a uniform approach
a good practice guide on fire service procurement
The Audit Commission promotes the best use of public money by ensuring the proper stewardship of public finances and by helping those responsible for public services to achieve economy, efficiency and effectiveness.

The Commission was established in 1983 to appoint and regulate the external auditors of local authorities in England and Wales. In 1990 its role was extended to include the NHS. In April 2000, the Commission was given additional responsibility for carrying out best value inspections of certain local government services and functions. Today its remit covers more than 13,000 bodies which between them spend nearly £100 billion of public money annually. The Commission operates independently and derives most of its income from the fees charged to audited bodies.

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Public funds need to be used wisely as well as in accordance with the law, so today’s auditors have to assess expenditure not just for probity and regularity, but also for value for money. The Commission’s value-for-money studies examine public services objectively, often from the users’ perspective. Its findings and recommendations are communicated through a wide range of publications and events.

For more information on the work of the Commission, please contact: Andrew Foster, Controller, The Audit Commission, 1 Vincent Square, London SW1P 2PN, Tel: 020 7828 1212 Website: www.audit-commission.gov.uk
Using the Guide

The good practice guide tracks the key stages in the procurement process, highlighting good practice points and the core competencies involved.

General Tips for Carrying Out Best Value Reviews

Fire authorities’ approaches to best value reviews vary widely across the service. This chapter offers some general tips and useful references for carrying out best value reviews.

Key Stages Up to Purchase

There are four key procurement stages up to the purchase of goods and services.

Buying and Supplying

The terms of supply contracts and the whole-life costs of supply options are critical in ensuring value for money in procurement.
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Using the Guide

The good practice guide is targeted at procurement practitioners and others involved in procurement activities. It tracks the key stages in the procurement process, highlighting good practice points and the core competencies involved. Users of the guide are also directed to relevant references, legislation, and performance measures, and are provided with a checklist to be completed for each stage.
This guide has been produced to assist fire authorities in carrying out the mandatory best value reviews of procurement that must be completed by April 2002. It is targeted at procurement practitioners and others involved in procurement activities. The guide accompanies the Commission’s national report on procurement, and for comprehensive coverage of the topic readers may wish to refer to both documents [BOX A].

The guide tracks the key stages in the procurement process [EXHIBIT 1]. It highlights good practice points for each stage and the core competencies required of the people involved. At the end of each stage, a checklist enables the authority to assess its progress against the good practice recommendations. References and illustrations (set out in case studies and exhibits in this guide) including cross-references to the national report, are set out for each point, along with relevant performance measures. The references, competencies, performance measures and legislation are numbered in the text and are set out in full in Schedules 1, 2, 3 and 4 respectively. Where relevant, the guide suggests different approaches for different types of fire authority – indicated by ★ in the text – or for operational and non-operational procurement – indicated by ✦.

Good practice points marked within the tables with this symbol indicate where the potential for collaboration with other brigades or agencies should be explored.

---

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.

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BOX A – SUMMARY OF THE CONTENTS OF EACH DOCUMENT

<table>
<thead>
<tr>
<th>NATIONAL REPORT</th>
<th>CHAPTER</th>
<th>GOOD PRACTICE GUIDE</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background and national framework for</td>
<td>1</td>
<td>General best value tips</td>
<td>2</td>
</tr>
<tr>
<td>procurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of the procurement function</td>
<td>2</td>
<td>Good practice points for the pre-purchase phases of procurement</td>
<td>3</td>
</tr>
<tr>
<td>A picture of current practice in the fire</td>
<td>3</td>
<td>Good practice points for the purchase and supply phases</td>
<td>4</td>
</tr>
<tr>
<td>service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The route to a more strategic approach</td>
<td>4</td>
<td>Recommended competency requirements and</td>
<td>Schedules 2 and 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>performance measures</td>
<td></td>
</tr>
<tr>
<td>The Commission’s conclusions and</td>
<td>5</td>
<td>Legislation relevant to fire service procurement</td>
<td>Schedule 4</td>
</tr>
<tr>
<td>recommendations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Audit Commission
EXHIBIT 1

Key stages in the procurement process

Determine need → Project plan → Formulation of specification → Evaluate and decide to purchase in principle → Tender/award contract → Supply → Monitor and evaluate effectiveness → Contract renewal

Source: Audit Commission
General Tips for Carrying Out Best Value Reviews

The Government has specified that the first three years of best value reviews in fire authorities should focus on communications and mobilisation, procurement and training, in that order. Fire authorities’ approaches to best value reviews vary widely across the service, with different levels of expertise and involvement potentially affecting brigades’ abilities to conduct robust and reviews. This chapter offers some general tips and useful references for carrying out best value reviews.
## External references:

- **R1**: DETR, Best Value and Procurement, DETR, 2000
- **R2**: Benchmarking data from Audit Commission questionnaire, publication TBA
- **R3**: Chief and Assistant Chief Fire Officers’ Association (CACFOA) benchmarking club reports on legal services, hydrants, management structures and occupational health, CACFOA, 2000
- **R4**: Guide to Quality Schemes and Best Value, DETR, IDEA and Cabinet Office, 2000
- **R5**: Audit Commission, Seeing is Believing, Audit Commission, 2000
- **R6**: Her Majesty’s Fire Service Inspectorate (HMFSI) Expectation 1 – Best Value

## Legislation:

- **L3**: Local Government Act 1999
- **L4**: The Local Government (Best Value) Performance Plans and Reviews Order 1999
- **L5**: DETR Best Value Circular 10/99

### Key Points

- The conduct of best value reviews (BVRs) is governed by statute and statutory guidance.
- The Government believes that fair and open competition will most often be the best way of demonstrating that a function is being competitively carried out.
- The Government presumes that the best value option will involve the procurement of services from external providers or through some form of partnership arrangement with other providers.
- To satisfy the ’compare’ test of the 4Cs – challenge, compare, consult, compete – the authority must have access to accurate information about its own performance and that of other authorities.
- The scope of reviews should be sufficiently large and ambitious to ensure real challenges and early improvements in efficiency and service quality.
- Wide, diverse and innovative service choices should be considered as part of the BVR.
- Staff and their representative bodies should be involved at all stages of the BVR.
- Authorities should be clear about who will be consulted as part of each BVR and what consultation techniques are most appropriate in each case.
- Improvement plans resulting from BVRs should address all significant areas of service weakness, including those identified during the consultation process.
BOX B – STATUTORY REQUIREMENTS FOR CARRYING OUT BVRS

The best value authority must:

- consider whether it should be exercising the function;
- consider the level at which, and the way in which, it should be exercising the function;
- assess its performance in exercising the function by reference to any best value performance indicators (BVPIs)* specified for the function;
- assess the competitiveness of its performance in exercising the functions by reference to the exercise of the same function, or similar functions, by other best value authorities and by commercial and other businesses, including organisations in the voluntary sector;
- consult other best value authorities, commercial and other businesses, including organisations in the voluntary sector, on the exercise of the function;
- assess its success in meeting any best value performance standard which applies to the function;
- assess its progress towards meeting any relevant best value performance standard that has been specified but which does not yet apply; and
- assess its progress towards meeting any relevant best value performance target.

* Note: There are no BVPIs specified for procurement.

Source: SI 1999/3251

BOX C – ADDITIONAL DEPARTMENT OF ENVIRONMENT, TRANSPORT AND THE REGIONS (DETR) REQUIREMENTS FOR BVRS

Authorities should:

- take a sufficiently long-term perspective;
- involve elected members and those currently delivering services;
- seek advice from outside the authority;
- question existing commitments;
- engage with users and potential users of services;
- address equity considerations; and
- give effect to the principles of sustainable development.

Source: DETR 10/99 para 17
EXHIBIT 2
Potential external consultees for a BVR of procurement, and topics for consultation

BVRs of support services such as procurement can benefit from dialogue with external as well as internal stakeholders.

Source: Audit Commission
### Checklist for action: Throughout the BVR process

<table>
<thead>
<tr>
<th>Has the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...challenged the need for the procurement function?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...considered how the function might be delivered by external providers or through some form of partnership arrangement with other authorities?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...defined the scope of the review sufficiently broadly in order to encompass all aspects of their procurement activity?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...obtained access to accurate information about its own procurement performance and compared it with that of other authorities?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...consulted widely with staff, other best value authorities, current suppliers and other commercial organisations and the public as part of the BVR?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key Stages Up to Purchase

There are four key procurement stages up to the purchase of goods and services: the determination of need, the development of a project plan, the formulation of a specification, and the evaluation of options leading to a decision to purchase in principle. These stages provide numerous opportunities for brigades to share knowledge and to pool resources.
3.1 Determining Need

There must be a proven business need for all goods and services purchased.

The resources invested in proving the need should be proportionate to the value and importance of the purchase.

Each authority should tap into networks that provide updates on risk identification, and on legislative, market or technological changes, which might trigger the procurement process.

Authorities should assess whether any changes to their strategic objectives imply a need for new or different goods and services.

Open and accessible communication channels should ensure that feedback from service users could trigger a procurement need.

