

LGA Response to CLG consultation re In-Service Management of National Contracts

Summary

This report asks for Members' views on government proposals for the in-service management of the Fire and Resilience Programme and which body should manage certain Programme functions as they become operational. The closing date for responses to the consultation is 5 October 2009.

Recommendation

1. Members are asked to consider the issues raised and agree a response in relation to:
 - in-service contract management (para 4)
 - national assurance function (para 5)
 - costs (para 8)
 - timing and transitional arrangements (para 10).

Action

As determined by Members.

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Background

1. The Department for Communities and Local Government (CLG) is working with Fire and Rescue Services to deliver the Fire and Resilience Programme, which includes:
 - The provision of radios under the National Fire Link contract;
 - The provision of nine regional call handling and mobilisation services under the Fire Control Project, and associated national contracts;
 - The provision of vehicles and equipment to FRAs (under New Dimensions arrangements) and their maintenance under a national contract.

2. These projects involve a number of functions that will still need to be performed at the national level when the various projects become operational in 2012, for example:
 - Management of the national contracts with suppliers;
 - Ensuring that the equipment is maintained and used in such a way that it remains interoperable and resilient at a national level (“national assurance”);
 - The full list from the consultation document is attached at Appendix A.

3. The consultation proposes four options to deal with functions that need to be performed at national level. The full document can be viewed at <http://www.communities.gov.uk/publications/fire/consultationprogrammeism>. The four options are:
 - CLG to continue provision of such functions;
 - Establish a specific non-departmental public body (NDPB) to deal with such functions;
 - Place such functions with the National Policing Improvement Agency (which already has a customer management function with Airwave – the Firelink contractor – on behalf of the 54 police forces in Great Britain);
 - Use an existing NDPB (Firebuy) as the basis for a new organisation to undertake such functions (‘Firebuy Plus’).

In-service contract management

4. CLG’s preferred solution for in-service contract management is to use the existing NDPB (Firebuy), with a slightly revised governance structure which would allow stakeholders, including CLG, to nominate candidates with relevant experience in procurement and contract management to the Board, although the majority of directors would be appointed following open competition. The Secretary of State would formally make the appointments. Firebuy currently has a board of ten, of which the LGA, CFA, and London Fire and Emergency Planning Authority (LFEPA) appoint one each, the other seven are publicly

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advertised appointments. Current appointments to the Firebuy board expire in November, the LGA's nomination is currently vacant.

LGA view:

- The LGA does not agree that the service contracts for Firelink and Fire Control should be managed by a NDPB (such as Firebuy Plus). The LGA is campaigning for an overhaul of unelected quangos to ensure that taxpayers get value for money and can have a say in how their taxes are being spent. This consultation does not present any evidence as to how Firebuy, or the NPIA for that matter, meet the fundamental principles of accountability, which are value for money, decision-making and openness;
- The national service contract management function should be carried by CLG as they relate to national projects. However, if CLG is to divest itself of national service contract management functions, then it is preferable if such functions are carried out through a body which is controlled by FRAs/regional control companies, who have a significant interest in their effective management. However, the various contractors may not want to sign up without central government guarantees;
- The governance arrangements suggested could result in no or very few representatives of FRAs (or regional control companies) being appointed to the board resulting in little or no influence over decisions. The size of the board would need to be sufficient to effectively represent FRAs and regional control companies.

National Assurance Function

5. CLG has considered different options for the national assurance function to ensure that the equipment is maintained and used in such a way that it remains interoperable and resilient at a national level:
 - a lead Regional Control Company (set up as part of the Fire Control project);
 - a new company, formed by and controlled by the regional control companies;
 - CFOA (as per New Dimensions).

LGA view:

- The level and type of national assurance is a matter for the government and should be funded and organised by government - individual FRAs and regional control companies are not responsible for national assurance. This function could be carried out by the CLG Chief Fire and Rescue Advisers Unit;
- The activities described in Appendix A would seem to suggest that the Department is seeking to offload much of their operational interests in the FRS, including such matters as operational consistency and co-operation with other responders. Arguably, these are not strictly related to the in-service functions mentioned and should be determined locally between FRSs. The level of scrutiny of local FRS activity risks the creation of an Inspectorate by another name.

Costs

6. In its consultation document, CLG envisages that in-service management of national contracts will cost £1million in respect of Fire Control, and £1.3million for Firelink and these costs have been taken into account in respect of the business case for Fire Control, and the net additional costs of running the Firelink system respectively.
7. It is intended that these costs will be met by FRAs as part of their contribution to the Regional Control companies, who in turn will pay the cost of the service contracts with EADS and Airwave. CLG has indicated that grants will be paid to specific FRAs who will pay more than they do now for control room facilities or radio communications to cover the additional net costs under new burdens principles. CLG has asserted that the contractual risk remains with Government and provides contractors with the continued security of central government backing.
8. It is also intended that the body which managed national assurance would recover the costs of those arrangements from FRAs/LACCs to cover its costs. In this respect, it may be considered that costs arising in respect of “national resilience/national assurance” should be met nationally by CLG.

LGA view:

- There are 791 quangos in England and Wales that spend £43.2bn every year, equivalent to £2,000 for every household and yet there is a significant lack of public scrutiny of where and how this money is spent. FRAs (and regional control companies initially in respect of Fire Control contracts) have the greatest stakeholder interest in effective management of the nationally let contracts as they ultimately bear the costs and, under the proposals, would also be liable for the costs of the managing body;
- FRAs will be liable for contract costs as well as those of the managing body yet the paper only provides general estimates. There is a very real risk that costs will increase as the contracts become operational and the assurance body become increasingly ambitious in its role. The Department has committed to meet the net additional cost of the Programme but the terms are not clear and this could change. There should be no change to the existing arrangements until costs and liabilities are agreed.

Timescale and Transitional Arrangements

9. The Airwave service contract is already in operation, as Firelink is currently being rolled out. This is being handled by the consultants managing the Firelink project on the Department's behalf.
10. CLG suggests that the Fire Control service contract and in-service management will need to be operational as soon as the NDPB is ready to take it on, with long-term arrangements for Firelink and Fire Control to be put in place leading

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up to Programme completion. This is because the contracts between CLG and LACCs, and between LACCs and FRs, need to be in place before the first Regional Control Centres go live in 2011. Outstanding matters relating to Firelink and Fire Control include detailed specifications for the management of service contracts and the national assurance function, and the transition plan to move from current project arrangements to long-term management as proposed in the consultation paper.

LGA view:

- There would seem to be undue haste in the setting up and transfer of functions, even before the true costs and implications become clear. FRAs are very concerned about the costs and delays to the Fire Control project; they would want to see solid evidence that CLG can manage further large scale projects before they could express any confidence in the ability of CLG to deliver these proposals, particularly as the costs and liabilities of the contracts and managing body will be passed to FRAs;
- The changes to the Board are scheduled for November, when the consultation closes. We are unclear as to how CLG can initiate the process in advance of the outcome of the consultation;
- Without a properly developed and costed transition plan, effectively project managed, there will very likely be further operational and cost implications for FRAs.

Financial Implications

11. Although CLG envisages that in-service management of national contracts will cost £1million in respect of Fire Control, and £1.3million for Firelink and these costs have been taken into account in respect of the business case for Fire Control (which partly relies on savings to FRAs), and the net additional costs of running the Firelink system respectively. These are estimates and there are risks for FRAs in further costs arising once the NDPB is up and running.

Implications for Wales

12. None identified

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