



Strategic Procurement Response

New Procurement Strategy for fire and rescue authorities - An Opportunity to Save Money

You will have by now seen the [Fire and Rescue Procurement Aggregation and Collaboration Report](#) (the Spend Analysis report) commissioned by DCLG through PA Consulting and supported by the CFOA National Procurement Group and some pilot fire and rescue authorities. This followed the publication of Sir Ken Knight's report, [Facing the Future](#), which raised a number of issues for us all in relation to how fire and rescue authorities currently procure, where there are opportunities to buy more efficiently and how these may be taken forward.

The following is a first draft strategic response to the Spend Analysis report and the issues it raises. The CFOA National Procurement Group is keen to get your views on this and the actions we need to take before finalising a new Procurement Strategy for the Sector. In simple terms we hope to be able to present a positive response to DCLG in stating our ownership of the issues going forward and more importantly transform the way we procure resulting in cost savings for us.

For clarity we are not recreating Firebuy – this project will be about the Sector owning procurement with different services taking a lead on different categories of spend, working together on the development of specifications, agreeing testing regimes and collaborating to save money.

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Introduction

In the past fire and rescue authorities have tended to procure on their own though we can all cite more and more best practice examples of collaboration and partnering. BUT if we are honest we know that we are far from being really joined up in this area.

Many FRSs will cite that they use frameworks for all their procurements or go through their County Council, and this forms the basis for either not requiring procurement resources or demonstrating value for money. However, simply pushing spend through frameworks does not, in itself, demonstrate value for money and the recent report clearly demonstrates this by the widely varying prices *paid* even when using the same framework. It is a misconception that frameworks will always deliver best value and we now have clear, hard evidence that the inappropriate use of frameworks can actually result in duplication and higher costs.

DCLG Spend Analysis Report

The report states that across the 46 fire and rescue authorities in England the picture is one of decentralised and disparate decision-making on an estimated spend of nearly **£600 million**. The top **21** spending authorities account for over **80%** of fire and rescue authorities spend, with London representing **22%** of total spend.

The pilot work has given various figures for how much we could all save. We could no doubt argue about the figures but the National Procurement Group, in discussion with DCLG in December 2013, agreed that it would be hard to argue about the underlying issues. **There is a clear case for more collaborative and smarter procurement.**

Summary of Report Findings

The findings were arrived at by using the available spend data which fire and rescue authorities currently publish with the help of a pilot group of 14 fire and rescue authorities representing over 50% of national spend. The pilot served to identify and analyse how fire and rescue authorities bought, what prices were paid for which items under which terms. PA Consulting then validated these findings. Key findings include:

- i) Some authorities pay over 200% as much for their products as others. One authority paid £125 for a pair of firefighting trousers while another paid £274
- ii) Even where fire and rescue authorities buy from the same supplier there are significant variances, for example the price for similar firefighting helmet from the same company varied by 25%: between £105 and £131
- iii) Where the same contract was used by a number of authorities to buy the goods there is still a significant range, for example one authority paid 66% more than another when buying the same structural coat (£220 - £366).

The following figure illustrates the different range of prices for Personal Protective Equipment which shows the scale of the opportunity on offer.



From discussion with uniformed officers and leading procurement staff within the pilot group it was found that:

- i) Procurement frameworks are common place and lack of coordination can often lead to duplication across fire and rescue authorities for similar items. We have competing frameworks that are externally led that don't have the required FRS involvement/endorsement, linked to the inappropriate establishment and use of frameworks within the sector.
- ii) While procurement staff recognised the commercial levers needed to improve outcomes, their influence at a strategic level was limited. They saw operational and financial benefits that would come from working across fire and rescue authorities more - from tendering, driving prices through increased competitive tension, a standardised set of

specifications and taking a single approach to leasing or purchase – but didn't have the influence at a senior level to take these improvements forwards. One of the issues raised in the research is that often technical or operational requirements "negate" or "override" the need to consider the wider commercial considerations or what happens outside the individual FRS collaboratively. Clearly we need a better marriage between operational need and good procurement practice and for both to be seen as valuable in the Sector.

- iii) One size does not fit all. There was all-round recognition that collaborative procurement needed to work differently for different goods and services – sometimes by geographic location, sometimes on volume, sometimes through better commissioning.
- iv) Co-ordinating procurement between 46 different bodies needs resource that could also be supported by technology, systems and processes not currently in place. The increased coordination required for collaboration could not be resourced as there was no spare procurement capacity within the Fire Sector and the increased complexity and risk needed new skills.
- v) Management of common suppliers was not coordinated and it was usual to see varying prices from the same supplier. There was little evidence of advance planning for equipment / services beyond, and in some cases within, individual fire and rescue authorities, leading to duplication or no activity in smaller authorities. This in turn could lead to an increased risk to individual fire and rescue authorities due to non-compliance with EU procurement legislation and the possibility of challenges from aggrieved suppliers.
- vi) Ultimately, there are good examples of positive collaborative procurement within fire and rescue authorities – but it is limited at the moment, much more can be done.