Proving a business need for county brigades can be more complex; for example, the fire service may have different fleet maintenance needs from those of other parts of the county council. In putting forward procurement proposals brigades should take account of these wider implications.

C5–C7 competencies should be adapted to reflect professional specialisms, for example, HR or financial, technical and market knowledge. Professional procurement consultants may also have access to extensive networks in general supplies markets.
External references:

- **R1**  DETR, *Best Value and Procurement*, DETR, 2000
- **R8**  HMFSI Expectation 14 – *Procurement*

Core competencies:

- **C1**  An understanding of the authority’s strategic objectives.
- **C2**  Comprehensive knowledge of what goods and services the brigade buys.
- **C3**  Ability to differentiate between strategic and routine purchases.
- **C4**  Knowledge of the relative cost of goods and services.
- **C5**  Ability to interpret technical legislation.
- **C6**  Understanding of the relationship between equipment and operational effectiveness/risk reduction.
- **C7**  Commercial awareness of the fire service suppliers market including general supplies and services.
- **C8**  Ability to analyse and quantify disparate ideas/responses.
- **C9**  An ability to consult and communicate effectively.

Performance measures:

- **P1**  Audit trail back to strategic plan objectives for all purchases over a specified value.
- **P2**  The percentage of purchases not allocated to a core business area or planned project.
- **P3**  Staff costs of procurement as a percentage of contract value.
- **P4**  The percentage of user/stakeholder suggestions/responses actioned.
- **P5**  The percentage of user/stakeholder suggestions/responses where results of the consultation reported back.
EXHIBIT 3
Goods and services classification matrix (showing examples for the fire service)

The resources invested in justifying a purchase should be proportionate to its value and importance.

Source: Audit Commission
**Checklist for action: Determining need**

<table>
<thead>
<tr>
<th>Can the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...demonstrate the link between recent major purchases and strategic plan objectives?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...show that its research resources are targeted at high-value procurement projects, including high-value, non-operational goods and services?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...be confident that it has access to up-to-date information on legislative, market or technological changes and that it has assessed any impact on procurement?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...be confident that changes it makes to policy or strategic direction take account of procurement implications?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...show that users of goods and services have open and accessible channels through which to provide feedback and that the feedback is acted on?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.2 Project Planning

The procurement of high-value, non-operational goods and services such as property services or IT equipment should be planned and project managed as rigorously as the procurement of operational goods. Low-value, routine purchases require less senior-management scrutiny and control.

Core competencies:
- **C1**: An understanding of the authority’s strategic objectives.
- **C3**: Ability to differentiate between strategic and routine purchases.
- **C10**: Project management skills.
- **C11**: Detailed knowledge of procurement processes including current best practice.
- **C12**: Technical knowledge specific to goods/services.
- **C13**: Understanding of the authority’s approvals processes.

Performance measures:
- **P1**: Audit trail back to strategic plan objectives for all purchases over a specified value.
- **P3**: Staff costs of procurement as a percentage of contract value.
- **P6**: The percentage of procurement projects completed on time and to budget.
Greater Manchester Fire and Civil Defence Authority’s (FCDA) approach to procurement projects

Greater Manchester Fire Service has developed a procurement policy that sets out the authority’s approach to the procurement of major contracts. Its main objective is to ensure the selection of the ‘best fit’ supplier that offers the best value solution.

Major procurement is usually initiated by an identified deficiency in existing equipment or process or by impending legislation. The Assistant Chief Fire Officer responsible refers the matter to the brigade management team (BMT), who appoints a project manager to take responsibility for the entire procurement project. The BMT assigns resources to the project manager based on an assessment of the scope, complexity and risk involved in the project.

The project manager organises an initial project plan meeting with a view to establishing an integrated project team. This meeting includes all relevant affected departments and any specialist officers such as finance, personnel, purchasing and legal staff. The BMT determines the procurement strategy for the project and takes into consideration:

- the scope and value of the contract;
- present knowledge of the market;
- the potential for collaboration;
- the existence of an appropriate specification; and
- form of tender and evaluation.

The project manager and BMT are responsible for implementing the procurement project in accordance with guidelines provided by the brigade. These guidelines cover, among other topics, tendering, EU rules, purchasing ethics and environmental issues. Greater Manchester FCDA aims to ensure that major procurement benefits from the full range of relevant skills, experience and knowledge available within the brigade. It also aims to fully research the market and draw on the experiences of other brigades, police forces or local authorities wherever possible. Where appropriate, the brigade also utilises expert external consultancy on major projects both to reduce risk and to engage technical expertise. Recent examples include a new command and control system, a geographical information system and radio replacement projects.

Source: Audit Commission fieldwork
Sample project plan for a procurement project

The project plan should show all activities required with start and finish dates.

Source: Audit Commission
Checklist for action: Project planning

<table>
<thead>
<tr>
<th>Does the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...deliver new goods and services to users within budget and on time?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...have a project plan for all on-going procurement projects?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...approve only those procurement projects that are identified in the business plan?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...know who is involved in what project and for how long?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...know when decisions and funds are required?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.3 Formulating the Specification

<table>
<thead>
<tr>
<th>KEY POINTS</th>
<th>REFERENCES AND ILLUSTRATIONS</th>
<th>CORE COMPETENCIES</th>
<th>PERFORMANCE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specification should be an inclusive process drawing on the knowledge of all interested stakeholders.</td>
<td>R1 Box D and Case study 2</td>
<td>C11 C12</td>
<td>P19</td>
</tr>
<tr>
<td>Opportunities for standardising requirements should be vigorously pursued both internally and with external partners.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements should be specified in terms of output and performance, rather than how the contractor is to go about providing the service.</td>
<td>Exhibit 5 and Box E</td>
<td>C11 C12</td>
<td>P7</td>
</tr>
<tr>
<td>Specifications must be drawn up in accordance with relevant UK and EU legislation and standards.</td>
<td>Schedule 4, Appendix B, Appendix D, Case study 3</td>
<td>C11 C12</td>
<td></td>
</tr>
<tr>
<td>Authorities should not deter voluntary sector organisations, smaller firms and new entrants to the market, by specifying unnecessary requirements.</td>
<td>R1 R4</td>
<td>C14</td>
<td>P7</td>
</tr>
</tbody>
</table>

- County brigades should utilise the procurement expertise of the county council's central purchasing/contracts department for operational as well as for general specifications.
- Specifications for general goods and services should be standardised as far as possible across departments and command areas.
## External references:
- DETR, *Best Value and Procurement*, DETR, 2000
- Guide to Quality Schemes and Best Value, DETR, IDEA and Cabinet Office, 2000
- HMFSI Expectation 14 – *Procurement*

## Core competencies:
- C11 Detailed knowledge of procurement processes including current best practice.
- C12 Technical knowledge specific to goods/services.
- C14 Ability to formulate performance/outcome specifications.

## Performance measures:
- P7 Outcome specifications as a percentage of all contracts.
- P19 User/stakeholder feedback.

### BOX D – DEFINING USER REQUIREMENTS

<table>
<thead>
<tr>
<th>Key factors</th>
<th>Procurement issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational needs and targets</td>
<td>- Is different or better equipment needed to meet business plan targets, for example, the need to improve attendance times?</td>
</tr>
</tbody>
</table>
| The health and safety of staff and the public | - Which health and safety enhancements are desirable and which are essential?  
                                           | - Are there any environmental issues, such as fossil fuel emissions?           |
| Demand forecasting                       | - In what quantities will the product be required?                               
                                           | - Is the timing of delivery critical?                                          |
| Logistics                                | - Where are the users located?                                                  
                                           | - How will the goods be received (a particular problem for retained stations)?|
| Opportunities for standardisation        | - Are local variations needed in size, design or quantity?                     |
| Risk assessment                          | - How much trialling/piloting of new goods will be required?                   
                                           | - Is training in goods handling needed before the goods are issued?           
                                           | - How frequently will the goods need to be serviced/inspected?                |
| Equal opportunities                      | - Are the needs of all users the same?                                         
                                           | - Would any modifications be needed to ensure that goods and services are accessible to all users? |

*Source: Audit Commission*
CASE STUDY 2

Involving all interested parties in defining requirements – Huddersfield NHS Trust

Huddersfield NHS Trust’s procedures for the purchase of capital medical equipment involve users, management and maintenance staff. The medical engineering department maintains records of all 4,000 items of medical equipment, including details of supplier and model, location, installation date, purchase and current value, as well as details of maintenance contracts and a full service history. Each autumn, all replacements due in the following year are identified. These include all medical equipment that is reaching the end of its life and any rogue machines that are proving expensive to maintain. This list is evaluated with users and agreement reached as to what needs replacing. The details, along with replacement costs, are discussed with the finance department, which indicates the budget available. All parties then consider what is possible. Purchases are prioritised as essential, desirable and non-essential. The Chief Medical Engineer organises trials and prepares a specification, in consultation with clinicians and the supplies department. The supplies department undertakes responsibility for negotiation with suppliers and the organisation of the tendering process.

Source: Audit Commission, Goods for Your Health, Audit Commission, 1996

EXHIBIT 5

Specification focus

Specifications should start with a definition of the required outputs.

