



Office of the
Deputy Prime Minister

Creating sustainable communities

Draft National Procurement Strategy for the Fire and Rescue Service

A consultation document



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October 2004

Office of the Deputy Prime Minister: London

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PURPOSE OF CONSULTATION

This consultation seeks views on the draft National Procurement Strategy (NPS) for the Fire and Rescue Service in England, which was published on 8th September 2004. All recipients of this consultation document have been provided with a further copy of the draft NPS.

We welcome responses to the specific questions posed in this document and any other general comments that you may have. Please ensure that responses to any of the specific questions posed clearly identify the question number to assist with the compilation and analysis of responses. It would also be helpful if responses were submitted electronically, as well as any hard copies that may be sent. This will considerably reduce the time needed to compile and analyse the comments received.

Responses and comments, to be received by mid-day on Friday 3rd December 2004, should be sent to:

Office of the Deputy Prime Minister
FSED 6
17/D Portland House
Stag Place
London SW1E 5LP
E-mail: fsed6@odpm.gsi.gov.uk
Tel: 020 7944 4033

Please note that the postal address for FSED 6 has changed since publication of the draft Strategy. The email address and telephone number are unchanged.

AFTER THE CONSULTATION PERIOD

Within 3 months after 3rd December 2004 we will analyse the responses to the consultation and produce a feedback document which summarises the:

- received responses and comments;
- the impact on the proposals as a result of the consultation.

The replies to the consultation will inform the first National Procurement Strategy for the Fire and Rescue Service in England for the period 2005-2008.

Please note that responses, including the names and addresses of respondents, will be made available to anyone who asks for them unless confidentiality is specifically requested or disclosure would prejudice third parties.

CORRECTION TO THE DRAFT NPS

The reference to the regional control centres project on page 23 of the draft Strategy states that phased implementation will occur *during* 2007/8. In fact, implementation will occur during the financial year 2008/9.

THE CONSULTATION CRITERIA

The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations consisting of a document in electronic or printed form.

- i. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
- ii. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
- iii. Ensure that your consultation is clear, concise and widely accessible.
- iv. Give feedback regarding the responses received and how the consultation process influenced the policy.
- v. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
- vi. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

The code does not have legal force but is regarded as binding on UK departments and their agencies unless Ministers conclude that exceptional circumstances requires a departure from it. The full consultation code may be viewed at:

www.cabinetoffice.gov.uk/regulation/Consultation/Introduction.htm

Please note that Ministers have agreed that the consultation period of 12 weeks runs from the date of publication of the draft National Procurement Strategy.

If you are not satisfied that this consultation has followed the above criteria, or you have any other observations about ways of improving the consultation process, then please contact:

David Plant
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Room 2.19
26 Whitehall
London SW1A 2WH;
E-mail: david.plant@odpm.gsi.gov.uk

FiReBuY STRUCTURES AND GOVERNANCE

Chapter 7 of the draft NPS contains proposals for the structure and governance of FiReBuy. These are predicated on the assumption that it should sit within the local government family as it would be intimately linked to the delivery of services controlled by local rather than central government.

Specific areas in which we seek views are:

- Q1.** To what extent should FRAs be expected to contribute towards the costs of FiReBuy during financial year 2005/06, beyond those costs that they would have incurred in establishing a special purpose vehicle to enable the Integrated Clothing Project to proceed?
- Q2.** What resources do FRAs consider that they have available during 2005/06 to meet the contributions described in **Q1** above?
- Q3.** Do you consider it appropriate that FiReBuy should be financed through top-slicing of Revenue Support Grant (RSG) from 2006/07 if it is established within the local government family?
- Q4.** If FiReBuy is not financed through top-slicing of RSG, by what mechanism could a fair apportionment of FiReBuy's costs among FRAs be achieved?
- Q5.** Do you agree that FiReBuy should be established with limited liability?
If not what legal form should FiReBuy take? Please explain how your option would be an improvement on the proposal in the draft Strategy.
- Q6.** Do you consider that the distribution of Directorships between RMBs, ODPM and independents as proposed on page 18 of the draft NPS is appropriate?
If not how would you structure the board? Please explain how your option would be an improvement on the proposal in the draft Strategy.
- Q7.** Should the Directorships controlled by Regional Management Boards be restricted to elected members from within the relevant region or also be open to officers of an authority within that region?
- Q8.** Do you agree that CFOA should be offered a non-voting Observer post on the board of FiReBuy?
If not please explain why you think that it is inappropriate.
- Q9.** Please specify any other stakeholder groups within the Service that you consider should have non-voting Observer status and explain what the benefits of their inclusion will be.
- Q10.** Do you consider that it would be appropriate for shares to be allocated to (or guarantees given by) FRAs in any manner other than "one authority one share" to reflect the differing sizes of English FRAs?
If so how do you suggest that the allocation should be weighted?

