

AGENDA ITEM:

<b>REPORT TO:</b>	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY MEETING</b>
<b>DATE:</b>	<b>30<sup>TH</sup> SEPTEMBER 2010</b>
<b>REPORT NO.</b>	<b>CFO/140/10</b>
<b>REPORTING OFFICER:</b>	<b>ASSISTANT CHIEF EXECUTIVE &amp; TREASURER</b>
<b>CONTACT OFFICER:</b>	<b>SHARON WHITWORTH, DIRECTOR OF PROCUREMENT, EXTN. 4556</b>
<b>OFFICERS CONSULTED:</b>	
<b>SUBJECT:</b>	<b>FIREBUY - NATIONAL AUDIT OFFICE 'VALUE FOR MONEY' REPORT</b>

**THERE ARE NO APPENDICES TO THIS REPORT**

Purpose of Report

1. To request that Members note the recommendations of this report relating to the National Audit Office (NAO) 'Value for Money' report in respect of Firebuy.

Recommendation

2. That Members note the report.

Executive Summary

Firebuy is the national body established by the Department of Communities & Local Government (CLG) as the specialist procurement agency for the 46 Fire & Rescue Services (FRS) in England. It has developed a number of national framework agreements which specify the terms and prices under which FRS's can purchase items from a shortlist of chosen suppliers. These agreements aim to reduce duplication, and reduce prices for each FRS.

The National Audit Office (NAO) have reviewed the operation of Firebuy and their report assesses whether the current operation of Firebuy is reducing the public sector cost of FRS procurement of specialist equipment, and therefore helping Merseyside Fire & Rescue Authority (MFRA) to ensure value for money via the use of these contracts.

The NAO's report raises a number of significant concerns and concludes that Firebuy currently represents poor value for money.

## Key Findings

3. The NAO report has a number of findings in respect of the way Firebuy operates and the benefits and efficiencies it has delivered to FRS's to date. These are briefly outlined below:
- CLG have not exercised sufficiently clear leadership, direction or oversight of Firebuy to ensure that it achieved its original objectives, and a strategic review carried out in 2009 which found that it was cost effective to continue to retain Firebuy was based on incomplete evidence.
  - Establishing and running Firebuy's contracts has cost the taxpayer nearly £17 million to date, although £6.5 million of this cost has arisen as a result in a legal challenge in respect of the Integrated Clothing Project contract award. Even if this £6.5 million is excluded from the calculations, costs still exceed the total of claimed savings and income.
  - The portfolio of contracts offered by Firebuy is not based on sound analysis of demand, and Firebuy lacks relevant management information for effective decision making.
  - The agreed approach to develop framework contracts which allow bespoke procurement is flawed, and to achieve greater cost efficiencies the contracts should focus on delivering common equipment type specifications.
  - Firebuy's running costs are high (30-35% of total cost base) compared with the private sector (25%), and this is primarily due to their staff grading mix.
  - Firebuy's approach to measuring the procurement savings achieved by FRSs is inadequate. The information that does exist is mostly unreliable because it is based on suppliers estimates that have not been validated, or because they have compared the framework costs to an inflated open market price.

The NAO concluded that '***the continued operation of Firebuy in its current form represents poor value for money***' and has made the following recommendations;

- CLG should assess whether continuing with a nationally directed central procurement body is sensible. If the outcome of this assessment is that it is – there needs to be work undertaken to determine whether to change the way the Firebuy works to ensure it becomes more effective or whether it would be more beneficial to transfer these operations to another buying organisation or an FRS with sufficient capacity.

- If national procurement is the preferred option CLG needs to ensure ;
  - New contracts have limited numbers of suppliers and common specifications for each equipment type.
  - All FRS's are mandated to use the contracts
  - A robust and auditable process is in place for identifying and measuring savings, with arrangements for independent validation.

Firebuy have issued a press release in response to this report which states that they are keen to work with both the Government and FRS's to identify how greater efficiencies and cost savings can be achieved in future, although they don't state how they intend to do this.

As the Director of Procurement is the nominated Regional Representative on the National Procurement Board, MFRA are well placed to contribute to the discussions in respect of the future of national procurement over the forthcoming months.

In addition, and as a result of the well established joint Procurement partnership between Merseyside and Lancashire Fire & Rescue Authorities will continue to work closely to ensure the continued delivery of Value for Money for the Authorities.

#### Equality & Diversity Implications

4. None identified.

#### Financial Implications & Value for Money

5. The NAO conclude that FRSs are not currently getting value for money from Firebuy and that a review needs to be undertaken to assess whether it is appropriate to continue with a nationally directed central procurement arrangement.

MFRA currently purchases a limited number of commodities such as appliances and smoke detectors using the available FireBuy framework contracts. Other commodities such as personal protective equipment are purchased utilising MFRA contracts and alternative group purchasing agreements – for example the very successful NW Framework contracts.

#### Health & Safety and Environmental Implications

6. None identified

#### Contribution to Achieving the Purpose:

“To Make Merseyside a Safer, Stronger, Healthier Community”

The effective procurement of appropriate goods and services for operational use will directly contribute to making Merseyside a safer community.

## **BACKGROUND PAPERS**

In the Line of Fire (Audit Commission), 1995

Home Office Review, 1997

A Uniform Approach (Audit Commission), 2001

White Paper 'Our Fire & Rescue Service' (Office of the Deputy Prime Minister), 2003

Specialist Fire & Rescue Service procurement (Cap Gemini Ernst & Young/The Improvement & Efficiency Agency), 2004

Rising to the Challenge (Audit Commission), 2008