Fire Service Management Committee

7 March 2016

Procurement in the Fire and Rescue Service

Purpose

For discussion and direction.

Summary

Numerous reports over the past 20 years have highlighted Fire and Rescue Service procurement as an area where further efficiencies and savings could be identified. This paper outlines initiatives currently under way within the sector and in collaboration with other emergency services to deliver better value from procurement and sets out how the LGA could support these initiatives.

Recommendations

Members are asked to:

1. Agree that, given the funding settlement for the fire service, the LGA and FRAs should be promoting further collaboration around procurement across the fire sector.
2. Agree the LGA should support and promote the procurement initiatives outlined above to FRAs.
3. Encourage FRAs to participate in the full range of collaborative procurement initiatives in order to deliver the best value not only for their individual services, but also for the sector as a whole.

Action

Officers to take forward the Committees comments, recommendations and decisions.

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Procurement in the Fire and Rescue Service (FRS)

Background

1. Following Sir Ken Knight's 2013 report *Facing the Future*, in which he was critical of some FRS procurement practices, the Government published in March 2014 a research report into *Fire and rescue procurement aggregation and collaboration*. It was commissioned jointly by the Department for Communities and Local Government (DCLG) and the Chief Fire Officers Association (CFOA) from PA consulting. This was the most recent of a series of reports over the past 20 years identifying a number of ways in which procurement within the fire sector (the Sector) could be improved.

2. The research looked at current spend data, price benchmarking and strategic future plans and showed that fire and rescue authorities (FRAs) could save time, money and achieve better operational and commercial outcomes through smarter procurement practices. It revealed a picture of individual decision-making by FRAs using a range of criteria around an estimated procurement spend of nearly £600 million across the 46 English FRAs. Some key findings were:

   2.1. Some authorities paid over 200% as much for their products as others. One authority paid £125 for a pair of firefighting trousers while another paid £274.

   2.2. Even where FRSs bought from the same supplier there are significant variances, for example the price for a similar firefighting helmet from the same company varied by 25%: between £105 and £131.

   2.3. Where the same contract was used by a number of authorities to buy the goods there was still a significant range, for example one authority paid 66% more than another when buying a firefighting coat (£220 - £366).

3. PA Consulting identified possible savings of £18 million on a total spend of £127 million on a specific group of products. They surmised that if this was applied across all spend (£600 million) the savings could be even greater. It is not inconceivable that standardisation of products could deliver even greater savings and, with increased volumes through collective procurement, this could add to wider economies of scale. For example if more fire and rescue authorities bought the same vehicles they would not only save on the vehicles themselves, but also on parts, maintenance and training.

4. The following table shows the different range of prices for Personal Protective Equipment (PPE) and demonstrates the scale of the opportunity on offer. The prices relate to equipment supplied by many firms and contracts, but illustrate the point well.

Item of Equipment	Price range
Structural helmet	£103 - £226
Structural coat	£165 - £366
Structural gloves	£29 - £65
Fire hood	£12 - £39
Structural trousers	£125 - £274
Fire boots	£65 - £175

5. The demise in 2011of Firebuy, about which the fire community had mixed views, left the sector without any central coordinating function or delivery capability at precisely the time when FRAs were having to reduce spending. This resulted in some frameworks[1] being let with little thought to standards, the streamlining of processes, risk mitigation, and supporting collaboration, standardisation and aggregation; all of which form the basis of good approaches that lead to the delivery of savings.

6. All of this has led to a confused landscape of duplicate and competing framework arrangements, which do nothing to foster good, healthy competition in the market and, contrary to a commonly held belief, also do not deliver savings.

Identified areas for improvement

7. Acknowledging the shortcomings in FRS procurement and the potential for mitigating the impact of the significant funding reductions, CFOA identified the following areas for improvement:

    7.1. <u>Spend data</u> - There is a paucity of spend data in the sector; detailed information on FRS collective spend is unavailable and what data there is lacks common definitions and systems. The absence of useable consistent spend data hampers efforts to identify collaborative opportunities. Significant savings opportunities could be identified and secured with the right information.