Source: Audit Commission
In July the European Commission decided to refer the UK to the European Court of Justice in three separate cases involving infringement of internal market rules. These rules require member states to ensure that public procurement contracts are awarded under open and competitive conditions.

Case 1 – Radio communications system for the police
The Home Office awarded a contract for the provision of a radio communications system and related equipment. The specification for this contract had stated that the equipment had to comply with the TETRA European technical standard for mobile radio services and that proposals not based on this standard would not be taken into account. The European Commission takes the view that this could give rise to discrimination against firms that might offer genuinely equivalent solutions and that evaluation must be on the basis of information provided by interested firms.

Case 2 – Minimum number of firms to be selected
EU Directives require public authorities to invite a sufficient number of firms to tender so as to ensure effective competition. In cases where authorities state in advance how many firms will be invited to tender, the European Commission considers that a minimum of five firms should be selected. The UK Government interprets the Directives to mean that in certain circumstances, three firms will suffice.

Case 3 – Framework agreements
Framework agreements involve the selection of a number of eligible firms that are subsequently invited to tender for individual contracts within the overall framework of the agreement. The European Commission’s view is that the detailed procedural requirements of the procurement Directives can be waived for these individual contracts if:

- the terms of the framework agreement detail the key elements of any individual contracts to be awarded; and
- these are set out in binding form.

The Commission decided to make a referral after receiving a complaint that the Northern Ireland Department of the Environment had not specified the essential conditions of individual contracts in a binding manner.

The outcome of all of these cases could have an impact on the tendering policies of individual fire authorities and on those of purchasing consortia.
## Checklist for action: Formulation of specification

<table>
<thead>
<tr>
<th>Does the authority ensure that...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
</table>
| ...specifications for goods and services are formulated in consultation with:  
  • other authorities?  
  • users?  
  • technical experts?  
  • suppliers? |               |                               |          |          |
| ...service requirements are specified in terms of output and performance, rather than how the contractor is to go about providing the service? |               |                               |          |          |
| ...opportunities for the standardisation of goods and services requirements between different departments/divisions of the authority are vigorously pursued? |               |                               |          |          |
| ...specifications are drawn up in accordance with relevant UK and EU legislation and standards? |               |                               |          |          |
| ...it does not deter voluntary sector organisations, smaller firms and new entrants to the market, by specifying unnecessary requirements? |               |                               |          |          |
3.4 Evaluating Options and Deciding to Purchase

<table>
<thead>
<tr>
<th>KEY POINTS</th>
<th>REFERENCES AND ILLUSTRATIONS</th>
<th>CORE COMPETENCIES</th>
<th>PERFORMANCE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>An authority's decision to purchase 'in principle' should be based on a thorough evaluation of different options for meeting the performance specification.</td>
<td>Box E</td>
<td>C11 C12</td>
<td></td>
</tr>
<tr>
<td>The procurement of major items should involve consideration of a detailed business case highlighting the supply options available and including any political or strategic implications of the preferred option.</td>
<td>Box F</td>
<td>C1 C16</td>
<td>P8</td>
</tr>
<tr>
<td>'In principle' purchasing decisions should be made at a level appropriate to the value and strategic importance of the goods/services.</td>
<td>Exhibit 6</td>
<td>C13 C14</td>
<td></td>
</tr>
</tbody>
</table>

External references:

- R8  HMFSI Expectation 14 – Procurement

Core competencies:

- C1  An understanding of the authority's strategic objectives.
- C11 Detailed knowledge of procurement processes including current best practice.
- C12 Technical knowledge specific to goods/services.
- C13 Understanding of the authority's approvals processes.
- C14 Ability to formulate performance/outcome specifications.
- C16 An understanding of the internal and external political environment in which the authority operates.

Performance measures:

- P8  The percentage of orders over a defined amount supported by a business case.
**BOX E – ELEMENTS OF THE EVALUATION**

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Main considerations</th>
</tr>
</thead>
</table>
| **Technical evaluation**  | ![Bullet list](https://example.com/bullet_list.png) Do reports from the trialling/piloting of the goods/services prove that the proposed procurement will satisfy the business need?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Is there evidence that the proposal will meet user requirements?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Does the proposal include independent expert appraisal?  
| **Market analysis**       | ![Bullet list](https://example.com/bullet_list.png) What are the options for supply in-house/outsourced/in partnership?  
|                           | ![Bullet list](https://example.com/bullet_list.png) How many potential suppliers are there, and of what type?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Who are the other buyers in the market place and could we join forces?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Does this market have cyclical peaks and troughs?  
| **Financial appraisal**   | ![Bullet list](https://example.com/bullet_list.png) What are the whole life budgetary implications of the different supply options?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Are there implications for current maintenance and lifeing policies?  
|                           | ![Bullet list](https://example.com/bullet_list.png) What are the costs and benefits of leasing rather than purchase; of operational rather than finance lease; of a private finance initiative?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Is there potential to defer or stagger payments?  
|                           | ![Bullet list](https://example.com/bullet_list.png) What are the implications of revenue rather than capital finance?  
| **Risk analysis**         | ![Bullet list](https://example.com/bullet_list.png) Have all the options been considered, for example, the implications of ‘make do and mend’; or of meeting the business need by changing working practices rather than changing the equipment?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Does the business case include a quantification of the risks associated with accepting or rejecting the procurement proposal?  
|                           | ![Bullet list](https://example.com/bullet_list.png) Do any of the supply options offer greater risk reduction benefits than the others?  

*Source: Audit Commission*

*Note: Independent input might be appropriate for goods/services where the brigade lacks technical expertise, for example, telecommunications.*
### BOX F – BUSINESS CASE PROFORMA

#### Management summary/overview

- The business problem or risk that the proposed procurement addresses
- Summary of options including ‘do nothing’ option
- Current and proposed spend
- Reasons for change
- Consequences of recommendations

#### Technical considerations

- Operational need for purchase
- Priority and timescales, for example, new statutory requirements
- Business benefits, for example, improved performance, cost control
- Quality considerations, for example, easier maintenance, longer life
- User requirements

#### Commercial considerations

- Supply needs – one-off; lead-in times; storage issues?
- Market conditions
- Other buyers
- Preferred type of contract

#### Risk analysis

- Impact management
- Likely strategic scrutiny
- Potential contract difficulties
- Strategy for managing risks

#### Financial considerations

- Budget availability
- Savings potential
- Implementation costs
- Capital versus revenue implications

#### Resources

- Premises requirements
- Systems implications – manual and electronic
- People and training
- Equipment

*Source: Audit Commission adapted from ACPO*
EXHIBIT 6

Who should make ‘in principle’ purchasing decisions?

Decisions should be made at a level appropriate to the value and strategic importance of the goods/services.

Source: Audit Commission
## Checklist for action: Evaluation and decision to purchase in principle

<table>
<thead>
<tr>
<th>Does the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...thoroughly evaluate different options for meeting performance specifications, including an appraisal of technical, market, financial and risk matters?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...require that a detailed business case be prepared for all major procurement projects?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...involve members and senior management in considering business cases for high-value, strategically important purchases?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...delegate other ‘in principle’ purchasing decisions to a level appropriate to the value and strategic importance of the goods/services?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Buying and Supplying

Once the decision has been made to purchase in principle, four key procurement stages remain: the tendering for, and awarding of contracts, the supply of the goods or service, the monitoring and evaluating of the effectiveness of the contract, and the renewing of contracts where appropriate. Fire authorities need access to procurement expertise to guide them through these stages. The terms of supply contracts and the whole-life costs of supply options are critical in ensuring value for money in procurement.
## 4.1 Tendering and Awarding Contract

<table>
<thead>
<tr>
<th>KEY POINTS</th>
<th>REFERENCES AND ILLUSTRATIONS</th>
<th>CORE COMPETENCIES</th>
<th>PERFORMANCE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>An authority’s financial standing orders should set out how contracts for the supply of goods and services are to be procured, ie, where competitive quotes will suffice and where formal tendering is required.</td>
<td>R1 L1 Box G</td>
<td>C5 C13</td>
<td>P16</td>
</tr>
<tr>
<td>To promote strong competition for certain contracts, a shortlist of potential bidders should be drawn up.</td>
<td>R1 R10 L7</td>
<td>C7 C11</td>
<td>Random audit of tendering exercises</td>
</tr>
<tr>
<td>The competitive process must comply with relevant UK and EU legislation.</td>
<td>Schedule 4</td>
<td>C5</td>
<td></td>
</tr>
<tr>
<td>All potential service providers, including any in-house bid teams, should be subject to the same requirements.</td>
<td>R12 R13 Box G</td>
<td>C11 C17</td>
<td>P19</td>
</tr>
<tr>
<td>The authority should enter into dialogue with bidders in order to clarify requirements and to deal with queries.</td>
<td>Box H</td>
<td>C11 C12 C13 C14 C17</td>
<td>P19</td>
</tr>
<tr>
<td>Tender evaluation should be systematic, objective and well documented to provide a clear and logical audit trail.</td>
<td>Box H</td>
<td>C10 C11 C13</td>
<td>Random audit of tendering exercises</td>
</tr>
<tr>
<td>The price evaluation must take into account whole-life costs.</td>
<td>R8 R9 Exhibit 7, Box I</td>
<td>C15</td>
<td>Random audit of tendering exercises</td>
</tr>
<tr>
<td>Comparisons of lease or outright purchase options should take account of the value of money over time.</td>
<td>Box J Appendix C</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
External references:

- DETR, *Best Value and Procurement*, DETR, 2000
- HMFSI Expectation 14 – *Procurement*
- HMFSI Expectation 12 – *Appliances and operational equipment*
- HM Treasury CUP guidance no 59A
- Audit Commission, *Cheques and Balances*, Audit Commission, 1996
- Chartered Institute of Purchasing and Supply (CIPS), *Code of Ethics*, CIPS, 1999

Core competencies:

- C5 Ability to interpret technical legislation.
- C7 Commercial awareness of the fire service suppliers market including general supplies and services.
- C10 Project management skills.
- C11 Detailed knowledge of procurement processes including current best practice.
- C12 Technical knowledge specific to goods/services.
- C13 Understanding of the authority's approvals processes.
- C14 Ability to formulate performance/outcome specifications.
- C15 Ability to analyse and evaluate complex information including financial data.
- C17 Negotiating skills.