FiReBuy OPERATIONAL ISSUES

While FiReBuy is not generally expected to make direct purchases on behalf of FRAs there are some situations in which it may be the primary purchaser. An example of this is the Integrated Clothing Project.

Specific areas in which we seek views are:

Q11. If FiReBuy acts as the primary purchaser for a particular contract and has been established as a limited liability company, to what extent do you consider that suppliers would require further financial guarantees from participating FRAs for the liabilities that will arise from the contract?

(This is the situation that might arise under the proposal for FiReBuy to assume the role of purchaser in relation to the Integrated Clothing Project.)

Q12. Do you consider that deviations from agreed national specifications should only be allowed where there is an evidence-based operational need (rather than simply a desire for particular provision)?

Q13. Do you consider that the proposal to deem duty best value laid on FRAs as being discharged *through* FiReBuy is an effective way of ensuring that the national arrangements are not undermined by deals offered to individual authorities?

If not what alternative provision do you propose and would you ensure that it does not lead to a perpetuation of the current fragmented arrangements?

Q14. Do you agree that FRAs should be required under s29(4) of the 2004 Act to route their procurement through FiReBuy for those lines of spend falling within FiReBuy's competence?

If not how do you propose to drive the efficiencies required of the Service, bearing in mind that existing voluntary arrangements have tended not to deliver such efficiencies?

Q15. How can the potential difficulty of FRA motor workshops having to service new makes of vehicle be mitigated? (On the assumption that not all suppliers would be successful in securing an allocation from a vehicle framework agreement.)

Q16. Do you consider it is feasible for FRAs and FiReBuy to reach agreement on gains to be made in the area of insurance provision during 2005?

If not please explain your reservations.

FiReBuy AND THE INTEGRATED CLOTHING PROJECT

Q17. Do you consider it likely that the service provider eventually selected under ICP would find a requirement to sign contracts with each FRA, rather than a single client, burdensome?

Q18. Do you consider that a requirement for the ICP service provider to sign contracts with each FRA would be likely to add significantly to the cost of the project?

If so, are you able to quantify the likely additional cost?

Q19. Do you agree that it is unlikely that any single FRA would agree to act as the single contracting authority for all English FRAs?

Q20. If it is decided that a single entity is needed to ensure delivery of the ICP, do you consider that it would be appropriate for FiReBuy to fulfil that role?

If not what arrangements do you propose for a single entity and why do you consider that it would be an improvement on the proposal in the draft NPS?

Q21. Do you consider that FRAs should be required to join the Integrated Clothing Project (but not the Private Finance Initiative component) from expiry of their current contracts for clothing and PPE?

If not how do you propose to drive the efficiencies required of the Service, bearing in mind that existing voluntary arrangements have tended not to deliver such efficiencies?

If not how would you ensure that those authorities outside the ICP were able to ensure that their PPE matched the quality of that provided under ICP and secured the co-operation of suppliers in developing PPE to meet the needs of female and ethnic minority firefighters?

Q22. Do you consider that there are any liability issues for FiReBuy arising from the PPE Regulations that might require FRAs to indemnify FiReBuy for actions brought against it by authority employees?

Q23. Do you consider that there are any liability issues for FiReBuy arising from the PPE Regulations that might require the service provider to indemnify FiRebuy for actions brought against it by FRA employees?

FiReBuY AND NATIONAL TECHNICAL SERVICES (NTS)

For each of questions 24 to 27, if you do not agree with the relevant proposal for the role of NTS please:

- explain your position;
- detail the alternative provision that you would make;
- explain how these would be an improvement over the arrangements proposed in the draft NPS.

