



National Procurement Strategy for the Fire and Rescue Service in England 2009-12



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August 2009
Department for Communities and Local Government

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1 Executive Summary

- 1.1 This Strategy sets out the framework for procurement within the Fire and Rescue Service (FRS) in England from 2009 to 2012 building on the 2005-08 National Procurement Strategy (NPS).
- 1.2 The Strategy's vision is to create an FRS procurement structure nationally, regionally and locally that makes the best of opportunities to deliver efficiencies and other improvements in the acquisition of goods and services. It takes forward the recommendations of the collaborative procurement strand of the *Treasury's Operational Efficiency Programme* (OEP) published in May 2009 and relates these to the circumstances and requirements of the FRS.
- 1.3 Importantly, the Strategy also paves the way for exploring the contribution that the FRS can make to a broader vision for public procurement – one which recognises the potential for unlocking opportunities for promoting skills and apprenticeships through procurement, for fostering innovation and creative solutions that drive improvement and efficiency, and for using public procurement to develop and shape markets.
- 1.4 The Strategy sets out the role and contribution of the professional buying organisation for the FRS, currently Firebuy Ltd, and how this might evolve over the coming months and years.
- 1.5 The key aims of this Strategy are:
 - to re-emphasise the importance of collaborative procurement in the FRS. The use of national contracts are not mandatory for the FRS. But through this Strategy, fire and rescue authorities (FRAs) are strongly encouraged to maintain and increase their participation in collaborative procurement because of the demonstrable efficiencies and other benefits that it can deliver
 - to confirm that a national procurement body for the FRS – currently Firebuy – will continue to exist and to lead on facilitating fire-sector specific procurement. Other collaborative arrangements should be considered for other areas of procurement to meet OEP targets
 - to encourage and support the Chief Fire Officers' Association (CFOA) National Procurement Board in continuing to promote collaborative procurement, whether through the FRS national procurement body or other routes, with the aim of providing collaborative means for the provision of all fire-sector specific equipment by the end of 2009-10

- to facilitate the development of a better understanding and analysis of expenditure in the FRS to support more effective procurement, and to develop better systems for the regular reporting of the benefits and opportunities presented by collaborative procurement
- to set the conditions that will enable the FRS to respond to and promote the key policy drivers shaping public procurement.

1.6 The main Strategy is set out in paragraphs 2.1 to 4.15 below and supporting information is included in the appendices to this document.

2 Introduction

- 2.1** This Strategy sets out the framework for procurement within Fire and Rescue Service (FRS) in England from 2009 to 2012. It follows and builds on the first National Procurement Strategy (NPS) for the FRS 2005-08 that was published in November 2005.
- 2.2** The context for the Strategy is set by the wider government procurement and policy environment and the *National Framework for the FRS* (May 2008) is set out in **Appendix 3**. The new Strategy follows a review, undertaken in 2008, of national procurement in the FRS in England and the role and performance of Firebuy Ltd. This Communities and Local Government (CLG) led review responded to recommendations in the Office of Government Commerce (OGC) procurement capability review of CLG.
- 2.3** A 12 week consultation on the new Strategy took place between August and November 2008. This Strategy reflects the responses to that consultation as well as wider policy developments since then. A companion document is being published along side this Strategy reporting on the responses to that consultation.
- 2.4** The Strategy complements and takes forward the recommendations on collaborative procurement set out in the *Operational Efficiency Programme* (HM Treasury – May 2009) as well as general principles set out in *Transforming Government Procurement* (HMT/OGC 2007) and other relevant policy documents. Key to this are:
- better identification and leverage of spend across FRAs in England to achieve value for money and increase efficiency in undertaking procurement
 - encouraging the FRS to co-operate in procurement to help deliver efficiencies and savings
 - the use of appropriate collaborative procurement strategies including professional buying organisations (PBOs)
 - robust competitive tendering.
- 2.5** The Strategy recognises that each FRAs' approach to procurement will in part be governed by the type and size of that authority. It also recognises that authorities are autonomous bodies responsible and democratically accountable for their own expenditure decisions. This Strategy and the approach to procurement it sets out is therefore set in that context and seeks to establish a clear procurement framework within which each FRA and other FRS stakeholders can operate. The Strategy encourages the implementation and development of good procurement practices whether they are at national, regional or local level and it supports FRAs' wider value for money objectives.

3 The National Procurement Strategy

Vision

To develop an FRS procurement structure nationally, regionally and locally that makes the best of opportunities to deliver efficiencies and other improvements in the provision of goods and services, and to improve awareness and take up throughout the FRS of collaborative procurement strategies.

The need for a Strategy

- 3.1** New developments and experience within the FRS since 2005, have suggested for some time that there was a need to renew the earlier National Procurement Strategy. This updated document has been drawn up in consultation with FRS national procurement stakeholders as set out in the published response to the consultation.
- 3.2** It is clear that there is a continuing need to drive procurement efficiency at a national level in the FRS, particularly in the light of targets for collaborative procurement set by the Operational Efficiency Programme (OEP) as detailed in paragraphs 4.7 – 4.10 below.
- 3.3** A National Procurement Strategy is appropriate for the FRS because, while it is a local service accountable to local authorities, it also delivers against national policies and priorities and because there are recognised benefits in collaboration beyond the local level, whether this is regional or national, formal or informal. The Strategy provides a structure within which these benefits can be delivered.
- 3.4** **Appendix 1** sets out the key drivers shaping procurement in the FRS. It is important that opportunities for advancing these wider policy priorities are actively considered and built into procurement arrangements when they are established, both nationally and locally. **Appendix 2** summarises the policy context for FRS procurement. **Appendix 3** summarises key policies relevant to the procurement strategy for the FRS.

- 3.5** The procurement process can be used to great effect, for example, in driving improvement in skills and increasing apprenticeships in a local area. Further guidance on how to make the most of such opportunities can be found in the 2009 report by the *Office of Government Commerce and Department for Business Innovation and Skills*. Public sector procurement can also have a powerful role in developing and shaping markets, driving innovation and the demand for new technologies and skills. The contribution that smarter, more innovative and more strategic procurement can make to the Government's new industrial strategy is set out in *New Industry, New Jobs* – HMG April 2009.
- 3.6** Guidance on making the most of opportunities to deliver on wider policy priorities through procurement decisions is sign-posted in the **Appendix 3** to this Strategy. CLG will be working with the FRS and local government to further explore the potential offered by public sector procurement in areas such as skills, apprenticeships and innovation in the coming months.

