



Office of the  
Deputy Prime Minister  

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Creating sustainable communities

# *National Procurement Strategy for the Fire and Rescue Service: 2005-2008*

November 2005







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for the Fire and Rescue Service:  
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# CHAPTER 1

## Vision for the Fire and Rescue Service

- 1.1 In the White Paper 'Our Fire and Rescue Service' published in June 2003 the Government set out a vision for a Fire and Rescue Service (FRS) that:
- is proactive in preventing fires and other risks, rather than simply reacting to fires;
  - acts in support of the Government's wider agenda of social inclusion, neighbourhood renewal and crime reduction;
  - has effective institutions that support its role and purpose;
  - is well managed and effective; and
  - is committed to developing and adapting to changing circumstances, including the growing threat of terrorism.
- 1.2 The White Paper also took account of the Government's wider agenda on the modernisation of public services:
- to set national standards for the public services, within a clear framework of accountability;
  - to devolve and delegate to the front line wherever possible, giving local leaders the opportunity, responsibility and accountability for delivery;
  - to increase flexibility so that public services are more diverse and more responsive to the public's needs; and
  - to ensure the public benefits from consistently high standards of service, flexibility and choice, which, in turn, help to deliver better value for money.
- 1.3 In the Fire and Rescue Services Act 2004 the Government has established a firm foundation for Fire and Rescue Authorities (FRAs) to play their part in delivering this vision. For its part, in 2005 the Government made another generous grant settlement for FRAs to enable them to continue to provide high quality services to the communities they serve.
- 1.4 It is essential that the procurement function within the FRS fully supports the achievement of this vision and the modernisation agenda. To do this, procurement needs to be at the heart of decision-making within the service to ensure that it contributes fully to this work.
- 1.5 Fire and Rescue Authorities should now implement this Strategy in accordance with the relevant paragraphs of the Fire and Rescue Service National Framework.

# CHAPTER 2

## The context of the strategy

2.1 In the summer of 2000 Sir Ian Byatt was asked by the Minister for Local & 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.

2.2 The main findings of the Byatt report were that:

- procurement had traditionally been accorded a lower profile within local government than in the private sector and that a step change in outlook was needed to break away from the “backwater” mentality
- 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 low cost/low risk commonly used items
- smaller authorities without the resources to undertake a corporate procurement function should work with others to share resources
- elected members should take a strategic role in securing quality outcomes including scrutinising procurement processes and monitoring outcomes
- while there was little evidence that existing Standing Orders were a barrier to effective procurement the misunderstanding or interpretation of those Orders did give rise to difficulties
- 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
- authorities should consider using common documents and contract terms to reduce the burden on suppliers and make greater use of information sharing
- despite a claimed adherence to the principle of “most economically advantageous tender” price was often the key factor in contract award
- local authorities should increase their use of e-procurement

2.3 Among the success factors for suppliers that were identified were:

- a willingness to adopt open book accounting and costing

- the ability to understand the priorities of their clients and keep abreast of changes in those priorities
- a commitment to continuous improvement throughout the period of a contract
- a willingness for early engagement on the identification, allocation and management of risk in partnership with the client

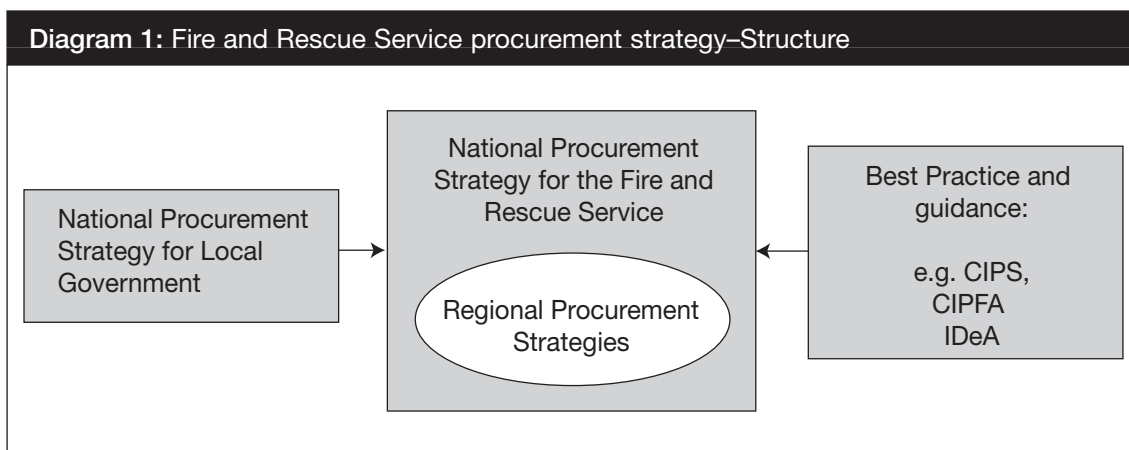
- 2.4 Following the publication of Byatt, the Local Government Procurement Forum undertook work to deliver the report's recommendations. The culmination of this work came in October 2003 when the Office of the Deputy Prime Minister (ODPM) and the LGA issued the National Procurement Strategy for Local Government.
- 2.5 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."
- 2.6 The one efficiency target that falls to English FRAs over the Spending Review '04 period (2005/06 – 2007/08) is challenging. In aggregate, the English FRAs must deliver £105m of gross cashable savings by March 2008, in comparison to the baseline year: 2004/05. Their progress towards that target will be monitored against a trajectory of milestones of £25m by March 2006 and £75m by March 2007. Cashable savings can be defined as changes that maintain the same or a better level of service provision while reducing the resources needed to deliver that same service. They are those where there is a direct auditable financial saving or benefit, with money released that an FRA can then make a positive choice, if it so wishes, to spend elsewhere or recycle within a service to deliver better results.
- 2.7 While the FRS forms part of the local government family this target applies to the fire function alone. Similarly, although by achieving this target FRAs will be contributing towards the at least £6.45 billion that HM Treasury expects local government as a whole to deliver in 2007/08, this local government efficiency target does not apply to the FRS itself. Indeed multi-purpose local authorities have fire expenditure specifically excluded from calculation of the baseline for their local government efficiency targets, and consequently they cannot count efficiency gains from fire towards that target. For further details see FRS Circular 8/2005.
- 2.8 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.
- 2.9 In 2000, the 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 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.

- 2.10 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.
- 2.11 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 FRS on procurement matters was a key feature of the White Paper.
- 2.12 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. This conclusion supported the earlier Audit Commission work that identified the need for national standards and specifications. In order to deliver FRS procurement at a national level, the Secretary of State will establish a national body to drive the National Procurement Strategy forward. This body will be called ***FiReBuy Limited***.
- 2.13 Assistance in generic purchasing would be supported by the Regional Centres of Excellence (RCEs), which are the lead change agents in assisting councils to find and make efficiency gains. As part of this process, the RCEs will develop opportunities for shared working within their region. Arrangements for specialised central and regional purchasing would enable the development of the sort of procurement expertise that individual FRAs may find hard to develop or acquire and lead to benefits derived from combined authority purchasing.

# CHAPTER 3

## Where does the strategy fit?

- 3.1 In October 2003, the ODPM and LGA published a National Procurement Strategy for Local Government. The Strategy follows the recommendations of the Byatt Report and sets out ways to help local authorities deliver their strategic objectives and improve frontline services to the public through improved procurement practices. It sets out a vision for local government procurement which it is envisaged will be achieved through 5 key themes:
- Cultural shift
  - Providing leadership and building capacity
  - Partnering and collaboration
  - Doing business electronically
  - Stimulating markets and achieving community benefits
- 3.2 The publication of the Strategy for local government was timely as it coincided with the Fire White Paper statements on the Government's expectations of the FRS procurement function. Due regard has been given to both documents in formulating this strategy as well as to other published guidance available from organisations such as the Chartered Institute of Purchasing and Supply (CIPS), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Improvement and Development Agency (IDeA).
- 3.3 Within the FRS it is expected that a number of key goods or services will be procured at a national level for the first time. However, procurement at a national level is not suitable for all purchases and significant activity will still be required at a regional or local level. The key role of this strategy is to create a single overarching framework for 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.
- 3.4 It maps out areas of procurement activity at all levels and proposes that regions will have sufficient latitude to develop local responses to local issues and to continue to be innovative in their procurement approach. See Diagram 1 below:

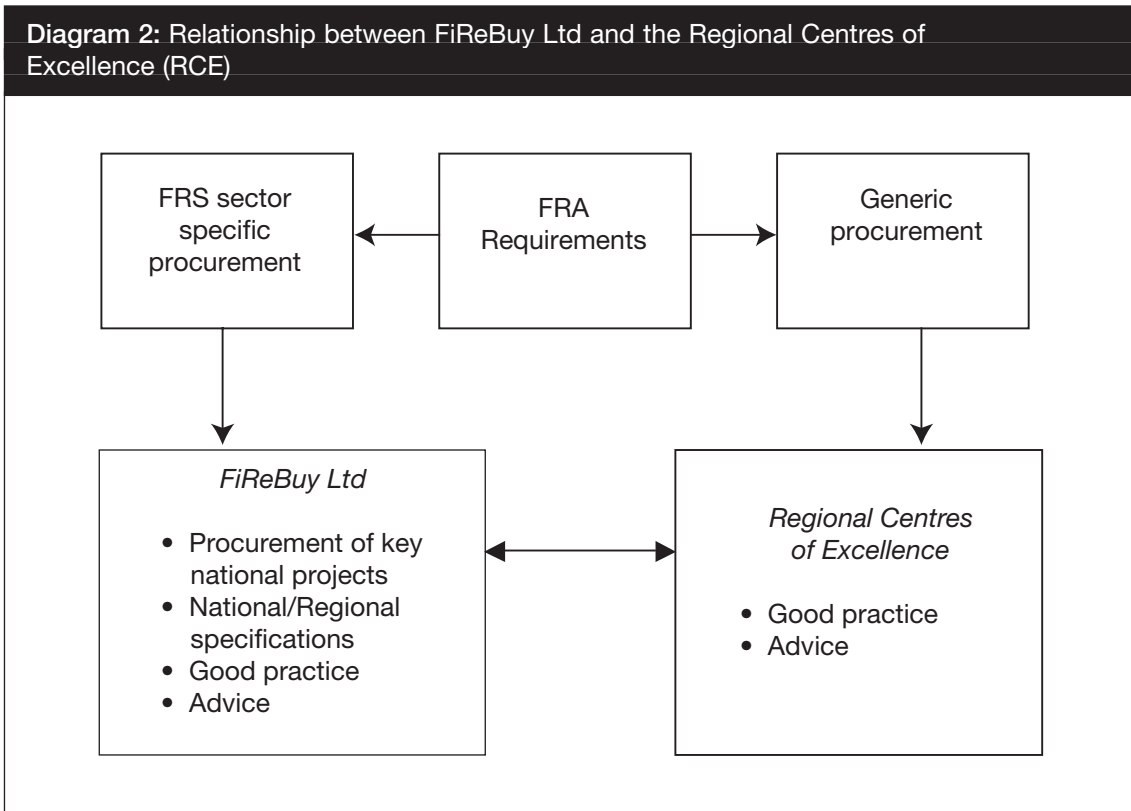


3.5 This framework is supported by the establishment of the nine Regional Centres of Excellence (RCEs), which were announced during February 2004. Their role is to drive forward efficiency and promote best practice in procurement, corporate services and transactional services among the councils in their area. The nine RCEs for each region are:

- North East – Gateshead Metropolitan Borough Council
- West Midlands – Worcestershire County Council
- South West – Dorset County Council
- North West – Tameside Metropolitan Borough Council
- South East – Kent County Council
- Yorkshire and Humberside – Leeds City Council
- East Midlands – Nottinghamshire County Council
- East of England – Norfolk County Council
- London – Association of London Government on behalf of the London Boroughs

3.6 There are likely to be strong elements of synergy through aggregating procurement of commodity goods and services. RCEs and FRAs are encouraged to work together to achieve these.

3.7 The relationship between the FRS arrangements and the RCEs is as shown below:



*Vertical arrows indicate responsibility for areas of activity; the horizontal arrows indicate functional collaboration.*

# CHAPTER 4

## A definition of procurement

- 4.1 The FRS has agreed to use the definition of procurement in the National Procurement Strategy for Local Government to describe the wide range of business processes involved in procurement activities:

*“Procurement is the process of acquiring goods, works and services from third parties. The process spans the **whole cycle** from identification of needs, through to the end of a services contract or end of the useful life of an asset. It includes options appraisal and the critical ‘make or buy’ decision...”*

- 4.2 In relation to Best Value the Strategy goes on to say:

*“...obtaining ‘best value for money’ means choosing the bid that offers the ‘optimum combination of whole life costs and benefits to meet the customer’s requirement’. This is not necessarily the lowest initial price option and requires assessing the ongoing revenue/resource costs as well as initial capital investment.”*

- 4.3 Thus, the functions of procurement are considered to be:

- **Identification of a business need**

Procurement must have a key role in identifying the need for equipment, premises or services

- **Technical Services (previously referred to as research and development)**

Including completion of risk assessments, options appraisal, co-ordination and evaluation of trials, production of supporting training materials or guidance notes.

- **Purchasing and contracting**

Including strategic and routine procurement, issue of Official Journal of the European Union (OJEU) notices, tendering, contracts, legal and finance tasks.

- **Commissioning**

Including production of final safety and technical materials, training and distribution.

- **Contract management**

Whole life costs, including maintaining the equipment, managing contracts and supplier relationships and development. Whole life costs remain a consideration throughout the procurement cycle and cannot be neglected after the options appraisal stage.

- **Decommissioning and replacement**

Including a review of equipment or contract performance.

- 4.4 The term “research” is frequently used to describe the process of investigating and analysing different technical options for items of equipment that is carried out in some FRAs. The research concerned is not pure or applied research within currently understood definitions of those terms, and is not used in that sense in this strategy. The activity undertaken by FRAs in the specification, test and acceptance of equipment is better termed “technical services”, the phrase adopted here.
- 4.5 Pure research and development is not viewed as part of the procurement function within the FRS but it is vital that the service maintains close links with the fire industry. This close contact will ensure that the effectiveness of current equipment and the evolving needs of the service are identified and communicated clearly to manufacturers to inform their research programmes.
- 4.6 The ‘whole cycle’ of procurement begins at a higher level than described above with the various European Directives. From the Directives flow the many and varied harmonised European Standards. Almost without exception, key items of emergency response equipment, Personal Protective Equipment (PPE), Respiratory Protective Equipment (RPE) and fire vehicles are required to comply with one or more of the European New Approach Directives, e.g. the PPE Directive, Machinery Directive, Equipment and Protective systems intended for use in Potentially Explosive Atmospheres (ATEX Directive) before they can even be brought to the market and it is largely based upon such European Standards that user specifications are prepared. Such items as fire vehicles are also required to comply with UK legislation such as the Motor Vehicle Construction and Lighting Regulations.
- 4.7 It is in this arena that much ‘research and development’ is conducted and which, in essence, determines the major aspects of technical development and specifications driven as they are by European legislation. It is also here where industry liaises with its customers at a high level and where research and development activities influencing the future are progressed.
- 4.8 The Government considers that CFOA, with the continued independent support of Her Majesty’s Fire Service Inspectorate (HMFSI), is well placed to take on the role of intelligent client for the FRS and to give a strategic lead on emerging and future needs. This role will be complimented by advice from other sources, such as the government fire and rescue related research programmes.
- 4.9 The proposed fire research academy is likely to increase communication and collaboration in fire and rescue research across the spectrum of the community, from fire and rescue services, through government and industry to the community of users. The academy will also lead to the development and maintenance of a national fire and rescue research strategy. This strategy, together with the activities of the academy and its role is co-ordinating research and development programmes could provide input on strategic direction, innovation, peer review and validation for the technical services element of the National Procurement Strategy.

# CHAPTER 5

## A new collaborative approach

5.1 The collaborative approach to procurement and aggregation of demand that this 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.

5.2 **Strategic co-ordination of procurement to support the key aims and objectives of the Fire and Rescue Service**

It is important that the national procurement strategy for the FRS reflects the overall aims and objectives of the service. It is essential, therefore, that the service's core business and organisational objectives are a key influencing factor in making procurement decisions, rather than an afterthought. The strategy will also provide effective procurement by ensuring that all the available procurement options are considered and that the most appropriate solution is identified through an objective options appraisal.

5.3 **Standardisation of output specifications**

In parallel with a technical services work stream, and in close cooperation with HMFSI, particularly in the fields of PPE/RPE and other emergency response equipment and vehicles, a common approach to the specification of fire vehicles and key items of emergency response equipment will ensure that cost benefits can be achieved. These will arise through improved supplier leveraging, less duplication of supplier development costs, optimised manufacturing runs, the sharing of reserves and 'once only' production of training manuals/materials. Practical improvements include greater operational interoperability between authorities and an increased capacity to deal with major disasters. Reliance on output-based specifications allows this to be achieved without the need for suppliers to retool to deliver a prescriptive input-based specification, and will help maintain competition in the industry.

5.4 **Co-ordination of FRS technical services**

The FRS needs to develop a national database of technical services projects to ensure that a co-ordinated approach is taken, avoiding the large scale duplication of effort that exists now. This will be supported by an agreed high quality risk assessment and evaluation protocol. It is essential that this work is undertaken in collaboration with HMFSI and the National Procurement Board to ensure that the work of FiReBuy Ltd is both alive to and able to influence progress and developments particularly in the International and European arenas. The standardisation of technical, operational and training materials will enhance training and safety standards and support more effective cross-border working. The willingness of nationally appointed representatives of the FRS unions to become involved in the TS process, particularly in regard to health and safety issues, will be central to effective delivery of this work stream.

### 5.5 **Market development to ensure suppliers provide the equipment and services that meet the needs of the FRS**

The FRS must co-ordinate its needs on a national basis to ensure that, through aggregation of requirements, it maximises its purchasing power to influence the development of the products and services it needs for the future. Greater strategic input to the supply chain and at European and International Standards level, for example, will ensure that suppliers develop the appliances, equipment and PPE required to support a more diverse workforce. To ensure sustainability and security of key supply items, issues of strategic dependence and competition law must be considered within procurement decisions. Where it is in the best interests of the Fire and Rescue Service, it should seek to establish long term strategic partnerships with public or private sector organisations and suppliers of key goods and services.

### 5.6 **Active management of the supply base**

The use of framework agreements from which authorities can call off the supply of goods and services is not intended to concentrate market share in the hands of one supplier. To do so would be bad for competition and expose the service to a much increased degree of dependence. These agreements can be structured to leverage efficiency gains through the aggregation of demand and ensure that competition is maintained.

### 5.7 **Efficiency gains and quality improvement**

Cashable and non-cashable savings are expected to arise from aggregation of demand and the elimination of duplication in processes in the English FRAs. Efficiency gains made by fire and rescue authorities will be retained locally for re-investment in front-line service. The increased use of professionally qualified and experienced procurement staff should lead to improvements in the standards of vehicles, equipment and services that are beyond the reach of many authorities currently.