    7.2. <u>Aggregating demand</u> – As indicated in the FRS procurement aggregation report, there are significant variations in the prices paid for the same or similar products with the potential for significant savings if demand was to be aggregated. Notably unlike traditional frameworks that do not necessarily deliver better prices, contracts with higher volumes do.

    7.3. <u>Use of common specifications</u> - Bespoke specifications are a barrier to aggregation and result in higher costs. Savings can be generated by challenging specifications that contain bespoke requirements that are not absolutely necessary.

    7.4. <u>Best practice procurement</u> - Good, commercially focused, professional procurement approaches deliver better prices. The fire and rescue procurement aggregation and collaboration report found that where fire authorities simply bought from a framework agreement the cost was higher. This is because the framework limits the number of suppliers and provides no guarantee of volumes, thereby reducing the competitive pressure applied to the transaction.

    7.5. <u>Capacity and capability</u> - FRSs are possibly simply buying from frameworks because they do not have capacity to run appropriate competitive processes. Regional contracts, where a number of FRSs work together, deliver better value for money, but that requires good standards of commercially focused professional procurement

[1] A framework is an agreement with suppliers, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and quantity. The framework agreement may, itself, be a contract to which the EU procurement rules apply, thereby negating the need to follow the full EU procurement processes when purchasing under the framework. Alternatively it may simply be an agreement under which contracts are only formed when goods, works and services are called off.

resources to deliver. Having the capacity and capability to deliver good, collaborative procurement means that duplicating procurement activity can be avoided.

Initiatives under way

8. In 2012 CFOA identified and agreed a common system of spend analysis (SpendPro), which is now being used by 13 FRSs with some others indicating a willingness to join. Bearing in mind the benefits outlined above that could accrue to FRAs, increasing the number of FRAs participating in this initiative is a high priority for the CFOA collaborative programme.

9. Following the publication of the Procurement Aggregation and Collaboration report in March 2014, a short high level national procurement strategy was developed. It outlined how a Category Management approach[2] could be used to deliver best practice procurement outcomes through Sector led and managed projects. So far 28 FRSs have signed up to this approach and, as with the spend analysis initiative, securing the commitment of the remaining 18 is a high priority. The procurement strategy has identified the following five key categories that will form the basis of focus for the collaborative work programme:

   9.1. Vehicle Management (pumping appliances, aerial appliances and special vehicles; national resilience vehicles; vehicle disposal and end of life services; vehicle maintenance; tyres; fuel cards; bulk fuel).

   9.2. Operational equipment (breathing apparatus; emergency response equipment; smoke alarms; foam; marauding terrorist firearms attack assets; working at height equipment).

   9.3. Clothing (PPE; uniform workwear).

   9.4. ICT (Emergency services mobile communications; hardware and consumables; software; ICT services; telecommunications).

   9.5. Training (operational and corporate).

10. Category outlines have been developed for each of these categories and continue to be refined and developed further. Detailed category strategies are being developed as part of the agreed collaborative work programme. The work on PPE and training is being led by Kent FRS and that on vehicles by Devon and Somerset FRS. Work on breathing apparatus, to be led by Devon and Somerset FRS, will begin shortly and consideration is being given to when work should begin on Emergency Response Equipment.

Collaborative procurement hub

11. A successful collaborative bid for transformation funds in 2015/16, submitted by three fire authorities (Devon & Somerset, Kent and Essex) on behalf of the sector, has provided

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[2] Category management is a strategic procurement approach to the effective **management** of different c**ategories** of goods and services. A ‘category’ is the grouping of similar expenditure items matched to the market. It is not based on grouping operational activities. The approach has been utilised in retail, manufacturing and automotive industries for many years and is now being adopted by most other business sectors including the public sector.

£374,000 to develop a small collaborative procurement hub. The purpose of the hub is to provide a national procurement capability for the fire sector to identify and facilitate opportunities for savings and efficiencies from collaboration through:

11.1. Improved use of spend data.

11.2. The development of a category management approach and category strategies.

11.3. The development of forward plans and a collaborative work programme.

11.4. The aggregation of fragmented spend and consolidating on best deals.

12. Three, full time professional procurement appointments have been made to the Hub: a National Collaborative Procurement Coordinator to oversee and manage the work of the Hub and two Category Managers.