Operational Efficiency Programme

- 3.7** This Strategy builds on and takes forward the findings of the *OEP* (April 2009) and particularly the recommendations from the *OEP* collaborative procurement strand of that review (May 2009). The *OEP* built on previous work undertaken on public sector procurement such as the Gershon Efficiency Review of 2004 and the subsequent publication of *Transforming Government Procurement* by OGC in 2007. The work of the *OEP* was also designed to complement the recommendations of the *Roots Review* on the scope for efficiencies from smarter procurement in local government.
- 3.8** The *OEP* review looked at the scale of existing collaborative procurement and how best to achieve the highest levels of take up of collaborative strategies. It looked at how the Government should encourage and support further collaboration in the procurement of common goods and services to achieve greater efficiency across the public sector.
- 3.9** The *OEP* does not seek to mandate the use of collaborative strategies centrally from Whitehall but to increase the flexibility of organisations right across the public sector to obtain procurement efficiencies from a range of available best value deals, including through the work of PBOs. However, it does propose this approach should be monitored and reviewed if objectives are not being delivered.

3.10 Collaborative objectives and the value for money savings needed across the public sector by 2013-14 will be achieved only if government acts swiftly on the more effective marketing of collaborative arrangements, the use of eProcurement and the implementation of four key OEP recommendations:

1. Government should extend its current collaborative category programme to cover new areas of common spend.

In the first instance this should include construction, facilities management and food.

2. Improve management information on government procurement spend.

By ensuring all government departments provide a high-level breakdown of their procurement spend within departments' accounts to a common, agreed and consistent standard.

3. The Government must make better use of current Professional Buying Organisations (PBOs).

It recommends that the level of common spend channelled through PBOs or other collaborative channels should be increased to **80 per cent** of all available central government spend and **50 per cent** of all available wider public sector spend, by 2010-11.

4. Improve awareness and take up throughout the public sector of collaborative strategies through greater incentivisation, improved marketing of central deals and by adopting increased strategic eProcurement for government.

The Strategy and its aims

3.11 The Strategy is made up of four key aims:

STRATEGY AIM 1

Collaborative procurement in the FRS should be encouraged but not mandated. Required use was previously the approach proposed for certain contracts let by Firebuy, the national procurement body for the FRS, in the 2005 NPS. Based on experience and feedback from stakeholders and in line with OEP, CLG does not view it as appropriate to mandate the use of particular procurement routes in the FRS. Through this Strategy CLG will encourage the take up of appropriate collaborative strategies, particularly national contracts put in place by the national procurement body for the FRS and other PBOs, on the basis of the efficiency benefits they can deliver.

The use of national contracts and this Strategy are not mandatory for the FRS, but FRAs are encouraged to participate in collaborative procurement because of the demonstrable benefits available.

STRATEGY AIM 2

A national procurement body should continue and be supported for fire-specific procurement. Other PBOs and other collaborative strategies, some facilitated by the FRS national procurement body, should be used for other non-fire specific procurement where appropriate, in line with the wider procurement landscape being developed by OGC.

A national procurement body for the FRS, currently Firebuy Ltd., will lead on facilitating fire-sector specific procurement. Other collaborative arrangements should be considered for other procurement and the FRS national procurement body will assist as appropriate.

CLG will continue to support FRS national procurement. Future costs of the function and the body delivering it will increasingly be met through income.

STRATEGY AIM 3

The Chief Fire Officers' Association National Procurement Board will continue to promote collaborative procurement, whether through Firebuy or other routes with the aim of providing collaborative means for the purchase of all fire-sector specific equipment by the end of 2009-10.

The National Procurement Board is developing a clearer and stronger intelligent client role for the FRS to identify collaborative opportunities, propose procurement strategies and monitor performance.

The National Procurement Board and the national procurement body for the FRS will continue to work closely with fire industry supplier organisations on key procurement issues.

STRATEGY AIM 4

The quality of management information needs to be improved to provide a stronger basis for procurement planning. Procurement expenditure across the FRS should be collected and analysed on a common and consistent basis to identify opportunities for collaboration and efficiencies. More effective systems are also required to share information and promote collaborative strategies and best practice. **Appendix 4** sets out monitoring and reporting arrangements for this Strategy.

FRAs are encouraged to participate in the spend analysis now under way and future work to maintain and develop this.

The National Procurement Board will monitor the benefits and opportunities of FRS national procurement and review Strategy progress on an annual basis.

Collaboration in non-fire specific areas

3.12 As set out above, the National Procurement Board should lead on promoting the best deals available to the FRS, whether through the FRS national procurement body or other collaborative arrangements.

3.13 OGC is leading the implementation of a pan-public sector collaborative approach to the procurement of common goods and services in the following specific categories:

- Construction
- Energy
- Fleet
- Food
- Information and communication technology
- Office Solutions (stationery and office equipment)
- Professional Services (including consultancy and temporary staff)
- Travel.

3.14 Details on the collaborative solutions for each of the above categories can be found on the *OGC website*. A full list of frameworks and contracts that are available to public sector purchasers can be found on the *OGC's Contracts Database*. **Appendix 5** summarises good procurement practice. A list of current PBOs is at **Appendix 6**.

Conclusion

3.15 This Strategy builds on the previous NPS and takes into account the context of the wider procurement landscape covered by the OEP report and the Roots Review. It:

- establishes a clear basis for the future delivery of national procurement in the FRS. Specifically, this Strategy does not seek to mandate the use of national contracts by the FRS but instead to ensure that the benefits of such arrangements are well documented and publicised. This will be a key role for the National Procurement Board and the FRS national procurement body
- confirms that CLG will continue to support a national procurement body. Funding has been put in place for Firebuy in 2009-10 and we will establish future stable funding arrangements for the body that we propose should incorporate it. The extent of the new organisation's remit will be subject to the outcome of the consultation that is taking place on the in-service management of the Fire and Resilience Programme. For the national procurement role, an increasing proportion of income will be generated through the use of national contracts. Arrangements to generate income are now being put in place and the national procurement body will work with the National Procurement Board on ensuring that arrangements are appropriate and acceptable
- takes steps which will help to improve information and analysis of FRS expenditure and establish common systems for categorising spend, in line with OEP recommendations. It will be important for the outputs from the current expenditure analysis of the FRS to be maintained and properly utilised and the FRS advisory group overseeing the work will seek to ensure this happens.