5.8 The national strategy should also assist the delivery of other key aims and objectives of the Fire and Rescue Service by co-ordinating the expertise, skills and knowledge of those in the service in areas such as:

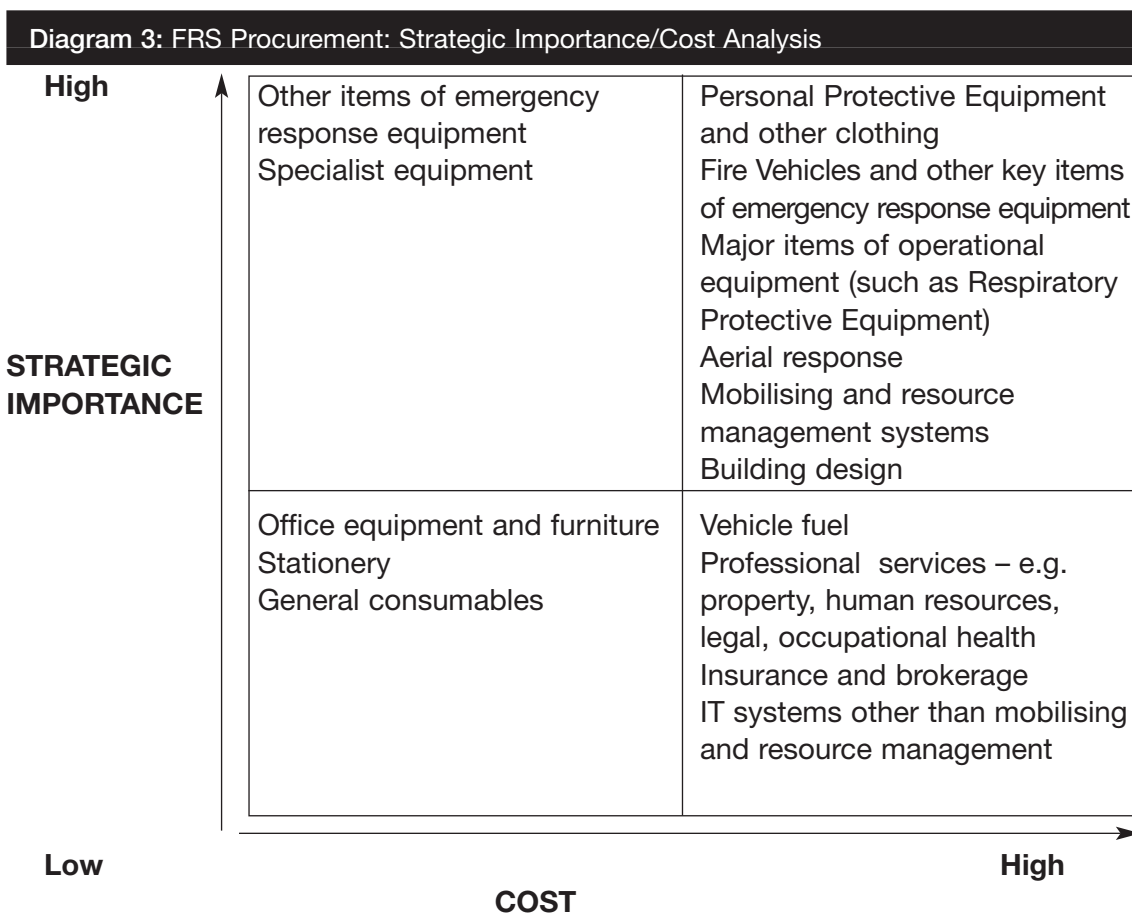
- development of the professional procurement function
- strategic partnering
- equality and diversity
- sustainable procurement
- distribution/logistics
- service delivery models
- e-procurement/procurement cards
- risk assessments

Successful delivery of these areas will assist in the aim of making our communities safer.

# CHAPTER 6

## Best Fit – National/Regional

- 6.1 Procurement in the FRS needs to be undertaken at the level most likely to achieve maximum efficiencies and the maximisation of purchasing power through aggregation of demand. There must be appropriate regard for the need to comply with European Union (EU) procurement rules, the maintenance of competition in the market and the fact that it is not the function of the FRS to maintain in existence commercial undertakings that are not viable.
- 6.2 Generally, it is considered that maximum gain can be achieved by procuring at a national level and to a common output-based specification those items that are **service-specific** i.e. for which a consortium or buying group is otherwise unavailable. The White Paper proposed that most other procurement issues be dealt with at a regional level to national standards or specifications. This approach also takes account of the position of county FRAs, for whom generic procurement activity is a corporate function rather than a service activity.
- 6.3 Diagram 3 below sets out an analysis of procurement in the FRS, highlighting those activities that are of high strategic importance and high cost, while Diagram 4 details out the levels at which specification and procurement may best be undertaken. Diagram 5 gives an indication of possible organisations who may be best equipped to carry out the procurement of some typical goods and services.



**Diagram 4: Levels at which specification and procurement will be effected**

Specification/Procurement	Procurement item
National specification and procurement*	Appliances and other vehicles Personal Protective Equipment and other clothing Major items of operational equipment (such as breathing apparatus) Mobilising and resource management systems Aerial response
National specification with regional procurement	IT systems other than mobilising and resource management Other items of operational equipment Insurance and brokerage Specialist equipment Building design
Regional specification and procurement or through arrangements let by other LG bodies/RCEs	Professional services: e.g. property, human resources, legal, occupational health Vehicle fuel Office equipment and furniture Stationery General consumables

\* Some contracts will require individual authorities to award contracts subject to their fiduciary duties

**Diagram 5: Procurement Organisations**

<b>National</b>	<b>FiReBuy Ltd</b> All Fire Vehicles and Key Emergency Response Equipment Integrated Clothing Project Respiratory Protective Equipment	<b>National Consortia</b> Software licences Mobile telephones
	<b>Regions/FRAs</b> Minor operational equipment	<b>Regional Consortia</b> Stationery Office equipment
<b>Local / Regional</b>		
	<b>Sector Specific</b>	<b>Generic</b>

# CHAPTER 7

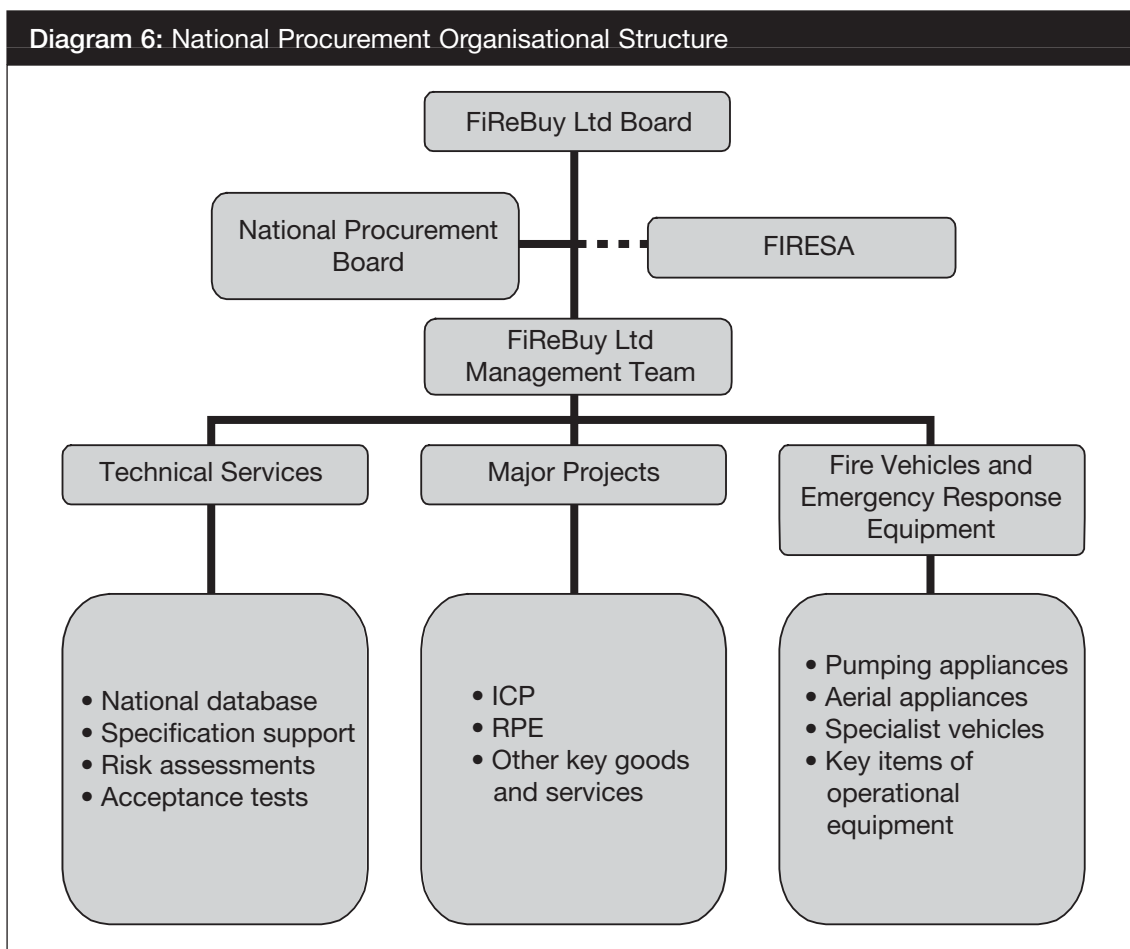
## Central Procurement Function

- 7.1 In order to deliver FRS procurement at a national level, the Secretary of State has established a national body to drive the National Procurement Strategy forward. This body is called ***FiReBuy Limited***.
- 7.2 FiReBuy Ltd has been established as a company limited by guarantee. The guarantors as it moves into its early operational phase are anticipated to be each of the Fire and Rescue Authorities (FRAs) in England and the Secretary of State. In addition to having limited company status FiReBuy Ltd is expected to be established as a Non-Departmental Public Body (NDPB). As its remit will extend across England, the European System of Accounts should require it to be classified as a central government body.
- 7.3 This status means that the appointment of Directors has to be undertaken through a fair and open competition regulated by the Office of the Commissioner for Public Appointments (OCPA). The effect of this is that, contrary to our original proposals, Regional Management Boards will not each be able automatically to appoint a Director to the FiReBuy Ltd board. However, authority and RMB members will be encouraged to apply through the open competition.
- 7.4 To ensure that Fire and Rescue Authorities and professional officers and local government have a high level input into the management of FiReBuy Ltd, and to recognise the important role of elected members in ensuring the accountability of the board, we will be appointing as a board director with full voting rights the Chair of the LGA Fire Services Management Committee and a representative from CFOA and in recognition of the work they have undertaken in national procurement a representative of London Fire and Emergency Planning Authority will be appointed as a board director with full voting rights. As the holders of these posts rotate they would give up their directorship of FiReBuy Ltd in favour of their successor.
- 7.5 The Board will consist of:
- Chair appointed by open competition
  - 6 directors appointed by open competition
  - 3 ex officio directors (LGA, CFOA, LFEPA)

In addition, two observers will attend the meeting of the board:

- the Chief Executive of FiReBuy Ltd
- the ODPM

- 7.6 Membership of the Board is subject to the discretion of Ministers, who may increase or decrease it as its work dictates. The LGA and CFOA will be actively participating in the recruitment process which is overseen by an Independent Assessor approved by OCPA.
- 7.7 As is normal under UK company law, the obligation of the Directors will be to represent and protect the interests of the company generally rather than the interests of those who appointed them. Terms will be set out in the Members Agreement.
- 7.8 The governance arrangements above refer only to FRAs in England, FiReBuy Ltd's constitutional documents will allow the devolved administrations in Scotland, Wales and Northern Ireland to be offered observer posts without voting rights.
- 7.9 Accountability to all FRAs would be provided through the exercise of member rights. All FRAs will control a majority of the shares and make recommendations on the re-appointment and performance of the directors.
- 7.10 ODPM has met the costs of establishing FiReBuy Ltd; this includes £800,000 spent on the Integrated Clothing Project that FRAs had expected to meet from their own budgets during 2005/06. In 2006/07 and 2007/08 ODPM will fund up to £1.8m, each year, for running FiReBuy Ltd. ODPM will work with FRAs and FiReBuy Ltd management team in 2006 to identify a future funding mechanism including cost recovery.
- 7.11 The Chief Fire Officers' Association has responded to the proposed establishment of FiReBuy Ltd by setting up a National Procurement Board to act as 'intelligent client' for the key procurements being overseen by FiReBuy Ltd as well as providing a best practice and professional advisory forum for the FRS. To assist this process, we consider that there is merit in the professional officers of the Service being represented at a strategic level within the company and that this can be achieved by offering a place on the Company's Board and management team to the Chief Fire Officers' Association. Equally CFOA has offered a place on the National Procurement Board to FiReBuy Ltd to encourage these links.
- 7.12 It will be important that FiReBuy Ltd maintains close links with industries providing goods and services to the Fire and Rescue Service. The ODPM welcomes the establishment of FIRESA which has been set up to represent fire service industries and encourages key suppliers and manufacturers to consider joining this organisation to facilitate dialogue between FiReBuy Ltd and industry. Diagram 6 shows the National Procurement organisational structure.



7.13 The day to day management of the company will rest with the Chief Executive with major work streams managed by Unit Heads. The CEO and Unit Heads will form the Management Team.

7.14 FiReBuy Ltd will negotiate call-off contracts for FRAs and take the lead in subsequent contract management and service level monitoring. It will be a Contracting Authority for the purposes of the EU procurement rules but ultimately it will remain the FRAs who acquire the assets and matching liabilities. For non-fire generic lines of spend, Regional Management Boards and FRAs are encouraged to exploit any suitable arrangements highlighted as best practice by the Regional Centres of Excellence for local government or other arrangements put in place by local government partners. In the *majority* of cases we do not intend that FiReBuy Ltd should itself be the client as that would relieve FRAs of current financial and legal liabilities.

7.15 The situation in relation to the Integrated Clothing Project (ICP) is expected to be different. Concerns have been raised about the feasibility of each FRA entering into a contract with the successful service provider. This arrangement would be overly cumbersome and unattractive to the commercial sector, a fact that was confirmed by ICP bidders during the consultation exercise.

- 7.16 A single entity could sign the contract with the service provider after binding subsidiary contracts have been put in place between that entity and the partner FRAs. Following consultation we have concluded that it is unlikely that any single FRA would be in a position to accept this responsibility on behalf of the FRS. The issue of the Invitation to Negotiate 2 (ITN2) document will be used to explore with bidders options for either a special purpose vehicle (SPV) or FiReBuy Ltd to fulfil this function.
- 7.17 FiReBuy Ltd will 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. A Technical Manager has already been appointed to undertake this work within the Fire Vehicles and Emergency Response Equipment work stream. An additional peer review process for the technical services element, possibly through an FRA or other body, would fulfil the need for this work to be appropriately strategic, scientifically based and validated.
- 7.18 While it is the duty of each FRA to carry out suitable and sufficient assessments of the risks involved in the deployment and use of items of equipment it is permissible for them to make use of generic risk assessments prepared by a third party. The Health and Safety Executive has advised that where such generic assessments are provided and are accompanied by training materials the duty on individual authorities is to ensure that the assessment and materials are appropriate for their specific circumstances and to make any necessary adjustments. The Executive does not consider it necessary or even appropriate for an authority to duplicate the work done in developing the generic assessment. CFOA have indicated their willingness to implement generic risk assessments developed in this way subject to the methodology being robust and well documented.
- 7.19 Best value has often been interpreted by authorities as equating to lowest cost at the time of purchase. Responses to consultation showed that while FRAs claimed to understand the principle of most economically advantageous tender (MEAT) the experience of suppliers was that initial cost still tended to be the most important factor in procurement decisions. In general, it is only the larger or more experienced procurement units that have a full appreciation of whole life costing and improved quality issues. Our survey of authority procurement activities in autumn 2003 demonstrated that the quality of financial data is often not sufficiently robust to allow calculation of true whole life costs. This tends to reinforce the benefits of the Service’s strategic procurement needs sitting within a central body that can consistently apply whole life costing principles.
- 7.20 It is possible that suppliers who are unsuccessful bidders may attempt to pick off authorities by offering loss-leading contracts. Authorities may then feel that they are obliged to accept the loss-leading offer rather than call off from the central arrangements. In doing so they draw volume away from successful bidders undermining the viability of future competitive tendering exercises. This does not promote efficiency or economy within the Service nor sit well with the Government’s general aim to rationalise procurement arrangements across the public sector.

7.21 As we do not wish FRAs to be put in that position, authorities will, if necessary, be required by s29(4) of the Fire and Rescue Services Act 2004 to use FiReBuy Ltd progressively as nominated areas of spend e.g. vehicles and PPE, fall within its remit and as their existing contracts expire. In respect of these areas of spend an FRA's duty of best value will be deemed to be met. As a company FiReBuy Ltd cannot be subjected to the statutory best value regime but its Articles and Memorandum of Association laid upon it a duty to operate a comparable (or suitably modified) regime.

#### 7.22 **Regional Management Boards**

The arrangements and structures for co-ordinating procurement within regions is a matter for Regional Management Boards (RMBs) to decide. It is possible that different regions will adopt slightly different governance structures. Whatever the structure, the role of the RMBs in relation to procurement is to:

- contribute toward national procurement initiatives by undertaking activities to national standards
- identify, disseminate and promote procurement good practice guidance for those issues which fall within the remit of regional procurement
- ensure that procurement projects are undertaken within a recognised project management methodology and that project governance is conducted using the PRINCE2 methodology
- co-ordinate regional arrangements for the procurement, storage, distribution and maintenance of service-specific goods and services
- co-ordinate regional arrangements for the procurement, storage, distribution and maintenance of non-service specific goods and services drawing on the expertise and services of the local government Regional Centres of Excellence
- ensure that procurement decisions are in line with the National Framework and this Strategy and support or enhance other key service policy objectives
- complete evaluations and research projects in line with the National Technical Services protocol and submit them for inclusion on the national database
- establish and maintain strategic links with the Regional Centres of Excellence and other key public and private sector partners within the region
- ensure that sufficient numbers of properly qualified procurement staff are available to serve the region's needs and that training is available to ensure that staff are kept up to date.

# CHAPTER 8

## Procurement Objectives

### Summary of Procurement Objectives

These are the objectives of the National Procurement Strategy (NPS) for the Fire and Rescue Service. The discussion that follows sets out where we are now in respect of each of the objectives, what action is to be taken and by whom, and the timetable.

#### **FRSP1 National procurement**

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.

#### **FRSP2 Regional procurement**

To ensure that a structured and co-ordinated approach is taken to regional procurement.

#### **FRSP3 Training and development**

To ensure a consistent approach to the training and development of staff who have a procurement role throughout the Fire and Rescue Service in line with the principles of IPDS (Integrated Personal Development System).

#### **FRSP4 Procurement performance and systems**

To develop performance management information to aid decision-making and improve procurement performance.

#### **FRSP5 Sustainability and diversity**

To ensure that Fire and Rescue Service procurement activity makes a positive contribution toward social inclusion and minimises any possible adverse impact it could have on the environment.

#### **FRSP6 Risk management**

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.

#### **FRSP7 Cost and efficiency savings**

To ensure that procurement procedures are as effective as possible and that the Fire and Rescue Service achieves year-on-year savings from procurement activity through cost and efficiency improvements.

#### **FRSP8 Contract management and contract performance**

To ensure that contracts are managed effectively to maintain and improve contractual performance.

**FRSP9 Technical services**

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.

**FRSP10 e-Procurement**

To ensure the Fire and Rescue Service 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.

# National procurement

## OBJECTIVE FRSP1

Fire and Rescue Authorities (FRAs) can achieve significant efficiencies by aggregating their purchasing power, skills and resources to procure those items that are service-specific. Collaboration on a national basis can help to raise standards of equipment for all firefighters, enable authorities to share reserves, reduce duplication in the field of technical services and save on the production of training material.

### Key Objective:

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.

### WHERE WE ARE NOW

A number of authorities already collaborate on joint procurement of Personal Protective Equipment (PPE) and appliances, but even amongst these there can be significant variation in the goods procured as agreement on common standards and specifications has been difficult to achieve. This lack of co-ordination and agreement has led to confusion amongst the fire industry about the true needs of the service.

The aim of the Integrated Clothing Project (ICP) is to secure a high quality national specification and identity for PPE and non-PPE for the Fire and Rescue Service (FRS) and it has received formal submissions from four long listed bidder consortia. These will allow a decision to be made on short listing prior to the start of negotiations in late 2005 and the eventual selection of a preferred bidder. Supplies under the final contract are due to begin flowing during 2007.

A regional collaborative project for Respiratory Protective Equipment (RPE) was recently undertaken in the East of England and work has commenced on a scoping study for a national RPE project, which is proposed will include the full spectrum of respiratory protection from dust masks, through Respiratory Protective Equipment to chemical protection suits. It is hoped that compressors and telemetry can be included within this project. Subject to funding a project for respiratory protective equipment will be commenced.

National resilience requirements have driven some national procurement for the FRS. ODPM has, through its New Dimension programme, procured equipment to national specifications and delivered associated training to national standards. It is leading the project on regional control centres for which it will be purchasing national standard technology, with phased implementation occurring during the financial year 2008/9.