Performance measures:

- P16 Net cash and percentage savings achieved on the value of all new contracts negotiated, net of product-specific inflation factor.
- P19 User/stakeholder feedback.

Legislation:

- L1 The Local Government Act 1972
- L7 Competition Act 1998
**BOX G – PRINCIPAL STAGES IN FORMAL TENDERING EXERCISES**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Main considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation and issue of tender documentation (specification and conditions of contract)</td>
<td>The documentation should be clear about the information that tenderers should include in their submission, for example, a transition plan for taking on staff under Transfer of Undertakings (Protection of Employment) regulations (TUPE); how the tenderer would meet specific service and quality issues.</td>
</tr>
<tr>
<td>Tender briefing for selected bidders</td>
<td>Information given to one tenderer must be given to all tenderers. The criteria for evaluating tenders must be made clear to the bidders.</td>
</tr>
<tr>
<td>Tender assessment</td>
<td>Does the bid selected meet the authority’s requirements and deliver best value?</td>
</tr>
<tr>
<td>Pre-contract negotiations</td>
<td>Negotiators must be very clearly briefed on the scope for compromising on quality. Within a framework of openness and consistency, negotiations with more than one bidder can sustain the competitive element.</td>
</tr>
<tr>
<td>Contract award</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Audit Commission*

---

**BOX H – TENDER EVALUATION PROCESS**

**Performance**
- Which options meet the performance specification?
- Do any offer additional benefits over the specification?

**Acquisition costs**
- How do initial purchase costs compare?
- What payment options exist?
- How do delivery and installation arrangements compare?

**Operating costs**
- What are the comparative costs of consumables?
- How do running costs vary (staffing levels, utilities, maintenance, insurance etc)?
- Are there any differences in the productivity of both equipment and staff?

**Maintenance and replacement costs**
- How do maintenance costs compare?
- How do warranty terms compare?
- How do replacement cycles compare?
- What is the alternative availability of upgrades and enhancements?
- What are the different costs of disposal?
- What are the residual values?

**Training costs**
- Are there different staff training implications?

*Source: Audit Commission*
### BOX I – ELEMENTS OF TOTAL COSTING MODEL

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Procurement costs**   | • Salary and incidental costs of officers involved in procurement.  
                          • Specification, tender documents and tender evaluation procedure.  
                          • Costs of legal and procurement specialists.  
                          • Administration fees in producing framework agreements.                                                                                     |
| **Initial purchase costs** | • Purchase cost from the contractor.  
                          • All labour, material and finishing costs after delivery and before commissioning.                                                                 |
| **Servicing costs**     | • Planned maintenance (including parts and labour).  
                          • Repairs and unplanned maintenance (including parts and labour).                                                                                 |
| **Defect and minor repairs costs** | • Parts and labour (outside warranty period).                                                                                                |
| **Fuel costs**          | • Fuel consumed (including static pumping time).                                                                                                                                                           |
| **Depreciation**        | • Depreciation costs are based on total purchase price and agreed residual value, therefore annual depreciation for a vehicle with a 15 year life will be: price minus residual value divided by 15. |

*Source: Audit Commission*

---

**EXHIBIT 7**

**Assessing whole life costs of appliances**

Formula used by the Fire Service Procurement Association.

\[
\text{Procurement costs + purchase price} \quad \div \quad \text{Number of appliances} = \quad \text{PURCHASE PRICE PER APPLIANCE}
\]

\[
\text{Servicing + defects + fuel + depreciation} \quad \div \quad \text{Anticipated life} = \quad \text{COST PER APPLIANCE PER ANNUM}
\]

\[
\text{Purchase price per appliance +} \quad \text{Servicing + defects + fuel + depreciation} \quad \div \quad \text{Anticipated mileage} = \quad \text{COST PER APPLIANCE PER MILE}
\]

*Source: FSPA*
I
To compare expenditure that happens over time, the comparison should take account of the opportunity cost of spending money now – that is, if instead of purchasing outright, the money was invested, it would be worth more at the end of the lease period than it is now. Alternatively, if money is borrowed to purchase outright, the comparison should take account of the debt interest charges that accrue. Hence we arrive at the net present value (NPV) of each purchase option.

II
The NPV is calculated by discounting the value of the original investment annually, based on the assumed debt charges accruing. For the purposes of this calculation we have assumed an annual debt interest charge of 6 per cent. This is known as the discount rate.

III
The application of the discount rate shows that in Year 1 our original £1 is worth 94p, thus £19,000 is worth £17,917. In Year 2 the £1 is worth 89p and so on (Appendix C provides the discount values for calculating NPVs over 50 years).

IV
This example assumes that the appliance could be sold for £4,500 in Year 11. However, this value also needs to be discounted to ensure consistency with the calculation of the leasing NPV.

V
In this example the leasing option is shown as more expensive over time. The assumptions made about debt charges and residual value are critical to the calculation of NPV – for example, a higher discount factor would narrow the difference between the two options.

---

**BOX J – COMPARING THE COSTS OF LEASING AND OUTRIGHT PURCHASE OF A FIRE APPLIANCE**

<table>
<thead>
<tr>
<th>Purchase price (£)</th>
<th>Lease excluding maintenance (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>140,000</td>
<td>19,000</td>
</tr>
</tbody>
</table>

**Discount factor 6%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Present value of £1</th>
<th>Residual value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 0</td>
<td>1.00</td>
<td>19,000</td>
</tr>
<tr>
<td>Year 1</td>
<td>0.943³</td>
<td>17,917³</td>
</tr>
<tr>
<td>Year 2</td>
<td>0.890</td>
<td>16,910</td>
</tr>
<tr>
<td>Year 3</td>
<td>0.840</td>
<td>15,910</td>
</tr>
<tr>
<td>Year 4</td>
<td>0.792</td>
<td>15,048</td>
</tr>
<tr>
<td>Year 5</td>
<td>0.747</td>
<td>14,193</td>
</tr>
<tr>
<td>Year 6</td>
<td>0.705</td>
<td>13,395</td>
</tr>
<tr>
<td>Year 7</td>
<td>0.665</td>
<td>12,635</td>
</tr>
<tr>
<td>Year 8</td>
<td>0.627</td>
<td>11,913</td>
</tr>
<tr>
<td>Year 9</td>
<td>0.592</td>
<td>11,248</td>
</tr>
<tr>
<td>Year 10</td>
<td>0.558</td>
<td>10,602</td>
</tr>
<tr>
<td>Year 11</td>
<td>0.527</td>
<td>(4,500IV)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2,372IV)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10,013</td>
</tr>
</tbody>
</table>

**Net present value**

<table>
<thead>
<tr>
<th>Purchase price (£)</th>
<th>Lease excluding maintenance (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>137,629⁵</td>
<td>168,834⁵</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
### Checklist for action: Tendering and contract award

<table>
<thead>
<tr>
<th>Does the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...have financial standing orders that set out how contracts for the supply of goods and services are to be procured, ie, where competitive quotes will suffice and where formal tendering is required?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...promote strong competition for highly specialised products and services by drawing up a shortlist of potential bidders?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...ensure that its competitive processes comply with relevant UK and EU legislation?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...subject all potential service providers, including any in-house bid teams, to the same requirements?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...enter into dialogue with bidders in order to clarify requirements and deal with queries?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...evaluate tenders systematically and objectively demonstrating a clear and logical audit trail?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...when comparing costs take into consideration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• acquisition costs;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• operating costs;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• maintenance and replacement costs; and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• training costs?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.2 Supplying

**KEY POINTS**

Authors must ensure that contracts are delivered in accordance with the principles of equality of opportunity.

Where support services are to be outsourced there should be an emphasis on handling TUPE well, so as to allay workforce reservations about transferring to new employers.

Authorities should develop standard conditions of contract for use in all routine procurement.

For longer-term contracts, there should be a joint commitment between client and contractor to service improvement during the life of the contract.

