

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No**

**MEETING: 3 NOVEMBER 2008**

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**SUBJECT: CONSULTATION ON THE NATIONAL PROCUREMENT STRATEGY  
FOR THE FIRE AND RESCUE SERVICE 2008 - 2011**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, FINANCE OFFICER AND CLERK  
TO THE AUTHORITY.**

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**1 INTRODUCTION**

1.1 This report sets out, for the information and approval of Members, the key areas contained within the draft National Procurement Strategy for the Fire and Rescue Service 2008/2011 which has been issued by the Department for Communities and Local Government (CLG) for the purposes of consultation. The deadline for responses is the 14<sup>th</sup> November 2008. A copy of the draft strategy document is attached at Appendix A.

**2 BACKGROUND**

2.1 The first National Procurement Strategy for the Fire and Rescue Service was published in November 2005 in response to earlier reports calling for more collaboration and consequential efficiencies within the Fire and Rescue Service procurement function. This original strategy document was intended to cover the period from 2005 to 2008 and one of its key outcomes was the establishment of Firebuy Ltd, which was, in turn, charged with delivering key elements of the strategy.

2.2 It is now apparent that the original Strategy needs to be updated to reflect the developments and changes to the Service in general since it was introduced, particularly with regard to the future arrangements for a national procurement body for the Fire and Rescue Service.

2.3 To this end, a group convened by the Chief Fire Officers' Association (CFOA) National Procurement Board has been working with Communities and Local Government on a new strategy intended to cover the years 2008/2011. This group included representatives from CFOA, Fire and Rescue Authorities, Association of Procurement Practitioners in the Fire Service, Local Government Association, Firebuy Ltd, Fire and Rescue Suppliers Association and Regional Centres for Excellence.

2.4 The group has revised the existing strategy and CLG have now issued the document for consultation. The key issues arising in the document are set out below for the consideration of Members.

**3 KEY ISSUES WITHIN THE REVISED NATIONAL PROCUREMENT STRATEGY**

- 3.1 The first area worth noting in the document is the need to establish an agreed vision for a Fire and Rescue procurement function. Not surprisingly, this vision is structured around the need to use the most appropriate procurement structures for delivering efficiencies and improvements at the local, regional and national level.
- 3.2 To this end, the vision statement within the document is typically what would be expected for a procurement strategy which is attempting to embrace the national, regional and local procurement dimension and it is one that can be readily supported by this Authority.
- 3.3 The next key issue in the document revolves around the future of Firebuy Ltd and four options are set out within the report for consideration. These are:
- Option 1 – Firebuy Ltd continues with modified structure and CLG funding: a sub option being to maximise income generation with CLG covering any funding gap.
  - Option2 – The national procurement function is subsumed into a national body for the FRS or into CLG.
  - Option 3 – The national procurement function is transferred to an existing (non FRS) procurement body.
  - Option 4 – The national procurement function is transferred to the FRS; whether collectively via CFO/LGA or through lead FRA's.
- 3.4 With regard to these options, it is the view of the Chief Fire Officer, having discussed the matter with the Finance Officer that there is value to be derived from the continued existence of a national procurement function providing that the function itself is cost-effective and that its work benefits Fire and Rescue Authorities. Firebuy Ltd has yet to demonstrate that it has achieved this outcome and until such time as this can be done it should continue to be administered broadly within the existing structure which will provide it with a degree of stable continuity.
- 3.5 Consequently, it is proposed that Option 1 is supported by this Authority. This will ensure that Firebuy Ltd continues to have a Fire and Rescue Service orientation, which could be lost if it were subsumed into another procurement body, whilst remaining associated with an established structure, namely the CLG. This will avoid the upheaval of further wide-scale change thereby providing further time for Firebuy Ltd to show whether it can develop into an effective national procurement body.

- 3.6 Not surprisingly, the future funding arrangements for a national procurement body are also a key issue within the consultation document. Since the inception of Firebuy Ltd the CLG have provided the funding to enable it to function. This was originally agreed to on the basis that Firebuy Ltd would ultimately cover its own costs through income generated via contracts and the development of wider business in general.
- 3.7 Unfortunately, this has not been achieved and, as a result, CLG agreed in April 2008, to continue funding Firebuy Ltd for the 2008/2009 fiscal year whilst also committing to examine other funding options as part of the proposed review of the existing national procurement strategy. This consultation document addresses the CLG's commitment to undertake this work.
- 3.8 Consequently, CLG are seeking views as to the most appropriate means of funding the national procurement body in the future with particular reference to proposed combined funding by CLG and Fire and Rescue Authorities, with income generation providing an additional source of funding.
- 3.9 The Chief Fire Officer proposes that an appropriate response for the Authority would be to emphasise the fact that Firebuy Ltd should continue to receive its core funding from CLG whilst looking to maximise its income stream through procurement activity.
- 3.10 In addition, providing that Firebuy Ltd can robustly demonstrate that its contracts provide value for money, Fire and Rescue Authorities should be prepared to pay for the use of such contracts in the form of a management charge. However, it needs to be stressed that such a charge must be contained within the overall cost that any specific Firebuy Ltd contract provides to an individual Fire and Rescue Authority and still represent best value for individual Fire Authorities. If this cannot be achieved then Authorities should be free to enter into their own contracts if these are adjudged, by the Authority, to provide a better value alternative.
- 3.11 A further issue raised within the document and one that is linked to the issues of funding outlined above, is that of the appropriateness of the fact that under section 29(4) of the Fire and Rescue Service Act 2004, Fire and Rescue Authorities can be mandated to use national contracts let by Firebuy Ltd.
- 3.12 The consultation document is requesting the view of Authorities as to whether it is appropriate for government to be able to require the use of such national contracts and, if not, whether this existing requirement should be replaced by a requirement, where appropriate, for an Authority to submit a business case to CLG, setting out the rationale as to why it proposes use alternative arrangements to a national Firebuy Ltd contract.