## KEY ISSUES

ODPM has met the costs of establishing FiReBuy Ltd; this includes £800,000 spent on the Integrated Clothing Project that FRAs had expected to meet from their own budgets during 2005/06. In 2006/07 and 2007/08 ODPM will fund up to £1.8m, each year, for running FiReBuy Ltd. ODPM will work with FRAs and FiReBuy Ltd management team in 2006 to identify a future funding mechanism including cost recovery.

Some long-term contracts are in place, which will tend to make delivery of nationally agreed solutions problematic in the short term. Authorities will be required to join the national arrangements, for certain equipment, as their current commitments allow. The guidance given in Fire Service Circular 11/2004 was designed to ensure that no new commitments were acquired by authorities where those might conflict with this strategy or would further delay the move to national standards and specifications.

With the publication of the draft strategy in September 2005 the timescales given in FSC 11 were withdrawn. Authorities should now have regard to the timescales indicated in the targets below.

The significant changes to procurement arrangements proposed by this strategy will require close contact with manufacturers to ensure that they are aware of both the substance of those proposals and the timescales for their implementation. Compliance with European Union procurement rules and competition law will acquire a greater importance as demand is aggregated. Briefing days for individual industries are considered to be a good way to identify key market issues, as are opportunities to engage with industry representatives at trade exhibitions. Key industries, perhaps operating in consortia, will require a degree of encouragement to continue with their research programmes and maintain a commitment to product innovation.

Greater standardisation should lead to an enhanced capacity for inter-operability, increase the purchasing power of authorities and reduce the cost base of suppliers through a reduction in bespoke tooling and short production runs. It will also help to ensure that all authorities take appropriate account of the barriers to entry of more women and minority ethnic staff to the role of firefighter that existing fire vehicles and emergency response equipment can pose.

Individual authorities have duties to ensure that contracts represent best value and there is a possibility that unit costs for some authorities will rise as the quality of product purchased improves. However, the duty of best value does not require authorities to focus solely on cash but on the true economic cost of their decisions, taking account of purchase price, maintenance, durability, quality and the safety of their staff. We intend that the duty of best value will be deemed to be discharged through the FiReBuy Ltd arrangements. All national projects will be supported by a sound business case and options appraisal.

A concentration of effort at both national and regional level is needed to support the aims of this strategy. Authorities will need to pool their resources and draw on each other's relative strengths.

An annual Business Plan needs to be produced to identify the yearly actions required to support the delivery of the procurement strategy; this will be dependent upon Regional Management Boards (RMBs) and individual FRAs taking steps to identify and communicate their requirements.

**Note** Where authorities intend to let contracts after 1st April 2006 which will involve supplies continuing beyond the implementation dates for national arrangements given below they must obtain ODPM's agreement that their proposals do not conflict with the NPS **before** issuing any OJEU notice or other invitation to tender or negotiate. Any authority which proposes to join contractual arrangements put in place by another body must similarly obtain ODPM's agreement if supplies will continue beyond the implementation dates. In either case, a failure to do so may result in the authority being required to unpick such arrangements if a section 29 Order is made and for the authority to bear the expenses of such action. If an OJEU notice or other tender documents have already been published but no contract has been signed authorities should, as a matter of urgency, discuss their proposals with ODPM. In addition, where proposed supplies are not intended to continue beyond the relevant implementation dates FRAs are strongly encouraged to discuss their proposals with ODPM in advance of issuing an OJEU or invitation to tender so as to identify any opportunities for collaboration.

## TARGETS

**ODPM** will:

- establish FiReBuy Ltd during 2005/06
- fund FiReBuy Ltd during 2006/08
- work with FRAs and FiReBuy Ltd management team in 2006 to identify a funding mechanism for future years
- through Her Majesty's Fire Service Inspectorate (HMFSI) continue to bring influence to bear in the European and International Standards arenas in order to deliver what the UK FRS requires

**FiReBuy Ltd** will

- let a national framework agreement for the purchase of smoke alarms in November 2005
- let a national framework agreement for the purchase of portable radios in November 2005
- sign a Memorandum of Understanding between CFOA and FiReBuy Ltd by December 2005
- explore voluntary joint arrangements for insurance by December 2005
- establish formal regular links with key industries and commence regular industry briefing days from January 2006

- collaborate with RMBs in the production of its Business Plan from January 2006
- explore the potential benefits of the FRS implementing a public private partnership (PPP) for property by April 2006
- form an alliance between FiReBuy Ltd and other organisations that purchase goods and services for firefighting and fire prevention (e.g. the Ministry of Defence) by April 2006
- work with RMBs to ensure co-ordination of procurement nationally from April 2006
- produce a Business Plan from April 2006
- work with FRAs to standardise contract documentation by June 2006
- explore the introduction of an output based standard design brief for fire stations by June 2006
- work with FRAs and RMBs to establish national specifications for key items of operational equipment i.e. ladders, cutting gear, foam, hose by September 2006
- let the Integrated Clothing Project (a national contract for PPE and non-PPE clothing) by December 2006
- let a national framework arrangement for pumping appliances to BS:EN-1846 standards by January 2007\*
- let a national framework arrangement for light and other Fire and Rescue Service vehicles by December 2007\*
- to develop an outline specification for a fully managed fire vehicle service by December 2007
- establish national contracts for key items of operational equipment i.e. ladders, cutting gear, foam, hose by April 2008\*
- work with CFOA to let a national framework contract for Respiratory Protective Equipment (RPE) by April 2008, subject to funding
- let a national framework arrangement for a range of aerial and other specialist appliances by December 2008\*
- explore service options to reduce barriers to entry to the fire service market as appropriate

**RMBs** will

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\* FiReBuy Ltd will be ensuring the use of existing contracts in place by FRA's/RMB's /Consortia are utilised to maximum effect for all FRA's up to the date of the national framework/contracts being awarded.

- support the establishment of FiReBuy Ltd to drive national procurement strategy from January 2006
- collaborate with FiReBuy Ltd in the production of its Business Plan from January 2006

**Individual FRAs** will

- collaborate with FiReBuy Ltd, and their RMB, in the production of its Business Plan from January 2006

# Regional procurement

## OBJECTIVE FRSP2

Not all FRS procurement activity lends itself to being undertaken at a national level and a number of areas of work are more appropriately organised and managed at a regional or local level. From 1 April 2004, regional management boards were established and are responsible for introducing regional based procurement or procurement to national standards to reduce duplication and rationalise management effort.

### Key Objective:

To ensure that a structured and co-ordinated approach is taken to regional procurement.

#### WHERE WE ARE NOW

There is already a degree of collaboration at regional level, evidenced by the Eastern Breathing Apparatus project in 2004 and the scheduled Respiratory Protective Equipment project in the South West as well as the consortium approach across disparate authorities through ICP and the Fire Service Procurement Association (FSPA)/Fire Service Appliance Consortium (FSAC) vehicle arrangements. CFOA holds regular meetings to consider procurement issues and is alert to the need for a limited number of specification variations for genuine operational need and is keen to promote enhanced collaboration and burden sharing.

Even within authorities in a given region there can be considerable variation in the expertise of the staff involved in service-specific procurement.

RMBs were established in April 2004 and local government Regional Centres of Excellence (RCE) were announced in February 2004.

#### KEY ISSUES

RMBs need to take an active role in the scrutiny of procurement processes and monitoring of results across their region and challenge the prevailing culture of self-sufficiency. Each region needs access to professional procurement advice; RMBs must identify existing expertise, deploy it to best effect and agree on how constituent FRAs will manage any skills gaps identified for the benefit of all in the region. In doing so they should have regard to the possibility of enlisting the assistance of the Regional Centres of Excellence.

Priority needs to be given to regional contracts that can achieve greatest gains most quickly.

A consistent approach to regional procurement issues needs to be taken across all regions, as does a review of regional stores and distribution arrangements, with the aim of identifying economies of scale.

## TARGETS

### **FiReBuy Ltd** will

- work with RMBs to co-ordinate regional procurement on a national basis from April 2006

### **RMBs** will

- identify procurement needs arising out of the published Integrated Risk Management Plans (IRMPs) of constituent authorities by December of the year preceding that in which the plan will be effective
- review progress against the milestones in the National Procurement Strategy for Local Government in December each year
- determine organisational arrangements for the delivery of the procurement function from January 2006
- produce a rolling 3 year procurement plan setting out targets and savings for each year including a timetable for the review and letting of contracts on a regional basis, having due regard for the targets in the National Procurement Strategy and nationally procured contracts from April 2006
- establish levels of expenditure on procurement categories from constituent FRAs by June 2006
- review stores and distribution arrangements on a regional basis once the ICP contract is awarded from April 2007

### **Individual FRAs** will:

- establish levels of expenditure on procurement categories and report these to RMBs from April 2006
- consider the procurement needs arising out of their Integrated Risk Management Plans and report these to RMBs

# Training and development

## OBJECTIVE FRSP3

For the FRS to implement a procurement strategy successfully it requires people who have the appropriate skills to enable them to provide professional input into procurement processes. Training and development must be provided at a level commensurate with the frequency and complexity of the procurement activity undertaken by individuals. Thus, training needs can range from a formal procurement qualification to a working knowledge of key procurement techniques.

### Key Objective:

To ensure a consistent approach to the training and development of staff that have procurement role throughout the fire service in line with the principles of IPDS (Integrated Personal Development System) and the emerging National FRS Learning and Development Strategy.

### WHERE WE ARE NOW

The knowledge, skills and experience of staff involved in procurement in the FRS vary and there is no consistent or structured approach to procurement training. The nine Regional Centres of Excellence (RCEs) also have a key role in providing general advice to Local Authorities on procurement training and development. Further support is potentially available; subject to the RCE's business planning priorities, and indeed South West RCE has agreed to provide such support. Any decisions on such support, however, rest with the RCEs since any funding for these would come from the general funding provided by ODPM.

### KEY ISSUES

Individual FRAs often do not have sufficient procurement activity to warrant the employment of professionally qualified procurement staff but this will not be the case at the national and regional levels. FiReBuy Ltd will ensure that appropriate expertise is available within its own staff and RMBs are charged with developing staffing solutions at the regional level to support constituent authorities.

