



National Audit Office

**REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL**

**HC 285  
SESSION 2010–2011**

**23 JULY 2010**

---

**Department for Communities and Local Government**

Reducing the cost of procuring  
Fire and Rescue Service vehicles  
and specialist equipment

# Summary

- 1 The 46 local Fire and Rescue Services in England spend between them about £120 million each year on specialist equipment, such as fire engines, protective clothing and breathing apparatus. Better procurement practice including standardised equipment specifications and more collaboration between Fire and Rescue Services could significantly reduce these costs without affecting the service to the public.
- 2 The Department for Communities and Local Government (the Department) is responsible for encouraging better procurement practice within the Fire and Rescue Service, including greater collaboration. The Department established an arms-length body – Firebuy Ltd. – to act as a specialist procurement agency. Firebuy has developed a number of national framework agreements which specify the conditions and prices under which Fire and Rescue Services can purchase items from a shortlist of chosen suppliers. These central agreements aim to reduce duplication of effort across Fire and Rescue Services, reduce prices, and improve consistency of service.
- 3 Our report assesses whether the current operation of Firebuy is reducing the public sector cost of Fire and Rescue Service procurement of specialist equipment.

## Key findings

- 4 A number of Fire and Rescue Services and suppliers told us that Firebuy has contributed to bringing more discipline and professionalism to Fire and Rescue Service procurement activities. However, without the Department using its powers to make local Fire and Rescue Services use Firebuy's national procurement contracts, Firebuy must rely on persuasion. This puts Firebuy in a difficult position and progress has been slow: only five out of the fifteen contracts it has developed are used by more than half of the 46 Fire and Rescue Services. While in part this is due to some long-lived equipment not being ready for renewal, in many cases individual services continue to choose other procurement routes. The portfolio of contracts is not based on sound analysis of likely demand, and Firebuy lacks sufficient information to enable it to target and persuade Fire and Rescue Services to use its contracts.
- 5 The Department and Firebuy's agreed approach to developing framework contracts that will be attractive to local Fire and Rescue Services is flawed. The focus on common output based functions in contracts without common equipment type specifications, in combination with the inclusion of many suppliers within the frameworks, works against achieving high volume orders and discounts from suppliers, and allows Fire and Rescue Services to continue unnecessarily expensive bespoke procurement.

**6** Establishing and running Firebuy's procurement contracts has cost the taxpayer almost £17 million to date, nearly double their resulting claimed savings and income combined. The Department and Firebuy believe that £6.5 million of costs relating to a legal challenge should be excluded from a cost/savings comparison. If excluded, however, costs still exceed the total of claimed savings and income. Firebuy's forecasts of future income and savings are unrealistic and the set-up and running costs of the procurement contracts as a whole are unlikely to be met over their lifetime. Firebuy's running costs are relatively high compared with those in the commercial world, because of the top heavy nature of its staff grading mix.

**7** The Department has not exercised sufficiently clear leadership, direction and oversight of Firebuy to ensure it achieved its original objectives. The Department's irresolution over the future of the body in 2008 and 2009 created uncertainty, which further undermined Firebuy's capacity to persuade Fire and Rescue Services to use its contracts. A strategic review by the Department, which concluded in 2009 that it was cost effective to continue to retain Firebuy, was based on incomplete savings and cost evidence.

**8** In the absence of significant income from supplier commissions through use of its contracts within the Fire and Rescue Service, the Departmental push for Firebuy to cover its costs has led Firebuy to chase business from other parts of the public sector such as the Prison Service, and compete with other public sector buying consortia, and as a result lose focus on its original objectives. However, Firebuy continues to be heavily reliant on grants from the Department to finance its operations.

**9** Firebuy's approach to measuring the procurement savings achieved by the Fire and Rescue Service in using its contracts is inadequate. Firebuy does not know the scale of contribution made by its contracts to overall procurement savings within the Fire and Rescue Service. This gap in knowledge further works against its policy of persuading local Fire and Rescue Services of the benefits of its contracts.

## **Conclusion on value for money**

**10** The continued operation of Firebuy in its current form represents poor value for money. Firebuy has cost the taxpayer nearly twice as much to set up and run as the savings it claims to have helped local Fire and Rescue Services to deliver, and the cost of setting up and running the current frameworks are unlikely to be recouped over their lifetime.

**11** The Department and Firebuy's agreed approach to setting up framework contracts acts against maximising savings in Fire and Rescue Service procurement. The contracts have no common specifications and involve many suppliers, so that they allow expensive bespoke equipment to be procured, while preventing suppliers offering lower prices through high volume orders. Firebuy's weak methodology for measuring realised savings from its activities further undermines its credibility and effectiveness.

## Recommendations

- a** The current approach taken by the Department and Firebuy is not delivering necessary savings in Fire and Rescue Service procurement in a cost effective way. The Department should therefore quickly assess whether continuing with a nationally directed central procurement body is sensible. If it concludes that it is, the Department should assess how best to change the way Firebuy works to enable delivery of maximum savings cost effectively. If not, it should transfer Firebuy's operations to another Professional Buying Organisation, such as Buying Solutions, or to a Fire and Rescue Service with sufficient capacity.
- b** If it decides to continue with a nationally directed central procurement arrangement, the Department should ensure the procurement follows best practice, by:
  - establishing new contracts with limited numbers of suppliers and common specifications for each equipment type;
  - mandating Fire and Rescue Services to use the contracts; and
  - putting in place a robust, auditable and comprehensive mechanism for identifying and measuring savings generated and introducing arrangements to independently validate measurements made.
- c** The Department should also consider for non-fire specific equipment types, such as fire extinguishers and smoke alarms, alternative arrangements for provision such as Buying Solutions.