

a uniform approach

a study of fire service
procurement

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a study of fire service procurement

1



Context

In 1999/2000, expenditure by the fire service in England and Wales on the procurement of goods and services was £300 million, and the Government has specified that all fire authorities must complete best value reviews of procurement by April 2002.

2



Current Practice in Fire Service Procurement

Some brigades are starting to develop a more professional and strategic approach to procurement, with evaluation, risk assessment and staff consultation informing purchasing decision making.

3



Developing a Strategic Approach to Procurement

A more strategic approach to procurement will assist fire authorities in obtaining better value for money in their acquisition of goods and services.

4



The Way Forward

The Audit Commission's fieldwork and analysis has found some wide variations in procurement practice across the fire service, and has identified a number of areas in which there is scope for improvement and the achievement of better value for money.

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Preface



The Government has specified that the first three years of best value reviews (BVRs) in all fire authorities should focus on communications and mobilisation, procurement and training. This report is intended as a timely contribution from the Audit Commission to assist the fire service in its year 2 best value reviews of procurement. In 1999/2000 the fire service spent around £300 million on goods and services, of which £63 million was expenditure on vehicles.

Procurement is the whole process of acquisition of goods and services from third parties from initial concept and definition of business needs through to the end of the useful life of the acquired asset or end of a services contract. The Audit Commission has published a number of reports on procurement in local government and health services since the mid-1980s. Procurement in the fire service was covered in the Commission's 1995 wide-ranging report, *In the Line of Fire* (Ref. 1), which highlighted the need for greater co-operation between brigades on equipment purchases and greater efficiency in supplies management.

This report looks at procurement as a strategic service function rather than simply a purchasing activity, and examines the relationship between procurement and service objectives. In support of the mandatory best value review, the report focuses on the 'statutory' purchases of appliances and equipment. It examines how procurement decisions are made and compares brigades' approaches to the research and development of new equipment and to supplier management. The report also reviews fire authorities' overall approach to the procurement of all other goods and services including support services, accommodation and energy. The scope does not include the procurement of either communication and mobilisation systems or of training, as these topics are covered by separate mandatory best value reviews.

The Commission's study involved fieldwork in seven fire brigades, drawing on interviews, document reviews and focus groups of firefighters (Appendix A). Visits were also made to a range of other public and private sector organisations, including suppliers to fire authorities. Further information was gathered through a national questionnaire, completed by 48 brigades in England and Wales. This report also draws on a survey of procurement practice carried out by the Chief and Assistant Chief Fire Officers Association (CACFOA), which provided information on 30 brigades.

The study team comprised Angie Smith and Georgina Barnes from the Commission's Public Services Research Directorate, with consultancy support from Paul Hayden, of Suffolk Fire and Rescue Service. The project was directed by Greg Birdseye.

An advisory group of practitioners and other interested parties (Appendix A) provided valuable assistance and professional insight. The study benefited from the excellent co-operation of the agencies visited and those completing the questionnaire. The Audit Commission is grateful to the bodies and

individuals who gave advice and commented on drafts of this report. The Commission is particularly grateful to CACFOA for its expert guidance and practical support throughout the project. As always, responsibility for the conclusions and recommendations rests with the Commission alone.

This report is targeted at fire authority and fire service decision makers. It is supplemented by a good practice guide containing more practical information on the procurement process itself. For comprehensive coverage of the topic readers may wish to refer to both documents.

What's in each document

National report	Chapter	Good practice guide	Chapter
Background and national framework for procurement	1	General best value tips	1
Description of the procurement function	2	Good practice points for the pre-purchase phases of procurement	2
A picture of current practice in the fire service	3	Good practice points for the purchase and supply phases of procurement	3
The route to a more strategic approach	4	Recommended competency requirements and performance measures	Schedules 2 and 3
The Commission's conclusions and recommendations	5	Legislation relevant to fire service procurement	Schedule 4



1

Context

In 1999/2000, total expenditure on the fire service in England and Wales was just under £1.9 billion. Of this, £300 million was non-staff costs, primarily the procurement of supplies and services, premises and transport. The Government has specified that all fire authorities must conduct a best value review of their procurement functions by April 2002, with an aim to achieving efficiency savings, increased productivity, and a more effective fire service.

...fire authorities across England and Wales are seeking to make efficiency gains while under increasing financial pressure from pensions commitments.

1. There are 50 fire brigades in England and Wales, governed by three different types of fire authority:
 - County fire authorities (16 in number) – the fire authority is one of the functions of the county council;
 - The London fire and emergency planning authority and 6 other metropolitan fire and civil defence authorities – created following the abolition of the GLC and metropolitan counties;
 - Combined fire authorities (24 in England and 3 in Wales) – created between 1996 and 1998 following local government reorganisation.
2. In December 1998 the Government published its public service agreements (PSA) (Ref. 2) in support of spending plans for 1999–02. For the fire service there is a target to deliver an efficiency improvement of 2 per cent a year. Against this background fire authorities across England and Wales are seeking to make efficiency gains while under increasing financial pressure from pensions commitments. The fire service pension scheme, like that of the police service, is unfunded, and pensions are paid from current revenue. As a result of historic retirement patterns, the proportion of revenue budgets accounted for by pension payments is around 15 per cent in some brigades.
3. Total expenditure on the service in England and Wales in 1999/2000 was just under £1.9 billion, of which £1.6 billion was staff costs, including pensions. The major spend areas that make up the remaining £300 million are supplies and services^I, premises and transport^{II} [EXHIBIT 1]. The distribution of spend between the main cost areas has remained almost unchanged over the past three years. During that period total expenditure has risen by 11 per cent, twice the rate of the rise in non-staff costs, which look set to fall slightly in the current year [EXHIBIT 2].

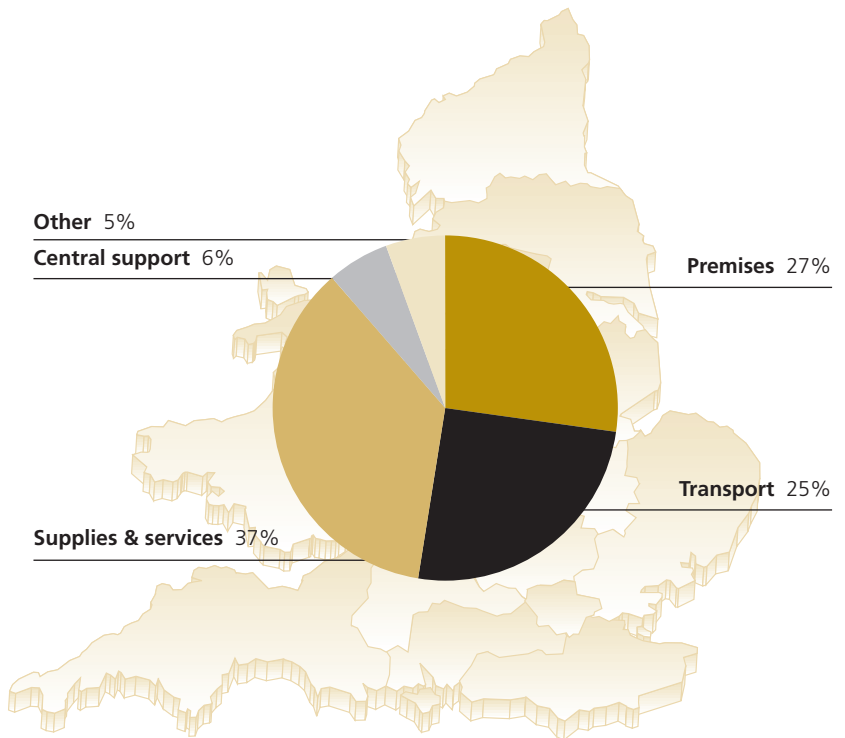
I Supplies and services includes both 'operational' goods and services such as firefighting equipment and uniforms, and 'non-operational' supplies such as general office equipment and catering.

II Transport includes the cost of providing and maintaining fire appliances.

EXHIBIT 1

Analysis of non-staff expenditure, 1999/2000

Excluding staff, the major spend areas for the fire service are supplies and services, premises and transport.

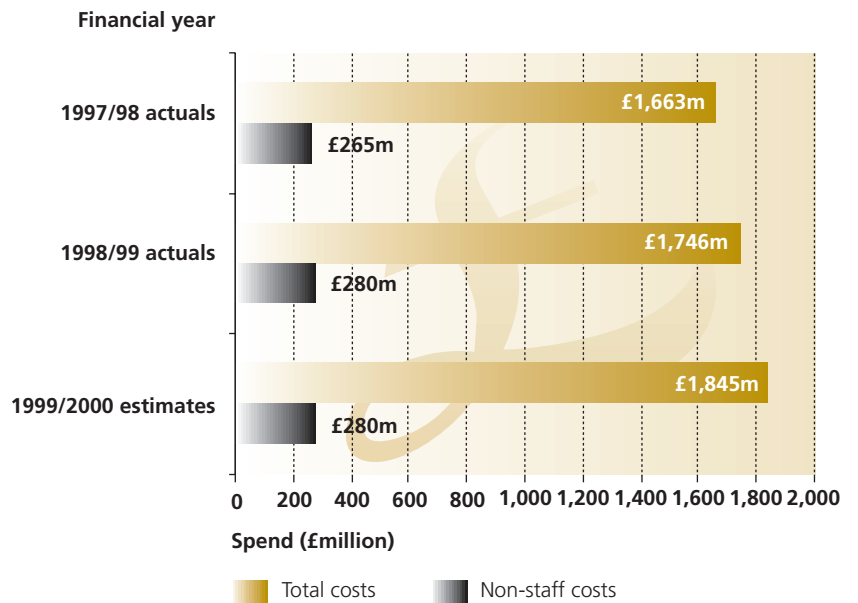


Source: CIPFA

EXHIBIT 2

Total and non-staff expenditure by the fire service 1997–2000

Fire service expenditure as a whole has risen at twice the rate of non-staff costs.



Source: CIPFA

The national framework for procurement

4. In common with other local authority services, fire service capital expenditure is constrained by borrowing restrictions.¹ The decline in the availability of capital has led not only to declining investment in property assets but also to greater use of lease finance to secure the purchase of firefighting appliances and equipment. Some fire authorities are exploring the Private Finance Initiative (PFI) as a vehicle for funding appliances as well as new fire stations.

The policy framework

5. The Government sees improved procurement as an important measure of increasing productivity in the public sector (Ref. 2). The Government has also recently set up a Local Government Procurement Taskforce to review existing supply markets and identify a model procurement and commissioning strategy for local authorities. The taskforce is due to report in May 2001 and may produce guidance that will read across for fire authorities. Central government departments have been operating under new procurement arrangements since 1997. The Government procurement card^{II} was introduced in October 1997, reportedly saving central departments and agencies £2 million in purchasing processing costs. Despite a major promotion campaign by the Treasury, however, take up of the card has so far been slow (Ref. 4).

6. The Home Office PSA anticipates that efficiency will primarily be achieved through increased co-operation between fire brigades and with other emergency services, and through the introduction of modern standards of fire cover. There is no specific reference in the PSA to fire service procurement, but the introduction of the mandatory best value review of procurement may be seen as indicative that the Government believes that this is a key area where fire service productivity can be improved through collaboration. The focus on collaboration derives from the Home Office's consultation paper *Working Together* (Ref. 5), an early contribution to the Government's comprehensive spending review. *Working Together* examined the scope for a review of structure and funding in the fire service, looking particularly at the potential for inter-brigade co-operation, the amalgamation of brigades and collaboration with other emergency services. Responses to the consultation included the suggestion of a national procurement or supplies service similar to that used by the health service. The responses also advocated more guidance from the Home Office on best practice.

I The levels of credit approvals made available to support fire service capital expenditure have fallen by around 50 per cent since 1995/96. Significant increases for future capital spending were announced under Spending Review 2000 (Ref. 3).

II The government procurement card is currently only available to central government departments. It is sponsored by five of the major banks and operates like a debit card.

In a recent report to the Local Government Association (LGA), CACFOA highlighted a lack of central expertise and resources to co-ordinate and facilitate fire service procurement.

7. Since the Second World War, when a national fire service was created, the Home Office has gradually withdrawn from giving central direction on how fire authorities should procure goods and services – subject of course to legal compliance.^I Shortly after the creation of the modern fire service in 1947, the Home Office continued to purchase centrally – for example, placing contracts for dual purpose appliances in 1948 (Ref. 6). Periodically, the Home Office does issue recommendations about appropriate types of kit or equipment – for example, the replacement of communications systems in 1993 – but it is not Government policy to stipulate what should be bought or from which supplier (Ref. 7).

8. Unlike the police service, the fire service itself does not issue central guidance on procurement. The Association of Chief Police Officers (ACPO) adopted a National Procurement Strategy in October 1999, and subsequently ACPO's procurement sub-committee issued an operating manual, which offers a common approach to the procurement process (Ref. 8). ACPO's fire service counterpart, CACFOA, does not have any policy group on procurement, and in a recent report to the Local Government Association (LGA), CACFOA highlighted a lack of central expertise and resources to co-ordinate and facilitate fire service procurement (Ref. 9). In the late 1980s, CACFOA set up a 'Best Buy' database on FINDS^{II}, but according to CACFOA this: '...foundered for a number of reasons not least of which was the lack of service commitment to it'.

9. Although there is no formal national framework for fire service procurement, individual fire authorities do nevertheless make use of Government-sponsored purchasing vehicles such as The Buying Agency (TBA) and the Central Computer and Technology Association (CCTA) both of which are Cabinet Office executive agencies. Some fire authorities purchase fuel directly through TBA, and a number are looking to procure IT equipment and services through GCat, the central government IT catalogue set up by CCTA. Other fire authorities access these agencies through their membership of local authority purchasing consortia. Some fire authorities also purchase light vehicles through the nationally negotiated Home Office call-off contract – also used widely by police forces – known as the 'Blue Light' contract.

The legal framework

10. The legal framework^{III} for the procurement of services within local government is under detailed scrutiny by central and local government. The Local Government Acts impose duties on local authorities in respect of tendering, contract compliance and the avoidance of competition,

I Details of legislation relevant to procurement can be found in Schedule 4 of the accompanying Good Practice Guide.

II FINDS is a CACFOA sponsored and managed electronic network.

III Details of the legislation relevant to procurement in the fire service can be found in Schedule 4 of the accompanying Good Practice Guide.

fiduciary duties to taxpayers and partnership arrangements with the private sector. The 1999 Act and subsequent guidance spell out the new requirements to carry out BVRs, particularly:

‘Challenging why and how a service is provided requires a fundamental rethink, asking basic questions about the needs that each service is intended to address and the method of procurement that is used.’ (Ref. 10)

The Act also requires that procurement strategies and methodologies should provide authorities with the widest possible range of options for service delivery and have a crucial role in BVRs.

11. The European Union (EU) public procurement regime is based on three principles:

- European-wide publication of the availability of certain contracts (above a threshold) across the community.
- The use of non-discriminatory technical standards and specifications.
- The use of objective, and open, criteria for the selection of tenderers and tender evaluation.

Guidance has been issued by CIPFA which reviews the regime in some detail (Ref. 11).

Appendix D of the Commission’s good practice guide also provides details of European standards relevant to fire service procurement.

12. Because of the hazardous nature of their business and the degree of risk to which their employees are regularly exposed, fire authorities must take particular account of Health and Safety legislation as it affects procurement. The primary legislation is contained in the Health and Safety at Work Act 1974. This makes explicit employers’ responsibilities to assess risk and to reduce it to a level that is as low ‘as is reasonably practicable’. Many of the general duties identified in 1974 have been made explicit in subsequent regulations giving effect to European directives.

Studies of procurement

13. The Audit Commission looked at procurement as part of its wide-ranging report on the fire service, *In the Line of Fire*, published in 1995 (Ref. 1). At the time the Commission found that:

- there was some co-operation on equipment purchases between metropolitan brigades, but little between others;
- total stocks of goods were higher than necessary, thus tying up capital unnecessarily;
- management information about supplies was poor;
- each brigade modified the standard specification for appliances, adding to the cost; and
- the unit costs of replacing uniforms and personal equipment varied widely between brigades.

