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Status	This Circular accompanies a joint paper from FRS procurement stakeholders setting out arrangements taking forward the strategy for collaborative procurement in the FRS.		

Procurement in the Fire & Rescue Service: identifying opportunities for collaboration

Issued by:

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Addressed to:

The Chair of the Fire and Rescue Authority
Chairs of Regional Management Boards
The Chief Executive of the County Council
The Clerk to the Fire and Rescue Authority
The Clerk to the Combined Fire and Rescue Authority
The Chair of the Local Authority Controlled Company
The Commissioner of the London Fire and Emergency Planning Authority
The Chief Fire Officer

Please forward to:

Directors of Finance
The Regional Control Centre Director
Treasurers
Procurement Departments

Summary

The importance of a strategic and collaborative approach to procurement in the FRS was highlighted in the National Procurement Strategy for the FRS 2009-12 (August 2009). An analysis of spend in the FRS has now been undertaken to help deliver this approach. Key issues are highlighted in the attached joint paper.

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1.0 Taking forward the FRS National Procurement Strategy

- 1.1 A new National Procurement Strategy for the FRS, published in August 2009, set out the policy and organisational arrangements for procurement in the FRS and took forward one of the key themes of the HM Treasury's Operational Efficiency Programme (May 2009) – collaborative procurement. CLG has confirmed the key role and its continuing support for a national procurement body for the FRS. A new Board has been appointed to lead Firebuy and the development of an organisation with a wider future role.
- 1.2 An analysis of Fire and Rescue Service expenditure has recently been undertaken to inform and help guide procurement in the FRS. The procurement strategy and the collation and analysis of FRS expenditure have been taken forward through a joint approach by FRS procurement stakeholders.
- 1.3 A joint paper prepared by the Chief Fire Officers' Association's – National Procurement Board (CFOA-NPB), Communities and Local Government, Firebuy and the Association of Procurement Practitioners in the Fire Service (APPFS) is attached to this circular. The paper:
 - Highlights the importance of collaboration and a strategic approach to procurement in the FRS.
 - Identifies the key organisations and their role in helping to deliver and support collaborative procurement.
 - Explains how the collation and analysis of FRS spend on goods and services will be used to support effective procurement planning in the FRS in the future.

The output from the expenditure analysis and how it can be used to inform procurement decisions will be discussed at the meeting of the National Procurement Board on 16 March. The analysis provides a range of information on what the FRS is purchasing and from where and will provide the opportunity to make informed decisions about further opportunities for collaboration and efficiencies. A seminar and workshop for FRS procurement stakeholders to address these issues in more detail is planned for later in 2010.

2.0 FRS National Procurement Strategy - Background

- 2.1 Over the last ten years there have been a number of important reports and publications that have encouraged and promoted a more strategic and national approach to FRS procurement. The first National Procurement Strategy for the FRS was published in 2005 and a national procurement body for the FRS, Firebuy, was set up in 2006.
- 2.2 In 2009 there were a number of developments which impact on procurement in the Fire and Rescue Service (FRS):
 - **April** – launch of project to collate and analyse **FRS expenditure** on goods and services in England (2006/7 and 2007/8) to inform future procurement decisions.
 - **May** – publication of the collaborative procurement strand of the **Operational Efficiency Programme** which set out the principles and benefits of collaborative procurement. It also set targets for the level of common spend that should be channelled through Professional Buying Organisations or other collaborative arrangements.
 - **June** – a **Written Ministerial Statement** from Fire Minister Shahid Malik announced that there was a continuing need to drive procurement efficiency at a national level in the Fire and Rescue Service and that, subject to the outcome of a consultation, in future the national procurement role should be

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- carried out in a larger organisation also responsible for the management of the Fire and Resilience Programme service contracts.
- **July** – a 12 week **consultation** on arrangements for the in-service management of the Fire & Resilience Programme was issued.
- **August** – the revised **National Procurement Strategy for the Fire and Rescue Service in England 2009-12** was published.
- **December** – the response to the in-service management consultation was published. It confirmed future responsibilities for the NDPB developed from Firebuy. New appointments to the Board of the NDPB were announced at the same time.
(<http://www.communities.gov.uk/documents/fire/pdf/1416678.pdf>).
In December the Government also published its White paper “*Putting the frontline first: smarter government*”. This builds on the OEP and addresses delivery across public services.

3.0 Further information

- 3.1 For any further information about this circular and FRS collaborative procurement please contact: fsed6@communities.gsi.gov.uk or:

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Collaborative Procurement in the Fire and Rescue Service: Taking the Strategy Forward

Joint paper from CLG; Chief Fire Officers' Association – National Procurement Board; Firebuy and the Association of Procurement Practitioners in the Fire Service (APPFS)

1. Summary

This paper provides an update on strategic procurement arrangements in the Fire and Rescue Service (FRS) and the delivery of the national strategy in England. It also highlights the analysis of expenditure in the FRS 2006-08. The paper is issued on behalf of CFOA-NPB; APPFS; Firebuy and CLG. Its purpose is to provide the Fire and Rescue Service with a summary of current and planned future arrangements and encourages participation in strategic and collaborative procurement work in the sector.