Appendix 1

Key procurement drivers in the Fire and Rescue Service

There are increasing opportunities for the FRS to collaborate. This will provide the opportunity to agree common approaches to training, maintenance, operational doctrine and the most effective use of resources.

Alongside improving efficiency and improvements in the quality of goods and services used for frontline operations, a number of other key procurement drivers for the FRS have been identified and are important to the understanding of this Strategy and future procurements, they are:

- Economic situation
- The FRS market
- FRS expenditure
- Strategic category management
- Working with industry
- Technical innovation
- Equality, diversity and fairness
- Sustainability
- E-procurement
- Promoting skills through public procurement.

Economic situation

There is an increased pressure on budgets and resources which is likely to continue during the period covered by the NPS. This will increase the need for collaboration and efficiency and is a key driver of the proposals behind the Operational Efficiency Programme.

The state of the economy will also have important implications for businesses supplying the Fire Service, particularly for small and medium-sized enterprises (SMEs).

The FRS market

Procurement in the FRS should be undertaken at the level most likely to achieve the greatest efficiencies through removing duplication and aggregating demand. Generally it is considered that maximum benefits can be achieved by purchasing at a national level and to common output based specification those items that are service specific and for which consortiums or buying groups are otherwise unavailable.

National categories were set out in the 2005-08 NPS and framework arrangements to facilitate procurement at a national level have now largely been established by Firebuy. The development and any changes to these categories will be informed by the expenditure analysis now under way for the FRS and agreed through the coordination arrangements established through the Chief Fire Officers' Association National Procurement Board.

CLG will work with the National Procurement Board, the national procurement body and other stakeholders, to ensure that by the end of 2009-10 arrangements are in place for the provision of all fire sector-specific equipment.

FRS expenditure

Annual spend in the FRS (non-pay) has been estimated to be in the order of £300-400 million. Of this spend on goods and services the amount spent on fire-specific categories, which has been addressed through Firebuy Ltd, at a national level, is about £100-120 million. Effective planning for fire service procurement has in the past been hindered by a lack of a clear assessment of the size, structure and significant opportunities within the fire market. This is due to a lack of common definitions and systems within FRAs.

There is a need to identify the spend profiles within the FRS to help achieve a clearer assessment of the fire market and to demonstrate opportunities to deliver efficiencies at national, regional and local levels. Information on spend is necessary to help the FRS forward plan.

An FRS advisory group which was led by Chief Fire Officers' Association (CFOA) and included representatives from the Regional Procurement Managers, Firebuy and CLG was established to take this issue forward. CLG then commissioned work to collate and analyse expenditure data from all FRAs in England. Output will be available by the end of 2009. This work aims to provide a better understanding of the size, structure and opportunities within the fire market, specifically to:

- enable the FRS to forward plan expenditure and procurement more effectively
- identify opportunities for collaboration and procurement efficiencies at national, regional and local levels; and
- identify potential markets that national/collaborative procurement might address.

Though the results of this work cannot be captured or reflected in this Strategy, the information will be used to help inform future national, regional and local procurement plans. The role of this Strategy is to set the context and framework within which the more detailed planning will take place. Once established, this expenditure information will need to continue to be collected on a consistent basis to guide future procurement arrangements and decisions.

The OEP Collaborative Procurement strand also identified the lack of good management information as a common deficiency across the public sector and recommended that there is a need to improve existing management information including spend analysis in the Government generally and in the wider public sector.

Strategic category management

Category management is the development of an in depth understanding of all aspects of given categories of product and service expenditure to enable optimum sourcing strategies to be developed and to achieve market specialist capability and knowledge. It allows a clear focus on category performance across organisations and optimises VFM and ongoing supplier performance.

Once the spend analysis has been developed there will be a need to look at how category management could work to enable the FRS to develop a source of full market specialist knowledge for specific categories of expenditure.

Working with industry

The setting up of Firebuy Ltd as part of the FRS NPS 2005-08 was welcomed by industry as an opportunity to rationalise specifications and reduce, through collaboration, technical development and tendering support costs. These cost savings have yet to be fully realised. Suppliers continue to welcome opportunities to work with the FRS to deliver these objectives.

The industry would particularly like to see full stakeholder commitment to the NPS with clear focus, funding and consistency between national procurement policy and delivery. Further information on the Fire and Rescue Suppliers Association's (FIRESA) aims is detailed in *Contributing to Professionalism and Quality in the UK Supply Chain*.

The OEP collaborative procurement review confirmed the experience of the fire industry suppliers organisations that Small and Medium-sized Enterprises (SMEs) play an important role in the delivery of greater efficiency through collaborative procurement. Certain market sectors are dominated by SME organisations and successful collaborative procurement and commercial strategies must consider the full range of suppliers to the existing market, including disaggregating spend to capture the best SME expertise available.

The Government has already recognised how important it is that SMEs are fully engaged in public sector contracts. The 2008 Pre-Budget Report accepted all of the twelve recommendations in the Glover Committee's report *Accelerating the SME Economic Engine: through transparent, simple and strategic procurement*. The recommendations set out ways of helping SMEs compete effectively for contracts through ensuring opportunities are transparent, the process is as simple as possible, and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors.

In the FRS customer preference means that absolute standardisation and commonality is extremely unlikely. Indeed, the case is not absolutely proven that it is desirable. The supplier base generally supports the view that cost reductions may be possible through longer production runs. To achieve this, FRAs need to continuously think what they can do together rather than what they want to do on their own. These opportunities to collaborate need to be brought together through the National Procurement Board for the FRS. FRA requirements can then be forecast and planned far more effectively. If the industry is to be encouraged to deliver ongoing savings and innovative solutions, there needs to be a more consistent use of performance driven specifications rather than a tendency towards a more prescriptive description of needs.

