New Dimension Long Term Maintenance Contract Costs

Issued by:
Fay Sowerby
New Dimension Policy Advisor

Addressed to:
The Chair of the Fire and Rescue Authority
The Chief Executive of the County Council
The Clerk to the Fire and Rescue Authority
The Clerk to the Combined Fire and Rescue Authority
The Commissioner of the London Fire and Emergency Planning Authority
The Chief Fire Officer

Please forward to:
Directors of Finance
Members of the Transport Officers Group (TOG)
FRS Engineers

Summary
As part of the long term strategy for New Dimension Communities and Local Government (CLG), through Firebuy Ltd, has procured a long-term maintenance contract for New Dimension equipment and vehicles. This Circular provides information in respect of the costs deriving from this contract.

For further information, contact:
Fay Sowerby
New Dimension Policy Advisor
Regional Resilience and Emergency Response
Fire and Resilience Directorate
Zone 1/D2, Ashdown House
123 Victoria Street
London, SW1E 6DE

Direct line 020 7944 3769
Fax 020 7944 5599
E-mail Fay.Sowerby@communities.gsi.gov.uk
Website www.communities.gov.uk
1.0 Background
1.1 Fire Service Circular (FSC) 26/2007 provided information on the New Dimension Long Term Capability Management (LTCM) project, which is responsible for putting in place management structures and systems to maintain the New Dimension capabilities in the long term. That Circular detailed the key aspects of the LTCM proposals including that CLG would procure a 16-year national contract for maintenance and servicing to provide Fire and Rescue Authorities (FRAs) with a value for money solution for maintaining their New Dimension vehicles and equipment, in line with national resilience and interoperability requirements. The Circular also noted that Firebuy Ltd would be the contracting authority for this contract on behalf of CLG.

1.2 Following the completion of the procurement process and the evaluation of bids received, FSC 29/2008 announced that VT Critical Services (VTCS) had been awarded the £100m maintenance contact. This was closely followed by FSC 36/2008 which confirmed that the contract between VTCS and Firebuy had been signed. Full service commencement of the contract began on 1 October 2008.

1.3 The services provided by this contract are accessed through the Terms of Access. CLG, as the current owner of the New Dimension assets have initially signed the Terms of Access to ensure that the vehicles and equipment are maintained from the contract’s commencement. However, as FRSs will be aware, we envisage that the ownership of New Dimension capability will be transferred to those FRAs hosting the assets as soon as possible. It will be a condition of the transfer of assets that Fire and Rescue Services (FRSs) will use the maintenance contract and hence, each FRA will, at that time, need to individually enter into the Terms of Access themselves. (For further information on the proposed transfer of assets please refer to FSC 51/2007 and 36/2008).

1.4 CLG has also recognised that FRAs need continued funding to support the ongoing delivery of New Dimension capabilities, both whilst CLG retain ownership of the vehicles and equipment and once ownership has transferred to FRAs. On this basis FSC 36/2008 set out the Department’s funding allocation for New Dimension amounting to £80m over the next three years. This includes over £22m this financial year, which FRAs should expect to receive later in 2008.

1.5 Following this confirmation of funding for New Dimension more generally, this circular clarifies the position surrounding costs associated with the LTCM maintenance contract.

2.0 LTCM Maintenance Contract Costs
2.1 CLG has committed to paying the fixed costs of the contract relating to routine maintenance and servicing to ensure that the equipment and vehicles are ready to respond to a major (level four) incident. Whilst New Dimension assets remain in the ownership of CLG we will pay the fixed monthly costs directly to VTCS. However once the New Dimension assets are transferred to the FRAs, and the FRAs have themselves signed up to the contract through the Terms of Access, FRAs will be responsible for arranging the monthly payment directly. From this point, CLG will continue to fund FRAs for this cost through annual section 31 grants.
2.2 In addition to the fixed costs there are however variable costs that the contractor can charge. These relate to four separate areas:

A. Charges relating to unfair wear and tear

B. Replacement of consumables

C. Charges relating to VTCS support at major incidents

D. Payment adjustments

A) Unfair Wear and Tear

2.3 The term unfair wear and tear refers to a vehicle or item of equipment becoming non-serviceable as a result of the action or inaction of the FRS, to the extent that the relevant item has to be changed prematurely or fixed due to breakage, damage or accelerated wear.

2.4 As an example, items that this category covers:

- lenses, mirrors, number plates, body panels including wings, mud flaps, upholstery and seating and other internal parts and fittings; fitted operational equipment – pumps, masts, radios etc

- brake components, body panels and transmission systems due to vehicle bottoming on soft ground

- engine and transmission repairs due to the failure of the FRA to comply with the FRA responsibilities in relation to routine checks, maintenance and the like

- all costs associated with the FRA losing keys or other items from the vehicle inventory

- all costs associated with repairs to fuel systems due to filling vehicle or equipment tanks with the wrong type of fuel

- misuse or careless use of equipment during FRS training or operational incidents

- driver error accidents.

