully engaged with this process and are being advised by the subject matter advisors on the most appropriate route to market.

## CONSULTATION:

14. The ESCP has been discussed and agreed with the Cabinet Member, Cabinet Associate and the Residents Experience Board. Ongoing consultation is also underway with the relevant representative bodies.

## RISK MANAGEMENT AND IMPLICATIONS:

15. Surrey and Sussex Police have a current contract up for renewal, delays in the process may result in them needing to go to market individually to replace their current process. Agreement has been reached for Surrey/Sussex police to extend their existing contract to facilitate this transition.

16. There is the potential for additional administration costs during the period of transition. These costs are factored in to the project and will be met from grant for the first two years. Any additional ongoing administrative costs are expected to be covered through the efficiencies generated.

17. A lack of commitment or formal withdrawal by one or more partners may reduce benefits of the future model to such an extent that it becomes unviable.

## Financial and Value for Money Implications

18. The estimated cost of implementation is £424,000. This is for the required capital expenditure to rationalise and upgrade fuel bunkers and the first two years of revenue running costs. The funding will be provided from the Fire Transformation Fund grant (FTF), which has been approved by the three Chief Fire Officers (ESFRS, WSFRS & SFRS) in accordance with the governance arrangements of the syndicated FTF grant. The governance arrangements for the grant has been reviewed by SCC's Audit team (summer 2015) and deemed to be suitable and sufficient.

19. A procurement process is currently being undertaken for the fuel management system, which will confirm the final cost. It is expected to have an initial four year term.

| | | ESFRS | SFRS | WSFRS | Sy/Sx Police | Total |
|---|---|---|---|---|---|---|
| Capital | Tank Decommission | £ 60,000 | - | £ 5,000 | £ 30,000 | £ 95,000 |
| | Tank replacement | £ 84,840 | - | - | - | £ 84,840 |
| | Controller Unit | £ 36,000 | £ 30,000 | £ 27,000 | £ 54,000 | £ 147,000 |
| | Fuel Pump | £ 9,000 | £ 6,750 | - | - | £ 15,750 |
| | Tank Gauge | £ 9,000 | £ 6,750 | £ 6,750 | - | £ 22,500 |
| | | | | | **Total Capital Investment** | **£ 365,090** |
| Revenue | Sim Cards | £ 4,800 | £ 4,000 | £ 3,600 | £ 7,200 | £ 19,600 |
| | Annual Service | £ 4,800 | £ 4,000 | £ 3,600 | £ 7,200 | £ 19,600 |
| | Software Licence | - | - | - | £ 10,000 | £ 10,000 |

| | | | |
|---|---|---|---|
| | Project Manager | £ 10,000 | £ 10,000 |
| | | **Total Revenue Investment** | **£ 59,200** |
| | | **Total Investment** | **£ 424,290** |

20. The required investment will be partially offset by the estimated savings across partners of £336,000 over the initial four years, delivering reduced ongoing annual costs of £17,000 per annum. This is achieved through the avoidance of future capital and revenue expenditure to maintain and/or remove life expired bulk fuel infrastructure; purchasing bulk fuel at a cheaper rate from joint contract frameworks and reducing the use of commercial forecourts by increasing the usage of bunkered fuel sites.

| **Area of Saving. Across partners** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | |
|---|---|---|---|---|---|
| | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **Total Saving** |
| **Joint fuel contract** | £ 13,000 | £ 13,000 | £ 13,000 | £ 13,000 | **£ 52,000** |
| **Bulk vs. forecourt fuel** | £ 7,000 | £ 14,000 | £ 14,000 | £ 14,000 | **£ 49,000** |
| **System running costs** | £ 14,600 | £ 14,600 | £ ( 10,000 ) | £ (10,000) | **£ 9,200** |
| **Avoided capital spend** | | £ 225,840 | | | **£ 225,840** |
| **Total Saving** | **£ 34,600** | **£ 267,440** | **£ 17,000** | **£ 17,000** | **£ 336,040** |

21. The new system is expected to deliver a range of efficiencies, such as greater resilience and a more effective management of resources. Greater savings should be achieved through further integration that this project enables.

## Section 151 Officer Commentary

22. The proposed partnership project will deliver a more resilient and effective fuel system for blue light services through a joint network of bunkered fuel sites on a broadly cost neutral basis. Ongoing savings will accrue to the partners in accordance with their use of fuel. The Section 151 Officer notes that the report provides updated figures compared to the full detailed business case attached as an annex however the changes are not material.

23. The Fire partners are in receipt of transformation grant funding. This has been provided to enable the development of an integrated transport function across blue light partners. The grant provides the opportunity to fund initiatives which, as stand-alone projects by themselves, would not financially warrant individual partner investment but, which when implemented, help facilitate the overall aim of delivering an integrated transport function. Joint fuel management is such an initiative, being a first step towards further potential financial and operational efficiencies. The figures quoted within the report have been updated slightly from the original fuel management business case attached as an annex. This has resulted in no significant changes.

## Legal Implications – Monitoring Officer

24. The Council, including Surrey Fire and Rescue Service (SFRS), is empowered by the general power of competence in Section 1 of the Localism

Act 2011 to make such arrangements for the exercise of its functions as seem prudent in the circumstances. In making these arrangements, Members will want to satisfy themselves that the recommendations present the opportunity to maximise value for money in the purchasing of fuel by SFRS and facilitates benefits for the other ESCP partners.

25. If approved, a legal agreement between the ESCP partners involved will be prepared to cover the proposals. This agreement would need to include arrangements for the reconciliation of costs between the partners, allowing access to each others' sites for the purpose of refuelling and a firm commitment to the scheme for a number of years.

**Equalities and Diversity**

26. At this stage, following discussions and documentation for the Integrated Fuel Management System, no equality implications associated with this project have been identified.

27. This project will be reviewed during its implementation stage to ensure that it reflects and is in line with any changes/new developments of the equalities legislation. Any equality implications will be taken into consideration and will be captured and analysed in an Equalities Impact Assessment (EIA).

**Climate change/carbon emissions implications**

28. Greater access to bulk fuel sites across Surrey and Sussex, potentially reducing the travel distance for vehicles to refuel. Less duplication in fuel sites, reducing the fuel tanker delivery requirements / journeys.

**WHAT HAPPENS NEXT:**

29. Partners will transfer to the new joint fuel contract when current contract commitments allow.

30. A procurement process has already commenced for the purchase of the fuel management system. This will be completed.

31. Partners will liaise to review site access requirements and to put in place any necessary legal agreements covering issues such as liabilities and access agreements.

32. If agreed, initial operating capacity is expected to be in place from Q2 2016/17. This will be on a limited number of sites to allow learning to improve delivery across all sites.

33. Full operating capacity is expected by the end of Q2 2017/18.

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**Contact Officer:**
Ian Thomson – Area Commander
07968 834460

**Consulted:**
Communities Select Committee 18 May 2015
Residents Experience Board 19 November 2015 (in relation to the Performance and Finance sub group item)
Local Resilience Forums
SCC Procurement (including partner teams)
SCC Finance (including partner teams)
SCC Property (including partner teams)
Operations and Operational Support colleagues in Blue Light partners

**Annexes:**
Integrated Fuel Management System Business Case

**Sources/background papers:**
- Communities Select Committee paper 18 May 2015 (http://mycouncil.surreycc.gov.uk/documents/s22029/ESCP%20CSC%20180515%20Draftv0%206.pdf)

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