There continues to be a need to develop effectively the supplier base with good understanding and communication between the buyer and supplier before, during and after national procurements. Consistent and appropriate management of suppliers across different projects and sectors is also required.

It is recognised that suppliers need to be involved at an early stage of the FRS procurement process whether it is at a national, regional or local level, but that the involvement needs to be appropriate. There should be clarity and fairness in all processes in line with UK and EU procurement rules. There should also be joint working to minimise bureaucracy, lessen the administrative burden and eliminate repetitive processes. For example consideration of:

- standardisation of pre-qualification questionnaires and tender documentation
- increased use of electronic trading
- using certified membership of a recognised trade association, as covering some pre-qualification supplier requirements.

Information and best practice should be shared amongst all FRS stakeholders.

The National Procurement Board and the national procurement body for the FRS will be continuing to work closely with fire industry supplier organisations, for instance through the current reciprocal arrangements for attendance at Board meetings, to ensure that effective liaison on key issues is maintained and developed.

Technical innovation

Technical innovation should be encouraged for the mutual benefit of both the FRAs and the supply chain. Confidentiality is key to technical innovation and this is required from the outset of any development.

Framework agreements need to have a clear commitment to product refresh. This will allow suppliers to include by agreement and negotiation product modifications and improvements and new related products.

OGC have produced a guide on *Driving innovation through public procurement* which is intended for all those involved in policy development, procurement, commercial activity and project and programme management. It contains practical advice on dealing with innovative proposals and propositions; it also offers advice on encouraging suppliers to proffer innovative solutions.

Equality, diversity and fairness

In December 2006 the public sector Disability Equality Duty came into force, followed in April 2007 by the public sector Gender Equality Duty. These join the existing public sector Race Equality Duty. All three duties require public bodies to pro-actively eliminate discrimination and harassment and promote equality and are supported by statutory codes of practice and guidance.

FRAs in their procurement arrangements need to have regard to these duties, as do regional bodies and those national organisations, such as the national procurement body in the FRS, establishing procurement arrangements on behalf of the FRS, in order to ensure that their procurement activities are operated in a way which meets their legal equality obligations.

National Equality Standard for Local Government (ESLG) is a system adopted by many FRAs as a measure of development in policy and practice in equality and diversity. This states: 'Procurement practices should fully embrace the principles of the Standard and contracts should be subject to equality impact assessment (EIA), equality objective setting and monitoring. Importantly, contractors should understand the aims of the Equality Standard and should agree to work within those terms. Contract monitoring and management should be designed to secure the delivery of equality objectives.'

Consequently FRAs should at the very least:

- conduct a review of their procurement function and all contracted services and partnership arrangements for the impact on equality and diversity
- ensure that corporate equality & diversity policies and objectives are incorporated in partnership and contractual arrangements

- establish mechanisms for ensuring that diversity targets are delivered by contractors through contract management
- be able to demonstrate their development of policy and practice regionally or locally through the EIA, action plans and contract management processes
- engage with and understand the needs of the diverse communities they serve and plan and deliver services to take account of those needs.

The Improvement and Development Agency (IDeA), in partnership with CFOA, is consulting from May to August 2009 on a new *Equality Framework for Fire and Rescues Services*. The aim is to develop a bespoke equality performance measure which is based on the five themes in the *FRS Equality and Diversity Strategy 2008-18*. It is strongly linked to the *Equality Framework for Local Government* which builds on and develops the work councils have done on ESLG.

The Equalities Bill now before Parliament will place a single Equality Duty on public bodies, including implications for how procurement is approached. Views on the proposed duty are currently being sought through the *Equalities Bill: Making it Work* consultation (June 2009).

The specific duties being proposed build on current best practice in considering equality in procurement, specifically considering the use of equality-related award criteria and contract conditions where relevant and appropriate. Guidance on how to address equality issues in procurement can be found in the OGC booklet '*Make Equality Count*' – www.ogc.gov.uk/documents/Equality_Brochure.pdf

Sustainability

The UK Government's Sustainable Development Strategy, *Securing the Future* (March 2005) reaffirmed the Government's commitment to sustainable development, setting out a long-term strategic framework.

FRAs have an important role to play in tackling climate change and helping society move towards more sustainable modes of development. They can help shape their services and influence those of local partners to create solutions which are joined up, integrating the economic, environmental, and social priorities of local areas to create sustainable communities.

FRAs can also make a real difference in the way that they conduct their own operations, such as procurement, by buying goods and services which will promote sustainable development locally and transform the supply chains supporting the national economy and reducing their carbon footprint.

E-procurement

The OEP review recognises that eProcurement or online marketplaces are essential to delivering the benefits of collaborative procurement to the wider public sector. They enable the collection of detailed management information on who buys what from whom, provide increased transparency and process efficiency, ensure that customers can access the best deals available to them online and provide a means of monitoring take-up of those deals and measuring procurement savings that result from them.

The range, suitability and costs of developing e-procurement solutions to meet FRS requirements vary according to the needs and demands of the FRA. In future there needs to be a move towards a more collaborative e-procurement approach. A number of tools are currently available to assist FRAs to benefit from e-procurement efficiencies:

- Government Procurement Cards
- eAuctions
- eMarketplaces
- eTendering; and
- Contracts database.

Information and best practice should be shared amongst all FRS stakeholders. Further guidance on e-procurement can be obtained from OGC (www.ogc.gov.uk/guidance_eprocurement_guidance.asp).

Promoting skills through public procurement

Public procurement provides a unique opportunity to promote skills development, raise skills levels, improve the quality of public service delivery and secure greater value for money. Government is taking action to ensure that the potential that public procurement has to promote skills training and apprenticeships is exploited and where there are opportunities, these are taken by the public sector procurement community.