2.5 New Dimension equipment and capability has been provided to FRSs to enable them to respond to significant national incidents. Whilst CLG have encouraged FRSs to also use this equipment in response to their own day to day business, it is not for CLG to fund the repair or replacement of equipment used or damaged in local incidents where FRSs choose to use it. In summary, and consistent with maintenance and repair arrangements for FRAs’ own vehicles and equipment more widely, it will be expected that where damage to New Dimension assets occurs during a local incident or as a result of an act or omission by an employee of an FRA or some person or body acting on the FRA’s behalf, that the costs of remedy or repair should be borne by that FRA. Based on the experience of New Dimension to date and given the generally good governance of the FRS, it is unlikely that charges of this nature will be frequent or of a substantial amount per FRA.
2.6 On an exceptional basis, CLG will cover the cost of unfair wear and tear up to 1 April 2009, although we reserve the right to recharge an FRA where the case involves substantial or disproportionate costs, or where costs are of an unnecessarily repetitive nature. CLG will, over forthcoming months, be developing a policy of recharging FRAs for the costs associated with unfair wear and tear which will come fully into force in 2009/10. If however, by this time FRAs have entered the LTCM maintenance contract themselves as a result of the transfer of assets, FRAs will be charged the variable cost by VTCS directly.

B) Consumables

2.7 In FSC 36/2008, CLG committed to meeting on-going costs for New Dimension including that of consumables over the next three years. To date, CLG have paid section 31 grants for consumables in relation to USAR elements of wood, oxygen, and local training facilities, all of which FRAs source locally and are not provided under the terms of the LTCM Maintenance contract. These grants will continue.

2.8 For all other consumable items the original intention was that the Department would grant fund these also. However, as transfer of assets has not yet occurred, the Department now intends to pay the contractor directly for these other consumables. This is because it is a requirement of the contract that VTCS ensures all New Dimension equipment and vehicles returned to a FRS after maintenance or inspection are fully kitted out including the replacement of any missing consumable items. Additionally the FRS can request a supply of consumables from VTCS. As above for unfair wear and tear, the caveat applies that where costs for consumables are disproportionate or overly repetitive, we would look to recharge the FRA. A list of the average amount of consumables that CLG would expect to be used by FRAs per annum (mainly related to training for level 4 incidents) is attached to this circular as Appendix A.

2.9 At the point when FRAs access the maintenance contract themselves and are charged directly by VTCS for replacement of consumables, CLG will introduce a section 31 grant to ensure that FRAs can keep the equipment adequately stocked with consumables.

2.10 In summary: FRAs will continue to receive grants for USAR wood, oxygen and local training facility consumables. This year, FRAs will not receive grants for other consumables – CLG will pay the contractor directly. FRAs will therefore see no change from the procedure used previously, with CLG paying directly for such consumables. When FRAs access the maintenance contract themselves, they will be charged directly for other consumables, and funded through a section 31 grant.
C) Support at major incidents

2.11 Ready availability of this type of support has been incorporated into the LTCM maintenance contract to ensure that in the event of a level four incident requiring a significant New Dimension response, VTCS can focus its resources in providing the necessary aid to that incident - for example, whether it be through the provision of consumables or applying additional resources to maintain the equipment required at the scene of the event, as well as maintaining its focus on routine maintenance.

2.12 Once the transfer of ownership has been undertaken and FRAs have entered the maintenance contract through the Terms of Access, this support provision will be requested by an Incident Commander or other duly authorised FRS manager through Firebuy, who will request the necessary support from VTCS. The exact nature of the support required will need to be determined by the requesting FRS and the costs of providing such support will, in the first instance, fall to the FRA which requested it. Given the nature of the incident where this type of support is expected, it may be that the costs reasonably incurred could be covered within any subsequent claim by the FRA under the Bellwin scheme (given that a Bellwin grant can only be paid to a local authority in respect of additional costs which it incurs itself and could never be paid direct to VTCS). The usual terms and conditions for Bellwin would however apply.

D) Payment Adjustments

2.13 Payment adjustments will be a matter directly for Firebuy and CLG whilst CLG still owns the assets and are governed by the Terms of Access to the maintenance contract. On transfer of ownership this will become an issue for Firebuy and the FRAs. This type of cost is likely to be infrequent and will generally arise as a result of performance review or a formal change control process. Examples include:

- Gainshare, whereby CLG or FRAs may have a percentage share in the financial advantages achieved by the contractor’s performance efficiencies.

- Agreed cost reductions as a result of poor performance by the contractor.

- An increase in cost where, through change control procedures, VTCS is asked to perform a new duty under the contract requiring contract charges to be amended. The CFOA-led National Resilience Assurance Board, will act to ensure that FRAs’ interests are guarded once transfer of assets has taken place.
3.0 **New Dimension Funding and Revenue Support Grant**

3.1 In FSC 32/2007, the Department noted that special grants were normally intended as a short term measure, and it was anticipated that, subject to consultation with local government through the normal process, section 31 grants made under New Dimension would roll into revenue support grant (block grant) when this was feasible. This remains the case, and applies equally to the grants mentioned in this circular.

4.0 **Contract Implementation**

4.1 A series of regional roadshows were undertaken in September, by representatives of Firebuy, VTCS and the National Resilience Assurance Team, to provide FRSs with details of the new maintenance contract, how it will work and what will be expected of the FRSs. Additionally VTCS provided a draft operations manual to all FRS representatives who attended the LTCM roadshows for comment by 25 September. The final operations manual is now available via e-mail and hard copies were circulated to all Fleet Engineers, Operations Managers and the National Resilience Assurance Team Regional Coordinators at the end of September. For further information relating to the VTCS contract and/or the operations manual please contact colette.carrizales@firebuy.gov.uk.

Fay Sowerby

Regional Resilience and Emergency Response