14. Subsequent unpublished research for the Home Office found that by 1997, the majority of brigades in England and Wales were part of a purchasing consortium, but this covered only a small proportion of non-

staff related expenditure. It also found that these consortia did not obtain significantly better prices than those that purchased independently. There was a trend towards larger brigades securing lower unit costs for uniforms and personnel equipment. A year later, a thematic inspection report by Her Majesty's Inspectorate of Constabulary (HMIC) on efficiency and value for money in the police service concluded that 'collaboration by and within regions is essential if procurement is to progress effectively with chief officers recognising their wider role in contributing to regional and national consortia. This may be at the expense of local historical agreements, idiosyncratic personal preference or a desire to show individuality....' (Ref. 12). CACFOA, working jointly with ACPO and the ambulance service on a procurement benchmarking project, has noted many parallel problems: inability to participate in consortia due to existing contracts; deliberate preference for different products and better one-off terms negotiated separately.

Best value in the fire service

15. The Government has specified that the first three years of BVRs in all fire authorities should focus on communications and mobilisation, procurement and training, in that order (Ref. 13). 'Procurement functions' are defined as the securing by fire authorities of such equipment as may be necessary to efficiently meet all normal requirements for the discharge of their duties as set out in Section 1 of the Fire Services Act 1947 (Ref. 13). Some fire authorities are interpreting this more widely than others and many will look only at the procurement of appliances and operational equipment. It is likely that the procurement of support services, many of which are currently provided by third parties, will be reviewed as a part of the BVRs of those services, not as part of the year 2 mandatory review. The scope of the year 2 review, therefore, has major implications for subsequent reviews, particularly in relation to the conclusions that authorities reach about procurement strategy and procurement structures.

16. The best value inspectorate for the fire service is Her Majesty's Fire Services Inspectorate (HMFSI). HMFSI issues guidance to chief fire officers in the form of 'Expectations' documents that set out the standards against which it will carry out inspections. These are being modified to reflect best value requirements. Expectation 14, relating to procurement, describes the expected outcome of brigade procurement as that 'all supplies and services meet the brigade's requirements and are procured in accordance with the principles of best value'.

17. Best value is also having an impact on what is meant by procurement. The Government believes that procurement is now inextricably part of the processes by which authorities achieve best value. The Improvement and Development Agency (IDeA) has suggested ten procurement principles that all best value authorities should be exploring [BOX A, overleaf]. The Competitiveness Joint Committee (CJC)¹ has promulgated a Code of

¹ The CJC is sponsored by CIPFA and comprises representatives of the local authority associations and a range of professional bodies.

BOX A**Linking procurement with best value principles**

1. Developing a mixed economy of service provision with the public, private and voluntary sectors.
2. Joined-up services in conjunction with other public bodies, including other local authorities, health and central government agencies.
3. Joint ventures and special-purpose vehicles with the private sector.
4. Market awareness and competition analysis.
5. More and better consultation with service users.
6. New types of service delivery, such as call centres, facilities management for schools and virtual access to council services for its public.

Source: IDeA (Ref.14)

Practice for Commissioning Local Authority Works and Services. The code includes a checklist of points for coverage in procurement strategies and updates on EU procurement directives.

What is procurement?

The procurement path

18. Events and activities that affect procurement begin much earlier than a decision to purchase or the placing of an order. An organisation needs to understand how the market for goods and services works – the location of suppliers, demand levels, costs, manufacturing periods and so on – at the same time as it is deciding its major strategies. Procurement affects all functions of the fire authority, including both operational and support services [EXHIBIT 3]. The effectiveness and efficiency of those functions is influenced by the quality of the goods and services that are procured to help to perform the functions. A fire authority would not, for example, wish to set itself targets to effect rescues more quickly or to reduce the spread of fire without assurance that it had access to appropriate equipment:

- in sufficient quantities;
- at a competitive price; and
- delivered on time.

EXHIBIT 3

The purchasing and supplies chain

Procurement affects all functions of the fire authority, both operational and support functions.



Source: Audit Commission, adapted from the Chartered Institute of Purchasing and Supply (CIPS)

19. The internal path taken for the procurement of goods and services will vary according to the strategic importance or value of the goods or services concerned. Strategically important purchases include those that:

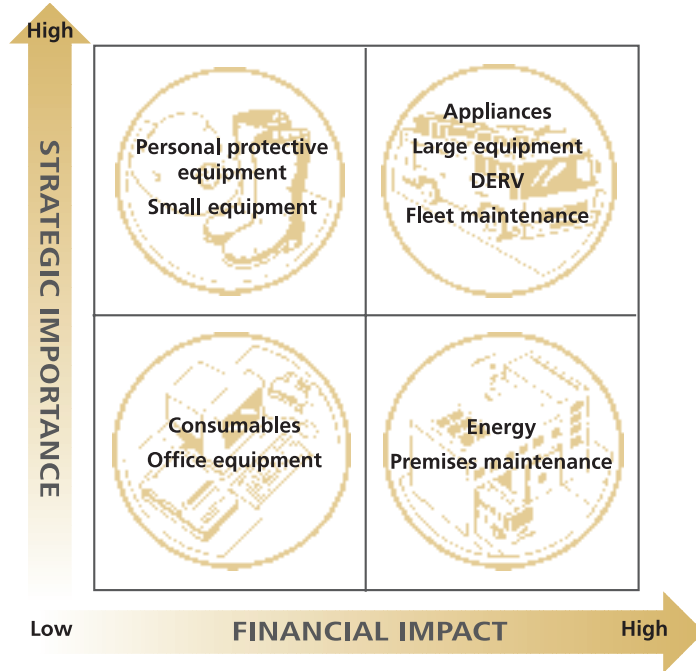
- are critical for giving effect to a statutory duty;
- are risk critical; and/or
- have the capacity to significantly disrupt service delivery.

20. The proper classification of goods or services in relation to their strategic importance or value is critical to the effectiveness of an organisation's procurement system [EXHIBIT 4, overleaf]. There is an obvious waste of resources in conducting extensive research into goods or services that are of low financial value and strategic importance, such as standard consumable items. However, there is a risk of greater inefficiency where procurement decisions about high-importance or high-value items, such as energy supplies, are made without suitable and sufficient research and market evaluation.

EXHIBIT 4

Goods and services classification matrix (showing examples for the fire service)

The proper classification of goods or services in relation to their strategic importance or value is critical to the effectiveness of an organisation’s procurement system.



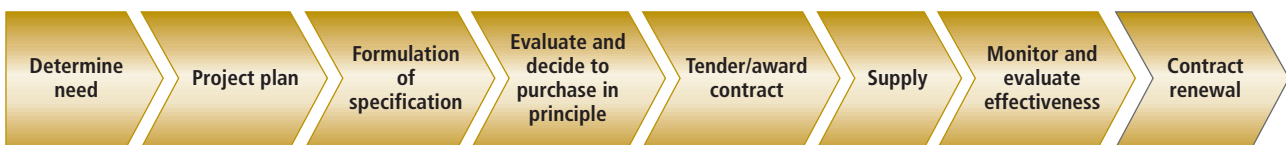
Source: Audit Commission, adapted from Kraljic (Ref. 15).

21. The procurement of high value or strategically important goods or services should involve extensive research, evaluation and a comprehensive tendering exercise [EXHIBIT 5 and BOX B]. The procurement of low importance or low-value goods and services is typically initiated by end users making requests for routine items through an existing supply system [EXHIBIT 6, overleaf].

EXHIBIT 5

Procurement path – high strategic importance/value items

The procurement of high value or strategically important goods or services involves research, evaluation and formal tendering.



Source: Audit Commission

BOX B

Key stages of the procurement path

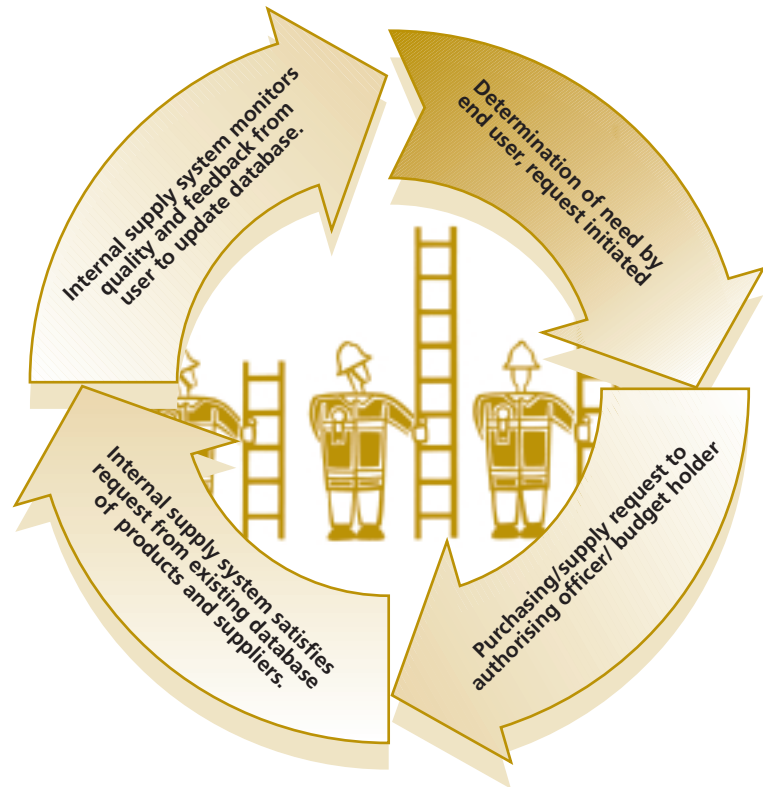
Stage	Characterised by:
Determination of need	<ul style="list-style-type: none"> • The identification of risk • Changing legislation • Strategic change • Changing technology, procedures or market activity • User feedback • Exploring opportunities for collaboration
Project plan	<ul style="list-style-type: none"> • All activities required, with start and finish dates • Who is involved and for how long • When decisions are required • When and how much finance is required
Formulation of specification	<ul style="list-style-type: none"> • Defining user/customer needs • Market research and analysis • Financial appraisal • Risk analysis
Evaluation and decision to purchase in principle	<ul style="list-style-type: none"> • Technical evaluation – involving field trials • Financial evaluation – involving the evaluation of the ‘whole-life’ budgetary implications of procurement including training costs. • Business case – highlighting the supply options available and including any political or strategic implications of the preferred option
Competitive tender/award of contract	<ul style="list-style-type: none"> • Preparation and issue of specification and conditions of contract • Tender briefing for selected bidders • Tender assessment • Pre-contract negotiations • Contract award
Supply	<ul style="list-style-type: none"> • Delivery of goods to the end user • Internal stores systems • Direct to user supplies • Pre-issue risk assessment and training
Monitor and evaluate effectiveness	<ul style="list-style-type: none"> • User feedback • Supplier liaison • Performance of products and services against agreed performance criteria and targets • Regular reporting to senior managers
Contract renewal	<ul style="list-style-type: none"> • Re-evaluation of all procurement processes • Involve all stakeholders • Incorporate information from evaluation stage

Source: Audit Commission.

EXHIBIT 6

Procurement path for low strategic importance/value items

For routine items, end users make requests of the internal supplies system.



Source: Audit Commission

Who is involved in the procurement process in the fire service?

22. In the fire service a wide range of brigade personnel and other stakeholders play a part in the different stages of procurement [BOX C]. Precise arrangements vary with the size and structure of the brigade and in some, operational staff are heavily involved in both research and contract award stages. In others, operational staff are involved purely as consultants.

BOX C

People and organisations involved in the procurement process in the fire service

Phase	Who might be involved
Determination of need	<input type="checkbox"/> Health and safety advisers <input type="checkbox"/> Operational planning officers <input type="checkbox"/> Technical advisers* <input type="checkbox"/> Policy and decision makers <input type="checkbox"/> Users who provide feedback <input type="checkbox"/> Potential partners/consortia <input type="checkbox"/> Minority staff group representatives
Project plan	<input type="checkbox"/> Senior management <input type="checkbox"/> Project team <input type="checkbox"/> Partners/consortia
Formulation of specification	<input type="checkbox"/> Purchasing specialists <input type="checkbox"/> Technical advisers* <input type="checkbox"/> Users and potential users <input type="checkbox"/> Partners/consortia <input type="checkbox"/> Suppliers and potential suppliers <input type="checkbox"/> Community representatives** <input type="checkbox"/> Minority staff group representatives
Evaluation and decision to purchase in principle	<input type="checkbox"/> Purchasing specialists <input type="checkbox"/> Technical advisers* <input type="checkbox"/> Financial advisers <input type="checkbox"/> Users and potential users and their representatives <input type="checkbox"/> Partners/consortia <input type="checkbox"/> Community representatives** <input type="checkbox"/> Members and senior managers for major purchases <input type="checkbox"/> Budgetholders
Tendering/award of contract	<input type="checkbox"/> Members and senior managers for major purchases <input type="checkbox"/> Purchasing specialists <input type="checkbox"/> Legal advisers <input type="checkbox"/> Financial advisers <input type="checkbox"/> Partners/consortia <input type="checkbox"/> Technical advisers* <input type="checkbox"/> Community representatives** <input type="checkbox"/> Budgetholders <input type="checkbox"/> Funders
Supply	<input type="checkbox"/> Contract managers <input type="checkbox"/> Users <input type="checkbox"/> Stores and supplies staff <input type="checkbox"/> Suppliers <input type="checkbox"/> Budgetholders <input type="checkbox"/> Finance/administrative staff
Monitor and evaluate effectiveness	<input type="checkbox"/> Contract managers <input type="checkbox"/> Users <input type="checkbox"/> Stores and supplies staff <input type="checkbox"/> Suppliers <input type="checkbox"/> Budgetholders <input type="checkbox"/> Partners/consortia <input type="checkbox"/> Minority staff group representatives
Contract renewal	<input type="checkbox"/> Health and safety advisers <input type="checkbox"/> Operational planning officers <input type="checkbox"/> Technical advisers* <input type="checkbox"/> Policy makers <input type="checkbox"/> Users providing feedback <input type="checkbox"/> Potential partners/consortia

* The technical input required may be minimal for routine, low value items. For complex purchases, external professional advice might be sought.

** Consultation with the general public about the procurement of most fire authority goods and services is not always appropriate, but where there may be implications for the local economy, the environment or equality objectives, the authority may consider involving business or community groups at key stages in the process.

Source: Audit Commission

Best value authorities, including fire authorities, are increasingly making use of standard models and quality systems to help guide them through best value planning and review processes.

Achieving excellence in procurement

23. Best value authorities, including fire authorities, are increasingly making use of standard models and quality systems to help guide them through best value planning and review processes. The European Excellence Model¹ has been adapted for use as a procurement tool (Ref.16). Examples of behaviours of ‘excellent’ organisations under relevant criteria of the model can be found in Appendix D of this report. The main emphases of the model are:

- the need for a strategic approach to procurement at authority and senior management level;
- the responsibility of procurement staff to constantly seek ways of adding value while reducing processing costs and cycle times; and
- the importance of close liaison between procurement staff and other parts of the organisation, to ensure that procurement policy and practice addresses current and future user needs.

The practical application of the model has reaped clear benefits for the Post Office [CASE STUDY 1]. The European Excellence Model can be a very useful starting point for a BVR of procurement. Nevertheless, authorities will need to evaluate their procurement activities against the requirements of best value to challenge, compare, consult and compete (the 4Cs).

24. An understanding of this overall statutory and theoretical framework is critical for effective procurement in the fire service. The Commission’s fieldwork and questionnaire research, together with analysis of the CACFOA survey, throws light on how fire authorities are currently approaching procurement.

¹ The Excellence Model is a self-evaluation tool developed by the European Foundation for Quality Management

CASE STUDY 1

Applying the excellence model to procurement practice in the Post Office

Over the last three to four years, the Purchasing Services Unit of the Post Office has been focusing on efforts into delivering 'Excellence in Purchasing' to all of its customers. The Unit believes that there are a number of areas where it now demonstrates good procurement practice.