Detailed service standards should be worked out with supplier and users together, with flexibility on price to enable suppliers to be rewarded for exceeding targets.

Authorities should establish partnerships with strategically important suppliers by: seeking longer-term contracts, including a commitment to volume; and closer co-operation to reduce costs throughout the supply chain.

The number of suppliers used should be kept to the minimum required to meet business needs and to sustain competition.

The authority should seek to reduce administrative costs by introducing automated requisitioning, ordering and payment, including the use of charge cards wherever possible.

The supplies structure should act as a facilitator between the end user and the supplier, maintaining the minimum stock of essential goods necessary to ensure continuity of service delivery, with the majority of items supplied direct to the end user.

‘Call off’ arrangements should be used for all high-volume, low-value orders.

Supply should be accompanied by appropriate and sufficient risk assessment, including the issue of technical or health and safety guidance.

**REFERENCES AND ILLUSTRATIONS**

R1  R15  L1

Box K, R11

Appendix A

Appendix A

National report Case study 3, Case Study 4

Exhibit 8, Box L, Case study 5

Exhibit 9, R8

**CORE COMPETENCIES**

C1  C8

C5  C9

C8  C9

C4  C9  C10

C11  C12

C4  C7  C11

C7  C11  C13

C9  C11

C7  C11

C5  C6

**PERFORMANCE MEASURES**

P19

P19

P19

P9  P10  P14  (P17–21)

P14  P16  P23

P25–27

P22–27

P3  P22–27

P3

P28–33

Random health and safety audit of the new product
External references:

- DETR, *Best Value and Procurement*, DETR, 2000
- HMFSI Expectation 14 – *Procurement*
- HMFSI Expectation 8 – *Equality and Fairness at Work*

Core competencies:

- C1 An understanding of the authority’s strategic objectives.
- C4 Knowledge of the relative cost of goods and services.
- C6 Ability to interpret technical legislation.
- C6 Understanding of the relationship between equipment and operational effectiveness/risk reduction.
- C7 Commercial awareness of the fire service suppliers market including general supplies and services.
- C8 Ability to analyse and quantify disparate ideas/responses.
- C9 An ability to consult and communicate effectively.
- C10 Project management skills.
- C11 Detailed knowledge of procurement processes including current best practice.
- C12 Technical knowledge specific to goods/services.
- C13 Understanding of the authority’s approvals processes.

Performance measures:

- P1 Staff costs of procurement as a percentage of contract value.
- P9 The percentage overdue orders.
- P10 The number of stock-outs caused by late delivery in the last period.
- P11 Trends in the balance sheet stockholding over time.
- P12 Analysis of target v actual stock level.
- P13 Stock turnover rates in areas of material expenditure.
- P14 Analysis of prices paid over time for a representative basket of goods.
- P15 Net cash and percentage savings achieved on the value of all new contracts negotiated, net of product-specific inflation factor.
- P16 The percentage of delivered materials rejected on inspection.
- P18 Number of suppliers with ISO 9000 (or equivalent quality assurance system).
- P19 User/stakeholder feedback.
The percentage of late deliveries.
The percentage of orders where incorrect goods/quantities delivered/part deliveries made.
Number of new requisitions per period (say per quarter).
Purchasing process time.
Average expenditure per purchase order by cost centre.
Annual spend per supplier.
Average order value by supplier.
Average invoice value by supplier.
Call-off contracts as a percentage of all contracts.
Percentage savings from early payment discounts.
Average number and volume of incoming deliveries per day.
Average time to receive and process a delivery.
Average number and value of stores requisitions per day.
Average number of lines per requisition.

Legislation:
- Local Government Act 1988 and subsequent regulations
- Health and Safety at Work Act 1974
- Management of Health and Safety at Work Regulations 1992
- Workplace (Health, Safety and Welfare) Regulations 1992
- The Provision and Use of Work Equipment Regulations 1992
- The Personal Protective Equipment at Work Regulations 1992
- The Control of Substances Hazardous to Health (COSHH) Regulations 1988

BOX K – COMPONENTS OF STANDARD CONDITIONS OF CONTRACT

- The parties to the contract.
- Powers and responsibilities of the parties including commercial confidentiality.
- When and how the contract comes into effect.
- How changes are made to the specification.
- Arrangements for making payments.
- Procedures for dealing with problems.
- Provisions for events that are outside the control of the parties.
- Termination arrangements.

Source: Audit Commission
CASE STUDY 4

Reducing process costs through using charge cards

BOC’s European gases business, in conjunction with Visa and Company Barclaycard, has introduced a UK-wide charge card system to streamline its small purchase procedures. BOC was expending considerable effort in processing a large volume of purchase orders and invoices that accounted for only a small proportion of the company’s total expenditure: 60 per cent of transactions represented only 3 per cent of expenditure. BOC sought to reduce significantly the resources consumed in the purchase and payment process for low value orders, while retaining adequate controls. Its solution was to introduce purchase cards for orders that meet the following criteria:

- a VAT invoice for each one;
- those not covered by a national BOC or local purchasing agreement;
- those not a stock item; and
- those not a personal expense item.

Procedure (1): Ordering

Each cost-centre manager appointed charge cardholders for his or her area of responsibility. Cardholders were issued with their own charge card and credit limit. The cardholder places telephone orders with suppliers who provide a VAT invoice for each one.

Procedure (2): Payment and accounting

A monthly charge card statement is sent to the cost-centre manager. These are passed to charge cardholders for reconciliation with invoices. Payment is authorised by the cardholder and counter-signed by the cost-centre manager. A composite statement summarising all statements is forwarded to the accounting centre, and downloaded to a BOC computer for access and analysis by management. Data may be analysed by the cardholder, the cost centre, the supplier, by date and by value. Exception reports are generated monthly.

On receipt of the authorised statement, the invoice matcher inputs the relevant values, VAT and codes to the accounts payable system. A copy of the statement is retained for audit, and individual statements are reconciled against the company summary statement. Centralised payment is made monthly by direct debit.

Advantages:

- Fewer cheques are issued, as well as savings in postage, order forms and stationery.
- Suppliers paid in two to three days, eliminating the need for supplier credit control.
- There are fewer disputed invoices.
- Savings in time, processing and paperwork are estimated to exceed £250,000.
- Cost-centre managers can review and approve cardholders’ spending.

Disadvantages:

- Without looking at individual invoices, BOC managers are unable to establish the exact description of the goods purchased.
- Detailed spend analysis covering specifically described goods at statement level is not easy, although suppliers will provide this information when required.
- The risks of fraudulent practice are increased, but any abuse should be detected through retrospective controls.

Source: Audit Commission, Goods for Your Health
CASE STUDY 5

GCat Government IT Catalogue

GCat is a catalogue of products and services related to IT and is available on paper or electronically. The catalogue is administered by the private sector consortium of Electronic Data Systems Ltd and Computacenter. The Central Computer and Telecommunications Agency (CCTA) manages the contract and through its role as the intelligent customer seeks to ensure that users of the catalogue are satisfied with it. The scheme is open to all public sector organisations subject to the EC Supplies and Services Directives.

Customers have direct access to a wide range of IT equipment and services from a large variety of suppliers, all available from a single source. The GCat catalogue contains over 20,000 product lines from approximately 250 manufacturers. The negotiating power customers have through the leverage of GCat means that prices are keener than most individual purchasers are capable of commanding. In a recent survey of printer consumables (cartridges and paper) and computer storage (disk drives) the GCat prices provided an overall saving of 13 per cent on the average market price.

GCat was set up under EC procurement rules so customers do not have to go through the expensive tendering process regardless of the value of the order.

Source: Audit Commission

BOX L – CHARACTERISTICS OF A WELL-INTRODUCED AND WELL-MANAGED LOCAL STOCK MANAGEMENT SYSTEM

- Target stock levels are based on an assessment of expected activity as well as data about previous orders.
- Stock levels are kept under strict review.
- The system employs barcode technology.
- The introduction of the system is a trigger for the rationalisation of product lines.
- Data from the system are used to compare usage rates between similar stations or departments.
- Opportunities are sought to consider stations or departments in groups, to reduce total stock requirements.

Source: Audit Commission
EXHIBIT 8

Example of opportunities to reduce stock-holding

Brigades can reduce the value of stock held in store by 70 per cent by retaining only contingency stocks of operational equipment.

Source: First Procurement Associates review of eight brigades’ stores
Before and after the setting up of call-off arrangements

Call-off arrangements should be used for all high-volume, low-value orders.