Those managing procurements should make sure that:

- Skills and apprenticeships are considered from the outset
- Skills and apprenticeship requirements addressed in procurement are relevant to the subject matter, or performance, of the contract
- Actions to take account of skills and apprenticeships are consistent with the Government's value-for-money policy, taking account of whole-life costs
- Actions to take account of skills and apprenticeships comply with the law, in particular, the principles of the EU Treaty, and the UK Regulations implementing the EU Public Procurement Directives

- Any additional skills and/or apprenticeship requirements imposed are quantified and weighed against any additional costs and potential burdens on suppliers, which are likely to be passed on to the contracting authority when they price their tender
- The procurement is carefully planned to ensure it is accessible to a suitable variety of suppliers including bodies such as SMEs, social enterprises, black and minority ethnic enterprises, women's and disabled owned businesses, and the voluntary and community sector (VCS)
- Relevant expertise is assembled for the project. Procurement specialists and end-users should be involved in addition to those responsible for skills and apprenticeships
- Early dialogue (ie, before an individual procurement begins) is initiated with the supplier community including the SME sector. Care should be taken not to distort competition – this process should not give advantage to any particular supplier.

They should also make sure that they do not:

- Act in such a way as to distort competition or discriminate against candidate suppliers from other EU Member States
- Add skills and apprenticeship requirements to a contract without careful evaluation and justification of any additional costs
- Leave consideration of skills and apprenticeships until too late in the process
- Impose contract conditions that do not relate to the performance of that particular contract
- As part of the procurement process, ask suppliers about their policies generally on issues that are not related to the specific contract
- Impose any unnecessary burdens that would deter suppliers, especially SMEs, from competing for contracts.

Appendix 2

Policy Context for FRS Procurement

Firebuy

A CLG review of Firebuy Ltd began in December 2007 following recommendations from the OGC's Procurement Capability Review of CLG. A summary of the findings of the CLG review was published in June 2008. A consultation on a revised National Procurement Strategy for the Fire & Rescue Service followed in August 2008 and concluded in November 2008. A summary of the responses was published in July 2009 – www.communities.gov.uk/fire/runningfire/nationalprocurementstrategy.

This work included the following:

- a review of the rationale for FRS national procurement
- an economic appraisal of the options for delivery
- detailed work on the future in-service management of the Fire and Resilience Programme
- a review of responses to the consultation and views from stakeholders
- a review of the recommendations from the collaborative procurement strand of the OEP
- a review of Firebuy's performance.

On the basis of this work, the following recommendations were endorsed:

- There is a continuing need to drive procurement efficiency at a national level in the FRS, one of the key reasons for establishing Firebuy. The importance of this has been strengthened by the Government's Operational Efficiency Programme (OEP) which sets targets for collaborative procurement and efficiency savings across the public sector
- A national procurement body for the FRS represents the best way to deliver fire-specific collaborative procurement
- The Department needs to make longer term provision for the management of the Fire and Resilience Programme service contracts once they become operational. This provides an opportunity for the national procurement function for the FRS to be brought within a larger organisation enabling the role to develop to meet the needs of the FRS
- The FRS national procurement role will need continuing financial support from CLG. Funding of almost £1.6 million has been agreed for 2009-10. For the future the need for this support will decline through increased income generation and greater efficiency, including opportunities for savings as part of a larger organisation.

Regional and local procurement

The strategy recognises that there are also regional and local procurement needs. The 2005-08 NPS considered the level at which procurement is best organised and delivered: national; regional or local. Its main focus was on fire sector-specific procurement and establishing arrangements at a national level to organise and deliver it. The arrangements put in place by Firebuy now provide good coverage of fire-specific categories of procurement at the national level.

The procurement role of the regions has developed since the publication of the 2005 NPS, for instance with the appointment of Regional Procurement Managers by a number of Regional Management Boards and the establishing of the nine Regional Improvement and Efficiency Partnerships (RIEPs).

The major part of FRS procurement is for non-fire specific goods and equipment where most procurement currently takes place at a local or sub-regional level. There are likely to be further opportunities for collaboration in these areas in the future.

Fire and Rescue Authorities

The strategy recognises that each FRAs' approach to procurement will be governed by the type and size of the authority. There are four different types of FRAs in England:

- fifteen county fire authorities, which are part of their county council
- twenty-four combined fire authorities – separate entities covering more than one county or unitary authority area
- six metropolitan fire authorities – separate entities covering the areas of several metropolitan unitary authorities
- the London Fire and Emergency Planning Authority.

FRAs have the same functions and responsibilities, but vary in size and have different governance and funding arrangements. How procurement is organised and the resources and requirements of the individual FRA are, in part, affected by its type and size.

For county fire authorities many aspects of procurement will be tied into the county council procurement arrangements. Support and the opportunities for collaboration and efficiencies can be provided through this structure although this can mean less scope for working with the wider FRS.

Appendix 3

Wider Policy Background

As well as the OEP recommendations, the following documents have helped inform and steer the procurement Strategy for the FRS since they are relevant directly to procurement practice or to some of the drivers that can influence it.

National Procurement Strategy for the FRS 2005-08

CLG – November 2005

The National Procurement Strategy for the FRS 2005-08 was published in November 2005 and responded to earlier reports (Audit Commission – A Uniform Approach and In the Line of Fire) by seeking to introduce greater collaboration and drive efficiency in FRS procurement. The Secretary of State established a national body for the FRS – Firebuy Ltd – to deliver the Strategy at national level.

The NPS 2005-08 sought to introduce a collaborative approach to procurement and aggregation of demand to deliver significant improvements to the way in which fire-specific procurement processes were handled and in the relationship of the service with suppliers.

The NPS 2005-08 established national collaborative procurement arrangements for fire-specific goods and equipment in England. The first years of the NPS were used to put collaborative arrangements in place and therefore significant benefits across the FRS were not realised until 2008-09. In summary the quantified benefits in terms of efficiency savings for the FRS identified by Firebuy are:

	£m
2006-07	0.4
2007-08	0.5
2008-09	4.3
2009-10 (forecast)	3.3
2010-11 (forecast)	3.5

In addition, the use of the contracts established by Firebuy has delivered savings for other non-FRS users and this is forecast to continue to grow. For the future it is essential that the national procurement body, through CLG and the National Procurement Board for the FRS, reports benefits to its stakeholders of national procurement collectively and for individual contracts on a regular and consistent basis.