- 3.13 With regard to these two, related issues the Chief Fire Officer is of the opinion that the Authority should have the right to determine whether it is appropriate to use a national contract or to pursue, instead, a local/regional procurement solution without the need to seek the approval of national government, through CLG.
- 3.14 The Authority should be free to take decisions on which procurement route to follow based on an informed appraisal of the procurement options available and their relative advantages and disadvantages. Such decision making is, in essence, one of the key functions of an Authority and it should not have to satisfy CLG that it is undertaking this function responsibly. It may be appropriate for government to ask Fire and rescue Authorities to consider Firebuy contracts as an option in determining their own position, where practicable to do so.
- 3.15 The consultation document also raises the issue of the governance of Firebuy Ltd and, in particular, the matter of enhancing stakeholder engagement. There can be little doubt that the perceived lack of fire and rescue service involvement in the Firebuy Ltd Board has led to a degree of resentment and distrust being expressed towards those appointed to the Board with the result that Firebuy Ltd has developed an image of a body which is separate from the Fire and Rescue Service yet one that is trying to impose itself upon the Service without being able to demonstrate there are significant benefits to be gained from this approach.
- 3.16 Given this situation, it is proposed that this Authority's response should be that, if a national procurement body continues to exist, there must be a significantly greater degree of involvement at Board level for the Fire and Rescue Service in order to provide a degree of inclusivity and ownership amongst the Fire and Rescue community.
- 3.17 A further issue that the document also raises is concerned with the possible role of Firebuy Ltd in the future contractual arrangements with regard to the New Dimensions Resilience programme. As Members will be aware, Firebuy Ltd have been the body responsible for the development of a long-term maintenance and repair contract for the New Dimension assets that currently reside within Fire and Rescue Authorities and there is a firm expectation on the part of CLG that Authorities will use this contract.
- 3.18 Further to this, the consultation document requests the opinion of Authorities with regards to using Firebuy Ltd for the development of long-term contracts for the supply and maintenance of both FireControl and Firelink equipment.
- 3.19 It is the opinion of the Chief Fire Officer that there will undoubtedly be a need for national contracts with regard to such equipment and that it would be sensible to ensure that a single body has responsibility for putting such

contracts in place. Firebuy Ltd could undertake this role but it should be on the understanding that the cost of this work falls to the CLG, who is the owner of both of these projects, and not on Fire and Rescue Authorities.

3.20 There are a range of other, less significant issues, set out in the consultation document concerning the revision of the national procurement strategy and CLG have requested that responses to the consultation are structured in line with the forty one questions that form part of the document.

3.21 Subject to Members approval, the Chief Fire Officer will respond to the CLG, in line with their required format, using the above outline responses as the basis for the Authority's more comprehensive response.

#### **4 EQUALITY AND FAIRNESS IMPLICATIONS**

4.1 CLG is of the opinion that procurement practices should fully embrace the principles of the National Equality Standard for Local Government and contracts should be subject to equality impact assessment, equality objective setting and monitoring.

4.2 This Authority supports this commitment and has already taken account of this within its own procurement strategy. The promotion of equality in procurement will help to:

- improve the overall VFM for the Fire and Rescue Authorities in terms of the goods, works and services they purchase
- improve the quality, responsiveness and appropriateness of services
- ensure that public money is not spent on practices which lead to unfair discrimination to sections of the community
- create a diverse and integrated workforce
- deliver more responsive and flexible services in combating social exclusion and building stronger and more cohesive communities
- Encourage other organisations to promote and practice the Service's policies on equality.

#### **5 FINANCIAL IMPLICATIONS**

5.1 The specific financial implications associated with this report cannot currently be assessed. There is however a possibility that costs could fall upon the Authority to support the ongoing operation of Firebuy Ltd.

5.2 This is not a situation that would be welcomed by this Authority and this has been intimated in the main body of the report.

**6 HEALTH AND SAFETY IMPLICATIONS**

6.1 There are no health and safety implications in respect of this report.

**7 RECOMMENDATIONS**

7.1 Members are requested to:

- a) Consider and, subject to any amendment Members may wish to make, approve the contents of the above report and
- b) Agree that the Chief Fire Officer responds to the consultation document on behalf of the Authority, in line with the content of this report

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**BACKGROUND PAPERS**

The under mentioned Background Papers refer to the subject matter of the above report:

- Fire and Rescue Service Circular 45/2008 – Consultation on the National Procurement Strategy for the Fire and Rescue Service 2008/2011