Source: Audit Commission
Checklist for action: Supply

<table>
<thead>
<tr>
<th>Does the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...ensure that its contractors and suppliers (including in-house providers) are committed to, and operate in accordance with, the principles of equality of opportunity?</td>
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<tr>
<td>...handle TUPE effectively (where outsourcing is proposed), so as to allay workforce reservations about transferring to new employers?</td>
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<tr>
<td>...use standard conditions of contract in all routine procurement?</td>
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<tr>
<td>...make joint commitments with its major suppliers to service improvement and supply chain cost reductions during the life of the contracts?</td>
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<tr>
<td>...involve users and suppliers in working out detailed service standards within the framework of a flexible performance contract?</td>
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<tr>
<td>...allow sufficient flexibility on price to enable suppliers to be rewarded for exceeding targets?</td>
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<tr>
<td>Does the authority...</td>
<td>Yes/No/Partly</td>
<td>What further action is needed?</td>
<td>By whom?</td>
<td>By when?</td>
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<tr>
<td>...secure longer-term (5–10 years) contracts, with strategically important suppliers that include a commitment to volume?</td>
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<tr>
<td>...keep the number of suppliers used to the minimum required to meet business needs and to sustain competition?</td>
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<tr>
<td>...maintain the minimum stock of essential goods necessary to ensure continuity of service delivery, with the majority of items supplied direct to end user?</td>
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<tr>
<td>...use ‘call-off’ arrangements for all high-volume, low-value orders?</td>
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<tr>
<td>...ensure that supply is accompanied by appropriate and sufficient risk assessment, including the issue of technical or health and safety guidance?</td>
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<tr>
<td>...reduce administrative costs through automated requisitioning, ordering and payment, including the use of charge cards?</td>
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</tbody>
</table>
### 4.3 Monitoring and Evaluating Effectiveness

<table>
<thead>
<tr>
<th>KEY POINTS</th>
<th>REFERENCES AND ILLUSTRATIONS</th>
<th>CORE COMPETENCIES</th>
<th>PERFORMANCE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedback from users should be obtained in a structured manner and communicated to suppliers as part of an ongoing relationship, dealing with quality issues as they arise.</td>
<td>R1</td>
<td>C8 C9 C17</td>
<td>P19</td>
</tr>
<tr>
<td>Authorities should pursue a policy of prompt payment, making use of electronic systems wherever possible.</td>
<td></td>
<td></td>
<td>P29</td>
</tr>
<tr>
<td>Contract management should be conducted in a positive and co-operative fashion, in a way that is time and cost effective for both service provider and client.</td>
<td>Box M</td>
<td>C9 C10 C17</td>
<td>P19</td>
</tr>
<tr>
<td>Authorities should develop key performance indicators with suppliers, ensuring that monitoring reports are regularly produced and acted on.</td>
<td>National Report Appendix C Schedule 3</td>
<td>C9 C12 C17</td>
<td>Random audit of monitoring reports</td>
</tr>
<tr>
<td>Monitoring should also be appropriate to the nature of the contract, taking into account its length, size and type, and should be consistent in approach between in-house and external providers.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Performance reporting should reflect the chain of accountability – members receiving only the highest level of indicator. ★</td>
<td>Box N</td>
<td>C12 C16</td>
<td>Audit of brigade management team/committee reports</td>
</tr>
</tbody>
</table>
| Brigades should use monitoring information to help them to manage and control usage. | Box O | C6 C9 C15 C16 C17 | 36-37 ★

★ Authorities with new political structures may no longer have a dedicated fire committee. Alternative arrangements will need to be put in place to ensure member scrutiny of procurement performance.
External references:

R1 DETR, Best Value and Procurement, DETR, 2000

Core competencies:

C6 Understanding of the relationship between equipment and operational effectiveness/risk reduction.

C8 Ability to analyse and quantify disparate ideas/responses.

C9 An ability to consult and communicate effectively.

C10 Project management skills.

C12 Technical knowledge specific to goods/services.

C13 Understanding of the authority’s approvals processes.

C15 Ability to analyse and evaluate complex information including financial data.

C16 An understanding of the internal and external political environment in which the authority operates.

C17 Negotiating skills.

Performance measures:

P19 User/stakeholder feedback.

P29 Percentage savings from early payment discounts.

P36 Comparison of standardised expenditure on common items between similar stations/departments.

P37 Comparison of standardised expenditure on selected consumables between similar stations/departments.

BOX M – FEATURES OF AN EFFECTIVE CONTRACT MONITORING SYSTEM

- Service suppliers should be responsible for collecting performance information and reporting on it.
- The benefits of performance data collection must be clear to those providing the information.
- Trends as well as snapshots of performance should be monitored.
- The monitoring system must enable investigation of poor performance (for example, the supplier must provide an explanation for every missed target).

Source: Audit Commission
BOX O – HOW PERFORMANCE INFORMATION CAN HELP TO MANAGE USAGE

Example A – Analysis of electricity bills shows that Station X is using 10 per cent more electricity per square metre than the average for stations in the brigade.
This prompts an investigation:
- Is usage also higher per person using the station?
- Is there anything exceptional about the building, for example, is it badly insulated?
- Is there anything exceptional about the electrically powered equipment used at the station?
- Are the crews based there aware of centrally issued energy conservation guidelines, for example, turning off PCs when not in use?

Example B – Information provided by a brigade’s PPE supplier shows that Blue Watch’s tunics have a six month shorter lifespan than the other watches at Station X.
This prompts an investigation:
- Does Blue Watch attend more fires or road traffic accidents than average?
- Is the watch aware of guidelines for the proper storage/drying of PPE?
- Is there anything exceptional about the tunics issued to watch members?
- Are there any supplier-relationship problems?
- Is there anything exceptional about the watch’s operational techniques that might result in greater than normal damage to their kit?

Source: Audit Commission

BOX N – SUGGESTED PERFORMANCE REPORTS FOR FIRE AUTHORITY MEMBERS

- Quarterly analysis of major areas of spending on goods and services in the brigade, and trends over time standardised for operational activity, for example, uniform costs per firefighter.
- Quarterly analysis of the contribution of the procurement strategy to the authority’s overall objectives, for example, changes to overheads, prices, stockholding and use.
- Annual reports on rationalisation of the number of suppliers.
- Annual reports on staff satisfaction.
- An annual review of procurement strategy.

Source: Audit Commission
# Checklist for action: Monitoring and evaluating effectiveness

<table>
<thead>
<tr>
<th>Does the authority...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...obtain feedback from users and communicate it to suppliers in a structured manner dealing with quality issues as they arise?</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>...pay invoices promptly, taking full advantage of early payment discounts?</td>
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<tr>
<td>...co-operate with suppliers to minimise the time and cost of contract management and monitoring?</td>
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</tr>
<tr>
<td>...develop key performance indicators with suppliers and ensure that monitoring reports are regularly produced and acted on?</td>
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<tr>
<td>...ensure consistency in the management and monitoring of in-house and external providers?</td>
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<tr>
<td>...ensure that performance reporting reflects the chain of accountability – members receiving the highest level of indicator and operational managers the most detailed?</td>
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<tr>
<td>...use monitoring information to help it manage and control usage and demand?</td>
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</tbody>
</table>
4.4 Renewing Contracts

<table>
<thead>
<tr>
<th>KEY POINTS</th>
<th>REFERENCES AND ILLUSTRATIONS</th>
<th>CORE COMPETENCIES</th>
<th>PERFORMANCE MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts should not be renewed without market testing other supply options.</td>
<td></td>
<td>C7</td>
<td>Audit of renewed contracts, P15</td>
</tr>
<tr>
<td>Contracts may be extended for short fixed periods to accommodate impending organisational changes.</td>
<td>R1</td>
<td></td>
<td>P6 P8</td>
</tr>
<tr>
<td>Authorities should avoid weakening their position in the marketplace by ensuring that they leave ample time to negotiate a new contract before the old one expires.</td>
<td>L7</td>
<td></td>
<td>P8</td>
</tr>
<tr>
<td>Before renewal the authority should fully appraise the strengths, weaknesses, opportunities and threats of existing procurement arrangements.</td>
<td></td>
<td>C5-8 C10-12 C15 C16</td>
<td>P8</td>
</tr>
<tr>
<td>Before renewal the existing service specification and performance standards should be reviewed.</td>
<td></td>
<td>C6 C8 C12 C14</td>
<td>P4 P19</td>
</tr>
<tr>
<td>Existing and potential suppliers and users should be involved in these reviews.</td>
<td></td>
<td>C7 C8 C9</td>
<td></td>
</tr>
</tbody>
</table>

**External references:**

- R1 DETR, Best Value and Procurement, DETR, 2000
- R8 HMFSI Expectation 14 – Procurement

**Core competencies:**

- C1 An understanding of the authority’s strategic objectives.
- C5 Ability to interpret technical legislation.
- C6 Understanding of the relationship between equipment and operational effectiveness/risk reduction.
- C7 Commercial awareness of the fire service suppliers market including general supplies and services.
- C8 Ability to analyse and quantify disparate ideas/responses.
An ability to consult and communicate effectively.

Project management skills.

Detailed knowledge of procurement processes including current best practice.

Technical knowledge specific to goods/services.

Ability to formulate performance/outcome specifications.

Ability to analyse and evaluate complex information including financial data.

An understanding of the internal and external political environment in which the authority operates.

Negotiating skills.

**Performance measures:**

The percentage of user/stakeholder suggestions/responses actioned.

The percentage of procurement projects completed on time and to budget.

The percentage of orders over a defined amount supported by a business case.

The percentage of a sample of purchase orders raised without firm prices.

User/stakeholder feedback.