Staff involved in procurement need to be provided with appropriate skills to enable them to participate in the successful delivery of procurement objectives and the National Procurement Strategy for Local Government requires that elected Members have appropriate training. RCEs, together with Improvement and Development Agency (IDeA) and 4Ps, have been given the task of developing training and development programmes across local government in England.

There is currently no collective body to advance and share professional procurement practice in the FRS. This presents a significant void in knowledge between the existing purchasing approach and the wider strategic procurement approach that now needs to be adopted. As a joint initiative between FiReBuy Ltd and CFOA it is proposed to establish an Association of Procurement Practitioners for the FRS to raise professional procurement standards. It is proposed that the aims of the Association would be as follows:

- i) To promote procurement as a strategic professional function within the Fire and Rescue Service;
- ii) To provide a forum for the discussion of procurement issues within the Fire and Rescue Service;
- iii) To identify roles and responsibilities of procurement staff and provide advice on training and development;
- iv) To liaise as appropriate with procurement bodies, e.g.: CIPS, Society Of Procurement Officers (SOPO), IDeA, on all procurement matters;
- v) To provide guidance on procurement matters as appropriate;
- vi) To ensure the Association of Procurement Practitioners for the FRS plays an active role within CFOA;
- vii) To provide excellence in procurement and related areas, e.g.: logistics.

## **TARGETS**

**FiReBuy Ltd** will:

- work with CFOA to establish an Association of Procurement Practitioners for the FRS from January 2006
- co-operate with all FRS stakeholders to develop a Procurement Training and Development Plan, drawing on the expertise of the Fire Service College and its work on a National FRS Learning and Development Strategy by June 2006
- work with FRAs and RMBs to develop role maps based on IPDS principles for procurement staff by September 2006

**RMBs** will:

- arrange for the completion of a training and skills audit of procurement staff, other staff with procurement duties and elected Members by February 2006
- arrange for the development, in conjunction with RCEs, IDeA and CIPS, during 2005/6 of appropriate procurement training and its delivery no later than June 2006
- arrange for the development of a Procurement Training and Development Plan, drawing on the expertise of the Fire Service College by September 2006

- arrange for the development of role maps based on IPDS principles for procurement staff by September 2006

**Individual FRAs** will:

- work with FiReBuy Ltd and RMBS to develop role maps based on IPDS principles for procurement staff by September 2006
- co-operate with development of the Procurement Training and Development Plan
- co-operate with RMBs in the development and delivery of appropriate training
- co-operate with RMBs in the completion of the training and skills audit

# Procurement performance and systems

## OBJECTIVE FRSP4

Informed procurement decisions cannot be made without access to good quality information. It is essential that key performance indicators are produced as appropriate to monitor progress and improve performance.

### Key Objective:

To develop performance management information to aid decision-making and improve procurement performance.

### WHERE WE ARE NOW

No national key performance indicators (KPIs) on procurement exist and few contracts issued by the Fire and Rescue Service contain KPIs for contractors. New Best Value Performance Indicator (BVPIs) relating to procurement have not been proposed as part of the latest BVPI consultation because Government, working with the IDeA, 4ps and SOPO have introduced a voluntary set of KPIs for incorporation into the Library of Local Performance Indicators. These indicators can be found at <http://www.local-pi-library.gov.uk>.

The National Procurement Strategy for Local Government requires the Gateway process of formal reviews of major projects at key stages to be adopted by local authorities.

There is no national contract register or regional contract registers, so information on FRA contracts is not widely and easily available.

### KEY ISSUES

The FRS needs to improve the information available to it so that it makes better decisions on procurement and is able to measure improvements in its performance. This can be done by developing and including KPIs in all supply or service based contracts, whether national or regional, and the introducing effective models to benchmark performance. The service should also give serious consideration to the introduction of the Gateway review process for major projects.

There is the potential for significant efficiency gains and quality improvements through the introduction of standardised terms and conditions for common contracts as well as a common approach to tendering and delegated authority levels.

There is a need for a common database for FRS contracts which could allow FRAs to access existing collaborative contracts that might have the potential to realise savings. This can be resolved by FRAs accessing the Blue Light Procurement Database (BLPD). This allows FRAs, together with other Emergency Services to store their own local, regional and collaborative contract details as well as allowing access to others.

## **TARGETS**

**FiReBuy Ltd** will:

- provide funding for all FRAs to access the Blue Light Procurement Database (BLPD) for two years from November 2005
- introduce the use of Gateway reviews for major projects from November 2005
- advise the regions on developing robust contract management systems by April 2006
- draw up a suite of KPIs for the measurement of procurement in the Fire and Rescue Service, based on the Library of Local Performance Indicators, by April 2006
- introduce an e-ordering portal that will monitor purchases and expenditure commencing with fire vehicles in April 2006 and extended to all contracts by December 2006
- benchmark the FRS against public sector procurement operations by March 2007
- encourage suppliers to adopt quality systems in their business by adopting ISO 9000 or equivalent

**RMBs** will:

- work with FRAs to populate the Blue Light Procurement Database from December 2005
- develop and implement the use of the “Gateway” process and PRINCE2 project governance methodology in procurement projects (appropriate to the size and complexity of the project) from January 2006
- ensure that KPIs are a feature of all service- based contracts issues from January 2006 onwards
- implement an e-ordering portal from April 2006
- use effective models to benchmark progress in procurement from April 2007

# Sustainability and diversity

## OBJECTIVE FRSP5

The Fire and Rescue Service needs to ensure that it plays a pro-active part in ensuring that the vehicles, equipment and other items it procures do not act as barriers to recruitment of either women or ethnic minorities. It must actively engage with small and medium sized enterprises (SMEs) in promoting awareness of how they can become involved in supplying the service. In addition, the service needs to play its part through careful procurement in securing improvements to the environment and minimising any adverse impact that its activities may have.

### Key Objective:

To ensure that Fire and Rescue Service procurement activity makes a positive contribution toward social inclusion and minimises any adverse impact it could have on the environment.

### WHERE WE ARE NOW

The Fire and Rescue Service has targets to improve its recruitment of women and ethnic minorities, so that it better reflects and is able more effectively to help the communities it serves. Currently a number of items of operational equipment present difficult manual handling issues, particularly for staff of smaller stature, and this may be a barrier to recruitment. It is one of the objectives of the Integrated Clothing Project to ensure that clothing provided does **not** act as a barrier to recruitment from target groups.

On the other social objectives of procurement, contracting in a way that helps encourage SMEs and procuring environmentally friendly products, little information is available on the extent to which the FRAs currently meet these objectives.

The ODPM recently launched the Small and Medium sized Enterprises (SME) Friendly Concordat, which is a voluntary, non-statutory code of practice. The National Procurement Strategy for Local Government set a target for all Local Authorities to have adopted the Concordat by the end of 2005.

### KEY ISSUES

The FRS must recognise the role that procurement plays in delivering FRS objectives and its contribution to workforce issues, diversity and equality and sustainability.

The FRS must develop national and regional contracts while also ensuring that suppliers understand the key objectives of the service and can demonstrate their track record in achieving value for money through effective use of their supply chain to ensure that small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers are able to bid for business and that the market for environmentally friendly products is developed. The role of SME specialist suppliers in delivering elements of larger contracts and framework agreements is also critical.

The service must also ensure that the equipment and clothing procured for FRS staff meets the need of a diverse workforce and does not provide a barrier to entry to potential employees.

## **TARGETS**

### **FiReBuy Ltd** will

- incorporate guidance from CFOA/FSPA report regarding Vehicles and Equipment for a Diverse Workforce into any new equipment or vehicle procurements from November 2005
- sign up to the Small and Medium sized Enterprises (SME) Friendly Concordat by December 2005
- ensure that full risk assessments are undertaken for all new equipment/vehicle procurements to ensure manual handling issues are minimised from December 2005
- develop “how to do business” guides for SMEs wishing to work with the Fire and Rescue Service by April 2006
- develop standard contract clauses to encourage suppliers to develop a pro-active approach to equalities and environmental issues by April 2006
- develop a sustainable procurement strategy by April 2006
- undertake an environmental risk/impact analysis of products procured by the Fire and Rescue Service by June 2006
- develop indicators to measure the % of environmentally friendly products purchased and % of business undertaken with SMEs by June 2006
- provide environmental/equalities procurement training to procurement staff by June 2006 onwards
- ensure the ICP project delivers clothing that does not act as a barrier to the recruitment of women and ethnic minorities by December 2006
- encourage supplier companies to have ISO 14001 certification or equivalent

### **RMBs** will

- implement the above guidance as it becomes available

### **FRAs** will

- consider signing up to the SME Friendly Concordat by February 2006
- implement the above guidance as it becomes available

# Risk Management

## OBJECTIVE FRSP6

The Fire and Rescue Service does not have a common methodology for risk assessing vehicles and equipment before their entry into operational service. Commercial risk management is not well understood, and the Service needs to develop better contingency planning in the event of disruption to key suppliers.

### Key Objective:

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.

### WHERE WE ARE NOW

Currently risk assessments form part of the procurement process for vehicles and equipment, but they do not follow any common standard or methodology. Lack of standardisation of vehicles and equipment means that individual authorities can be vulnerable to loss of supply. Commercial risks are also not, on the whole, well understood in the service. These risks would be reduced if there were a co-ordinated approach to the specification and design of key equipment, and of purchasing.

### KEY ISSUES

Whilst all authorities carry out risk assessments of equipment being procured, they do not necessarily apply common standards. Authorities need to be able to identify the ownership of commercial risks in key procurements, which can be done through a risk matrix methodology, and to assess risks to projects proceeding. There also needs to be an acceptance amongst FRAs that as the intelligent client CFOA should be the custodian of risk assessment systems to be implemented across the service.

### TARGETS

**FiReBuy Ltd** will:

- prepare a risk matrix for all major procurement projects to ensure appropriate risk transfer takes place from December 2005
- prepare a projects risk register for all major procurement projects from December 2005
- produce national contingency plans for key procurement items from January 2006
- agree with CFOA's Transport Officers Group (TOG) a common methodology for carrying out risk analysis for the procurement of fire vehicles and key items of emergency response equipment in the Fire and Rescue Service from March 2006

# Cost and efficiency savings

## OBJECTIVE FRSP7

Successive reports have underlined the potential savings to be made in procurement through the sorts of arrangements now proposed. However, the processes and systems in place are not such that these savings can be measured effectively and a general improvement in efficiency measured.