It is likely that standardisation of products will deliver even greater savings and, with the greater volumes through collaborative procurement, this could add to the wider economies of scale. For example if more fire and rescue authorities bought the same vehicles then they would not only save on the vehicles themselves, but also on the parts, maintenance and training. Collaboration means the same procurement is not repeated time and time again in different services – maximising use of resources, saving time and enhancing opportunities for getting value for money. This will also enable sharing market intelligence, best practice and expertise and will avoid situations where fire and rescue authorities pay substantially different amounts for similar products.

We will need to expand on the practicalities of what collaborative procurement really means (due to differing levels of interpretation in the Sector). It is more than just buying goods and services at a lower price. The potential is also there to make savings from the whole procurement process from designing user specifications through to product trials and testing etc. It's also about approaching the market with a clear commitment and enabling suppliers to reduce costs, through reducing different approaches to testing and evaluations, less duplication and lower bidding costs. Otherwise, the misconception that volume alone can decrease costs will perpetuate.

All of these findings make the case for collaborative procurement stronger than ever. The report identifies the strategic priorities for fire and rescue authorities to deliver new, meaningful and sustainable savings. Commitment from Chief Fire Officers and Chief Executives is paramount in achieving this.

The fire and rescue sector is not alone in this challenge. Local authorities and other public sector bodies are facing similar challenges – and they have useful procurement resources (tools, systems expertise etc.) that fire and rescue authorities could benefit from. By working together with partners beyond the fire and rescue sector, the benefits can be taken further and deeper. That said, some authorities are finding that they are focusing on their own procurement needs and the previous collaboration of the public sector is dwindling in some areas and we cannot always rely on the same level of County Council/ other sector support we had.

So what do we do to respond to some clear problems?

The answer lies in identifying future procurement opportunities early on, aggregating demand, approaching the market with clear volume requirements and assisting the market with the reduction of costs etc. We are only able to do this if we work together and join up our requirements. We need to look at collaborative procurement as a strategic tool to avoid duplication, maximise efficiency and achieve value for money.

The National Procurement Group has suggested a set of initial recommendations for discussion with Chief Fire Officers that form a new procurement strategy:

1. Recognising that procurement is not about buying, we need to think about the whole procurement process from design of specifications and the use of 'ops' time, to how we establish and manage effectively, robust commercial arrangements. The following are examples of issues we need to tackle across the whole system of procurement:
 - a) Early identification of future procurement opportunities which will enable designing/sharing user specifications together to ensure consistency and reduce duplication of work. It would also mean more robust specifications and potentially create capacity for more innovation. As we will be clearer about what we need as a Sector we can then work with suppliers to meet that need. We need operational colleagues to understand the benefits of common specifications and to support work on their development and in designing/sharing evaluation and testing criteria. This will give suppliers a clearer view of what is needed which will allow them to tender more effectively across the Sector by reducing the number of tenders and the infinite variety of documents they currently have to respond to.
 - b) This will also help give suppliers the confidence to invest for the future and compete on a level playing field. It will ensure that any gaps between demand and supply can be identified.
 - c) Actively manage major/common suppliers and build higher volume of orders to reduce supplier prices. Fire and rescue authorities should proactively discourage the use of long or inflexible contracts and single supplier arrangements thereby ensuring contracts are transparent and fair (the requirement to publish data as required under the Local Government Transparency Code 2014 will have an impact on this).
 - d) Each Authority testing equipment when, for instance, one collective testing day could be used to reduce costs to suppliers, which are ultimately passed to us. Suppliers have told us that they are gravely concerned with how much equipment is out on loan being tested at any one time, often with different evaluation criteria and seemingly little purpose. By adopting a more collaborative approach to testing and evaluation of equipment, we can also work collectively to develop innovation within the fire market sector.
2. Agreeing to the use of local procurement and technical resources to support the wider national/regional procurement requirements. The National Procurement Group can help co-ordinate this approach and explore new ways of thinking such as the idea of using all our procurement specialists as a virtual team carrying lead category management roles and delivering projects.
3. Challenging local procurements without a clear business case justification where collaborative arrangements are available.
4. Agreeing a common classification of goods and services and actively support the use of a common spend management tool (see later recommendation). Classifying products and services into groups that can aid the identification of opportunities for both savings and collaboration is valuable both for individual fire and rescue authorities and the fire and rescue sector as a whole. A balance needs to be struck between providing in the schema,

appropriate categories to cater for a necessary level of detail and maintaining a manageable set list. In simple terms, the following are representative categories but further work will be done to get your agreement to a meaningful category schema.