**Legislation:**

The Local Government (Best Value) Performance Plans and Reviews Order 1999

DETR Best Value Circular 10/99

Competition Act 1998
# Checklist for action: Contract renewal

<table>
<thead>
<tr>
<th>Does the authority, before contract renewal...</th>
<th>Yes/No/Partly</th>
<th>What further action is needed?</th>
<th>By whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...market test other supply options?</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>...expeditely extend contracts for short fixed periods to accommodate impending organisational changes?</td>
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<tr>
<td>...leave ample time to negotiate a new contract before the old one expires?</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>...fully appraise the strengths, weaknesses, opportunities and threats of existing procurement arrangements?</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...review the existing service specification and performance standards?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...involve existing and potential suppliers and users in these reviews?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Schedule 1 –
External references

- DETR, *Best Value and Procurement*, DETR, 2000
- Benchmarking data from Audit Commission questionnaire, publication TBA
- Chief and Assistant Chief Fire Officers’ Association (CACFOA) benchmarking club reports on legal services, hydrants management structures and occupational health.
- Guide to Quality Schemes and Best Value, DETR, IDEA and Cabinet Office, 2000
- Her Majesty’s Fire Service Inspectorate (HMFSI) Expectation 1–Best Value
- HMFSI Expectation 14 – Procurement
- HMFSI Expectation 12 – Appliances and Operational Equipment
- HM Treasury CUP guidance no 59A
- Association of Chief Police Officers (ACPO), *Developing Police Procurement*, ACPO, 2000
- Audit Commission, *Cheques and Balances*, Audit Commission, 1996
- Chartered Institute of Purchasing and Supply (CIPS), Code of Ethics, CIPS, 1999
- HMFSI Expectation 8 – Equality and Fairness at Work

Schedule 2 –
Core Competencies

- An understanding of the authority’s strategic objectives.
- Comprehensive knowledge of what goods and services the brigade buys.
- Ability to differentiate between strategic and routine purchases.
- Knowledge of the relative cost of goods and services.
- Ability to interpret technical legislation.
- Understanding of the relationship between equipment and operational effectiveness/risk reduction.
Schedule 3 – Performance Measures

Pre-purchase processes

P1 Audit trail back to strategic plan objectives for all purchases over a specified value.

P2 The percentage of purchases not allocated to a core business area or planned project.

P3 Staff costs of procurement as a percentage of contract value.

P4 The percentage of user/stakeholder suggestions/responses actioned.

P5 The percentage of user/stakeholder suggestions/responses where results of the consultation reported back.

P6 The percentage of procurement projects completed on time and to budget.

P7 Outcome specifications as a percentage of all contracts.

P8 The percentage of orders over a defined amount supported by a business case.
Procurement effectiveness

Timing
P9 The percentage overdue orders.
P10 The number of stock-outs caused by late delivery in the last period.

Stock
P11 Trends in the balance sheet stockholding over time (for example, current year-end balance sheet stockholding compared with the last two years, at current prices).
P12 Analysis of target v actual stock level.
P13 Stock turnover rates in areas of material expenditure.

Prices
P14 Analysis of prices paid over time for a representative basket of goods (for example, the target of zero net inflation).
P15 The percentage of a sample of purchase orders raised without firm prices.
P16 Net cash and percentage savings achieved on the value of all new contracts negotiated, net of product-specific inflation factor.

Quality
P17 The percentage of delivered materials rejected on inspection.
P18 Number of suppliers with ISO 9000 (or equivalent quality assurance system).
P19 User/stakeholder feedback.

Supplier reliability
P20 The percentage of late deliveries.
P21 The percentage of orders where incorrect goods/quantities delivered/part deliveries made.
Procurement efficiency

Workload measurements
- Number of new requisitions per period (say per quarter).
- Purchasing process time (for example, percentage of requisitions dealt with in two days, three days, five days etc).
- Average expenditure per purchase order by cost centre.

Supplier management
- Annual spend per supplier.
- Average order value by supplier.
- Average invoice value by supplier.
- Call-off contracts as a percentage of all contracts.
- Percentage savings from early payment discounts.

Supplies/stores management
- Average number and volume of incoming deliveries per day.
- Average time to receive and process a delivery.
- Average number and value of stores requisitions per day.
- Average number of lines per requisition.
- Stock loss, obsolescence, damage report.
- Stock turnover by commodity.

Usage
- Equipment
  - Comparison of standardised expenditure on common items between similar stations/departments.
- Consumables
  - Comparison of standardised expenditure on selected consumables between similar stations/departments.
Schedule 4 – Legislation Relevant to Fire Service Procurement

Relevant UK regulations giving effect to EU Directives:
- Public Supply Contracts Regulations 1995
- Public Services Contracts Regulations 1993
- Public Contracts (Works, Services ans Supply) (Amendment) Regulations 2000
- Transfer of Undertakings (Protection of Employment) Regulations 1981

Relevant UK statutes, including those forming part of the framework of CCT:
- Local Government Act 1972 (L1)
- Local Government Act 1988 and subsequent regulations (except for Part 1, section 32 and schedule 6) (L2)
- Parts IV and V of the Local Government and Housing Act 1989
- Part II of the Housing Grants Construction & Regeneration Act 1996
- Local Government (Contracts) Act 1997 (L6)
- Competition Act 1998 (L7)
- Part I of the Local Government Act 1999
- DETR Circular 10/99
- Local Government Act 1999 (L3)

The Local Government Act 1972
This act places a requirement on local authorities to have formal procedures for the procurement of goods, materials and the execution of works. Section 135 requires authorities to make standing orders with respect to contracts for the supply of goods and materials or for the execution of works. It further states that:

‘Standing orders made by a local authority with respect to contracts for the supply of goods or materials or for the execution of works shall include provision for securing competition for such contracts and for regulating the manner in which tenders are invited, but may exempt from any such provisions contracts for a price below that specified in standing orders and may authorise the authority to exempt any contract from any such provision when the authority is satisfied that the exemption is justified by special circumstances.’

Local Government Act 1988 and subsequent regulations
This Act is divided into four parts. Part II of the Act has the most significant impact on procurement, dealing with contracts for the supply of goods, materials or services, or the execution of works made by local authorities and other public bodies as specified in the Act. It deals with contract compliance matters and addresses local authority activities that were perceived as being aimed at the avoidance of competition. DoE Circular 8/88 (Welsh Office 12/88) was published shortly after the Act
and provides guidance on Part II. Annex B of that Circular sets out the approved questions that may be asked on race relations matters.

**Local Government Act 1999**

Local authorities owe a fiduciary duty under common law to their electorate and council taxpayers (Prescott v Birmingham City Corporation, 1955). The obligation on local authorities under Section 3 of the 1999 Local Government Act is to:

‘secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.’

**The Local Government (Best Value) Performance Plans and Reviews Order 1999**

Authorities are now required, under Article 5 of SI 1999/3251: The Local Government (Best Value) Performance Plans and Reviews Order 1999, to carry out a best value review of each of their services within five-year cycles starting from 1 April 2000. Article 6 of the SI sets out what authorities must do in conducting a best value review.

**DETR Best Value Circular 10/99**

DETR Circular 10/99 contains statutory guidance, under Sections 5 and 6 of the 1999 Local Government Act, on best value reviews and best value performance plans. The guidance on best value reviews (paras 15-50) establishes an interrelation between procurement and the 4Cs – challenge, competition, consultation and comparison.

While the 1999 Local Government Act does not require authorities to subject their functions to competition it is the Government’s view that fair and open competition will most often be the best way of demonstrating that a function is being carried out competitively. This is set out in paragraph 36, to which authorities must have regard under section 5 (3) (b) of the 1999 Act. Such competition is expected to play an essential and enduring role in promoting diversity of service delivery and the achievement of best value. Best value reviews will need to consider how to apply the competition requirement for the benefit of each particular service.

**Local Government (Contracts) Act 1997**

This Act encourages private finance initiative (PFI) partnerships and other contractual relationships between local authorities and the private sector. The Act provides that public/private contracts may be challenged only on public law challenge, by an application for judicial review or by audit review. If the main contract is found to be unlawful, there is a provision for special discharge terms, which will operate to compensate the contractor or those providing the finance for the contractor.
**Competition Act 1998**

The Competition Act 1998 came into effect on 1 March 2000 and replaces the Restrictive Trade Practices Acts of 1976 and 1977, the Resale Prices Act 1976 and the majority of the Competition Act 1980. The Act introduces two prohibitions – agreements (whether written or not) that prevent, restrict or distort competition and which may affect trade within the UK; and conduct by undertakings that amounts to an abuse of a dominant position in a market and which may affect trade in the UK.

**Relevant health and safety legislation:**

- The Health and Safety at Work Act 1974 (L8)
- Management of Health and Safety at Work Regulations 1992 (L9)
- Workplace (Health, Safety and Welfare) Regulations 1992 (L10)
- The Provision and Use of Work Equipment Regulations 1992 (L12)
- The Personal Protective Equipment at Work Regulations 1992 (L13)
- The Display Screen Equipment Regulations 1992
- The Noise at Work Regulations 1989/90
- The Control of Substances Hazardous to Health Regulations 1988 (L14)
- The Electricity at Work Regulations 1989

**The Health and Safety at Work Act 1974**

This primary legislation 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.