2. Background

The 2nd *National Procurement Strategy (NPS) for the FRS 2009-12* was published in August 2009 and took forward the key themes of the Government's Operational Efficiency Programme as they impact on procurement. The new Strategy takes forward arrangements put in place following the first national procurement strategy for the FRS in 2005 and the establishment of Firebuy in 2006.

The *Operational Efficiency Programme (OEP)* was published by HM Treasury in April 2009 to support the 2009 Budget. Its key purpose was to identify measures to deliver public services more efficiently. The OEP was made up of a number of strands, a key one being collaborative procurement.

3. Collation and Analysis of FRS Spend

One of the key actions arising from the NPS (reinforced by the recommendations of the OEP) was to improve understanding of what the FRS spends and plans to spend, without which procurement cannot be planned effectively. A project for the *Collation and Analysis of Fire and Rescue Service Expenditure Data* has therefore been undertaken for the FRS in England. The output from this process will be discussed at a meeting on 16 March of the CFOA chaired National Procurement Board for the FRS. The spend analysis will provide a key input to planning future collaborative procurement in the FRS, at a national, regional and local level. A seminar is planned for the early summer when more detailed work will be taken forward on procurement priorities and arrangements for particular categories of spend. This work will be informed by and build on the analysis of FRS expenditure.

Based on the analysis of spend in 32 (over 80% by budget) of the 46 FRAs between 2006 and 2008 the spend analysis provides key data for the FRS such as:

- The annual spend on goods and services by the FRS.

- The breakdown of this spend across regions, types of FRA and individual FRAs.
- Spend across key categories – including fire vehicles and firefighting equipment, other goods such as utilities and construction and other areas of spend such as consultancy, HR and financial services.
- The number of suppliers and number of transactions for each FRA and across the FRS.
- The main suppliers, numbers of suppliers in different categories of spend and value of transactions – including the number of FRAs using these suppliers.
- The nature of suppliers – by location and size (SMEs) etc.
- Volume and type of transactions.

From this data the FRS will be able to make more informed judgements about:

- Key categories of spend where collaboration and rationalisation may deliver the greatest benefits.
- Areas where the FRS can make the most of collaborative arrangements already established by Professional Buying Organisations (PBOs).
- The opportunities to bring together areas of common spend and the use of common suppliers.
- Rationalisation of transaction volume and the proportion of low value transactions in particular and therefore the scope for efficiencies in both procurement and financial systems.
- Consideration of the size and location of suppliers used by the FRS.

A report setting out the headline data and initial findings and conclusions from it is being prepared and will be made available to the FRS and for publication on the CLG website. FRAs that have taken part in the project can access their own and FRS-wide data on the Spikes Cavell Observatory for more detailed and customised analysis. The FRS will need to decide how best to maintain and utilise the spend data now established, including the establishment of trend information to advise future procurement planning.

4. Implications for Fire and Rescue Service Procurement

- It is estimated that out of the £2.364 billion net FRA spend in 2008/09, £400-£450 million was spent on goods and services and £120 million of that was on fire specific goods. These figures will be firmed up by the spend analysis.
- As budgets become tighter, a strategic and collaborative approach to procurement becomes increasingly important – both through the use of collaborative procurement arrangements and through identifying and sharing good practice across the FRS.
- The National Procurement Board, chaired by CFOA and informed by the analysis of expenditure in the fire and rescue service, provides the forum for identifying, prioritising and commissioning key procurement activity based

on maximising savings and efficiencies and utilising the collective purchasing strength of the FRS. This will include consideration of whether procurements are best undertaken nationally, regionally, or locally, utilising existing PBOs framework arrangements or by national specification with local contracting.

- Firebuy - the National Procurement Body for the FRS –provides an effective mechanism for commissioning and managing collaborative national arrangements, as well as linking the FRS to wider public sector procurement structures and opportunities and other PBOs. CLG has confirmed that a national procurement body for the FRS will continue to be supported, as part of an organisation that will also be responsible for the management of Fire and Resilience Programme service contracts. Firebuy has an important role in helping the FRS increase efficiency.
- Collaboration in the procurement of fire-specific goods and services (much of it through contracts established by Firebuy) has increased significantly over the last 2 – 3 years. In 2008/9 spend by the FRS through Firebuy contracts was estimated to be £64.4 million, with £5.2 million spent by other public bodies. This represents well over 50% of FRS spend on these commodities. But there is scope to do more, particular in areas of more generic (non fire-specific) goods and services. Identification of the best deals available within the public sector is a key task.
- The analysis and understanding of FRS expenditure provides an essential input to decisions on future collaborative and efficiency opportunities. The spend analysis and recommendations on how it might be used will be presented to the National Procurement Board 16 March. This should not be a one-off exercise but provides the baseline for future monitoring and analysis. As well as looking at what the FRS spends now, there is also a need to consider what the service is likely to want to procure in the future. The spend analysis and its subsequent use and maintenance will also help the sector respond to the OEP recommendation on improving management information on public sector procurement.