Q24. Do you consider that it is desirable for the Service to develop an expert hub to take forward Technical Services at the national level?

Q25. Do you consider that it would be appropriate for the NTS hub to co-ordinate activities within English FRAs?

Q26. Do you consider that it would be appropriate for the NTS hub to both evaluate proposals for trialling in advance of committing FRA resource and evaluate the outcome of trails?

Q27. Do you consider that it would still be appropriate for extended “on the run” trials of equipment and vehicles to take place within individual authorities under the supervision of NTS?

Q28. What issues will need to be resolved to ensure that the risk assessments carried out by NTS for vehicles and equipment procured against national specifications are accepted by FRAs and Chief Fire Officers without undertaking re-evaluation within authorities?

Q29. If you consider that central co-ordination of Technical Services activity would be likely to imperil innovation or endanger confidentiality please explain your reasoning and your proposals for alternative arrangements?

Q30. How can NTS and suppliers strike a balance between the need to maintain innovation within the industry and the legitimate desire of suppliers to maintain confidentiality and competitive advantage?

FiReBuy AND A DIVERSE MARKET

The draft NPS envisages that the several suppliers would be included within a framework agreement for a particular line of spend. The question then arises as to how orders may then be allocated between the various suppliers as FRAs call off from the framework using standard form contracts. Two possible options are:

- for FiReBuy to manage the allocation actively so that suppliers obtain approximately the proportion of spend for which they had bid;
- for FiReBuy to break down the original tender into several lots, perhaps on the basis of supply within one or more regions, with the expectation that a single supplier would be appointed for that lot, with provisions to ensure that the regional lots as a whole are awarded to a variety of suppliers.

Q31. What do you see to be the advantages and disadvantages of the managed allocation option?

Q32. What do you see to be the advantages and disadvantages of the regional lot approach?

Q33. What other steps might be taken to ensure that competition is maintained within the market without having to offer a guarantee that any company that currently does business with the Service in England would obtain business in future?

Q34. What will be the impact on industry's tendering costs of a move away from 46 potential customers in England to a single intermediary in the form of FiReBuy?

OTHER AREAS FOR COMMENT

Q35. Do you consider it feasible for RMBs to reach agreement on gains to be made in the areas of fuel, energy and telephony during 2005?

If not please explain your reservations.

Q36. Do you consider that the allocation of lines of spend to the three categories detailed in Table 1 are correct?

If not please explain what changes you would make.

Q37. Are there any lines of spend that should be excluded altogether from Table 1 on page 17 of the draft NPS? Please explain why you consider these items should be excluded.

Q38. Are there any lines of spend that have been omitted from Table 1 that merit inclusion?

If so to which of the three categories would you allocate that line of spend?

Q39. Are there any Key Performance Indicators that are not in the Library of Local Performance Indicators that should be included in FiReBuy's set of KPIs?

Q40. Are any of the targets included in Objectives FRSP1 to FRSP10 too stretching?

If so please explain how the target should be amended.

Q41. Are any of the targets included in Objectives FRSP1 to FRSP10 not sufficiently stretching?

If so please explain how the target should be amended.

Q42. Do you consider that the concept of Most Economically Advantageous Tender (MEAT) is already well understood within FRAs?

OTHER ISSUES

Briefing days

ODPM propose to arrange 3 industry briefing days detailed below. It would be helpful if suppliers could identify by **15 October 2004** particular areas that they wish to be covered during the relevant industry day and send their suggestions to:

fsed6@odpm.gsi.gov.uk

Breathing apparatus and respiratory protection

ODPM, Eland House, Victoria – 22 November – 35 places available

PPE and other clothing

LFEPa Training school, Southwark – 11 November – 50 places available

Vehicles

Staffordshire FRS, Stoke-on-Trent – 18 November – 90 places available

If there is a very heavy demand for places on the briefing days we are likely to ask representative bodies to take on the task of selecting attendees, or to allocate places by lot.

Diversity issues

The draft NPS contains Objective FRSP5 which deals with sustainability and diversity.

However, it has not been possible to compile a robust Race Equality Impact Assessment (REIA) as part of the partial Regulatory Impact Assessment for this consultation. This is due to the lack of reliable information on the effect that the proposals may have on BME enterprises. We would appreciate the co-operation of any stakeholders who are able to assist us in compiling an appropriate REIA.