Regular reporting of the benefits and opportunities established and facilitated by the national procurement body for the FRS should take place through the National Procurement Board.

Other achievements of the 2005 NPS as reported by stakeholders are summarised in the *Summary of Responses to the Consultation on NPS for the FRS 2008-11*. Those that are key to the continuation and delivery of this Strategy are:

- The range of contracts/framework arrangements now in place and the degree to which these are now being utilised by the FRS and increasingly elsewhere in the public sector
- Raising the profile of procurement in the FRS and starting to establish clearer roles for the various stakeholders at local, regional and national level
- Establishing the role of a national procurement body for the FRS to establish arrangements for fire-specific procurement within the wider landscape of PBOs and arrangements for non-fire specific procurement.

Fire and Rescue Service National Framework 2008-11

CLG – May 2008

The National Framework sets out the Government's priorities and objectives for the FRS. It does this by making clear:

- the Government's expectations for the FRS
- what FRAs are expected to do
- the support the Government will provide in helping them to meet these objectives.

Fire and Rescue Service Equality and Diversity Strategy 2008-18

CLG – May 2008

This Strategy provides a framework for action to enable the FRS to tackle current inequalities, promote equality between different groups in line with legislative requirements and establish a climate that enables a supported and diverse workforce.

The Strategy covers all strands of diversity – age, race, gender, sexual orientation, disability and religion or belief and identifies five priority areas for action:

- leadership and promoting inclusion
- accountability
- effective service delivery and community engagement
- employment and training
- evaluation and sharing good practice.

Transforming Government Procurement

HM Treasury/OGC – January 2007

This set out a range of public procurement reforms to equip the UK with the capability to deliver world class public services in the face of growing challenges of global competition, changing demographics and increasing pressures on natural resources. The range of reforms introduced in this document gave the Office of Government Commerce new powers, tasking it with delivering the transformation of government procurement and with driving up standards and procurement capability across central government.

This HMT/OGC programme of reform set out expectations that sectors should collaborate for similar commodities and use national contracts where available based on value for money and taking whole life costs into account. This will help to improve procurement through a more efficient process and deliver more effective use of public resources.

National Improvement and Efficiency Strategy

CLG – January 2008

The National Improvement and Efficiency Strategy (NIES) set out how central and local government will provide the support that local partnerships will need to deliver excellent Local Area Agreements.

The Regional Improvement and Efficiency Partnerships (RIEPs) were created by the merger of the Regional Centres of Excellence and Regional Improvement Partnerships. The RIEPs are run by local government on behalf of local government, and the focus is on learning from each other and sharing best practice.

Each of the nine regions has published its own Regional Improvement and Efficiency Partnership Strategy in line with the national document.

The National Procurement Strategy for Local Government

CLG – April 2008

The third and final report on the National Procurement Strategy (NPS) for Local Government 2003-06 summarises the state of play and looks back at achievements over the three-year life of the Strategy. It concludes with recommendations on next steps in light of the developing policy, in particular the Comprehensive Spending Review 2007 and the National Improvement and Efficiency Strategy.

Accelerating the SME economic engine: through transparent, simple and strategic procurement (Glover report)

HM Treasury – November 2008

In Budget 2008 the Government asked Anne Glover to lead a committee to examine what the Government could do to make it easier for Small and Medium Sized Enterprises (SMEs) to supply to the public sector. Government has accepted all of the recommendations within the report. This requires that opportunities should be transparent, the process as simple as possible and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal when they are sub-contractors.

Rising to the challenge

Audit Commission – December 2008

This report looks at the £2 billion of public money spent on the FRS in England and encourages fire services to improve their value for money. It acknowledges the improvements in performance that the service has delivered in recent years, contributing to a declining risk of fire nationally. It points to the £200 million of potential savings that the service could make without compromising safety, if the majority followed the example of the pioneering few.

The Roots Review

CLG – February 2009

Bill Roots' Review of procurement arrangements in local government (February 2009) considered procurement capacity at various levels. This independent report assessed the scope for efficiencies from smarter procurement in local government. It identified collaborative procurement as having an increasing benefit to the delivery of efficiency savings in the wider public sector.

The key recommendations of the Roots Review were:

- a national procurement champion should be put in place to give direction and co-ordination to the local government procurement agenda and lead specifically on greater collaboration
- there should be the development of a contracts database and a robust evidence base on the potential scope of procurement efficiency by the sector. This will encourage stronger flows of information
- the national procurement champion, in association with OGC, should coordinate and influence buying organisations and the Regional Improvement and Efficiency Partnerships (RIEP) to develop the delivery of national and regional solutions supporting the overall collaborative strategies in local government.

At the regional level a continued focus is required on strategic procurement activities, such as collaboration and good practice, rather than on operational purchasing requirements themselves which are usually provided by procurement managers in FRAs.

The nine RIEPs are a central part of the CSR07 National Improvement and Efficiency Strategy (NIES). These local authority partnerships were created by bringing the sector's regional improvement partnerships together with the regional centres of excellence that provided the regional delivery mechanism for the SR04 efficiency programme. RIEPs are now taking the lead in all the major areas of improvement and efficiency, including procurement.

Feedback from stakeholders for the Roots review suggests that there is currently a lack of procurement/commissioning skills within local authorities and this echoes concerns about the lack of professionally qualified procurement staff in the FRS. The review found the landscape of support fragmented, causing confusion to councils as to what is available and what is best for them.

The Roots review identified work that is being developed to strengthen the co-ordination between the RIEPs, OGC and purchasing organisations but said that this needed impetus, and action to bring together other agencies operating in the local government procurement field. These messages were reinforced by the OEP. This National Procurement Strategy seeks to progress the development of those arrangements by strengthening the arrangements for supporting procurement in a specific sector of local government procurement.

The LGA and RIEPS are working to develop an implementation plan in 2009. Further information on this should be available via their websites.

Promoting skills through public procurement

OGC and Department for Business Innovation and Skills – April 2009

This guide draws on real examples and case studies to describe how skills training and apprenticeships can be promoted throughout the procurement process, from pre-procurement to contract management.