13. Immediate hub priorities are:

13.1. Increase the number of FRSs using the spend analysis tool.

13.2. Develop forward plans using spend analysis data and from engagement with FRSs.

13.3. Identify aggregation and consolidation opportunities.

13.4. Support delivery of key collaborative projects under the new category management/sector led approach:

13.4.1. PPE.
13.4.2. Training.
13.4.3. Breathing Apparatus.
13.4.4. Vehicles.
13.4.5. Emergency response equipment (tbc).

13.5. Engage with PBOs to align work plans and avoid duplication/unsuitable approaches where possible.

13.6. Improve strategic stakeholder engagement.

13.7. Secure the commitment of all FRSs to the national collaborative procurement approach.

13.8. Record achievement of savings.

13.9. Develop a sustainable model for the collaborative Hub.

Collaboration with other blue light services

14. Opportunities for collaboration with the other blue light services have been, and continue to be, explored. Meetings have taken place with the Ambulance Service and with Home Office officials for Police procurement. A number of common themes were identified

between the Police and Fire collaborative programmes, and sharing experiences has already led to potential improvements in approaches. The move of fire policy from DCLG to the Home Office is an important factor in this respect and meetings with Home Office officials will continue on a monthly basis.

Achievements

15. Despite capacity issues, a number of successful collaborative arrangements have recently been delivered, either from a Sector led approach or through collaboration with the other blue light services:

    15.1. Breathing Apparatus. The Framework Agreement for Self-contained Breathing Apparatus and associated equipment, which was established by Devon & Somerset FRS on behalf of CFOA in 2013, will expire on 28 February 2017. The agreement reflected the results of a national consultation undertaken with the English, Welsh and Scottish FRSs. Work has now commenced on the future Framework, again led by Devon & Somerset FRS on behalf of CFOA. It is scheduled to progress to tender this year and commence on 1 March 2017. It is envisaged that the scope of the new Framework will be extended to encompass further products that fall under the broader respiratory protective equipment umbrella.

    15.2. Fuel cards. A mini-competition was undertaken for both Police and Fire through a Crown Commercial Services (CCS) agreement. The combined spend is in excess of £88m per annum and contracts were available from November 2014 for an initial period of 2 years.

    15.3. Smoke alarms for private sector landlords. £3.2m of grant funding from DCLG has been used to secure 500,000 smoke and carbon monoxide alarms for the private rented sector.

    15.4. Insurance. Nine fire authorities awarded a contract in March 2015 to a mutual management services provider to assist them (as the Fire and Rescue Insurance Consortium) with the establishment and ongoing management of a discretionary risk pooling arrangement to replace their commercial insurance. An additional procurement has also been completed for insurance that will protect the pool against high value claims. The management contract provides for a pooling arrangement that is open to all fire authorities.

    15.5. EU Supply (Emergency services e-sourcing site). Following a joint procurement with the police, a contract was awarded to EU Supply. The police nationally and, initially, nine fire authorities have rolled out the system with more intending to join once existing contracts expire. The EU Supply system will assist authorities to meet the requirements of the new Public Contracts Regulations (2015) and will also help with the further development of collaborative procurements as the national procurement strategy progresses.

Next steps

16. Following the Local Government Settlement, which we understand the Home Office intends to use as the basis for FRA funding over the Spending Review period to provide

FRAs with a degree of certainty about their funding, and the additional reduction in FRA funding (a further two per cent reduction in spending power for standalone FRAs between 2015/16 and 2019/20), there are clear benefits for FRAs in improving procurement practices across the sector to realise the savings that clearly can be achieved. Members are therefore asked to:

16.1. Agree that, given the funding settlement for the fire service, the LGA and FRAs should be promoting further collaboration around procurement across the fire sector.

16.2. Agree the LGA should support and promote the procurement initiatives outlined above to FRAs.

16.3. Encourage FRAs to participate in the full range of collaborative procurement initiatives in order to deliver the best value not only for their individual services, but also for the sector as a whole.

Financial Implications

17. None.