Partial Regulatory Impact Assessment

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1. Purpose and intended effect

1.1 OBJECTIVES

The key role of the strategy is to consider the creation of a single overarching framework for Fire and Rescue Service (FRS) procurement, identifying the way in which procurement at national, regional and local levels will be managed and co-ordinated to ensure that best value and consistently high quality outcomes are achieved.

It maps out areas of procurement activity at all levels and proposes that Regional Management Boards will have sufficient latitude to develop local responses to local issues and to continue to be innovative in their procurement approach.

The collaborative approach to procurement and aggregation of demand that the strategy seeks to implement should result in significant improvements to the way in which fire-specific procurement processes are handled and to the relationship of the service with suppliers.

The objectives of the strategy are:

- To consider the creation of a national body 'FiReBuy' to drive the National Procurement Strategy (NPS) forward.
- To ensure that a collaborative approach is taken on a national basis to the procurement of major items of service-specific spend such as vehicles, equipment and key services.
- To ensure that a structured and co-ordinated approach is taken to regional procurement.
- To ensure a consistent approach to the training and development of staff who have a procurement role throughout the FRS in line with the principles of IPDS (Integrated Personal Development System).
- To develop performance management information to aid decision-making and improve procurement performance.
- To ensure that FRS procurement activity makes a positive contribution toward social inclusion and minimises any possible adverse impact it could have on the environment.
- To ensure that project, commercial and health and safety risks are considered in all key procurements, that suitable contingency plans are in place for key products and that all those in project management roles have appropriate skills and experience.
- To ensure that procurement procedures are as effective as possible and that the FRS achieves year-on-year savings from procurement activity through cost and efficiency improvements.

- To ensure that contracts are managed effectively to maintain and improve contractual performance.
- To adopt a national approach to specifying, testing and acceptance activities through the development of a national process, supported by a national database and nationally prioritised work.
- To ensure the FRS is able to meet e-government targets in respect of procurement and that a consistent approach is taken on a national/regional basis to the implementation of e-procurement in the fire and rescue service.

1.2 BACKGROUND

In the Summer of 2000 Sir Ian Byatt was asked by the Minister for Local and Regional Government and the Chairman of the Local Government Association (LGA) to chair a task force to review local government procurement. The task force published its report *Delivering Better Services for Citizens – A review of local government procurement in England* in late 2001. The main findings of the Byatt report were that:

- without an effective procurement strategy a local authority will not achieve best value;
- local authorities should seek to aggregate demand and reduce costs by setting up central contracts for commonly used items;
- elected members should take a strategic role in securing quality outcomes including scrutinising procurement processes and monitoring outcomes;
- authorities should identify all posts concerned with procurement and the skills needed and develop a strategy to meet those needs through recruitment, training and retention;
- local authorities should increase their use of e-procurement.

Following the publication of the report, the Local Government Procurement Forum undertook work to deliver the Byatt recommendations. The culmination of this work came in October 2003 when the ODPM issued the National Procurement Strategy for Local Government.

In early 2003 Sir Peter Gershon was commissioned to carry out an efficiency review across central and local government. In the review's consultation document published in October 2003 it was noted that 'many public sector bodies try to provide all internal services themselves or through individually negotiated contracts. In some areas...like procurement...this is unlikely to be the most efficient way forward. Instead, new ways of sharing services can be developed'.

FRS procurement featured in the Audit Commission's 1995 report *In the Line of Fire* and a subsequent review by the Home Office in 1997, both of which identified a number of costs and efficiency issues in connection with fire service procurement.

In 2000, Chief Fire Officers' Association (CFOA) initiated a joint review of FRS procurement with the Audit Commission. This review culminated in the Audit Commission report *A Uniform Approach*, which identified the 1999/2000 FRS spend on procurement of goods and services at around £300 million, of which £63 million was spent on vehicles. It was further identified that although use of consortia was common, each Fire and Rescue Authority (FRA) continued to conduct general research, development and evaluation independently. Hidden within these procurement activities was work on conducting risk assessments for equipment and on producing technical and operational notes.