The Unit has recently embarked on a programme of e-procurement, which aims to see all aspects of procurement (including bids and tender management) electronically managed within two years. It is already using a Corporate Purchasing Card (CPC) for the procurement of low value generic items, which has resulted in significant reductions in both acquisition and payment costs. There are plans to extend the use of CPCs to include electronic catalogue provisioning.

The two principle areas within which the purchasing teams work are strategic purchasing and operational purchasing, these two units co-operating to provide a 'one stop shop' for customers. Fuel, which is essential for the Post Office to discharge their obligations to the community, is considered a 'strategic' item. The Purchasing Services Unit operates a fuel hedging strategy, which aims to minimise the effects of volatility caused by price fluctuations in the fuel market.

Uniform procurement is handled through the Clothing Product Group Team. Included in this Team are a textile technician and an experienced clothing buyer. Purchasing Services believes that it is this group, together with an extensive network of trial and evaluation groups, that has made uniform procurement one of the most effective areas of service provision.

Every employee within Purchasing Services has a number of individual and team objectives, which can be traced to corporate business objectives. For example, 'shareholder' objectives relate to the value of purchases made, and are allied to new savings targets which aim to negotiate year-on-year cost reductions for routinely procured goods and services.

The Unit has now completed two self-assessments within the framework of the Business Excellence Model, achieving a threefold increase in overall scores through improvement work undertaken over a two-year period. All purchasing staff are now on the way to becoming professionally qualified. The Unit believes that its results have been transformed by the promotion of a professional and commercial outlook on procurement across the whole organisation.

Source: Audit Commission.

2



Current Practice in Fire Service Procurement

Some brigades are starting to develop a more professional and strategic approach to procurement, with evaluation, risk assessment and staff consultation informing purchasing decision making. However, the application of good practice is inconsistent, and the purchase of non-operational goods and services receives little management attention. All brigades still operate in-house stores, and ordering is reliant on high-labour and low-technology systems. Collaboration with other brigades or local authority partners is under-developed in most areas, although purchasing consortia are being increasingly used for the procurement of appliances.

Current procurement practice in the fire service can be described in terms of:

- the principal strategic approaches;
- management systems and procedures; and
- best value issues.

Strategic approaches

Key findings of the Commission's study

Procurement is not viewed as a corporate issue by fire authorities:

- Operational¹ procurement remains largely parochial. Collaborative activity is generally limited to the purchase of appliances, and obstacles to standardisation persist.
- Approaches to non-operational or routine procurement are pragmatic or historic, although most authorities buy office supplies through local authority purchasing partnerships. The supply of support services such as legal and financial services is not generally viewed as a procurement issue.

Operational issues

25. Chief fire officers, quite appropriately, direct management effort and resources toward the procurement of operational fleet and equipment. These are high-cost commodities of high strategic value, and therefore merit priority attention. Considerable importance is also attached to ensuring that firefighting apparel and equipment:

- is fit for purpose; and
- poses minimal risk to the health and safety of firefighters.

To satisfy these criteria, each brigade carries out an evaluation, risk assessment and staff consultation for each proposed purchase. There is very little variation in the range of equipment and clothing required by brigades, but for most purchases, each brigade carries out a separate in-depth assessment of the same helmet or ladder that other brigades have already tested. There is therefore scope for more co-operation and the sharing of research intelligence.

26. Decision-making routes for the procurement of appliances are generally much shorter than for equipment and apparel, with only senior management and fleet managers or brigade engineers involved in the evaluation processes. In three of the seven sites visited, the chief fire officer was personally involved in technical evaluations of appliances.

¹ Operational procurement includes the procurement of goods and services that are particular to the fire service – ie, fire appliances, firefighting and rescue equipment, firefighters uniforms and protective clothing.

27. The extent of collaboration between brigades for appliance purchase has doubled in the past four years. Consortia were used by 65 per cent of combined fire authorities for their most recent appliance purchases [TABLE 1]. In some cases, chassis are purchased through local authority consortia, although fire authorities use such consortia mainly for non-operational purchases. There appears to be very limited co-operation with other organisations to procure operational equipment [TABLE 2]. Collaboration to purchase general supplies such as office equipment and energy is more developed.

28. Partnership working with the other emergency services is generally underdeveloped. Some brigades reported a number of station-sharing arrangements and ‘first responder’ initiatives with the ambulance service.^I The metropolitan brigades recognised that there were potentially greater service-delivery benefits from collaborating with their police and ambulance counterparts than with other brigades. However, all

TABLE 1

Consortia appliance purchases

Authority type	Number of authorities	Number of authorities purchasing through consortia	% of authorities purchasing through consortia
County	15	3	20 %
Metropolitan	7	2	29 %
Combined	26	17	65 %
Total	48	22	46 %
	Total number of appliances purchased	Number of appliances purchased through consortia	% of appliances purchased through consortia
	317	104	33 %

Source: Audit Commission survey of the most recent procurement round^{II}

I ‘First responder’ schemes are being introduced by a number of mostly rural fire authorities. Agreements are made with local ambulance trusts for the provision of emergency responses by the fire service to incidents involving time-critical, life-threatening emergencies. The fire service role is to provide immediate medical care and to sustain life until the arrival of an ambulance in communities where travel times for ambulances would otherwise be excessive.

II The Commission asked for details of authorities’ most recent round of appliance purchase – this includes contracts for supply spread over a number of years.

chief officers interviewed, with one exception [CASE STUDY 2, overleaf] pointed to a range of cultural and financial barriers to collaboration, including:

- the fear of being dominated by the greater resources and influence of the police force;
- ambulance-service funding streams that precluded commitment to timely investment decisions; and
- the resistance of representative bodies to rationalisation through sharing, for example, joint control rooms.

29. For the most part, existing collaborative projects are regionally rather than nationally based. The reasons most frequently cited during the study visits for this were:

- local political and economic priorities – elected members are reportedly keener to support local businesses and partnerships with neighbouring authorities than national initiatives;

TABLE 2

Type of item purchased in collaboration with other agencies

Fieldwork site	1	2	3	4	5	6	7
Items purchased through brigade consortia	None	Negotiating with three brigades for procurement of vehicles and equipment	Operational appliances	None	Developing appliance specification with three other brigades	None	None
Items purchased through local authority consortia	Office supplies, professional services, energy, non-operational equipment, commercial chassis	Office supplies, professional services, energy, non-operational equipment	Domestic/PCs/stationery/minor supplies	None	Operational chassis, kit and office supplies	General supplies	None
Items purchased through police/ambulance consortia	None	None	Admin items/stationery/minor supplies/some PC items	None	None	None	None

Source: Audit Commission fieldwork

CASE STUDY 2

Devon Fire and Rescue and Devon and Cornwall Police working together

Through dialogue at senior management level and with member support, the fire and police services have identified a range of opportunities to make efficiency gains by sharing resources or by combining purchasing power:

- As the police and fire services were found to have a similar approach to the procurement of supplies, stores management has been combined in one centre.
- Four fire stations are shared with police officers.
- Some items of uniform are purchased jointly, saving the fire authority 50 per cent on the cost of an undress uniform.
- The brigade purchases fuel through police fuel dumps.
- The brigade is currently considering the option of collaborating with the police to provide workshop facilities, procurement services and property management services.

[The fire service also operates 12 first-responder schemes in partnership with the local ambulance service]

Source: Audit Commission fieldwork

- geography and the logistics of service supply and delivery chains; and
- relationships between chief officers in adjacent brigades evolve naturally through the CACFOA regional structure.

30. Generally, however, brigade staff at all levels and fire authority members feel that the most important obstacle to increased collaboration is the lack of central direction and co-ordination. Although some feel more strongly than others about the need for individual modifications to uniform or equipment specifications, there is a general acceptance that standardisation offers the best route to improved value for money. However, it is perceived that this cannot be achieved without prescription.

Non-operational issues

31. Fire authorities also spend at least 50 per cent of their non-staff budgets on non-operational goods and services but there is little strategic focus devoted to the procurement of these items. The majority of brigades centralise some aspects of the purchasing function [EXHIBIT 7]. In some cases these teams are involved in the procurement of operational as well as general supplies, but there is rarely a strategic approach to the procurement of:

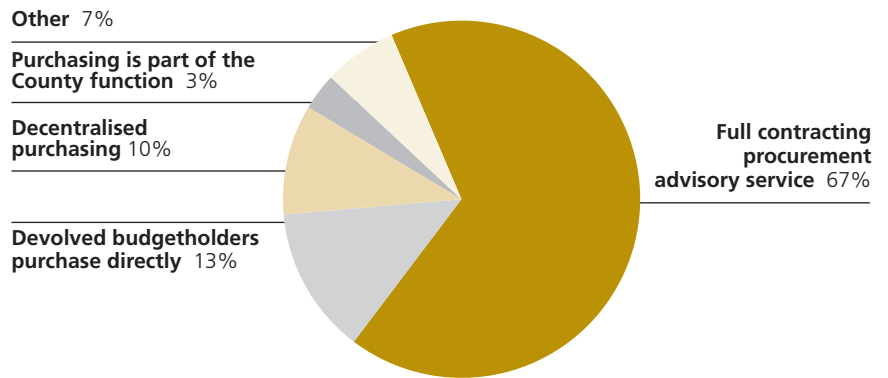
- energy supplies;
- financial services;
- legal services;
- personnel services; or
- IT services and equipment.

32. These services are generally provided by in-house teams or by constituent local authorities under an historic service level agreement (SLA) or similar. The extent to which support services are outsourced varies considerably but the average cost of SLAs and third-party contracts is only 6 per cent of an authority’s total expenditure [EXHIBIT 8] and there is wide variation. Only 13 per cent of authorities have outsourced the procurement function itself.

EXHIBIT 7

Purchasing and supplies structures

The majority of brigades centralise some aspects of purchasing.

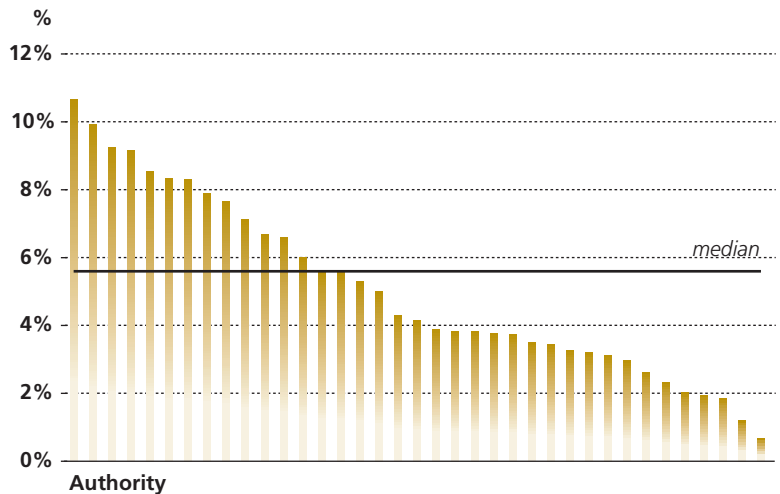


Source: CACFOA

EXHIBIT 8

Cost of services provided to fire authorities by local authorities or external contractors as a percentage of total expenditure

The cost of SLAs and third-party contracts make up only 6 per cent on average of total expenditure.¹



Source: Audit Commission survey

¹ These costs include the fees and contract sums paid to the suppliers and/or contractors, but exclude any in-house costs associated with the administration of the contracts.

33. Five of the brigades visited use local authority purchasing agencies for most of their general supplies. Two of these, the county brigades, are to a certain extent tied in to the supply routes determined by the county council. In most cases, brigades use these agencies for pragmatic or historical reasons rather than as the result of a value-for-money appraisal. The devolved budget-holders interviewed by the Commission frequently complained about the price paid to the agencies for basic items compared with those charged by local suppliers. In one case, however, the brigade had clear evidence of the overall financial benefits of purchasing through the local authority consortia and had also compared the performance of various other agencies operating in the area [CASE STUDY 3].

CASE STUDY 3

Greater Manchester County Fire and Civil Defence Authority – local authority consortium

The Local Authority Purchasing Partnership (LAPP) comprises eight local authorities in and around the Greater Manchester area, together with the police and fire authorities.

Approximately 80 contracts are arranged by the member authorities, including those for stationery, cleaning materials, food, furniture and building maintenance products. Items are ordered principally through a catalogue and via call-off contracts – no products are held in store. The partnership carries out feasibility studies and benchmarks its costs against other sources of supply, including other consortia. LAPP has recently increased its range of contracts to help to better meet the needs of its members, including the fire service (for example, through liquid fuel contracts). Members are now piloting electronic purchasing and procurement cards for some lines.

Networking between members facilitates the sharing of procurement experiences and good practice. LAPP operates under a code of purchasing practice, which includes policies to ensure that suppliers and contractors are required to trade in accordance with ethical and environmental sustainability standards.

Source: Audit Commission fieldwork

Management systems and procedures

Key findings

- The use of modern supplies-management techniques is limited, with too much capital tied up in stores.
- High-labour, low-technology ordering systems are the norm.
- Delegation of budgets and procurement decision making is limited.
- Few brigades use up-to-date contracting methods.
- There is minimal monitoring either of the performance of contractors and suppliers or of procurement activity.

Supplies management

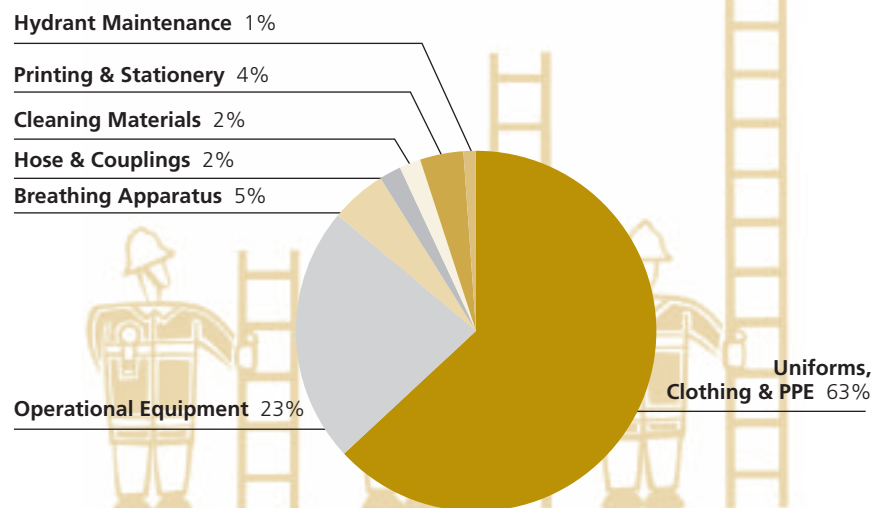
34. Despite the availability of call-off contracts¹ or ‘direct to user’ arrangements for the majority of supplies used by the fire service, all brigades continue to operate stores. Generally, the majority of stock items held are uniforms, clothing and personal protective equipment (PPE) [EXHIBIT 9]. This is to enable brigades to supply existing staff with replacement items or new staff with their standard issue kit as soon as it is needed. Lead-in times for the delivery of PPE are often around three months and brigades feel that they cannot risk running down stocks of essential kit. Some stores now run at minimum levels, but there is no clear correlation between the value of stock held and the size of the brigade [EXHIBIT 10, overleaf]. A geographical comparison gives a slightly closer fit, with neighbouring brigades of different sizes showing similar stock values [EXHIBIT 11, overleaf]. A possible explanation for the higher values is that the brigades with high stock volumes carry out in-house fleet maintenance and hold their own spare parts. In the brigades that were visited, however, vehicle spares were generally held in separate workshop stores.

¹ Call-off arrangements are described in the accompanying Good Practice Guide in Section 3.2.

EXHIBIT 9

Analysis of stock by item type

The majority of stock items held are uniforms, clothing and PPE.