The Government looks to all procurement professionals to take the opportunity to promote skills/apprenticeships at all stages in the procurement process.

Equality Bill: Making it work – Policy proposals for specific duties – A consultation

Government Equalities Office – June 2009

This consultation sets out the Government's proposals for a set of specific duties to support better performance of the new Equality Duty included in the Equality Bill 2009. It sets out policy proposals for the specific public sector equality duties.

Appendix 4

Monitoring and reporting

One of the key responsibilities of a collaborative buying organisation, such as the national procurement body for the FRS, is the demonstration of the value added through its activities. There needs to be a system of monitoring and reporting for transparency and accountability. Monitoring and reporting should include:

- value added through contracts
- intelligence gathering
- strategic outputs
- efficiencies and savings
- contract management and performance.

A quantitative and qualitative assessment of the benefits to be delivered through national contracts should be agreed between the national procurement body with key stakeholders through the National Procurement Board. These assessments should include efficiencies and any benefits such as impact on sustainability, equality & diversity and standardisation of equipment, so that value added and not just cost savings are taken into account.

Communities and Local Government will maintain an oversight of the national procurement body and monitor performance against the business plan in conjunction with the CFOA chaired National Procurement Board for the FRS. This information will include feedback from users and other stakeholders.

The CFOA-led National Procurement Board proposes to develop a clearer and stronger intelligent client role for the FRS to identify collaborative opportunities, propose procurement strategies and in monitoring performance.

Regular reporting of the benefits and opportunities established and facilitated through FRS national procurement either via the national procurement body or other arrangements should take place through the National Procurement Board. The Board will review the Strategy on an annual basis.

Stakeholders will have their own systems of monitoring and reporting in place and there is a need to share relevant information to ensure transparency and openness. Regular stakeholder engagement through the appropriate forums should help with this.

The OEP collaborative procurement strand noted that all public sector organisations have a responsibility to maintain detailed and consistent information on how public money is spent and should be able to categorise their procurement spend to an appropriate level of detail.

The OGC will take the lead role in defining government's approach to management information in respect to third-party procurement spend. CLG, as the central government Department responsible for the Fire Service, will need to report regularly to OGC on progress made towards collaborative procurement targets and improving the consistency of management information on expenditure.

Appendix 5

Good procurement

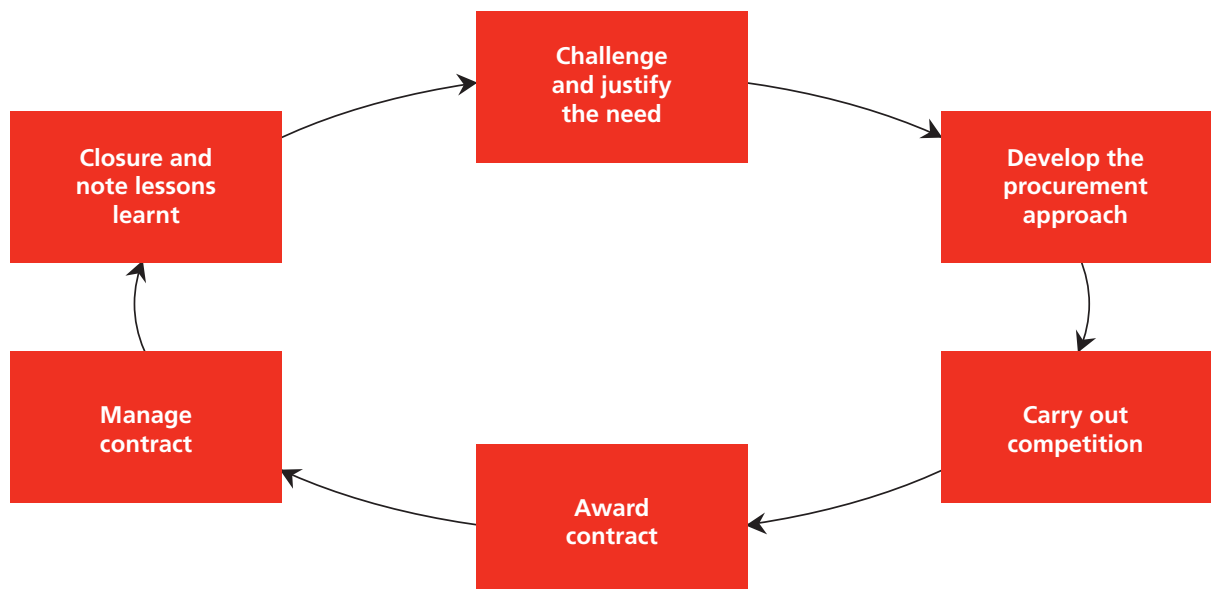
Procurement process

Procurement is the process of acquiring goods, works or services from a third party. It includes all processes from identifying a need, through contract award, to delivery of a service or disposal of an asset. It should explore the opportunities to collaborate.

Good procurement means getting value for money – that is, buying a product that is fit for purpose, taking into account the whole-life cost. A good procurement process should also be delivered efficiently, to limit the time and expense for the parties involved.

Value for Money is defined as *'the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user's requirement.'* This should be achieved for each procurement.

All procurements follow the general cycle shown below:



A successful procurement is characterised by:

- clear business justification, meeting business objectives, outcomes
- a clear justification for a procurement over other options eg leasing
- a value for money service or supply
- robust project and risk management

- resources in keeping with the complexity and risk of the procurement
- robust contractual terms and the appropriate allocation of risk
- incorporation, as appropriate, of sustainable procurement requirements and of wider social outcomes, such as equality considerations
- correct financial and contractual authorisation
- application of legal requirements such as the EU Directives where relevant
- ethical behaviour
- fair and equal treatment of suppliers
- a robust audit trail, including a clear justification for appointing the chosen supplier
- completion on time and within budget
- satisfied stakeholders.

The key aspects of achieving value for money are:

- a clear and agreed specification
- leverage of spend across the FRS, across several commodities and across several financial years. Sometimes it will be possible to obtain leverage of spend with other organisations beyond the FRS
- robust competition
- professional negotiation
- quality of the staff conducting the task.