The report concluded that immediate savings of £5.5 million could be made through a reduction in procurement overheads and more efficient procurement of commodities such as fuel, energy and clothing. However, it also found that additional, more significant savings and quality improvements could be made through better national and regional collaboration. The major savings identified would be realised through driving out duplication of effort on research, development and procurement, rather than simple reductions in unit price alone. It was noted that achieving these efficiencies required greater standardisation of specifications, but that this was being hampered by personal and local preferences.

In June 2003, the Government published a White Paper *Our Fire and Rescue Service* setting out its proposals for reform of the service. The need for much greater collaboration and co-operation across the fire and rescue service on procurement matters was a key feature of the White Paper.

In the Autumn of 2003 ODPM commissioned research by Cap Gemini Ernst and Young and the Improvement and Development Agency into specialist FRS procurement. The studies concluded that fire-specific procurement is best carried out nationally and that an appropriate institution should be established to do this. Generic purchasing would be managed through the local government regional centres of purchasing excellence, established under the Local Government National Procurement Strategy. Arrangements for specialised central and regional purchasing would enable the development of the sort of procurement expertise that individual FRAs find it hard to develop or acquire and lead to benefits derived from combined authority purchasing.

This conclusion supported the earlier Audit Commission work that identified the need for national standards and specifications.

Section 29 of the Fire and Rescue Services Act 2004 enables the Secretary of State to establish and maintain any organisation he considers appropriate if it promotes the economy, efficiency or effectiveness of authorities or to contribute towards the costs of such an organisation.

This section also gives the Secretary of State the power, by order, to require fire and rescue authorities to use specified equipment or services. He may also impose a charge for the use of any equipment, services or organisation.

The NPS applies only to England and it will be for devolved administrations to become involved should they wish to do so.

The draft Strategy was launched at the Fire Conference in Manchester on the 8th September 2004.

1.3 RISK ASSESSMENT

Without a strategy duplication of costs and efforts for procurement will continue to occur and there will be little opportunity for interoperability between Fire and Rescue Services. Operational requirements for New Dimensions are unlikely to be fully effective without the enhanced capacity for cross-border working that procurement to common standards would deliver. Without effective procurement strategies Fire and Rescue Authorities will not achieve best value and are unable to leverage the gains that can accrue through aggregation of demand.

2. Options considered

Three options have been considered:

Option 1 Do nothing – continue with existing arrangements

Option 2 Set up voluntary purchasing through a local government national body

Option 3 Set up mandatory purchasing through a local government national body

A further option was considered initially – to manage procurement through an agency (Non-Departmental Public Body). This was discounted as it would have run counter to the Government's policy to encourage local authorities to collaborate to manage fire and rescue service activity at the appropriate level. It would have brought all FRS specific procurement much closer to central Government and have diluted the financial and legal liabilities that currently rest with FRAs.

*The Government's preferred option is **Option 3**.*

3. Risks

OPTION 1 – DO NOTHING

Risks

Efficiencies and economies will not be realised and opportunities to bring standards in all authorities up to the level of the best. Strategic collaboration between the FRS especially for New Dimensions will be more difficult to achieve. Improvements in technical services (research and development) are likely to be missed and there will be insufficient focus on benefit tracking. The current paucity of reliable data and management information would be likely to continue and FRAs will continue to face difficulties in making procurement decisions based upon robust whole life costings.

OPTION 2 – SET UP VOLUNTARY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Risks

Voluntary arrangements have not worked as well as they could have in the past. There is little impetus for change. It would potentially be a more difficult task to bring together 47 authorities to agree a common approach in this relatively specialised area. It is likely that a number (perhaps a majority) of authorities would be inclined to conduct parts of the specification and acceptance processes in parallel with work undertaken by staff of the national body. Similarly, others would be likely to decline to relinquish any part of the procurement process to the new body.

The concept of partnering and risk sharing is not widely understood and the benefits available would be unlikely to be realised without clear lines of responsibility, control and accountability. Change would be slow and potential gains would not be fully realised.

OPTION 3 – SET UP MANDATORY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Risks

Opportunities to tender might be restricted with the potential to exclude some SME suppliers from the market. In turn this may impact on the level of competition within the fire industry unless handled carefully, to detriment of the Service and the wider economy.

4. Costs

The main sectors affected will be manufacturers and suppliers of equipment to the FRS.