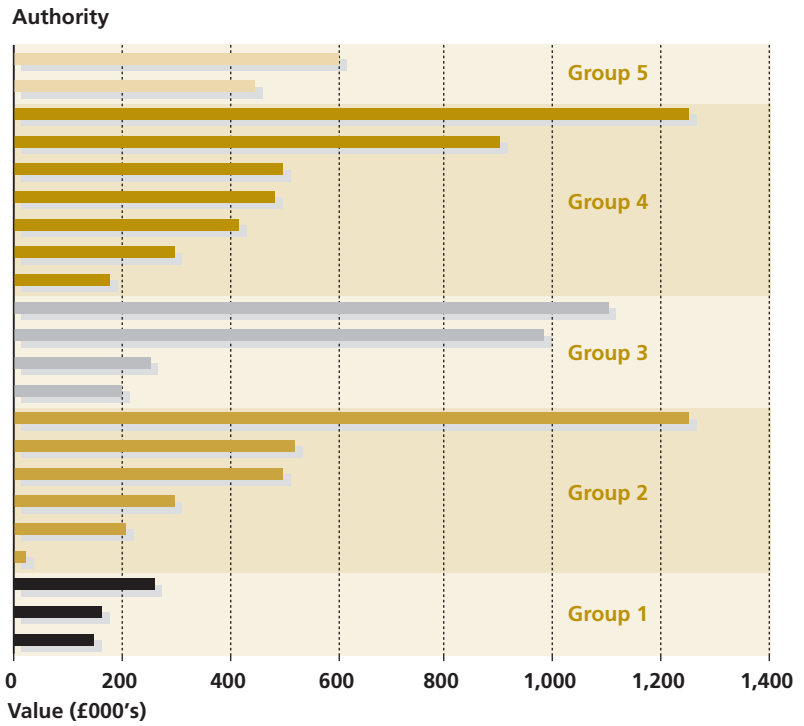


Source: First Procurement Associates survey of eight brigades

EXHIBIT 10

Stock holding by value by size of brigade, categorised by family group^I

There is no clear correlation between the value of stock held and the size of the brigade.



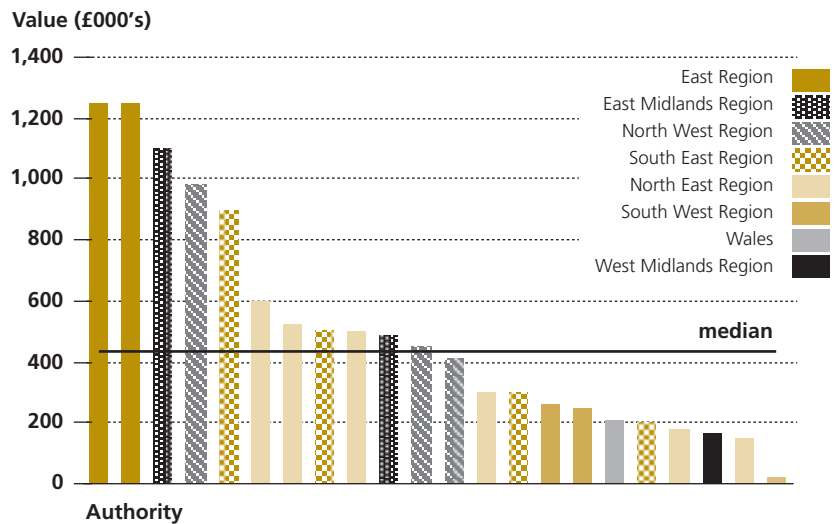
Source: CACFOA survey of thirty brigades

^I These are the family groups determined by the Home Office and are based primarily on the size of population served by the brigade. Details of the groups can be found in Appendix B.

EXHIBIT 11

Stock holding by value by CACFOA region

Neighbouring authorities of different sizes have similar stock values.



Source: CACFOA

35. There have been a number of innovative changes in stores management. For example, the London Fire and Emergency Planning Authority has outsourced its stores management to a national commercial contractor, Devon Fire and Rescue has amalgamated its stores with those of the local police force, and other brigades are considering combining their stocks in to a single regional store. However, the majority of brigades have an in-house managed store and, in some areas, stores are also held at divisional and at station level. The variety of items held by brigades is considerable, ranging from operational equipment to catering supplies to bottles of houseplant leafshine.

36. There is also considerable variation between brigades in the items of uniform and kit issued to firefighters. The cost of the issue to new recruits varies by 50 per cent [EXHIBIT 12]. Comparison with costs reported for 1994/95 shows a rise of 25 per cent on the average cost of a standard issue. In addition, at that time it was recommended that brigades issuing pre-specified amounts of clothing (an annual issue) and those using a points system should consider issuing replacement uniform and personal equipment on an as needed basis. However, three of the brigades visited in 2000 still operated an annual issue system. Users reported that this left them with a drawer full of unused ties but a serious dearth of socks!

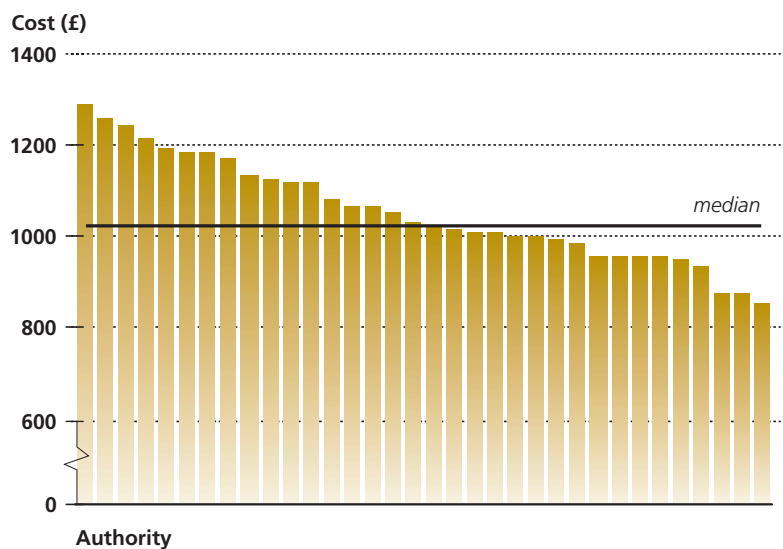
Ordering systems

37. Some brigades are acquiring increasingly sophisticated electronic stock management systems to maximise turnover and minimise stock levels. However, the need for stores at all is due partly to the relatively unsophisticated requisitioning systems that persist in most brigades. The initiation of a supplies request, whether for services, consumables or equipment, is still manual. Even in London, the only brigade visited where all computerised systems are integrated [CASE STUDY 4, overleaf], at station level

EXHIBIT 12

Cost per recruit of standard issue to new whole-time recruits 1999/2000 (excludes bedding)

The unit cost of the issue varies by 50 per cent.



Source: Audit Commission survey

CASE STUDY 4

London Fire and Emergency Planning Authority's (LFEPA) purchase order management system (POMS)

POMS was originally introduced for a number of reasons, among them to streamline the procurement process and to increase accountability for orders. However, under the current system, station commanders do not have access to POMS and must order supplies using manually-produced requisitions.

In November, an on-line version of POMS will be rolled out to the whole brigade. A simple interface between user and the central application that is currently used has been designed. This interface allows firefighters and other staff to raise a requisition for an item or items and to send it electronically to the central purchasing unit. The on-line interface exercises controls, such as a limit on the number of items requested and the need for entry of a payroll number when ordering PPE items. This helps to prevent the stockpiling of items, and provides an 'audit trail' for individual orders.

Almost any item, including PPE, can be ordered via POMS. It is hoped that the system will be developed yet further, to include such facilities as requesting medical examinations and allowing electronic ordering directly to suppliers.

LFEPA believes that the system will streamline the purchasing process, ensuring that data are only entered once and that all orders are received and managed centrally. The system should assist in maintaining an appropriate stock balance through better regulation of store items and more competitive prices from suppliers will be obtained through improved management and monitoring of orders.

Staff-cost savings of hundreds of thousands of pounds are being predicted. LFEPA believes that the on-line purchasing facility could be adopted by other brigades. The wealth of management information the system has the potential to produce will also help to identify other financial savings and quantifiable benefits.

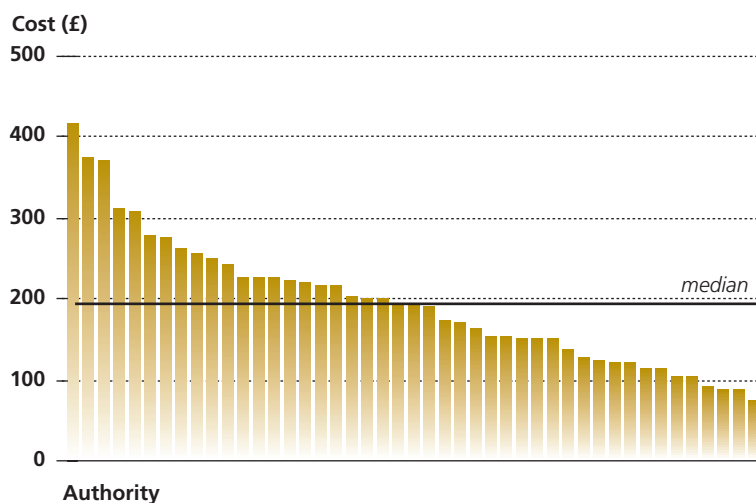
Source: Audit Commission fieldwork

the network does not yet have the capacity to handle electronic requests. The route followed by the request appears to be more tortuous in brigades with divisional structures, where it is typically processed manually by watch staff, the station commander, divisional administrative staff and the budgetholder – usually the divisional commander – before it is eventually logged electronically as a requisition for goods. Fewer than 50 per cent of brigades use electronic catalogues, but only 6 per cent have electronic links to their suppliers. The costs of such high-labour, low-technology ordering systems are not always recognised by brigades. The standardised staffing costs of in-house procurement vary by a factor of three [EXHIBIT 13].¹

¹ Appendix C shows how these costs have been standardised for benchmarking purposes.

EXHIBIT 13¹**Procurement staffing costs per fire authority employee**

The standardised staffing costs of in-house procurement vary by a factor of three.



Source: Audit Commission survey

38. Inefficiencies are also exacerbated by a failure to control demand. In some brigades the volume of requisitions is reduced by a combination of:

- supply guidelines – for example, kit replacement on an as-needed basis; and
- the collation of requests into a planned composite requisition – for example, monthly for consumables.

In others, requests are processed as and when they are submitted by individual members of staff. Some brigades are much more efficient than others at reducing the volume of requisitions. The number of requisitions processed varies from 1.5 to 20 per brigade employee per year [EXHIBIT 14].

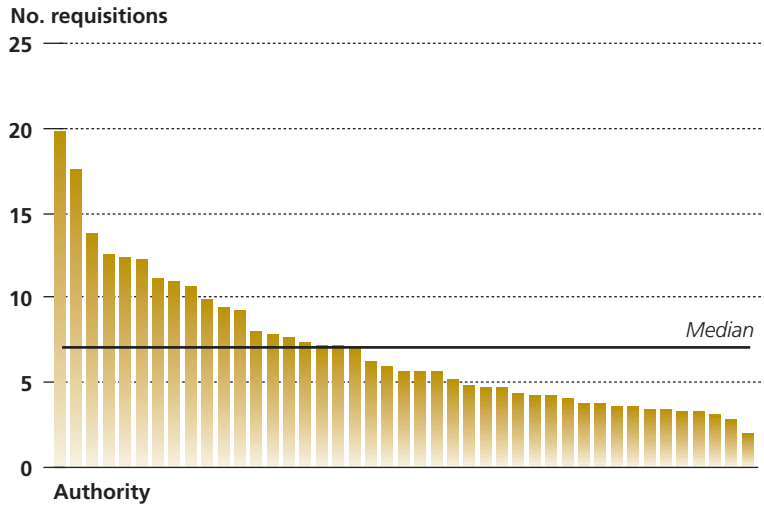
39. There is no apparent link between the sophistication of supply systems and the level of satisfaction expressed by users. The most common cause of frustration reported to the Commission during fieldwork was the delay in approving requests for simple changes or repairs – in one brigade leather boots had reportedly been on trial for ten years. In another, staff had to wait three months for a replacement while a complicated evaluation of their broken sledgehammer handle took place. Higher levels of satisfaction were most evident in brigades with flatter management structures and shorter ordering routes. In such brigades users are more likely to have direct contact both with officers who authorise purchases and those who co-ordinate supply. Users expressed greater concerns about not knowing what had happened to a request than having to wait for a delivery.

¹ The staff cost information requested for the Commission's survey should have been readily available but most brigades do not allocate staff time to specific activities. The majority of brigades who did provide information did so on the basis of best estimates, as time recording is not routinely carried out in the fire service. Appendix C shows how this performance indicator was calculated.

EXHIBIT 14

Number of requisitions processed per fire authority employee

Some authorities are much more efficient than others at reducing the volume of requisitions.



Source: Audit Commission survey

Delegation

40. Brigades have three basic approaches to the delegation of purchasing responsibilities [BOX D]. Six of the seven visited delegated some budget responsibility to station officer level, although this was often only a matter of a few hundred pounds a year, to be used for very minor repairs or consumables. Some also delegated responsibility for selecting appropriate suppliers and contractors while others were prescriptive, issuing approved lists to budgetholders. With the exception of two brigades, however, the extent of financial delegation was very limited, restricted to low-value controllable items such as station maintenance,

BOX D

Different models of delegated purchasing used by the fire service

Type	Characteristics
No delegation	<ul style="list-style-type: none"> • Strict control from the centre • Divisions/stations 'in the dark' about costs
Limited delegation	<ul style="list-style-type: none"> • Selective control from the centre • Some controllable budgets devolved • Greater financial awareness locally • Some potential for virement
Comprehensive delegation	<ul style="list-style-type: none"> • Most controllable and some uncontrollable budgets (for example, rates and salaries) devolved • Greater potential for targeted virement • Concerns from the centre about how money is spent

Source: Audit Commission

office supplies and catering [CASE STUDY 5]. Views on the merits of delegation were equally variable. The majority of chief officers recognised the benefits of empowering and developing local managers through delegation, but most expressed reservations about the attendant administrative burden for operational teams. Even where chief officers were committed in principle to extending delegation to station commanders, technology lagged behind.

CASE STUDY 5

Suffolk Fire Service's delegated budget policy

Suffolk Fire Service adopted delegated budgeting when it moved to a functional management structure in 1993. Managers are responsible for all non-staff budgets affecting their area of control. Budgets for staff costs were not delegated to local managers as changes to staffing, service delivery or conditions of service are conducted at a command level. Delegation was accompanied by external financial management training for new budgetholders and supported by electronic management and financial information systems.

Although budgets were only delegated to uniformed and non-uniformed managers at command, departmental or area level, a facility was provided to allow budgetholders to devolve spending authority one stage further in specified circumstances. This encourages best use of local budgets by end users, such as watch commanders, especially for consumable items.

Area and station-level budgets include uniforms, operational equipment replacement, stationery, energy, furniture, catering, subsistence, contract cleaning and uninsured vehicle losses. In each case, managers use their budgets to make spending decisions, but purchasing is conducted by a centralised purchasing and supply department. Using IT-based management information, budgetholders can monitor expenditure against profiles to identify performance at a local level. To allow flexibility between budget headings, a virement system is in place that allows locally identified efficiencies in one area to be utilised for other local priorities.

In support of these locally devolved arrangements, financial information systems allow local and command-level budgetholders to review their budgets on a corporate basis. This corporate approach acts as a safety net for individual budgetholders who may face unplanned difficulties, such as the impact of a single major incident, or to react to pressures on the service plan.

Source: Audit Commission fieldwork

Procurement professionals in the fire service and elsewhere are looking to improve the quality of the products and services that they procure by moving to more open and flexible relationships with their suppliers.

41. Heat and light energy supplies are the major cost item most frequently delegated because they are controllable and consumption can easily be monitored locally. Staff at one station visited highlighted the need for local responsibility. It was discovered during demolition of a station that adjacent street lighting had been routed through the station's electricity meter – the brigade had been paying to light the streets for years. If the energy budget had been delegated it is likely that local managers would have picked up the abnormal consumption.