### Key Objective:

To ensure that procurement procedures are as effective as possible and that the Fire and Rescue Service achieves year-on-year savings from procurement activity through cost and efficiency improvements.

### WHERE WE ARE NOW

Following the Gershon Review and the Spending Review 2004 settlement English Fire and Rescue Authorities (FRAs) have been set a target to achieve £105m gross cashable efficiency savings in 2007/08, which includes savings from better procurement practices.

Finding these efficiencies is not about cutting frontline services for users. The aim of the efficiency target is to ensure that maximum use is made of the increased investment in both central and local government, including FRAs, provided by SR04. The outcome should be to improve the quality and breadth of local fire and rescue services and most importantly to save more lives, while minimising the need for increases in local taxation. Efficiency gains made by fire and rescue authorities will be retained locally for re-investment in front-line service.

The extent to which FRAs currently take account of whole life costing when awarding tenders is unclear, and economies of scale in procurement are not being widely used. In the past the procurement function has not been involved at the early stages of best value reviews (as recommended in the National Procurement Strategy for Local Government).

### KEY ISSUES

Gains have been difficult to quantify due to differing information systems and procedures. There has been inadequate information on current costs and insufficient consideration of alternative service delivery models.

### TARGETS

**FiReBuy Ltd** and **RMBs** will:

- adopt the “MEAT” (Most Economic Advantageous Tender) principle for national contracts in the FRS from November 2005 and regional contracts from April 2006

- adopt the whole life costing methodology for national contracts from November 2005 and regional contracts from April 2006
- record savings and efficiencies achieved from procurement activity from April 2006 to include cost savings, efficiency savings and service improvements
- develop common classification of expenditure by December 2006

**RMBs** and **FRAs** will:

- ensure that procurement is involved at the outset in best value reviews from April 2006
- measure improvement against existing baselines

# Contract management and contract performance

## OBJECTIVE FRSP8

A professionally procured contract will only remain a good contract if it is professionally managed throughout the lifetime of that contract. This requires a structured approach to planning and reviewing performance monitoring as well as effective management of the supplier relationship.

### Key Objective:

To ensure that contracts are managed effectively to maintain and improve contractual performance.

#### WHERE WE ARE NOW

In the past contracts negotiated by the FRS did not contain key performance indicators (KPIs) for contractors that would have allowed robust analysis of supplier compliance with the service levels that authorities were entitled to expect. Nor was it common practice to proactively manage contracts, supplier relationships or supplier development.

#### KEY ISSUES

RCEs should provide the model for a Fire and Rescue Service centre of excellence to facilitate the sharing of best practice. Continuous learning requires the establishment of a focal point to gather lessons learned and to ensure feedback into model contract management systems.

Model suites of KPI's and contract management structures should be made available to all procurement departments while the tailoring of KPI's and contract management arrangements should feature as an integral part of all major procurements from start up. High standards of contract management will assist contractors to maintain and continuously improve levels of performance and service delivery.

#### TARGETS

**FiReBuy Ltd** will:

- ensure that all contracts it lets contain effective contract management arrangements, including KPI's, where appropriate from November 2005
- develop and disseminate model suites of KPI's and contract management structures from April 2006
- develop proposals for reporting strategic contract management information at Board level by June 2006

- as appropriate, establish centralised contract management arrangements for national contracts, including staff consultation, establishing user groups and contract review meetings from December 2006

**RMBs** will:

- ensure that all contracts let after January 2006 contain effective contract management arrangements, including KPI's where appropriate

**Individual FRAs** will:

- ensure that all contracts let after January 2006 contain effective contract management arrangements, including KPI's, where appropriate

# Technical Services

## OBJECTIVE FRSP9

Technical services ensure that products are continually reviewed against technical developments in the market and new requirements identified as the role of the Fire and Rescue Service changes in the face of new challenges and threats.

### Key Objective:

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.

#### WHERE WE ARE NOW

Specification, test and acceptance projects with very similar user requirements and deliverables have often been undertaken simultaneously by authorities across England because of a lack of co-ordination and a commitment to self-sufficiency. The outcomes and benefits of such technical services activities were intangible outside the authorities in which they occurred. This involved a significant duplication of effort and a corresponding waste of resource. Project elements such as whole life costing and project risk have not been clearly understood by the technical services staff. Thus, they were not able to contribute to the procurement process to their full potential, to the potential detriment of the project.

HMFSI provides significant high level input into many PPE and equipment issues, including ICP, which impact directly on requirements and specifications whilst maintaining an invaluable independent role which is recognised throughout the service.

The New Dimension programme in the specification, test and acceptance of equipment, the production of appropriate reference and training guides and the delivery of common user training demonstrates the significant economies that can be generated through a co-ordinated and coherent approach across the FRS.

#### KEY ISSUES

The fragmentation of the procurement function and the supporting Technical Services (TS) specialism tends to present manufacturers with a multiplicity of views on the performance of equipment currently in service and the likely future needs of the FRS. Coupled with the failure to leverage the benefits of aggregation of demand with the FRS this has tended to result in a lack of focus in product development by manufacturers and, on occasion, a cautious approach to investing in innovative solutions to Fire and Rescue problems.

A clear and common definition of the TS specialism and the contribution it makes to the procurement function is needed. In tandem with this, there is the need to rationalise the resource deployed in TS and co-ordinate TS activities across the country, ideally through the establishment of an expert hub using, where possible, existing skills within the FRS. The FRS should expect to see the development and implementation of common standards and guidance for delivering TS outputs, application of appropriate project design and management skills and the clear delineation of delegations and responsibilities.

Over time, the TS expert hub should develop into the focal point for contact between the FRS and key industries in relation to specification, test and acceptance; develop liaisons with HMFSI, as well as informing the industry's and other's research and development programmes.

Almost without exception, key items of emergency response equipment, PPE, RPE and fire vehicles are required to comply with one or more of the European New Approach Directives, e.g. the PPE Directive, Machinery Directive, ATEX Directive etc. before they can even be brought to the market and it is largely based upon such European Standards that user specifications are prepared.

It is in this arena that much 'research and development' is conducted and which, in essence, determines the major aspects of technical development and specifications driven as they are by European legislation. It is also here where industry liaises with its customers at a high level and where research and development activities influencing the future are progressed.

## **TARGETS**

**ODPM** will:

- consider FiReBuy Ltd's feasibility study and determine whether a TS expert hub is established by June 2006
- through HMFSI continue to bring influence to bear in the European and International Standards arenas in order to deliver what the UK FRS requires

**FiReBuy Ltd** will:

- ensure that requirements are developed in output based terms from November 2005
- undertake a feasibility study of establishing a TS expert hub and report to ODPM by April 2006
- liaise with CFOA to ensure that the National Procurement Board is established as 'intelligent client' for TS activities by April 2006
- ensure appropriate arrangements for strategic input, peer review and validation of TS by April 2006

**FiReBuy Ltd** will also (pending any decision on the development of an expert hub):

- establish processes for specifying, testing and acceptance in terms of the outputs required from projects from April 2006
- ensure that requirements take into account genuine operational and regional variations from April 2006
- co-ordinate the creation of a national database of technical services projects and activities using an appropriate programme management methodology and manage on an on-going basis by June 2006
- arrange for the establishment of a TS expert hub by September 2006

**RMBs** will (pending any decision on the development of a TS expert hub):

- ensure that all TS projects within their region use appropriate project management tools, e.g., PRINCE2 from April 2006
- work with their constituent authorities to rationalise TS activities within their region from April 2006
- co-operate with and support FiReBuy Ltd in delivering its targets

**Individual FRAs** will:

- work with their RMBs in delivering the above targets

# e-Procurement

## OBJECTIVE FRSP10

Fire and Rescue Authorities can achieve efficiencies in the procure-to-pay cycle including reductions in cycle time and a reduction in transaction costs by doing business electronically. Each FRAs Implementing Electronic Government (IEG) Statement will measure progress made in achieving the Government targets for the percentage of goods and services to be ordered electronically.

### Key Objective:

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 service.

### WHERE WE ARE NOW

Data has not been available on how many FRAs have access to electronic procurement systems. FRA websites have in the past tended not to offer a portal for e-procurement.

### KEY ISSUES

The range, suitability and costs of the development of e-procurement business solutions for FRS requirements vary according to the demands of the FRA. This is something where it is often more effective to collaborate with larger Councils rather than other FRAs, especially where existing financial systems are provided to the FRA. eMarketplaces should be developed to assist FRAs to collaborate so that they can access framework agreements and contracts, work with a common supplier base, share best practice and share risk.

There are benefits to FRA collaboration in electronic tendering as there are likely to be substantial potential efficiency savings from offering a common tendering platform, especially to fire specific suppliers. This would not only contribute towards electronic government, but also annual efficiency statements. The 'Blue Light Portal' a multi-service electronic tendering environment, which enables participating authorities to tender and seek quotations electronically. Currently this facility has over 800 fire-specific suppliers registered, which many more non-fire specific suppliers.

Whilst access to the system is free for suppliers there is a cost to those placing Tenders. ODPM have agreed to pay the set-up cost for each region, but ongoing costs will have to be met either by the region or by individual Fire and Rescue Services if they wish to use it for contracts or tendering.

There is a need for a common database for FRS contracts which could allow FRAs to access existing collaborative contracts that might have the potential to realise savings. This can be resolved by FRAs accessing the Blue Light Procurement Database (BLPD). This allows FRAs, together with other Emergency Services to store their own local, regional and collaborative contract details as well as allowing access to others.