OPTION 1 – DO NOTHING

<i>Economic</i>	No extra costs identified for suppliers.
<i>Social</i>	No extra costs identified for suppliers.
<i>Environmental</i>	Continued duplication of resources will do nothing to alleviate the environmental impact of current arrangements.

OPTION 2 – SET UP VOLUNTARY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY ‘FiReBuY’

<i>Economic</i>	There are likely to be savings for existing suppliers through changes in procurement arrangements and it is envisaged that these will more than compensate for any additional costs from more extensive specification and negotiation requirements. Further data is being sought to clarify and quantify this area.
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Social Rationalisation of provision may impact adversely on the commercial viability of some suppliers with the potential for reducing levels of employment. We have been unable to identify the costs directly attributable to this scenario because of the interaction with the general exposure of the market to issues of competition from suppliers outside the UK.

Environmental Reduced costs due to better management of resources and a reduction in measures taken to mitigate the impact of production and delivery processes.

OPTION 3 – SET UP MANDATORY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY ‘FiReBuY’

Economic £200,000 of funding is required during 2004/5 to undertake work preparatory to the commissioning of FiReBuy. £1.2m running costs are estimated for 2005/6. Savings for suppliers are likely to be greater than for Option 2 because of the degree of mandation in setting and implementing specifications and the single point of contact for contract negotiations.

Social Rationalisation is likely to be greater than under Option 2, for the same reasons given under the description of economic costs detailed above for Option 3. The social costs would follow the same pattern as under Option 2 but the quantum would be likely to be greater.

Environmental The costs would follow the same pattern as under Option 2 but the quantum would be likely to be greater.

5. Benefits

OPTION 1 – DO NOTHING

Economic None
Social None
Environmental None

OPTION 2 – SET UP VOLUNTARY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Economic Enhancement of the quality of procurement processes with the ability to deliver greater value for money and improvements in technical services. Authorities can reasonably expect to see reductions in their in-house procurement costs and savings overall. Suppliers would gain from the reduction in the time and effort they need to invest in working with the Service to identify the benefits of the products and services.

Social There would be a collaborative approach to procurement will help raise standards of equipment for all firefighters, potentially reducing the risks to which they are exposed in discharging their duties.

Environmental Less adverse impact from current duplication in production and delivery processes.

OPTION 3 – SET UP MANDATORY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Economic Running costs could be largely covered by staff savings across the service. Authorities can reasonably expect to see reductions in their in-house procurement costs and savings overall.

FiReBuy would take the lead role in testing and acceptance activities (sometimes called research, now referred to as “technical services”) for the lines of spend within its remit, thus avoiding the duplication of this work in each brigade. CFOA have indicated their willingness to implement generic risk assessments developed in this way and have estimated that an efficiency saving of 50% of current spend and personnel strength can be achieved in the medium term and rise to 75% within 3-5 years. We believe that gains of at least £2m pa are achievable within 3 years in the technical services function. Well-run procurement operations would typically expect to generate a 5% saving per annum.

Key performance indicators (KPIs) for procurement would be created and measures to benchmark improvements drawn up. Risk management and analysis would be included with a common methodology and practices.

There will be improvements for procurement for women and ethnic minorities, thus reducing barriers to recruitment and make a positive contribution towards social inclusion.

This strategy will help the Fire and Rescue Service meet e-government targets and e-procurement strategy.

Social Unlikely to be significantly greater than for Option 2 but certainly no less.

Environmental Of the same type as for Option 2 but of greater quantum.

6. Fairness and equity

RACE EQUALITY

Option 1 will bring no change to existing arrangements.

Options 2 & 3 will improve the procurement of equipment for BME staff within the FRS.

It has not been possible to compile a robust Race Equality Impact Assessment (REIA) in respect of suppliers as part of the partial Regulatory Impact Assessment for this consultation. This is due to the lack of reliable information on the effect that the proposals may have on BME enterprises. We would appreciate the co-operation of any stakeholders who are able to assist us in compiling an appropriate REIA.

We have not identified any other issues around equality and diversity.

7. Consultation

A formal consultation document will be issued on 30th September 2004. Ministers have agreed that the consultation period of 12 weeks will run from the date of publication of the draft National Procurement Strategy and will close at mid-day on Friday 3rd December 2004. Late returns will not be accepted.