Contracting methods

42. Procurement professionals in the fire service and elsewhere are looking to improve the quality of the products and services that they procure by moving to more open and flexible relationships with their suppliers. Some evidence was found of brigades developing outcome specifications and 'total care' partnerships [CASE STUDY 6]. However, these arrangements were generally so new that it was difficult to evaluate the benefits to the brigades.

43. Access to professional skills and knowledge about current good practice is key to securing the best deal for brigades.¹ Some in-house supplies officers have acquired procurement expertise through long experience in post and some benefit from the professional support from

¹ The Chartered Institute of Purchasing and Supply offer training courses and qualifications appropriate for fire service procurement specialists.

CASE STUDY 6

London Fire Brigade's PPE supply

PPE is supplied to London Fire and Emergency Planning Authority (LFEPA) under a five-year total care contract. Under this contract, the supplier owns and maintains all PPE, taking responsibility for cleaning, repair and replacement, and ensuring it is in good working order. All items are barcoded to enable their life history to be recorded, at the same time providing performance data to enable the product and service trends to be analysed. At the request of LFEPA, the barcodes also help to ensure that each firefighter retains his or her own set of PPE.

Firefighters are supplied with two sets of firecoat and overtrousers, two hoods, one helmet, two pairs of gloves and one pair of fireboots, all made to meet relevant standards. Kit is cleaned in specially programmed washing machines, and inspected by fully-trained operatives before it is returned to users. Regular on-site inspections are also made. The supplier is able to provide a range of management information concerning its performance in providing the service (for example, data on the collection and return of kit) and that of the PPE itself.

Source: Audit Commission fieldwork

their local authority partners. However, with the exception of Suffolk, where *all* purchasing is carried out by the brigade's central purchasing team and all contracts are organised by the county council's procurement professionals [CASE STUDY 7], the brigades visited have a fragmented

CASE STUDY 7

Suffolk centralised purchasing

Although Suffolk Fire Service operates a devolved budget system, the procurement role is split between budgetholders, who exercise the authority to specify needs and commit resources, and the purchasing and supplies department, who procure goods and services on budgetholder's behalf. Budgetholders thus benefit from professional procurement advice and consortia buying opportunities.

Requests from most remote retained stations remain paper based at the moment, but the majority of procurement requests can be initiated electronically and finance allocated by a budget holder. On receipt of the request, procurement professionals identify the most effective method to meet the specification requested in terms of cost and effectiveness. As all goods and services enter the organisation through a single route, the system ensures that legislative, health and safety and quality standards are met, and that the production of training notes and the completion of risk assessments is centrally co-ordinated.

Arrangements exist within the centralised system to procure from alternative suppliers where these have been identified by budgetholders as offering better value than existing contracts. In these cases, the purchasing and supplies department will investigate the alternative supplier and procure from them so long as finance, quality and safety factors are in order. When an alternative supplier has been approved, details of the contract are made available to other internal budget-holders and wider consortia partners through a central supplies register.

As part of a move from a stores operation to a purchasing and supplies system, stockholdings in central stores were reduced to the minimum required to ensure continuity of service. Ongoing evaluation of management information generated by the supplies system allows the level of stockholding to be constantly reviewed to identify that minimum level. High-volume goods, such as consumable supplies, are already delivered directly from consortia suppliers to end-users and this system is being extended to other goods where appropriate.

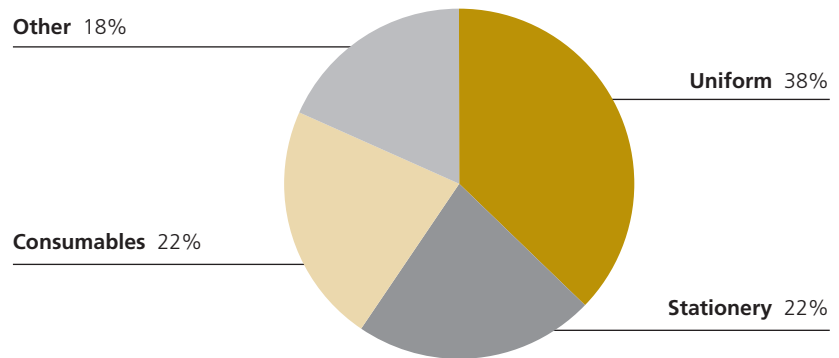
Source: Audit Commission fieldwork

approach to contracting. Often, major purchases of fleet and equipment have the least input from procurement specialists; uniformed equipment officers and fleet managers or brigade engineers have primary responsibility for placing contracts and negotiating with suppliers. Relatively little use of call-off contracts is made by the fire service for operational items other than uniforms [EXHIBIT 15], and almost 70 per cent of brigades do not use this form of contract at all [EXHIBIT 16].

EXHIBIT 15

Use of call-off contracts by type of purchase

Relatively little use of call-off contracts is made by the fire service for operational items other than uniforms.

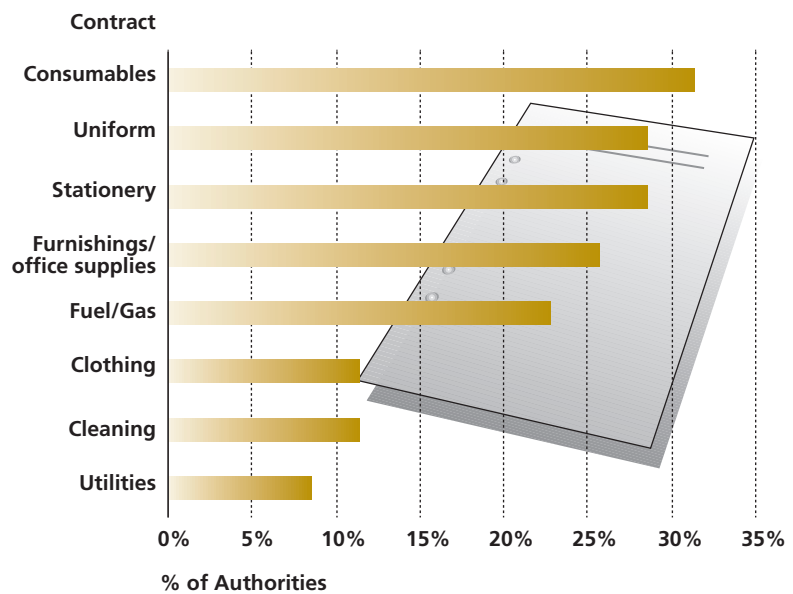


Source: CACFOA survey

EXHIBIT 16

Authorities using call-off contracts

Almost 70 per cent of fire authorities make no use at all of call-off contracts.



Source: CACFOA survey

Performance monitoring

44. Arrangements for monitoring the performance of contractors and suppliers are rather ad hoc. Some brigades are rigorous in carrying out post-purchase evaluations of new equipment. Relationships with suppliers of regular lines are often very constructive, with regular liaison meetings that review the effectiveness of products and enable supplier and client to develop new services in partnership. However, systematic evaluation of contractor performance against agreed targets or minimum standards is rare. The Commission found no evidence of elected members or senior management teams receiving monitoring reports.

45. A similar pattern emerged in relation to the performance of in-house procurement teams. Members and chief officers do not generally know how their procurement operations are performing other than in relation to the purchase price of major operational commodities. In smaller brigades, chief officers often receive feedback from users on the performance of equipment and apparel, but the study team could not find any reports showing a brigade's procurement performance against time, cost or quality indicators. Some brigades have access, through financial or electronic ordering systems to information that would enable such reports to be compiled, should they be requested. Monitoring information can also be used to compare levels of demand and spend from different departments or divisions. Some suppliers interviewed described the detailed information they can provide that would enable fire service managers to:

- identify unusual consumption levels by division, by station or even by individual user;
- to understand the variations; and
- to take appropriate management action.

Best value issues

Key findings

- BVRs will generally be undertaken by the department under review but more external/independent resources are likely to be available to county brigades.
- Staff are usually consulted about clothing and firefighting equipment but to a lesser extent about appliances or other services.
- Some brigades benchmark purchase prices, but otherwise, process benchmarking takes place mainly within consortia.
- Services that are currently provided in-house or by partner local authorities are not generally scheduled for inclusion in best value reviews of procurement.

Best value reviews

46. At the time of the Commission's study, brigades had not finalised their plans for the mandatory review of procurement, although the two metropolitan authorities visited had carried out some scoping work, and, for one of the county authorities, the review was planned as part of the county council's cross-cutting BVR of procurement. Most brigades

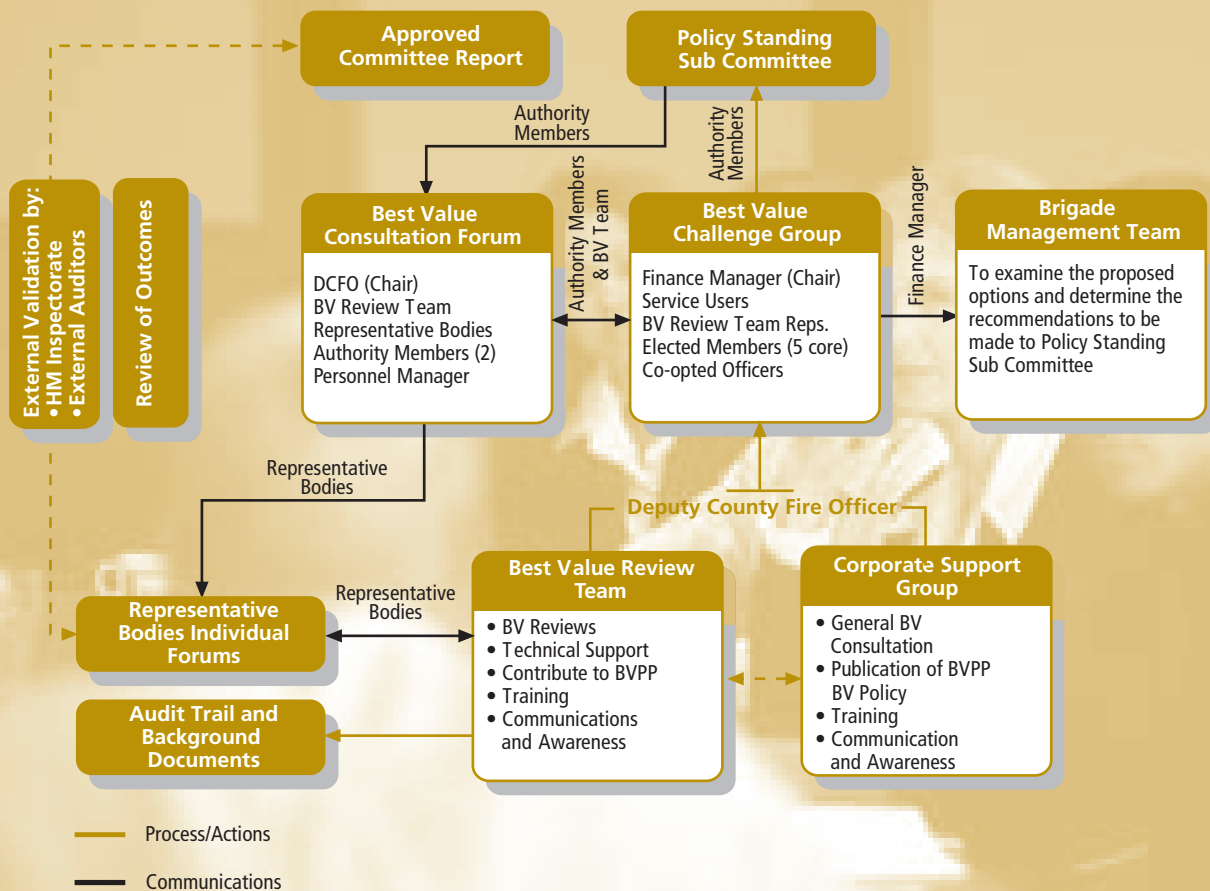
expected that their BVRs of procurement would be carried out by their purchasing and supplies teams, supported by a nominated senior officer and, in some cases, by specialist best value staff. In London, however, the chief fire officer is nominally responsible for all BVRs, which are carried out by his corporate policy unit. In London and Greater Manchester, the authorities have developed structures to ensure appropriate levels of member and senior management scrutiny of all BVRs [CASE STUDY 8].

CASE STUDY 8

Greater Manchester's best value support structures

Greater Manchester Fire and Civil Defence Authority (FCDA) has developed a communication and consultation structure for best value that aims to involve all internal and external stakeholders at key stages in the review process.

Responsibility for the day-to-day management of the best value process rests with the deputy county fire officer, supported by the best value review team, with the best value challenge group chaired by the finance manager. Elected members, representative bodies, staff and service users are all involved in consultative forums, and there are clear communication links between each of these.



Source: Greater Manchester FCDA

Frontline staff would also like to see more feedback from the consultation exercises that they personally take part in.

47. Suffolk County Council has introduced an element of independent scrutiny in to its BVRs by appointing teams of senior staff from other departments to oversee the review process. None of the brigades visited, however, expressed an intention to employ external/commercial procurement consultants to facilitate their BVRs, although some had recognised the benefits of consulting with existing suppliers as part of the review process. Purchasing sections that review their own activities without the benefit of independent appraisal may find it difficult to be sufficiently challenging of current methods and structures. It may be particularly difficult for brigades to challenge the provision of services by local authorities that have evolved through long-established political and executive relationships.

Involving staff

48. Discussions with staff, both firefighting and support staff, in all of the brigades visited, revealed that most brigades consult extensively with staff and their representative bodies about the design and supply of operational equipment. In one, new uniforms were trialled on all stations for 18 months. In the same brigade, station staff were involved in drawing up specifications and liaison with suppliers for the procurement of specialist line rescue equipment. All brigades had arrangements for obtaining feedback from their operational staff about the effectiveness of equipment and clothing and some still operated suggestion schemes.

49. However, consultation mechanisms with frontline staff about appliance design do not appear to be effective and there is little consultation about the supply of general goods and services. Particular concerns were expressed in some brigades about the capacity and suitability of IT equipment and property maintenance services. Senior operational staff are usually closely involved with the selection of new appliances, but, frontline users interviewed believe that greater direct consultation with them could have prevented subsequent operational difficulties, such as one instance where a new make of appliance that was too wide for the roads in some parts of the county was procured. Firefighters and their representatives are closely involved in the development of generic risk assessments used by the Fire Service Procurement Association (FSPA) in the procurement of appliances. This is a positive step but is only likely to be effective if the outcomes of the involvement are communicated to all staff who will be working with the new appliances.

50. Frontline staff would also like to see more feedback from the consultation exercises that they personally take part in, with clear explanations from management as to why procurement decisions have been made. This feedback should help consultees to understand the reasons why their ideas may have been rejected.

Benchmarking

51. There is currently very little benchmarking activity by brigades in the procurement area other than to compare the purchase price of appliances [TABLE 4]. However, for appliance and high-value equipment purchases, purchase-price benchmarking does not give a complete picture of the relative value for money obtained by each brigade. Comparisons of whole-life costs for appliance purchase show that the appliance with the lowest purchase price does not necessarily offer the best value in the long term [EXHIBITS 17 and 18]. This is illustrated by the authority highlighted in black on the graphs which has the eleventh highest purchase price but the eighth lowest annualised whole-life costs. Similarly, the authority highlighted in grey has the ninth cheapest purchase price but the fourth highest whole-life costs. The whole-life analysis used in this exercise incorporates the staffing costs associated with the appliance procurement, the expected service life of the equipment and the expected annual maintenance costs. This is not a comprehensive definition.¹ Most brigades had difficulty in providing staff time estimates. It is possible that more accurate costings would provide a smaller range between the highest and lowest annualised whole-life cost.

¹ See Section 3 of the Good Practice Guide for guidance on whole-life costing and Appendix C for details of the calculation used in Exhibit 19.