While there is no single process that will guarantee the delivery of those objectives for all procurements, the following general principles set out the key steps to successful procurement in most cases:

- be clear on the objectives of the procurement from the outset; ensuring operational and equality and diversity considerations are incorporated
- be aware of external factors that will impact on the procurement such as the policy environment or planning issues
- communicate these objectives to potential suppliers at an early stage, to gauge the market's ability to deliver and explore a range of possible solutions
- use an output or outcome based specification, to give suppliers – who naturally know more about their business than potential buyers – more scope to provide innovative solutions to solve the underlying problem the procurement is designed to deal with, rather than deciding what the precise solution should be at the outset

- follow a competitive, efficient, fair and transparent procurement process, and communicate to potential suppliers at the outset what that process will be. This will give suppliers greater certainty about the costs and benefits to them of submitting a bid, which should encourage effective competition. As all suppliers have the same knowledge going into the process, and will be assessed in the same way, the successful bidder can be chosen purely on their ability to provide the best solution
- establish effective contract management processes and resources in good time to drive excellent supplier performance throughout the contract
- enable leverage through joint collaboration.

Fair and open competition is required under UK and EU procurement rules. This requires that all public procurement must be based on VFM which should be achieved through competition unless there are compelling reasons to the contrary. Even when a tender process is not subject to EU Procurement Directives the EU Treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality should apply.

There should also be active engagement with Small and Medium sized Enterprises (SMEs) to promote awareness of how they can become involved in supplying the service.

Procurement is not just about purchasing. In the FRS there is also a key role in managing and monitoring the supply chain to ensure markets remain buoyant and competitive. The procurement process should also include training as well as encouraging the development of procurement professionals within the FRS. The opportunity to promote skills/ apprenticeships should be considered at all stages in the procurement process.

Risk management

There is a need to ensure contingency planning in the event of disruptions. FRAs currently carry out risk assessments of equipment being procured. However, there is no common methodology for doing this.

Risk plans with mitigating actions needs to be developed using relevant project/ programme tools whether the procurement is at national, regional or local level.

The CFOA National Procurement Board should have an overview of these risk plans and work with the relevant stakeholders to develop a common methodology that can be used in the future.

Stakeholders roles and responsibilities

Good stakeholder engagement is one of the keys to a successful approach to collaborative procurement. It is also essential if this procurement Strategy is to be delivered successfully. This involves a wide range of organisations.

A CFOA led Task and Finish Group to advise on the revision of the National Procurement Strategy brought together key stakeholders to discuss issues and solutions. This group included representatives from CFOA, FRAs, Association of Procurement Practitioners in the Fire Service (APPFs), Local Government Association (LGA), Firebuy Ltd, Fire and Rescue Suppliers Association (FIRESA) and Regional Improvement and Efficiency Partnerships (RIEPs).

There is an opportunity to build on this joint working in the future to provide formal and informal communication channels required to encourage existing, and develop stronger, engagement. Members of this group have also advised on the expenditure analysis of the FRS that will report later in 2009.

Clear roles and responsibilities are also essential if an effective procurement Strategy is to be delivered in the FRS.

It is important that all stakeholders involved in FRS procurement collaborate and share information, both in terms of good practice and on procurement plans. Such information, assembled on a consistent basis, is essential if the FRS is to work with the national procurement body for the FRS and with other PBOs to help deliver efficiencies and meet the needs of the service. It is also important that procurement officers work closely with officers from other disciplines, such as finance and equalities.

FRS stakeholders should work with other emergency services to ensure that procurement information and good practice is shared.

Appendix 6

Professional Buying Organisations (PBOs)

Sector	Organisation name
<i>Health</i>	NHS Purchasing & Supply Agency (NHS PASA) ¹
	South East Coast Collaborative Procurement Hub
	East of England NHS Collaborative Procurement Hub
	East Midlands Resource Procurement Hub
	West Midlands Healthcare Purchasing Consortium
	North West Collaborative Procurement Hub
	Yorkshire & the Humber Collaborative Procurement Hub
	PRO-CURE Collaborative Procurement Hub
	PRO-NE (Procurement North East)
	London Procurement Programme
	Bristol and Weston Purchasing Consortium
	Dorset and Somerset Procurement Confederation
	Gloucestershire Shared Procurement Service
	Peninsula Purchasing and Supply Alliance
	Solent Supplies Team

¹ NHS PASA's non-health specific core sourcing work will be integrated with Buying Solutions as part of a forthcoming restructuring of PASA

Sector	Organisation name
<i>Education</i>	British Educational Communications & Technology Agency (Becta)
	Crescent Purchasing Consortium (CPC)
	Higher Education Funding Council for England (HEFCE)
	The Energy Consortium (TEC)
	Universities UK Strategic Procurement Group for HE
	London Universities Purchasing Consortium (LUPC)
	North Eastern Universities Purchasing Consortium (NEUPC Ltd)
	North West Universities Purchasing Consortium (NWUPC)
	Southern Universities Purchasing Consortium (SUPC)
	Eduserve
<i>Local Government</i>	Central Buying Consortium (CBC)
	Hampshire County Supplies
	Kent Buying Consortium (KBC)
	Kent County Supplies
	Laser
	Local Authority Purchasing Partnership (LAPP)
	South West Local Authority IT Procurement Consortium
	Black Country Purchasing Consortium (BCPC)
	Derbyshire District Purchasing Consortium (DDPC)
	Devon Procurement Partnership (DPP)
	Yorkshire Purchasing Organisation (YPO)
	North Eastern Purchasing Organisation (NEPO)
	Eastern Shires Purchasing Consortia (ESPO)
	London Contracts & Supply Group (LCSG)

	West Mercia Supplies (WMS)
<i>Central Government</i>	Buying Solutions
	Central Office of Information (COI)
<i>Fire and Rescue</i>	Firebuy
<i>Police</i>	National Policing Improvement Agency (NPIA)
<i>Construction</i>	Birmingham Construction Partnership
<i>Devolved Administrations</i>	Procurement Scotland
	Central Procurement Directorate (N Ireland)
	Value Wales

Source: Office of Government Commerce

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