

23 September 2016

Commercial transformation, procurement and R&D

Purpose

For discussion and direction.

Summary

At its meeting in March Fire Services Management Committee considered the work being taken forward by the Chief Fire Officer's Association (CFOA) to improve procurement practices across the fire and rescue sector. Following the Home Secretary's challenge in her speech in May to the sector to deliver greater efficiencies through improved collaboration around procurement and research and development, CFOA has developed a commercial transformation programme. Ann Millington, chief executive of Kent Fire and Rescue Service will be attending Fire Service Management Committee to update members on CFOA's work.

Recommendations

The Committee are asked to:

1. Note the work being undertaken by CFOA to improve procurement and research and development practice across the sector and the creation of a commercial transformation programme.
2. Agree the LGA should support CFOA and promote the initiatives outlined in the report.

Action

Officers to action as appropriate.

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Commercial transformation, procurement and R&D

Background

1. A series of reports over the last 20 years have identified ways in which procurement in the fire sector could be improved. Most recently Sir Ken Knight's 2013 report 'Facing the Future' looked at the issue and identified ways in which the fire and rescue service could improve procurement practices.
2. Following this report the Department for Communities and Local Government and the Chief Fire Officers Association (CFOA) commissioned a research report from PA Consulting on current spend data, price benchmarking and strategic future plans. When the report was published in March 2014 it showed that Fire and Rescue Authorities (FRAs) could save time, money and achieve better operational and commercial outcomes through smarter procurement practices. Rather than coordinated procurement practices the report revealed a picture of individual decision-making across an estimated procurement spend of £600 million by English FRAs.
3. The findings identified significant variations in the prices FRAs paid for the same products, variations in price paid by FRAs when they bought the same equipment from the same supplier, and where the same contract was used by a number of FRAs there still a significant range in the price paid for the same item. PA Consulting identified possible savings of £18 million on a total spend of £127 million on a specific group of products and surmised if this was applied across the total procurement spend the savings would be even greater.

CFOA response

4. Acknowledging the shortcomings in FRS procurement CFOA identified a number of areas for improvement around procurement:
 - 4.1. Spend data – improving the availability of spend data in the sector to ensure there is consistent information.
 - 4.2. Aggregating demand – by moving to joint procurement arrangements with the associated increase in volumes procured under a contract prices paid by FRAs could be reduced.
 - 4.3. Use of common specifications – joint procurement is only possible where FRAs share specifications, and unnecessary bespoke specifications are reduced.
 - 4.4. Best practice procurement – using good, commercially focused, professional procurement approaches to deliver better prices.
 - 4.5. Capacity and capability – the ability of FRAs to improve their procurement practices requires the ability to run appropriate competitive processes with the skills required to do that.
5. In 2012 CFOA had already identified and agreed a common system of spend analysis which is being used by a number of fire and rescue services. Following the PA Consulting

report CFOA developed a high level national procurement strategy that outlined how procurement across a range of categories of equipment (such as vehicle management, clothing and operational equipment) could be improved.

6. Under the 2015/16 transformation funding bidding round, three fire authorities (Devon & Somerset, Essex and Kent) submitted a successful joint bid on behalf of the sector to develop a collaborative procurement hub (the Hub). The purpose of the Hub is to continue developing the professionalism of procurement through the introduction of training programmes, training materials and other resources. The Hub is currently working on the following priorities:
 - 6.1. Working with colleagues in the Home Office, Police and Ambulance to identify and coordinate emergency services collaboration.
 - 6.2. Establishment of a national fire and rescue service spend analysis capability.
 - 6.3. Development of a prioritised work programme that meets the demands of the sector.
 - 6.4. Supporting the delivery of key collaborative sector lead projects.
 - 6.5. Developing the professionalism of the sector through the provision of training programmes and other relevant resources.
 - 6.6. Improving strategic stakeholder engagement.
 - 6.7. Development of a sustainable, long term funding model for the Hub.
 - 6.8. Showcasing examples of good practice in the realisation of savings and efficiencies.
 - 6.9. Providing contract, framework and supplier information to fire and rescue services.
7. So far 40 FRAs have signed up to support the Hub, and it is planned to have all UK fire and rescue services signed up to it by the end of the year.

Home Office priorities

8. Better and more collaborative procurement across the fire sector is a priority for the Home Office as well. The previous Fire Minister, Mike Penning MP, announced the government's intention to publish the costs paid by individual FRAs for a 'shopping basket' of 25 standard items of equipment at the annual Fire Conference in March to encourage FRAs to improve their procurement practices. The Home Secretary repeated the intention to publish this data set in her speech on fire reform on 24 May. The data was published by the Home Office on 24 August:
<https://www.gov.uk/government/publications/fire-and-rescue-authority-procurement-data>

Commercial Transformation Programme

9. In response to the Home Secretary's challenge CFOA are now looking to implement a package of reforms in the commercial operation of the sector under the umbrella of the 'Commercial Transformation Programme'. This programme will develop a national commercial strategy which will encourage and support national, regional and cross-sector collaboration. CFOA has identified three key principles for the programme:
 - 9.1. Standardising requirements – agreeing standard specifications

9.2. Aggregated volumes – including looking at whether non-fire specific goods and services can be purchased with other public sector organisations

9.3. Collaboratively managed contracts and suppliers.

10. The work to develop the new strategy will be led by Ann Millington, the chief executive of Kent Fire and Rescue Service (who is attending FSMC to talk about this work), and a virtual procurement team will identify and facilitate opportunities for savings and efficiencies from collaborative procurement. The programme will be project managed by the Hub. Virtual procurement teams will also be set up to improve the capacity within the sector, and will focus on:

10.1. Creating a high level plan for their category of equipment and the project management.

10.2. Development of a prioritised work programme that meets the demands of the category along with colleagues from the Home Office and Hub.

10.3. Liaising with the Hub.

10.4. Identification of aggregation and consolidation opportunities in their category that will deliver value, savings and efficiencies to fire and rescue services.

10.5. Engagement with Professional Buying Organisations with the aim of aligning work plans, avoiding duplication of procurement processes and deploying suitable approaches.

10.6. Improving strategic stakeholder engagement.

10.7. Working with colleagues in the Home Office, Police and Ambulance to identify and coordinate emergency services collaboration.

Research and Development Function

11. Another area the Home Secretary challenged the sector to make progress around was improved research and development. In 2015 CFOA identified the need for a single collaborative research and development function to reduce duplication and improve efficiency in the sector. The Function will consider fire and rescue services needs and bring together all aspects of research and development from academic research, product development, testing and procurement to evaluating the impact an approach or new piece of equipment has on fire and rescue services, firefighters and their communities. The overarching aim is to establish a function that captures the emerging knowledge, technical advances and innovation within the fire sector that will ultimately improve firefighter and community safety.

12. The aim of the function is to:

12.1. Establish a central hub of fire related academic research.

12.2. Provide a publically available list of areas for research or development driven by market analysis.

12.3. Lead nationally coordinated product testing.

12.4. Reduced duplication of product testing.

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- 12.5. Increase the pace at which service improvements can be implemented.
- 12.6. Reduce costs for FRSs and suppliers.

Next steps

13. Members are asked to:

- 13.1. Note the work being undertaken by CFOA to improve procurement and research and development practice across the sector and the creation of a commercial transformation programme.
- 13.2. Agree the LGA should support CFOA and promote the initiatives outlined in the report.

Financial Implications

14. None.