- Clothing and PPE
- Training (there is a current project to review procurement of training)
- Vehicles
- Foam
- Thermal Imaging Cameras
- Emergency Rescue Equipment
- Hoses
- Fuel
- Non fire specific goods and services

5. Agreeing within each category the best mechanism for managing collaboration and spend reduction. For instance in the vehicles category the CFOA Transport Officers' Group will be working to get greater standardisation of specifications on fire engines. The vision wouldn't be that we restrict ourselves to just one type of fire engine but that we can agree a reduced range of vehicle types and specs. Alongside that, we then need to agree the best route to market and governance approach.
6. It may be necessary, at least initially, to work with a strategic partner (or partners) while the Sector builds and develops procurement capability and capacity to manage the various categories to maximum effect. We sometimes see the cost of using external partners as a barrier and forget the hidden cost of internal teams. So we must be open to exploring the best ways to manage the overall programme of improving procurement.
7. Building capability and moving from over-reliance on frameworks to developing procurements with robust commercial arrangements that aggregate demand and give guaranteed volumes that will drive down costs and that are performance managed for their duration.
8. Work with suppliers' organisations and associations to understand their concerns with the aim of reducing costs to us all. Also to discuss in a cohesive way how we work together to drive innovation in equipment etc.
9. Developing a dashboard indexing of prices paid on specific products so that fire and rescue authorities can see what others are paying and avoid paying more for the same product.
10. Providing internal sponsorship, governance and any partnership arrangements to expedite these projects and to make speedy and effective decision making. We would ask that Chief Fire Officers determine whether they can release/support their resources to work on a national basis for a specific length of time whilst we progress key deliverables. That enables progress of key work nationally which in the long term should support local initiatives.
11. Actively support the use of a common spend management tool. One key issue is that spend data is held in many different formats, spread across various websites and is of very varying quality. The use of a common spend management tool would provide the evidence to develop appropriate strategies, assist us to track expenditure by supplier and category and inform a programme of collaborative work that will deliver saving opportunities. The National Procurement Group has identified a suitable spend management tool, SpendPro, and we currently have approximately 20 authorities signed up to use it so please do consider this. SpendPro is competitively priced at £1,000pa. We will explore what other spend management tools authorities may be using and work towards co-ordination of data.
12. Developing a strategy for buying non-fire common goods and services most effectively, e.g. energy, diesel, office supplies and insurance. There are questions to be answered in doing

this. Where should individual fire and rescue authorities aggregate these demands? Should this be with local authorities, with the fire and rescue sector or with other sectors – for instance by linking into the work being done by the LGA on wider joint procurement of common goods and services?

13. Developing a national procurement pipeline plan that documents existing contract start and finish dates, schedules tendering exercises and future, large-scale procurement opportunities and posting these on Contracts Finder. This will also ensure that an open, transparent and compliant process has been followed. We are putting together a bid for the Transformation Fund in order to support a small hub to coordinate this work but we may, as a Sector, need to put some money in to get match funding or even support this small capability completely. Its value would be huge in coordinating procurement across us all and exploiting whole life benefits through focussed central efforts in managing supplier relationship and contracts. Given the potential issues of staffing this hub we may need to explore the use of an external partner to do this initially. Depending on progress we would hope to develop a procurement area on a national portal (currently under discussion) which has all the information and can be accessed easily.
14. The National Procurement Group will take responsibility for developing and maintaining strong links with other public sector procurement groups and/or Professional Buying Organisations to identify and regularly promote existing pre-tendered procurement frameworks and contracts that are available for use by the Sector.
15. Recognising the “Blue Light Interoperability” agenda we will take opportunities to identify areas suitable for joint procurement especially with our Police and ambulance colleagues.
16. As the Ops Assessment framework is being refreshed with a stronger focus on corporate health and we are discussing with Chiefs the idea of including questions on whether services are buying collaboratively and if not – why not? These are some of the example questions:
 - Do you have an internal Procurement Strategy
 - Do you have an appropriate internal policy or Standing Order that Governs your procurement procedures
 - Do you have a strategic lead for procurement within your organisation that is at or reporting to Executive level
 - Do you utilise an appropriate contracts database
 - Do you publish contract information in accordance with data transparency requirements
 - Do you utilise an electronic tendering system
 - Do you utilise an electronic purchase order processing system
 - Do you utilise a spend analysis tool
 - Do you publish all expenditure in excess of £500
 - Do you actively collaborate with other FRSs and Public Sector bodies and if not why notAdditional optional questions:
 - Are you aware of the National Procurement Group and Strategy
 - Where do you publish tendering opportunities
 - What are your thresholds for procurement processes
 - Do you have contracts in place for the Top 20 suppliers by Spend

Next Steps - Questions and Issues for Chiefs

It is so important that we get buy in to these initial recommendations that we will consult in depth with you as Chief Fire Officers and with your procurement specialists, some of whom are working hard on the National Procurement Group.

As we get agreement and amendment to these recommendations we will then develop them into a complete strategic document and start developing project plans and guidance. Your commitment in developing the strategy and taking forward the plan of action will be key to us transforming the way we procure in the future.

We hope that reflecting on the Ops A questions above will help shape your response to this strategy as they do demonstrate to us all how that there are gaps in how we work now.

It is essential that procurement managers engage with us in shaping the debate so one of the first questions for Chiefs is whether you're willing for your people to be involved in the National Procurement Group and even lead a category with your support.

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