TABLE 4

Extent of benchmarking activity

Brigade	1	2	3	4	5	6	7
Pump purchase price?	✓	✓	✓	✓	✓	✓	✓
Equipment purchase price?	L	L	L	X	X	X	X
Uniform purchase price?	L	L	✓	X	X	X	X
Basket of goods (general supplies)?	✓	✓	✓	X	X	X	X
Compare with other brigades?	L	✓	✓	✓	✓	✓	X
Compare with other emergency services?	X	L	✓	X	X	X	X
Compare with other public bodies?	X	✓	X	X	X	X	X
Compare with private sector?	X	X	X	X	X	X	X

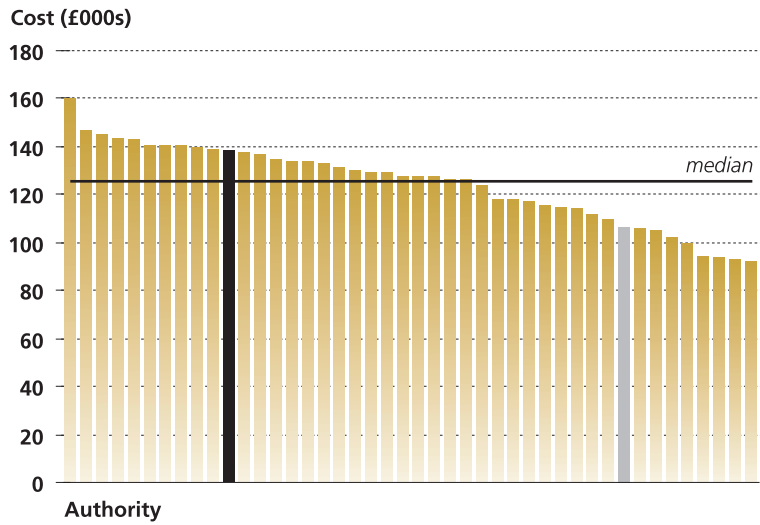
Note: L = limited

Source: Audit Commission fieldwork

EXHIBIT 17

Price per appliance paid by authorities in the last procurement round

Purchase-price benchmarking is the starting point for a value-for-money comparison.

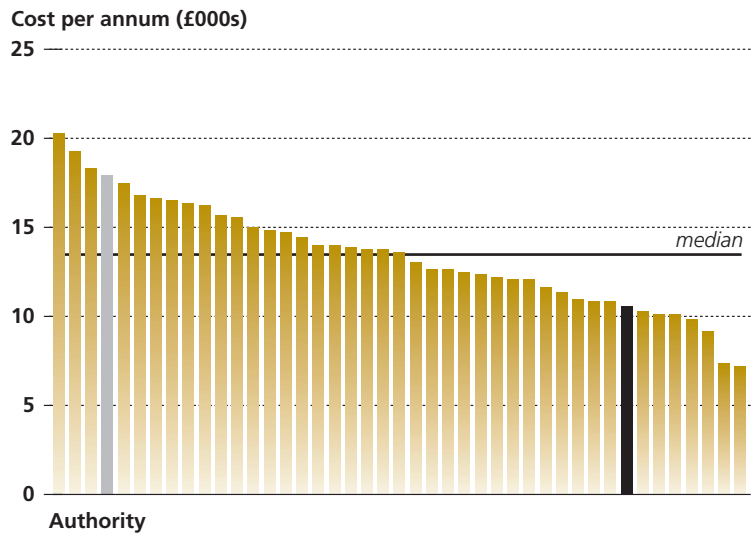


Source: Audit Commission

EXHIBIT 18

Annualised whole-life appliance procurement costs

The cheapest appliance does not necessarily offer the best value in the long term.



Source: Audit Commission

52. As contracts come up for renewal, some brigades seek price/supplier performance information from neighbouring brigades or possibly from family group members [APPENDIX B]. Others carry out ad hoc benchmarking exercises prompted by audit reports or similar. Essex Fire Brigade recently carried out an exercise through FINDS to compare the make and cost of sports shoes purchased by brigades. Within consortia, members also compare their internal processes as well as share unit-cost information, but there is very little data collected that can help brigades to:

- make comprehensive cost and efficiency comparisons; and/or
- evaluate the costs and benefits of different strategic procurement options.

Most brigades recognise the value of making whole-life cost comparisons for appliance purchases, but do not yet have the information to facilitate such comparisons.

53. Comparisons of prices paid by brigades for a ‘basket of goods’ show that similar items can incur quite different costs [EXHIBIT 19], and there is little evidence that individual brigades are benchmarking expenditure on basic commodities. In the example shown, there is a difference of 13 pence per litre between the highest and lowest prices paid. A brigade currently purchasing at the top of the range could save over £1000 per annum on fuel costs for a typical appliance¹ if it purchases at the bottom of the range. Increasingly, however, consortia are being used by brigades for the purchase of general supplies, and are more likely to be monitoring the fluctuating costs of items procured through them.

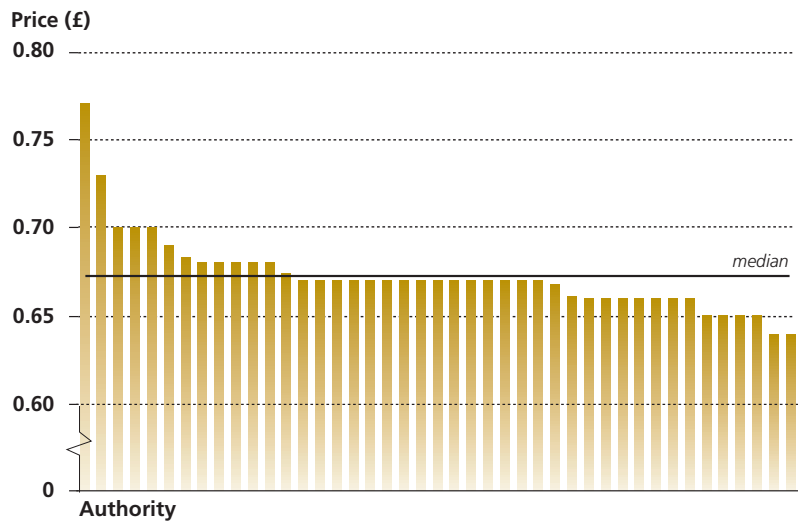
54. The Commission’s research has thus identified many examples of good practice in procurement, but also considerable variations between brigades. The next chapter sets out a strategic approach to procurement by which the service in general can learn from the experience of their leading lights.

¹ Assumes consumption of 7800 litres per annum.

EXHIBIT 19

Price paid per litre of diesel oil

The variation in the price paid by brigades for basic commodities still varies considerably.



Source: Audit Commission survey



Developing a Strategic Approach to Procurement

A more strategic approach to procurement will assist fire authorities in obtaining better value for money in their acquisition of goods and services. The best value review should challenge existing procurement arrangements, ensure consultation with stakeholders, and compare performance against other brigades. A reduction in procurement overheads and the more efficient procurement of key commodities will contribute to cost savings, and the fire service will benefit as a whole from the economies of scale that come from collaborative purchasing.

The greater challenge for fire authorities is to ensure that the definition of ‘necessary’ is a corporate exercise and not devolved to functional specialists.

What goods and services are needed?

55. While the duty of best value is a powerful driver for fire authorities to improve their approach to procurement, the greater incentive must be the potential to squeeze more goods and services from increasingly stretched resources. It is clear that authorities currently plough too great a proportion of those resources into the administration of procurement and that the present fragmented approach weakens their purchasing power in the market place. The key ‘challenge’ questions that reviews of procurement will need to address are:

- What goods and services do we need in order to deliver our strategic objectives?
- Is the procurement function best delivered internally or by an external supplier and what are the implications for other support functions?
- What can we gain from collaborative procurement ventures with other brigades or with other public or private sector partners?
- What changes are needed to our purchasing structures to ensure that they enable rather than inhibit best procurement practice and value for money?

56. Although the role of fire authorities in fire prevention and in wider community safety projects is still evolving, their core business objectives are clear and straightforward compared with other best value authorities. The services and goods they procure should be:

- necessary;
- defined corporately; and
- support the delivery of the brigade’s core business.

57. In all authorities, best value reviews will inevitably overlap, and procurement is a cross-cutting topic. Authorities will therefore need to ensure that decisions about the procurement of services are not invalidated by subsequent reviews of the services themselves. The challenge process should be seen as an opportunity to question areas of expenditure that have traditionally been regarded as fundamental to the fire service, such as the provision of uniforms, canteen facilities and officers’ cars.

58. The greater challenge for fire authorities is to ensure that the definition of ‘necessary’ is a corporate exercise and not devolved to functional specialists. This is particularly relevant for areas of activity requiring highly sophisticated equipment where the use of technical terminology can exclude members, managers and users from making informed decisions. Equally importantly, decisions about what is bought and how it is supplied ought to consider future as well as existing operational needs.

Supply options – in-house or outsourced?

59. Certain support functions such as stores and supplies management have traditionally been provided in-house by fire brigades, while others are invariably bought in from a local authority or other external supplier. Legal and estates services are typically outsourced. In many cases these arrangements are sensible and cost effective – for example, lease renewal and asset register services are needed only periodically and would not therefore justify the retention of specialist staff in-house. However, many arrangements have evolved from existing relationships, or perhaps from skills inherited from other authorities following local government reorganisation. In-house arrangements and other options for delivery need to be subject to a thorough appraisal, bearing in mind the Government's presumption that external or partnership provision will offer the best value. Options for supply should be assessed against the following criteria:

- availability of professional procurement skills;
- performance record and potential;
- investment potential;
- community impact;
- impact on the authority; and
- risk.

60. Challenging in-house provision can be painful for any organisation. In the fire service, where many elements of the procurement and other support functions are carried out by uniformed personnel, there are additional problems associated with the requirements of national standards of fire cover. It is argued that while these requirements dictate that a certain number of officers are employed, any spare capacity in their workload should be usefully absorbed in support roles such as training or equipment management. Authorities may decide that it is expedient to continue with such arrangements but it is important that they have also appraised the costs and benefits of other options. Such appraisals require access to accurate information about how staff time is spent – via an activity based costing system or similar. In the police service for example, many operational support roles – such as transcribing taped interviews, and scene of crime investigation – that were traditionally filled by police officers are now performed more cost effectively by non-uniformed staff [CASE STUDY 9, overleaf]. Fire brigades have made good progress by moving uniformed officers from non-operational roles such as property or finance. But there appears to be scope to also scale down uniformed officer involvement in the procurement of fleet and equipment, and of training services in particular, thereby releasing resources for frontline tasks.

CASE STUDY 9

Humberside Police activity-based costing

Activity-based costing systems involve the creation of cost centres for the major activities that take place in an organisation and the apportionment of staff time and overheads to those cost centres.

Humberside police introduced a system of activity-based costing to help them to quantify how police time was being spent and to better target resources at priority operational activities.

Analysis of time sheets in one division revealed that 4 per cent of policing time was spent carrying out recorded interviews with suspects and others. This procedure involves recording the entire interview on tape, providing one copy to the interviewee and transcribing a second tape in order to extrapolate the salient points. The cost of this procedure for the division was £200,000, equivalent to eight police officers salaries (excluding on-costs).

Humberside's solution was to reduce police officer time spent on this activity by 50 per cent and to employ two clerical officers to carry out much of the transcribing work. The efficiency gains from this action (excluding on-costs) were:

• Loss of one police officer post	– £25,000
• Add two clerical officers	+ £25,000
• 2% total police officer time saved	<u>– £100,000</u>
Total efficiency gain	£100,000
	deployed to direct policing

Source: Humberside Fire Authority (Ref. 17)

61. Some brigades have previously carried out reviews of service-delivery arrangements that have led to a move from external to internal supply based on cost and service quality considerations. Greater Manchester reviewed its responsive maintenance services and now employs a small direct labour team rather than external contractors. In Northern Ireland, the service used to receive ladder maintenance services from the manufacturer based in Southampton, but following a review has extended its in-house workshop facilities to provide these services at an annual cost saving of £43,500 and a one-off saving of £90,000, through a substantial reduction in the number of reserve ladders (Ref. 18). In London, a radical review of capital investment has led to a decision to move to a private finance initiative (PFI) model for all fleet and operational equipment supply and maintenance [CASE STUDY 10].

CASE STUDY 10

London Fire Service's PFI project

In 1997, a project was undertaken to develop a PFI for the financing, acquisition, maintenance and management of London Fire Brigade's fleet and operational equipment. The project has been supported by the Home Office under the 'pathfinder' scheme, to help to establish whether PFI would work in a fire service environment.

A business case was developed by the Director of Technical and Property Services, and advertised in the Official Journal of the European Community (OJEC). Thirty-five companies indicated an interest, and representatives attended a briefing day. A pre-qualification questionnaire was used to assess financial stability and technical competence of the potential contractors, and those deemed suitable were invited to submit outline proposals based on statements of requirement prepared by the PFI team.

Following evaluation of these proposals by the PFI team, four shortlisted bidders were identified and issued with an invitation to negotiate. Two companies proceeded from this stage, drawing up more detailed proposals (including prices) before submitting

best and final offers to the project team in early 2000.

The preferred bidder was selected in June 2000, and in November 2000, the authority approved the award of a contract. There will be a three-month implementation period of intensive joint working and information sharing before the start of the contract in February 2001. Once the contract has commenced, a full-time Contract Client Monitoring Group will oversee the project using management information and returns from end-users.

The contractor will provide 64 new appliances (one-third of frontline pumping appliances) within the first three years, and approximately 20 per year thereafter. Performance standards have been written into the contract for the repair and replacement of vehicles and operational equipment: two hours for pumping appliances and category 'A' operational equipment (for example, rapid intervention sets, 13.5 million ladders), four hours for all other vehicles, and five calendar days for category 'B' equipment. Financial penalties will be incurred by the contractor if it fails to meet these standards.

Workshop staff currently employed by LFEPA will be transferred to the contractor under TUPE regulations.

The fire authority predicts that benefits of the PFI include:

- capital investment in the brigade's frontline fleet and other vehicles for the 20-year life of the contract;
- appliances and equipment at the forefront of technology;
- the collection or delivery of vehicles by TLG rather than by firefighters;
- better predictions of annual costs for the provision of appliances and equipment;
- lower maintenance costs for newer vehicles;
- clear response times for the repair and replacement of defective appliances and equipment;
- possible extended workshop hours;
- fleet support desk available 24 hrs/365 days for defect reporting and advice; and
- the introduction of a modern tracking and tracing system for operational equipment.

Source: Audit Commission fieldwork

Even though an authority may opt to outsource to a range of suppliers, central co-ordination of the procurement chain needs to be maintained.

62. The presumption of the best value framework is that services should not be delivered directly by authorities if other more effective and efficient means are available. Indeed, where supply markets are weak or poorly developed, authorities should consider what can be done to encourage new suppliers to come forward (Ref. 15). For goods and services that fall into the high-value/high-importance category authorities have traditionally decided that they must develop their own expertise to ensure quality and user confidence, but if other options are not market tested, best value requirements will not be satisfied. As far as the actual procurement function is concerned, authorities could make their evaluation by reference to the potential advantages and disadvantages of each option – in-house, local authority partner or private contractor – in respect of:

- service standards – it is crucial that the authority has access to trained and experienced procurement professionals;
- cost; and
- control.

63. In practice, a mixed approach is likely to be the outcome of such an appraisal. Individual external procurement agencies are unlikely to be able to offer a sufficient breadth of expertise to meet all of the authority's supply needs. Even though an authority may opt to outsource to a range of suppliers, central co-ordination of the procurement chain needs to be maintained. Those authorities intending to confine their BVRs of procurement to operational purchases should track the impact of the outcomes on the procurement of other services. County brigades are likely to continue to have access to the county council's procurement professionals and in some single-purpose authorities, IT departments and finance departments may have staff who have developed expertise in the procurement of specific goods and services. However, the important message is that all procurement activities need to be centrally co-ordinated under a corporate strategic umbrella.

Collaborative options

64. The best value legislation makes an explicit presumption that all best value authorities will evaluate outsourcing options. There is no parallel presumption about collaborative procurement but it is implicit in the range of policy guidance from central Government that best value authorities will work together to get the best deal for service users and taxpayers. The application of the 4Cs requires an authority, inter alia, to: ‘assess the competitiveness of its performance in exercising the function by reference to the exercise of the same function or similar functions, by other best value authorities and by commercial or other businesses.’ However, HMFSI is explicit in its ‘Expectations’ that each brigade should be ‘...a member of a Consortium or procurement association and uses “common” specifications for its appliances and operational equipment needs’ (Ref. 19). Fire authorities currently have a wide range of options for collaboration through:

- fire authority consortia;
- local authority consortia;
- partnerships with other emergency services; and
- partnerships with procurement consultants and suppliers.