5. Themes and responsibilities arising from the *National Procurement Strategy for the Fire and Rescue Service and the Operational Efficiency Programme*

5.1 *The importance of collaborative procurement*

- The benefits to the Fire and Rescue Service of working collectively on procurement have been widely recognised for some time. The issue has been how this collaboration should be delivered and identifying where the focus should be, both in terms of procurement categories and the level/scale at which collaboration takes place.
- The OEP recommends that the level of common spend channelled through PBOs or other collaborative channels should be increased to **80%** of all available central government spend and **50%** of all available wider public sector spend, by end 2010-11.

- There is currently no mandate on FRSs to use existing or future national contracts established by Firebuy or other PBOs for fire-specific equipment and no formal business case is required by CLG for an FRS to pursue alternative procurements. But FRSs are strongly encouraged to discuss and coordinate their requirements through the NPB, particularly when they do not feel these can be met effectively by national or other collaborative arrangements.

5.2 Coordinating FRS procurement - National Procurement Board

- The CFOA-led National Procurement Board has the key “intelligent-client” role for FRS procurement. Its remit is to identify procurement needs and collaborative opportunities, propose procurement strategies and approaches, monitor performance and promote and encourage good practice. Its role and structures - sub-committees, working groups etc. – should reflect this and work is in hand to take this forward.
- The NPB provides a forum to promote the benefits of collaboration and the benefits and availability of collaborative arrangements – both nationally and at a regional/sub-regional level. For example, it provides the forum for demonstrating and disseminating good practice through case studies provided by APPFS/practitioners, including the value of a strategic and collaborative approach to procurement.
- Through the NPB, the availability of collaborative opportunities within the FRS and elsewhere in the public sector will be highlighted and links with key Professional Buying Organisations developed, utilising the experience of Firebuy. Gaps in coverage should be identified. The NPB will maintain an overview of the main categories of spend in the FRS and how they are procured including:
 - a. Collaborative arrangements for the procurement of relevant fire specific equipment. This should largely be in place by end March 2010.
 - b. Collaborative proposals for key areas on non-fire specific spend identified through the spend analysis – by end March 2011.
- The NPB will also provide the focus for regular reporting of performance/management information on FRS national procurement e.g. contract take up; spend; savings; income and report annually on achievements and future priorities. The NPB provides the appropriate national forum to assess and monitor the FRS’s progress against the OEP targets (in 5.1 above).
- The role of the APPFS is to set a mechanism for engaging with its membership to ensure that the NPB is kept up to date in its intelligent client role with procurement trends and issues in order that it can act effectively and suggest improvements/solutions. The APPFS needs to play a dual role, one supporting the collaboration agenda through best

practice but also reflect local member/authority experience and the potential impact of collaboration at practitioner level.

5.3 The national procurement body for the FRS - Firebuy

- A key procurement role for the FRS is delivered by Firebuy and this will continue to be a key role in the future organisation as it develops to take on the management of the Fire and Resilience Programme service contracts.
- In line with the OEP recommendation that “*the Government must make better use of current Professional Buying Organisations*” access to other PBOs and other collaborative contracts that may benefit the FRS should be facilitated through the NPB, utilising arrangements established by Firebuy.
- Firebuy and other PBOs provide existing national arrangements for taking forward new areas for collaboration in FRS procurement. Other bodies at a regional or sub-regional level may be more appropriate for leading collaboration on other categories of spend.
- Firebuy will maintain and report key management information on national procurement – use of Firebuy contracts, income, savings etc. regularly to the NPB, as well annual benefits reporting to FRAs for their Annual Efficiency Statements.
- The new Board of Firebuy has stakeholder representation to provide input to both existing and future roles. The future NDPB will also be seeking to engage with a wider group of stakeholders reflecting its developing role. Stakeholder engagement will be sought and encouraged at an early stage in the development of user requirements and procurement plans and then continue through-out the procurement process.

5.4 Working with suppliers to the Fire and Rescue Service and other stakeholders

There are a number of areas where the FRS working collectively can use its procurement decisions and activity to help deliver in a wider range of policy areas. Fire sector suppliers – represented through FIRESA – will be key partners in these areas of work which include:

- **The supply chain** – consideration of the impact of procurement decisions on the supply chain especially SMEs, taking forward OGC guidance and advice on support. This will include considering the potential advantages of frameworks and other forms of contract and the mechanism for addressing any implications for suppliers.
- **Apprenticeships/training/skills** – developing the scope for using procurement decisions to promote apprenticeships and other forms of skills development; promoting best practice.

- **Innovation** – building on the scope for procurement decisions by the FRS to encourage innovation in the supply chain. There is a need to understand product innovation and where this is happening in the supply chain/procurement process. The NPB and Firebuy are considering the value of regular innovation seminars – perhaps focussing on issues encountered by FRSs and where these might be addressed through product/system innovation.



NATIONAL PROCUREMENT BOARD



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