8. Compliance issues

OPTION 1 – DO NOTHING

No new issues – compliance will remain the responsibility of each authority.

OPTION 2 – SET UP VOLUNTARY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Compliance with EU procurement rules and competition law will acquire a greater importance as demand is aggregated. (Procurement exercises that might previously have been below the *de minimis* limits when run by a single authority would be likely to be brought within the scope of the OJEU process.)

OPTION 3 – SET UP MANDATORY PURCHASING THROUGH A LOCAL GOVERNMENT NATIONAL BODY

Considered to be the same as for Option 2.

9. Competition assessment

Competition filter assessments were applied to 4 main areas of spend detailed below. All areas would require a detailed assessment if the relevant market is defined as being the United Kingdom, though we consider that there are strong grounds for considering that the relevant market is Europe. The comments below are all based on the assumption that the relevant market is the United Kingdom.

Personal Protective Equipment

There are various sectors included in this market including tunics/leggings, boots, helmets, gloves and firehoods. The largest three firms of each sector have more than 50% market share. The proposed national contract for PPE/non-PPE (The Integrated Clothing Project) scheduled for 2007 is likely to result in the award of a contract to a single service provider. To comply with competition law, it is likely that the service provider will be required to maintain minimum levels of competition in the market. The fire service market is likely to change to reflect these levels.

Breathing Apparatus

There are four main suppliers who together would have more than 50% market share. There are also other manufacturers who supply equipment that these suppliers use but also deliver to other industries. Products may have to be altered/modified to meet a single national specification and this could ultimately change the market structure.

Appliances

There are several main suppliers and the largest three firms together have more than 50% market share. The strategy could lead to higher costs due to tendering, certification and compliance needs. The market structure would probably change as some bidders do not solely rely on the manufacture of fire appliances for their primary business stream and they may not consider it a worthwhile venture to continue.

Hydraulic Rescue Sets

There are three major suppliers who together have more than 50% of the market share. The equipment fits onto the appliance and can be purchased as a different entity and very often this is carried out on a separate purchase/contractual basis. The issues of cost and market structure are similar to those faced by manufacturers of appliances.

10. Impact on small businesses

There is likely to be a significant impact on Small and Medium Sized Enterprises (SMEs) presently supplying or potentially supplying the FRS, as a result of the proposed new aggregated buying arrangements.

It is the view of the Small Business Service (SBS) that further work is needed to understand more fully the current place of SMEs in this market and the steps that may need to be taken to ensure that the potential SME contribution to delivering Best Value

is maximised. SME issues need to be an integral part of the overall strategy. It is particularly important to be clear that the aggregation of buying power and procurement decisions does not necessarily mean a single contract for each requirement.

The ODPM will hold one or more focus groups with SME suppliers to explain the proposals and explore the likely issues and barriers that SMEs may face. FiReBuy will be required to comply with best practice in relation to the place of SMEs in procurement strategies. Measures being taken across Government are set out in the response to the Better Regulation Task Force report 'Government: Supporter and Customer?'. For FiReBuy this would mean:

- Proper consideration of SMEs in the procurement strategy. FiReBuy will subscribe to the principles of the SME-friendly Procurement Concordat which forms part of the National Procurement Strategy for Local Government. The ODPM plan to launch the Concordat in early 2005.
- Steps taken to ensure transparency and appropriate access to contract opportunities including advertising lower value opportunities available regionally and nationally. The Supplier Route to Government site under development by the SBS and the Office of Government Commerce will be used by FiReBuy.
- Best practice implemented to reduce tender time and cost including adoption of standardised approaches to pre-qualification currently being piloted by OGC. The FiReBuy model already removes the need to pre-qualify with every FRA.
- Attention to good supply chain management to ensure effective SME contribution to national and regional contracts including providing contact details on the FiReBuy website.
- Openness to consideration of innovative ideas.

11. Other impacts

Rural proofing

No impacts identified.

12. Monitoring

FiReBuy would negotiate call-off contracts for FRAs and take the lead in subsequent contract management and service level monitoring. KPI's will monitor progress and indicate areas to improve performance.

13. Recommended option

OPTION 3

Contact points	
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