Fire authority consortia purchasing

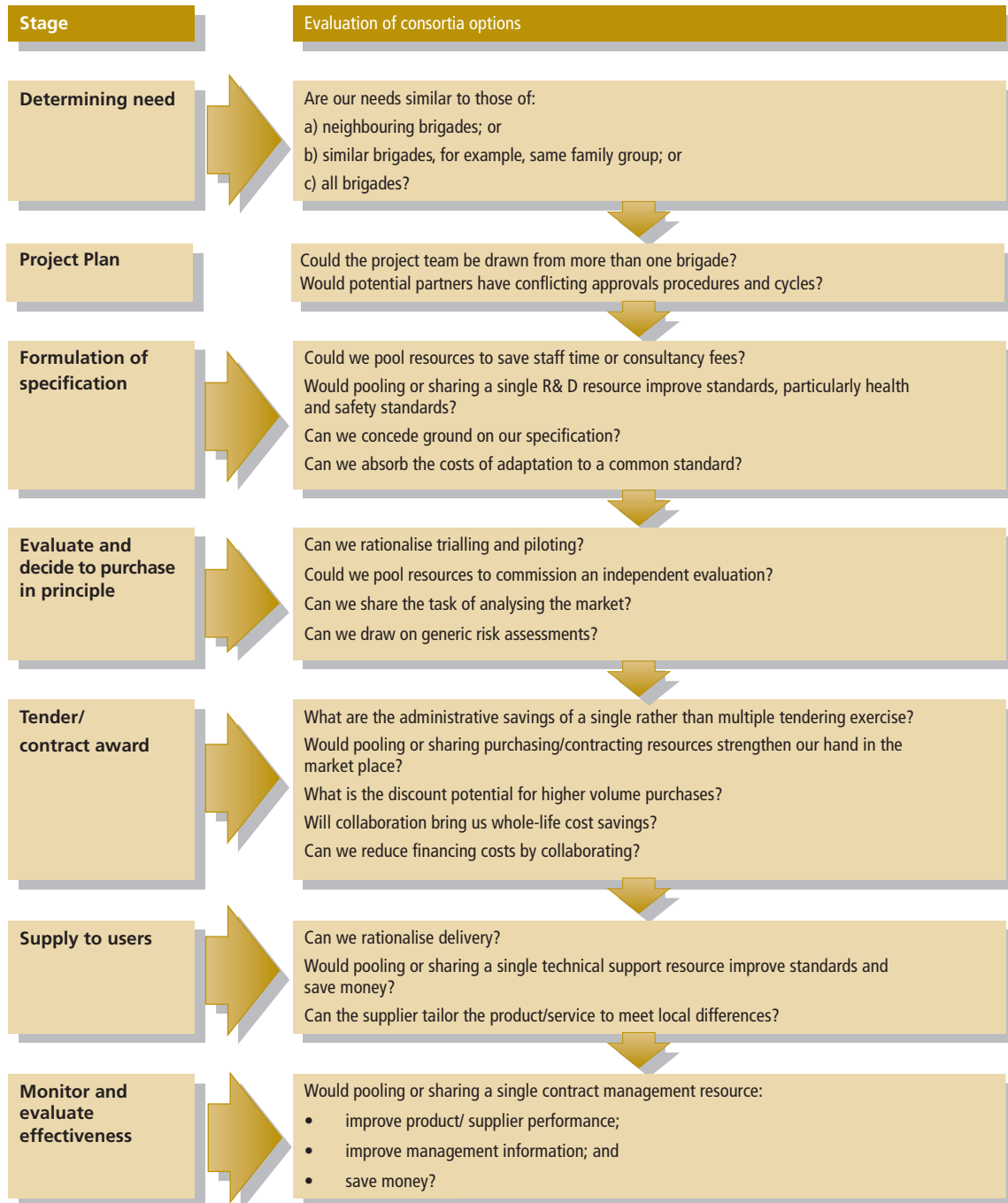
65. The benefits of consortia procurement of appliances and technical equipment have historically been much more difficult to quantify than those of general goods and uniforms. The decision of whether or not, and what to, procure through consortia should take in to consideration cost and quality benefits for key stages in the procurement chain [EXHIBIT 20, overleaf].

66. To date, the only national consortia for fire authorities are the consultation consortium FIRES and the FSPA [CASE STUDY 11, overleaf]. Both these initiatives illustrate the potential for fire authorities to obtain substantial discounts by collaborating nationally. They also show that it is possible for brigades from all regions to develop the mutual trust necessary for consortia to advance beyond deliberation to implementation.

EXHIBIT 20

Evaluation of consortia options

Evaluation should take into consideration cost and quality benefits for key stages in the procurement chain.



Source: Audit Commission

CASE STUDY 11

The fire service procurement association(FSPA)

FSPA was originally formed by members of the CACFOA East Midlands District in 1992 with a view to providing a standard specification for a pumping appliance. By 1995, the specification for appliances had been refined to incorporate the requirements of the five European Machinery Directives, Noise at Work Regulations and improved stowage standards.

The user requirement for the specification is developed collaboratively with the involvement of health and safety advisors, firefighters and Fire Brigade Union representatives from each member brigade. Technical advice is provided by specialists in engineering, research and development, and contract management. The group has one system of quality assurance and acceptance testing which brings members economies in statutory testing.

The range of products currently available to members is sourced through framework agreements with three suppliers offering major pumping appliances, 'select' pumping appliances (for medium/low user groups) and chassis/cabs for specialist use. A total range of 40 different options is available on a 5-year call-off contract arrangement. Since 1994, FSPA has purchased over 200 appliances at a cost in excess of £30 million.

By May 2000 the Association had grown to 11 members and external partners were appointed to provide best value advice in relation to specialist procurement and contract management. In line with the Management (of Health and Safety) Regulations 1992, a user generic risk assessment has also been produced to support all of the Association's products. The Association aims for continuous improvement in its health and safety performance. Since 1992, the number of accidents involving FSPA appliances has fallen by over 50 per cent. The number of days lost to sickness as a result of firefighter injuries involving FSPA appliances has fallen from 350 in 1992 to none in 1999/2000. The Association ensures that crew cabs in particular are built to a high safety standard.

FSPA provides support and technical advice to members as required, including negotiations with suppliers in cases of difficulty. Future developments include expansion of output specifications for appliances to guarantee a minimum 15-year operational life and using a fit for purpose operational risk assessment template. Other work includes the negotiation of improved financial packages for members.

Source: FSPA

Local authority consortia

67. The principle tests of the value for money offered by local authority consortia are broadly similar to those for fire service consortia. Certain quality considerations may, however, have greater weight in partnerships based on locality than in those based on function. Although a number of consortia have evolved from loose associations of neighbouring authorities or from various phases of local government reorganisation, the professionalism of the major groups is increasing. Their activities are also guided by agreed principles – for example:

- open and effective competition;
- value for money;
- enhancing the capabilities of local business and industry;
- environmental protection; and
- ethical behaviour and fair dealing.

In this example, the third and fourth principles may also be important for fire authorities working together regionally, but would be of greater significance to consortia mapped on metropolitan or county boundaries.

68. Some local authority partnerships have also developed supply routes for fire service operational equipment, for example, Devon Purchasing purchases PPE for both Devon and Cornwall fire authorities. The benefits to the brigades of this option are:

- the tendering/negotiating skills of the consortium’s procurement professionals; and
- lower prices from higher volume call-off contracts.

In such cases, the consortia procurement specialists are likely to be generalists, with technical guidance on specification and user requirements continuing to be provided by brigade officers.

69. For general goods such as fuel and energy supplies and office supplies, the purchasing power of large local authority consortia is significantly greater than that of fire brigade consortia. Fire authorities are advised to evaluate the costs and benefits of local and national options for these items. As with operational purchases, the evaluation must look beyond the purchase price of an item. The major local authority consortia regularly carry out ‘basket’ of goods comparisons with other suppliers that test their competitiveness for individual items and for an aggregate of diverse but commonly purchased items such as stationery, food and fuel. National agencies are also able to demonstrate competitiveness
[CASE STUDY 12].

70. Fire authorities will wish to make use of this price information but should also take into consideration brigade staff time required to:

- tender for high-value items;
- source the lowest price for high-volume, low-value items, for example, pens;

CASE STUDY 12

The Buying Agency

The Buying Agency (TBA) is a not-for-profit executive agency of the Office of Government Commerce (OGC). The aim of TBA is to help public sector organisations to achieve realistic commercial solutions, by easing the burden of procurement and ensuring value for money.

More than 500,000 pre-tendered products and services are available from over 400 suppliers through TBA. Details of these are all contained within Portfolio; the Agency's catalogue issued both in paper and electronic formats.

TBA is currently adding to its fire equipment product range by establishing a contract for the leasing of breathing apparatus on behalf of the Ministry of Defence. A panel including representation from TBA, the budget holders, and end users of the equipment has been set up to evaluate the various stages of the contract negotiation process. Potential suppliers are assessed, firstly for their technical compliance, and secondly for price competitiveness. Trials are conducted with end users, and this information is fed back into the evaluation. The process is chaired by TBA, with the agency also managing the contractual formalities once the preferred bidder has been identified.

The agency has identified a number of specific procurement areas in which it has the potential to assist the fire service. Examples of these are:

- an increase in the number of UK fire brigades purchasing fuel through TBA Energy;
- the procurement of routine items through the TBA *Portfolio* catalogue range;
- assistance with the procurement of operational equipment;
- advice on the development of a procurement strategy;
- contract and project management;
- sourcing and product evaluation; and
- augmentation of existing or future arrangements with other procurement specialists (for example, procurement consortia).

The Agency conducts random audits of its suppliers, and undertakes an annual benchmarking exercise, identifying the trade value of a basket of goods, and the percentage discounts received by TBA. The prices negotiated focus on the benefits of aggregate purchasing for all public sector customers and their private sector agents.

Membership of TBA is not a prerequisite to being able to access its products and services. Current customers include central civil government departments, the armed forces and diplomatic services, executive agencies, local authorities, NHS trusts, universities and charities.

Source: The Buying Agency

In principle, there is no reason why the fire service could not collaborate with commercial organisations that have similar supply requirements.

- co-ordinate multiple supplier deliveries; and
- manage supplier performance.

While consortia may not offer the cheapest option there is clearly some trade-off in staff time where savings on the purchase price are marginal compared with the resources expended to research the market, negotiate contracts and so on.

Partnerships with other emergency services

71. The option of collaborative procurement with the other emergency services appears to be the most difficult to progress. Again the principal value-for-money tests are the same as for other forms of collaboration. The particular areas, apart from control rooms, where purchasing partnerships with local emergency services might bring greater benefits than others are:

- accommodation provision and property maintenance;
- fleet maintenance;
- driver training; and
- finance and personnel services.

72. The likelihood is that collaboration with police forces or ambulance trusts as well as other partners could generate savings, particularly for non-specialist vehicles and uniforms. The experiences of the Invest to Save¹ pilot bidders suggests that joint initiatives have a catalytic effect and stimulate an environment where sharing resources is always an option (Ref. 20).

Partnerships with procurement consultants and suppliers

73. In principle, there is no reason why the fire service could not collaborate with commercial organisations that have similar supply requirements. These might include heavy industry or security companies requiring protective equipment and uniforms, or haulage companies that run fleets of HGVs. In practice, collaborative purchasing between organisations that are predicated on making profits for shareholders and those set up to protect the public may be too ambitious, particularly given the tendering constraints imposed on the public sector.

74. The more likely form of public/private partnership for fire authorities involves the transfer of certain functions from client to contractor/supplier/consultant, in return for a fee or a share in any savings. A number of police forces and health trusts use specialist consultants to negotiate tariff reductions with electricity companies or to secure rating revaluations. Normally the consultant would charge a small retainer and around 25 per cent of the savings to the client (Ref. 21). Suppliers to the fire service are eager to move to partnering, taking responsibility for technical evaluations and ensuring legislative

¹ The Invest to Save budget has funded a range of projects that bring together two or more public service bodies to deliver services in a joined-up fashion.

compliance. Partnering also allows flexibility in pricing where the contractor can be rewarded for continuous improvement but the client can also benefit from refunds, for example, by extending the life of a piece of equipment through careful use.

75. A number of brigades have chosen to employ a specialist procurement consultancy as best value partner. This company is able to provide not only an independent professional assessment of the brigades' current approach to procurement but also offers access to more cost-effective supplies [CASE STUDY 13]. There are of course risks associated with partnering as with any other form of outsourcing, and fire authorities will need to decide whether it is appropriate for any or all of its main procurement areas [BOX E, overleaf].

CASE STUDY 13

Procurement consultants as partners to fire authorities

A commercial consultancy has been engaged by nine fire authorities to undertake purchasing reviews including benchmarking of purchasing processes and contracts. The reviews evaluate purchasing policy, supplier relationships and purchasing structures. The benchmarking exercise assesses where each authority sits against industry good practice norms in respect of:

- reporting mechanisms;
- planning;
- strategic initiatives;
- roles and responsibilities;
- internal customer interfaces;
- communications and IT;
- stocks and stores;
- dealings with suppliers; and
- record keeping.

Price benchmarking has shown the potential for significant savings through more effective procurement, for example, one authority obtained gas and electricity through the county council's contracts. The consultant calculated that competitive tendering by the fire authority should achieve savings of 10–15 per cent.

The consultant has access to a wide range of competitive call-off contracts for supplies such as office equipment, fuel and uniforms, secured on behalf of other high-volume clients. Through their partnerships with the consultant, fire authorities are also beginning to tap into these contracts.

Source: Audit Commission fieldwork

BOX E

Potential benefits and risks of partnering

Benefits	Risks
Responsibility for researching legal compliance requirements shifts to partner	Brigade relinquishes direct control of health and safety specification
Partner handles all third party/subcontractor issues	Partner may be less concerned about sub-contractor's approach to equalities or ethical procurement
Partner's commercial and professional skills	Partner steers brigade only towards service options that they can provide
Skills and knowledge transfer between brigade and partner	Brigade loses some intelligent client skills
Partner's access to markets and networks	Partner's limited knowledge of fire service culture
Brigade resources can be refocused on operational priorities	Long contract tie-in period
Partner can be held accountable for poor performance	Cost of partner's overhead and profit margin

Source: Audit Commission

Purchasing structures

76. Organisations rarely have the luxury of determining their strategic objectives and then putting in place management structures designed to deliver those objectives. Authorities that decide better value can be obtained from outsourcing or from greater involvement in collaborative purchasing then have the challenge of adapting existing structures to complement that new approach. Even if authorities opt for a strategic status quo, a best value review of procurement ought to assess the capacity of the management structure to implement the strategy. This evaluation should be driven by two key considerations:

1. Who will act as intelligent client in the procurement process?
2. Should purchasing decisions be delegated and if so, how?

The intelligent client in procurement

77. Brigades need to act as informed, intelligent clients if they are to obtain value for money from their suppliers or contractors [EXHIBIT 21]. Ideally, all those involved in the procurement chain will take on some of these responsibilities, but chief fire officers will want assurance that a designated individual or team is charged with ensuring that:

- services and products are clearly specified and service levels defined with scope for change without undue penalty;
- risks are properly assessed and fairly allocated between the brigade and the supplier;
- the end users – that is, operational and support staff – are recognised as the customers;
- the principle of continuous improvement is central to the agreement between the various stakeholders; and
- all staff involved in procurement receive appropriate training.

78. One of the most important functions of the purchasing structure is to inform decision-makers about the performance of contractors and suppliers. The intelligent client is responsible for ensuring that contracts enable performance against targets and standards to be properly

EXHIBIT 21

The role of the intelligent client in procurement

Brigades need to act as informed, intelligent clients if they are to obtain value for money from their suppliers or contractors.