## **TARGETS**

### **FiReBuy Ltd** will:

- tender and let national contracts using electronic tendering software, where appropriate, from November 2005
- fund set up costs for each Region to access the 'Blue Light Portal' from November 2005
- work with RMBs and FRAs to provide information on the use of procurement cards from March 2006
- develop the FiReBuy Ltd e-ordering portal for all major purchases and ensure that major KPI information is available from April 2007

### **RMBs** will:

- consider the use of the Blue Light Portal for electronic tendering, where appropriate, from December 2005
- survey those Fire and Rescue Authorities using procurement cards to identify opportunity to extend contracts nationally/regionally from March 2006

### **Individual FRAs** will:

- work with RMBs in using the Blue Light Portal for electronic tendering, where appropriate, from December 2005

# APPENDIX A

## Summary of Key Targets

The number in square brackets denotes the Fire & Rescue Service Procurement (FRSP) objective

### **DURING 2005**

#### **ODPM will:**

- establish FiReBuy Ltd during 2005/06 [1]

#### **FiReBuy Ltd will:**

#### ***In November***

- let a national framework agreement for the purchase of smoke alarms [1]
- let a national framework agreement for the purchase of portable radios [1]

#### ***From November***

- provide funding for all FRAs to access the Blue Light Procurement Database (BLPD) for two years [4]
- introduce the use of Gateway reviews for major projects [4]
- incorporate guidance from Chief Fire Officers Association (CFOA)/Fire Service Procurement Association (FSPA) report regarding Vehicles and Equipment for a Diverse Workforce into any new equipment or vehicle procurements [5]
- adopt the Most Economic Advantageous Tender (MEAT) principle for national contracts [7]
- adopt the whole life costing methodology for national contracts [7]
- ensure that all contracts it lets contain effective management arrangements, including Key Performance Indicator's (KPIs), where appropriate [8]
- ensure that requirements are developed in output based terms [9]
- tender and let national contracts using electronic tendering software, where appropriate [10]
- fund and set up costs for each Region to access the Blue Light Portal [10]

***By December***

- sign a Memorandum of Understanding between CFOA and FiReBuy Ltd [1]
- explore voluntary joint arrangements for insurance [1]
- sign up to the Small and Medium sized Enterprises (SME) Friendly Concordat [5]

***From December***

- ensure that full risk assessments are undertaken for all new equipment/vehicle procurements to ensure manual handling issues are minimised [5]
- prepare a risk matrix for all major procurement projects to ensure appropriate risk transfer takes place [6]
- prepare a project risk register for all major procurement projects [6]

**RMBs will:**

***From December***

- identify procurement needs arising out of the published Integrated Risk Management Plans (IRMPS) of constituent authorities\* [2]
- review progress against milestones in the National Procurement Strategy for Local Government annually\* [2]
- work with FRAs to populate the Blue Light Procurement Database [4]
- consider the use of the Blue Light Portal for electronic tendering, where appropriate [10]

**Individual FRAs will:**

- work with RMBs in using the Blue Light Portal for electronic tendering, where appropriate [10]

**DURING 2006**

**ODPM will:**

- fund FiReBuy Ltd [1]
- work with FRAs and FiReBuy Ltd management team in 2006 to agree funding options for FiReBuy Ltd [1]

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\* denotes an annually recurring objective

***By June***

- consider the feasibility study and determine whether a Technical Services (TS) expert hub is established [9]

**FiReBuy Ltd will:*****From January***

- collaborate with RMBs in the production of its Business Plan [1]
- establish formal regular links with key industries and commence regular industry briefing days [1]
- work with CFOA to establish an Association of Procurement Practitioners for the FRS [3]
- produce national contingency plans for key procurement items [6]

***From March***

- agree with CFOA's Transport Officers Group (TOG) a common methodology for carrying out risk analysis for the procurement of fire vehicles and key items of emergency response equipment in the Fire and Rescue Service [6]
- work with RMBs and FRAs to provide information on the use of procurement cards [10]

***By April***

- explore the potential benefits of the FRS implementing a public private partnership (PPP) for property [1]
- form an alliance between FiReBuy Ltd and other organisations that purchase goods and services for firefighting and fire prevention (e.g. the Ministry of Defence) [1]
- advise the regions on developing robust contract management systems [4]
- draw up a suite of KPI's for the measurement of procurement in the FRS, based on the library of Local Performance Indicators [4]
- introduce an e-ordering portal that will monitor purchases and expenditure commencing with fire vehicles [4]
- develop "How to do business" guides for SMEs wishing to work with the FRS [5]
- develop standard contract clauses to encourage suppliers to develop a pro-active approach to equalities and environmental issues [5]
- develop a sustainable procurement strategy [5]
- undertake a feasibility study of establishing a TS expert hub and report to ODPM [9]

- liaise with CFOA to ensure that the National Procurement Board is established as 'intelligent client' for TS activities [9]
- ensure appropriate arrangements for strategic input, peer review and validation of TS [9]

***From April***

- work with RMBs to ensure co-ordination of procurement nationally [1]
- produce a Business Plan [1]
- work with RMBs to co-ordinate regional procurement on a national basis [2]
- record savings and efficiencies achieved from procurement activity to include cost savings, efficiency savings and service improvement [7]
- develop and disseminate model suites of KPI's and contract management structures [8]
- establish processes for specifying, testing and acceptance in terms of the output from projects – pending decision on the development of an expert hub [9]
- ensure that requirements take into account genuine operational and regional variations – pending decision on the development of an expert hub [9]

***By June***

- work with FRAs to standardise contract documentation [1]
- explore the introduction of an output based standard design brief for fire stations [1]
- co-operate with all FRS stakeholders to develop a Procurement Training and Development Plan, drawing on the expertise of the Fire Service College and its work on a National FRS Learning and Development Strategy [3]
- undertake an environmental risk/impact analysis of products procured by FRS [5]
- provide environmental/equalities procurement training for procurement staff [5]
- develop indicators to measure the % of environmentally friendly products purchased and % of business undertaken with SMEs [5]
- develop proposals for reporting strategic contract management information at Board level [8]
- co-ordinate the creation of a national database of technical services projects and activities using an appropriate programme management methodology and manage on an on-going basis – pending decision on the development of an expert hub [9]

***By September***

- work with FRAs and RMBs to establish national specifications for key items of operational equipment i.e. ladders, cutting gear, foam and hose [1]
- work with FRAs and RMBs to develop role maps based on Integrated Personal Development System (IPDS) principles for procurement staff [3]
- arrange for the establishment of a TS expert hub – pending decision on the development of an expert hub [9]

***By December***

- let the Integrated Clothing Project (a national contract for Personal Protective Equipment and non-PPE clothing) [1]
- introduce an e-ordering portal that will monitor purchases and expenditure for all contracts [4]
- ensure the ICP project delivers clothing that does not act as a barrier to the recruitment of women and ethnic minorities [5]
- develop common classification of expenditure [7]

***From December***

- as appropriate, establish centralised contract management arrangements for national contracts, including staff consultation, establishing user groups and contract review meetings [8]

**RMBs will:*****From January***

- support the establishment of FiReBuy Ltd to drive the national procurement strategy [1]
- collaborate with FiReBuy Ltd in the production of its Business Plan [1]
- determine organisational arrangements for delivery of the procurement function [2]
- develop and implement the use of the “Gateway” process and PRINCE2 project governance methodology in procurement projects – appropriate to the size and complexity of the project [4]
- ensure that KPIs are a feature of all service-based contract issues [4]
- ensure that all contracts contain effective contract management arrangements, including KPI's, where appropriate [8]

***By February***

- arrange for the completion of a training and skills audit of procurement staff, other staff with procurement duties and elected Members [3]

***From March***

- survey those FRAs using procurement cards to identify opportunity to extend contracts nationally/regionally [10]

***From April***

- produce a rolling 3 year procurement plan setting out targets and savings for each year including a timetable for the review and letting of contracts on a regional basis, having due regard for the targets in the National Procurement Strategy and nationally procured contracts\* [2]
- implement an e-ordering portal [4]
- ensure that procurement is involved at the outset in best value reviews [7]
- adopt the “MEAT” principle for regional contracts [7]
- adopt the whole life costing methodology for regional contracts [7]
- record savings and efficiencies achieved from procurement activity to include cost savings, efficiency savings and service improvement [7]
- ensure that all TS projects within their region use appropriate project management tools, e.g., PRINCE2 basis – pending decision on the development of an expert hub [9]
- work with their constituent authorities to rationalise TS activities within their region- pending decision on the development of an expert hub [9]

***By June***

- establish levels of expenditure on procurement categories from constituent FRAs [2]
- arrange for the development, in conjunction with Regional Centres of Excellence, IDeA and the Chartered Institute of Purchasing and Supply during 2005/06 of appropriate procurement training and its delivery no later than June [3]

***By September***

- arrange for the development of role maps based on IPDS principles for procurement staff [3]
- arrange for the development of a Procurement Training and Development Plan drawing on the expertise of the Fire Service College [3]

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\* denotes an annually recurring objective

***By December***

- develop common classification of expenditure [7]

**Individual FRAs will:*****From January***

- collaborate with FiReBuy Ltd and their RMB, in the production of its Business Plan [1]
- ensure that all contracts contain effective contract management arrangements, including KPI's, where appropriate [8]

***By February***

- consider signing up to the SME Friendly Concordat [5]

***From April***

- establish levels of expenditure on procurement categories and report these to RMBs [2]
- ensure that procurement is involved at the outset in best value reviews [7]

***By September***

- work with FiReBuy Ltd and RMBS to develop role maps based on IPDS principles for procurement staff [3]

**DURING 2007****ODPM will:**

- fund FiReBuy Ltd [1]

**FiReBuy Ltd will:**

as first milestone for this organisation for this year

***By January***

- let a national framework arrangement for pumping appliances to BS: EN-1846 standards [1]

***By March***

- benchmark the FRS against public sector procurement operations [4]

***From April***

- develop the FiReBuy Ltd e-ordering portal for all major purchases and ensure that major KPI information is available [10]

***By December***

- develop an outline specification for a fully managed fire vehicle service [1]
- let a national framework arrangement for light and other FRS vehicles [1]

**RMBs will:**

***From April***

- review stores and distribution arrangements on a regional basis once the ICP contract is awarded [2]
- use effective models to benchmark progress in recruitment [4]

**DURING 2008**

**ODPM will:**

- fund FiReBuy Ltd [1]

**FiReBuy Ltd will:**

***By April***

- establish national contracts for key items of operational equipment i.e. ladders, cutting gear, foam and hose [1]
- work with CFOA to let a national framework contract for Respiratory Protective Equipment (RPE), subject to funding [1]

***By December***

- let a national framework arrangement for aerial and other specialist appliances [1]