Source: Audit Commission adapted from 'Effective Facilities Management' NAO/FEFC, 1998 (Ref. 22)

documented and monitored. Access to this information, coupled with management information about relative consumption by each station or command area, should give chief officers confidence to devolve decision making and budgetary responsibility without losing control.

Why delegate?

79. The way in which the role of the intelligent client is exercised is closely linked with a brigade's strategy for devolving financial and purchasing responsibility. In 1995, the Commission recommended that brigades should delegate budgetary control in line with operational responsibility in order to facilitate:

'Quicker decisions; greater sense of involvement at lower levels; senior management time freed for other issues; savings through better targeted spending' (Ref.1).

Five years later, evidence suggests that the fire service remains to be convinced. The principal arguments against the delegation of spending decisions to operational managers continue to be:

- the difficulties of protecting corporate interests; and
- diverting scarce and valuable operational resources into time-consuming administration.

80. The weaknesses observed in current practice are that the budgets that are delegated to divisions or stations are rarely large enough to justify the administrative costs of delegation; and existing financial management and purchasing systems impede the effective implementation of delegated spending. When considering whether or how much to delegate purchasing power, brigades might take note of the key criteria recommended to police forces for successful schemes [BOX F].

BOX F

Prerequisites of successful delegation schemes

- Clear roles and accountabilities.
- Specific objectives and quantified targets, set out in a plan.
- Measurable performance indicators to monitor performance.
- Safeguards against excessive bureaucracy.
- Appropriate financial autonomy, for example, on virement and carry forwards.
- Clear authorisation levels for prior approval of expenditure on individual items above a predetermined value.
- Ground rules about how and where purchases can be made.
- Policy guidelines and force standards in areas such as personnel.

Source: Audit Commission (Ref. 23)



4

The Way Forward

The Audit Commission's fieldwork and analysis has found some wide variations in procurement practice across the fire service, and has identified a number of areas in which there is scope for improvement and the achievement of better value for money. The Commission's conclusions are summarised in this chapter, along with a number of recommendations for fire authorities as a whole, chief fire officers and procurement officers in particular, and for the Home Office.

Overall assessment of procurement in the fire service

General

81. The Commission's analysis showed that in most areas of procurement there are significant variations between brigades against standard cost and volume indicators. For the most part these variations cannot be explained by:

- type of authority;
- CACFOA region; or
- Home Office family group.

82. No brigades performed well in all areas. Some brigades visited were making good progress in developing a professional approach to procurement. However, frontline staff in these brigades were no more satisfied with the equipment provided to them than those in brigades that had made only limited strategic progress.

83. There is therefore no clear explanation of how and where good practice occurs. Best value reviews should address this as brigades will need to track their performance through all stages of the procurement process and to identify how they will improve in the weaker areas.

Procurement strategy

84. Considerable management time is devoted to the procurement of fire appliances and operational equipment but there is little strategic focus to the procurement of non-operational goods and services. This is despite the fact that these services represent 50 per cent of a fire authority's non-staff expenditure. Although the prioritisation of operational purchases is to be commended, the procurement of costly support services should also receive corporate attention.

85. To achieve best value in procurement, the fire service will need to challenge how the procurement function is delivered – currently only 13 per cent of authorities have outsourced the function. Few fire authorities delegate financial responsibility to local managers. This limits their capacity to target spending on goods and services more effectively. It also limits the potential to control usage.

Procurement processes

86. The use of modern supplies management techniques is limited, with too much capital still tied up in stores. This appears to be due to a lack of awareness of the alternative means of supply for items such as clothing and consumables. Because there is minimal monitoring of the performance of contractors and suppliers or of procurement activity, fire authorities are currently unable to judge whether or not they are obtaining value for money in procurement.

Potential for efficiency savings

87. To satisfy the PSA requirement for 2 per cent efficiency savings (Ref. 2), the fire service in England and Wales needs, in broad terms, to save around £36 million per annum in total. For the non-staff cost areas looked at in this report 2 per cent savings would represent around £5.5 million. This would appear to be achievable through a combination of a reduction in the procurement overhead and in more efficient procurement of key commodities such as fuel, energy and clothing within individual brigades. Greater savings should be possible if the service could realise the potential administrative economies that should come from collaborative purchasing. Collaborative initiatives by the police and by some fire authorities indicate that the cost of uniforms could be substantially reduced.

Potential for collaboration

88. Although one-half of fire authorities now procure appliances through consortia and 86 per cent of brigades use purchasing agencies for some general commodities, there is considerable scope for increased collaboration to purchase uniforms and operational equipment.

89. More standardisation of specifications would facilitate greater partnership purchasing, but this continues to be inhibited by personal and local preferences. As CACFOA is not yet able to co-ordinate procurement activity nationally, it has limited capacity to eliminate these obstacles to collaboration.

90. These concerns must be addressed in the current series of best value reviews examining the procurement function. Procurement is an essential activity to the delivery of an efficient and effective fire service. The Audit Commission's research has identified a series of challenges for all those involved. These recommendations are echoed in the Commission's companion Good Practice Guide to this report, which is designed to help fire authorities to carry out their best value reviews.

R E C O M M E N D A T I O N S



A Uniform Approach

Fire authorities should:

- 1 Ensure that their BVRs of procurement include a review of the overall approach to procurement across all functions of the brigade.
- 2 Ensure that BVRs are sufficiently challenging of current practice by involving reviewers who are independent of the authority's internal procurement function.
- 3 Encourage officers to work with other brigades and other partners to increase purchasing power and to secure efficiencies in procurement.
- 4 Work with elected members in other authorities to eliminate any policy differences that prevent standardisation in procurement.

Chief fire officers should:

- 6 Develop a strategic approach to the procurement of all goods and services needed by the brigade.
- 7 Work with other brigades and other partners at a strategic level, to increase purchasing power and to secure efficiencies in procurement, locally and nationally and work with other stakeholders to develop a national procurement strategy for the fire service.
- 8 Work with members and with other chief officers to eliminate any differences of style that prevent standardisation and economy in procurement.
- 9 Consult with frontline staff about their requirements for goods and services that can optimise operational efficiency and ensure that diversity issues are addressed.
- 10 Reduce the amount of time spent by uniformed staff in the procurement process, confining their input to giving expert guidance on operational needs.
- 11 Invest in the technology necessary to streamline procurement systems and procedures and to provide useful performance information.
- 12 Ensure that procurement functions are carried out by staff or contractors who are competent to act as 'intelligent clients' and provide training to ensure that procurement staff are kept up to date with industry best practice.
- 13 Monitor procurement performance against a set of key cost and quality indicators.
- 14 Control demand for goods and services through effective delegation and the monitoring of usage.

R E C O M M E N D A T I O N S

A Uniform Approach

Fire service procurement officers should:

- 15** Work with procurement officers in other brigades and other partner organisations to share good practice, to increase purchasing power and to secure efficiencies in procurement, locally and nationally.
- 16** Consult with frontline staff about their requirements for goods and services that can optimise operational efficiency.
- 17** Regularly benchmark procurement performance against a range of price, quality and efficiency measures, and set targets to deliver continuous improvement in the services provided.
- 18** Develop positive and constructive relationships with contractors and suppliers, ensuring that performance is regularly monitored, that quality issues are dealt with promptly and that supply chain costs are minimised.
- 19** Tailor procurement procedures to the value and importance of the purchase, opting for outcome specifications and longer term contracts wherever feasible.
- 20** Work always in support of the brigade's core operations, consulting with staff, and other stakeholders where appropriate, to ensure that the right tools for the job are available when needed.

The Home Office should:

- 21** Discuss with CACFOA and other stakeholders the potential for a national procurement strategy including centralised trialling and evaluation of operational equipment, in order to eliminate the need for this work to be replicated in every brigade/consortium.
- 22** Assist the fire service to develop a standard specification for a uniform and PPE, procured under a national contract and available to each fire authority through a call-off contract.

Appendix A

Fieldwork sites and advisory group members

Brigades visited

Devon Fire and Rescue Service
Greater Manchester County Fire Service
Humberside Fire Brigade
London Fire Brigade
Northampton Fire Service
South Wales Fire Service
Suffolk Fire Service

Members of the advisory group

Alan Doig, Chief Fire Officer, Staffordshire Fire Service
Eddie Guy, Head of Fire Policy Unit, Home Office
Kate Francis, Group Head, Fire and Emergency Planning, LGA
Peter Jones, Head of Best Value and Resources Section, Fire Policy Unit, Home Office
Alan Rule, Her Majesty's Fire Service Inspector
Mike Smith, Executive Council Member, Wales, Fire Brigade Union
Simon Smith, Chief Fire Officer, North Wales Fire Service

Appendix B

Home Office fire service family groups

Groups determined by demographic, topographic and population characteristics, and after consultation with all brigades and with the Fire Service Best Value Forum.

- Group 1:** Cornwall County Fire Brigade
 Gloucestershire Fire and Rescue Service
 Isle of Wight Fire and Rescue Service
 Northumberland Fire and Rescue Service
 Shropshire Fire and Rescue Service
 Somerset Fire Brigade
 Warwickshire Fire and Rescue Service
- Group 2:** Bedfordshire and Luton Fire and Rescue Service
 Royal Berkshire Fire and Rescue Service
 Buckinghamshire Fire and Rescue Service
 Cambridgeshire Fire and Rescue Service
 Dorset Fire and Rescue Service
 County Durham and Darlington Fire and Rescue Brigade
 East Sussex Fire and Rescue Service
 Norfolk Fire and Rescue Service
 Northamptonshire Fire and Rescue Service
 Oxfordshire Fire Service
 Suffolk Fire Service
 West Sussex Fire and Rescue Service
 Wiltshire Fire Brigade
- Group 3:** Cumbria Fire and Rescue Service
 Devon Fire and Rescue Service
 Hereford and Worcester Fire Brigade
 Lincolnshire Fire and Rescue Service
 North Yorkshire Fire and Rescue Service
 North Wales Fire Service
 Mid and West Wales Fire and Rescue Service

- Group 4:** Avon Fire Brigade
Cheshire Fire Brigade
Cleveland Fire Brigade
Derbyshire Fire and Rescue Service
Essex Fire and Rescue Service
Hampshire Fire and Rescue Service
Hertfordshire Fire and Rescue Service
Humberside Fire Brigade
Kent Fire and Rescue Service
Lancashire Fire and Rescue Service
Leicestershire Fire and Rescue Service
Nottinghamshire Fire and Rescue Service
Staffordshire Fire and Rescue Service
Surrey Fire and Rescue Service
South Wales Fire and Rescue Service
- Group 5:** Greater Manchester County Fire Service
Merseyside Fire Service
South Yorkshire Fire Service
Tyne and Wear Metropolitan Fire Brigade
West Midlands Fire Service
West Yorkshire Fire Service
London Fire Brigade

Appendix C

Calculation of performance indicators used in this report*

Performance Indicator	Calculation
Percentage of procurement outsourced (Exhibit 10)	$\frac{\text{Cost of SLAs/contracts per annum}}{(\text{Total revenue spend on goods and services}) + (\text{Total capital spend})}$
Cost of procurement personnel per staff member (Exhibit 14)	$\frac{\text{Procurement personnel costs per annum}}{\text{Total strength full time equivalent (FTE)}}$
Number of requisitions per staff member (Exhibit 15)	$\frac{\text{Number of requisitions per annum}}{\text{Total strength FTE}}$
Annualised whole-life procurement costs of an appliance (Exhibit 19)	$\frac{\text{Appliance base cost} + (\text{Personnel costs of round}) + (\text{Consortia} + \text{Consultancy fees})}{\text{Number of appliances procured in procurement round}} = \text{Purchase cost per appliance}$ $\frac{\text{Purchase cost per appliance}}{(\text{Service life of appliance in years}) + (\text{annual maintenance costs per appliance})} = \text{Cost per appliance per annum}$

* These calculations relate to data collected in the Audit Commission Survey

Appendix D

Examples of behaviours of 'excellent' procurement organisations (adapted from the European Excellence Model – Ref.16)

Leadership

- Procurement is regarded as a strategic activity by the authority and senior management.
- Procurement managers take a leading role in ensuring that procurement management systems and processes are effective and efficient. They continually seek to make improvements in order to enhance procurement's contribution to the overall organisation's strategic objectives.
- Managers of excellent organisations ensure that there are well-established co-operative relationships with customers, suppliers, other stakeholders and relevant outside bodies in order to ensure that the service provided meets their needs and is continuously improved.

Policy and strategy

- Excellent organisations recognise the value of involving procurement at an early stage in the development of policy and strategy. Equally, procurement policy and strategy should take account of customer and stakeholder current and future needs.
- Excellent procurement organisations use analysis of their own performance, market research, developmental work, and lessons learned from previous activities to guide policy and strategy development. They are able to monitor and measure the effectiveness of their policies and strategies and their contribution to the mission, values and effectiveness of the overall organisation.

People

- Procurement resources need to be flexible to handle widely differing demands – from strategy development and input at authority level to detailed and technical negotiation with suppliers. Professional development should be a key consideration and an integral part of people management.
- Excellent organisations provide career development for procurement people that is comparable with other mainstream activities and also ensure that senior managers in all other areas of the organisation have had exposure to procurement activities and needs. Performance, compensation and recognition of individuals and teams are linked to quality and performance objectives.
- Teams and individuals are encouraged to be proactive in their dealings with customers and suppliers, actively engaging with them through visits, open days, seminars etc to explore and identify needs and effective working practices.

There needs to be close liaison between procurement staff and other parts of the organisation, and in many cases the creation and operation of cross-functional teams.

Partnerships and resources

- The use of e-commerce may lead to a reduction in procurement costs and to the ability of end users to have direct access to suppliers while retaining appropriate controls and achieving value for money.
- Procurement staff provide a key link with the outside world. As such, they are a prime conduit for information and knowledge flowing both ways.

Processes

- Procurement processes have to satisfy the needs of end users, suppliers, the finance division, auditors and procurement staff. They also have to meet wider government drives and initiatives. Key procurement processes should cover not only the purchase-to-pay cycle but the planning and analysis processes that surround the core.
- Procurement staff need to constantly seek ways of adding value while reducing processing costs and cycle times. They should lead in this rather than responding to stakeholders' requests or concerns.

People results

- Everyone involved in procurement should be asked for their perception about what the organisation is achieving in terms of satisfaction. Procurement staff should make their own assessment of employee satisfaction.

Society results

- Procurement staff should look at how they are viewed by the outside world in relation to quality of life, the environment, the preservation of global resources, and internal measures to assess this. 'Society' could be interpreted as those bodies and people with whom the organisation has contact.

Key performance results

- Performance will be demonstrated through the results achieved, positive trends and comparison/benchmarking with other organisations. The two main areas that performance should be demonstrated in procurement are (i) the efficiency of the procurement operation, its running costs and ability to show year-on-year efficiencies; and (ii) the benefit it is bringing to the organisation as a whole.

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Procurement involves all of the activities related to the acquisition of goods or services from third parties, from the initial identification of need, to the end of the useful life of the asset or the end of a service's contract. In 1999/2000, procurement by the fire service in England and Wales amounted to some £300 million, with the vast majority of this expenditure relating to supplies and services, premises and transport.

While some brigades are making progress in developing a professional approach to procurement, the application of good practice is inconsistent. There are significant variations between brigades both in the way in which they procure goods and services, and their expenditure in these areas. The procurement of routine, non-operational goods and services lacks a strategic approach, even though such items make up around 50 per cent of a brigade's non-staff expenditure.

Collaboration between brigades for the procurement of some high-value and strategically important items (such as fire appliances) has increased, and purchasing consortia are becoming more widely used. However, there remain local barriers to standardisation that are impeding collaborative purchasing. Benchmarking is focused on initial purchase prices, with little consideration being given to the whole-life costs of procurement that provide a more accurate indication of value for money.

The report makes a number of recommendations to fire authorities, chief fire officers, procurement practitioners and the Home Office on how services can be improved, and presents case studies to illustrate some current examples of procurement both within and outside the fire service. It sits alongside a good practice guide, designed as a self-help tool for those working on all aspects of fire-service procurement.

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