**Management of Health and Safety at Work Regulations 1992**

These Regulations and accompanying Code of Practice outline the requirement for employers to assess and record any risks arising as a result of their activity, whether to employees or others, for example, members of the public.

The Regulations also establish requirements to monitor the effectiveness of any provisions implemented and to share information with others that may be affected. In procurement terms, this reinforces the requirement to monitor and evaluate the effectiveness of goods or services that have been procured in order to reduce risk or to meet a statutory duty. It also has an impact on the procurement of services such as building and estates management that rely on outside contractors. The Regulations require co-operation between employers sharing a site with the adequate exchange of health, safety and risk information. Although this exchange makes requirements of both parties, the primary occupier of a site retains responsibility for health and safety issues. This has an impact on the selection, approval and supervision of contractors employed.
Workplace (Health, Safety and Welfare) Regulations 1992

These Regulations gave effect to European Directive 89/654/EEC and outline minimum health and safety requirements for all workplaces. These Regulations and their accompanying Approved Code of Practice set out detailed requirements for workplace design and maintenance in areas such as seating, ventilation, lighting, temperatures, floor surfaces and welfare facilities. The Regulations therefore have a particular influence on procurement of estates management services.

The Manual Handling Operations Regulations 1992

These Regulations outline employer’s responsibilities for assessing manual handling operations and avoiding risk to employees through a hierarchy of measures. They influence the design and selection of operational appliances and equipment, which must be assessed and designed to remove or reduce manual handling risks. This may necessitate the procurement of lifting equipment, or adaptations to existing equipment, such as ladder gantries, to remove or reduce risk.

The Provision and Use of Work Equipment Regulations 1992

These Regulations give effect to European Directive 89/665/EEC and apply in all workplaces, covering the provision and use of work equipment. As the regulations define work equipment as anything provided by an employer to enable someone to carry out their work, they have a significant impact on the procurement of everything from a screwdriver to a power press, a lawnmower to a company car. In each case, equipment procured for a work purpose must be assessed as suitable for the job and conform to any relevant EC product safety directives. It must also be maintained in an efficient working order. This maintenance requirement has a particular impact on procurement, reinforcing the need to consider maintenance and product life in any whole-life costing exercises.

The Personal Protective Equipment at Work Regulations 1992

These Regulations give effect to European Directive 89/656/EEC and outline employers’ responsibilities for the provision of personal protective equipment (PPE). The Regulations require employers to assess all risks to employees and consider the provision of PPE only where those risks cannot be completely removed by other means. PPE is defined as any equipment, including clothing for protection against the weather, which is intended to be worn or held by a person at work for protection against risks to their health and safety.
The regulations have a considerable impact on procurement, affecting decisions on the selection, quality, maintenance and provision of PPE. They also make explicit the requirement for PPE to be provided by employers free of charge to the end user as and when necessary.

The Control of Substances Hazardous to Health (COSHH) Regulations 1988

These Regulations cover all work situations wherever dangerous substances are produced or used. They require employers to make a suitable and sufficient assessment of risk, supported by a range of measures to control and reduce that risk. In procurement terms, these Regulations include relatively common substances such as cleaning materials and petrol, in addition to the more obviously hazardous substances. For many relatively common, low-risk substances, inspection and dissemination of manufacturers COSHH data sheets may be sufficient.

Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE)

In January 2000 the Cabinet Office published guidance on how TUPE should be interpreted by authorities. This sets out the policy that there will be an assumption that TUPE will apply in the public sector for public/private partnerships and contracting exercises.

Relevant EU legislation

Detailed guidance on the EU procurement regime can be found in CIPFA, A Short Guide to European Procurement Legislation for Public Sector Purchasers, CIPFA, 1997.

See also L10–L12 above and Appendix D
Appendix A

Elements of a Partnership Agreement with Suppliers

Statement of principle
The title ‘Statement of Principle’ should be included in any major partnership approach. For example, ‘Partners A and B agree in principle to work together in an open and trusting style in partnership deliberately to create a business relationship which is ethical and progressive, delivering tangible, measurable benefits to both partners over a long period.’

Scope
The scope of the partnership extends to the following functions and services:

- **Cost**: Each partner will work year on year to ensure that total supply costs will go down.
- **Service**: The supplier will work to ensure the achievement of customer performance and satisfaction levels of not less than appropriate service/satisfaction levels.
- **Forecasts**: The customer will provide accurate forecasts regularly. Such forecasts will provide (x) months firm orders and (y) months forecast business volumes.
- **Technology improvement**: Each partner will work to improve technology and administration of services supplied and will regularly review specifications supplied to ensure maximum effectiveness of services supplied. As appropriate, technology improvement projects will be defined, agreed and implemented.
- **Continuous improvement**: Each partner will start a continuous improvement programme in their own business, apply it to the services supplied, and find ways to assess potential improvements.
- **Objectives**: Each partner will agree to set specific agreed annual objectives and obligations and will review these in quarterly meetings.
- **Hardship**: In the event that either partner gets into difficulty under the terms of this partnership agreement, they will have the right to approach the other partner requesting support. At this point, both partners will meet openly to discuss the issues involved and positive solutions to them.
- **Cost structure**: For each of the services supplied, an agreed open-book structure will be created (consisting of a formula containing materials, labour, general overheads, profit, plus other categories, for example, return on investment). These will be agreed at the start of the partnership and reviewed regularly in the light of the continuous improvement programme, cost reduction objectives and technology improvement objectives of the partnership agreement.
• **Training**: The customer and the supplier may work together to establish appropriate training methods, resources and qualifications for staff engaged in providing services for the customer’s staff or to end users.

• **Capital investment**: Where capital expenditure must be undertaken by the supplier to provide services on behalf of the customer, these will be identified at the beginning of the partnership. The criteria for investment and payback and return from that investment will be clearly agreed and defined between the partners before any investment is made.

• **Confidentiality**: The nature of the partnership will involve the passage of sensitive information between the two parties; supply may not occur under any circumstances to any third party unless specific agreement is made in writing between the parties.

• **Exclusivity**: Where investment is made in intellectual property between the two parties, supply may not occur under any circumstances to any third party unless specific agreement is made in writing between the partners.

• **Management, education and publicity**: Each party will undertake to brief its management and staff regularly: initially on the nature of the agreement and subsequently on the status of the relationship between the two partners.

• **Exit arrangements**: Both parties need to agree the arrangements for terminating the partnership. This would usually involve providing a substantial period of notice to wind down the relationship.

• **Key contacts**: The key contacts in this partnership, who initially have the responsibility of managing the critical key relationships between the organisations, are (x) and (y).

In seeking the benefits of partnership, authorities must also maintain high standards of probity, including obtaining the benefits from competition. Partnership does not mean that trusts should be supine on price. It is possible to adopt an explicitly partnering style of working after appointing a supplier through competition. There are examples in the private sector, such as the Rover Group, where the client selects its supplier from three or four possible firms, and works with the chosen firm in a partnership way. A similar approach in authorities would mean that staff would have to exercise more discretion than is currently the case, especially by using different tendering procedures. While the potential benefits are considerable, robust and documented procedures are required to ensure probity. Early involvement by internal audit could be an appropriate response.
Appendix B

This section of the note is intended to give guidance on the procurement process for the provision of appropriate firekit. Advice is given on the methodology to adopt and regard has been given to the more critical elements that need to be considered for inclusion in the user specification of the tender documentation to enable the requirements of the Health and Safety at Work etc Act 1974 and the Personal Protective Equipment at Work Regulations to be met.

Specific guidance on achieving best value for the procurement process and the various procurement options available are not included in this note.

Stage I – Risk Assessment
A requirement of the PPE Regulations is that a risk assessment is carried out to ensure the equipment provided is suitable. The risk assessment should define the characteristics that the PPE must have to be effective against the risks, taking into account any risk that the PPE itself may create. A specimen risk survey is provided as Appendix I to the HSE guidance on the PPE Regulations, and a similar guidance will be provided in the Annexe to the next revision of BSEN 469.

Stage II – Standards
Having defined the risks there are a number of European performance standards that are available that are designed to ensure firekit provides the appropriate levels of protection. These should be carefully considered and compliance with the most suitable European standards should be included in the user specification.

Stage III – Compatibility
Full protection for the firefighter’s personal safety during operational activities is provided by a range of PPE and each element must be compatible with each other. Unless a complete system is being procured it will be necessary to include details of the elements of PPE that are likely to be used with the elements subject to procurement. This will enable those tendering to ensure compatibility and include a statement to that effect in their tender submissions.

Stage IV – Management Information
During the risk assessment process, records of safety events involving the existing firekit should be analysed. Any data that identify areas of risk that need to be removed or reduced by the provision of the new PPE should be included in the user specification. An example would be incidents of burns/scalds to the wrists that should be identified as a specific hazard to be addressed in the tender returned.
If the brigade carried out trials of firekit prior to the procurement process and a particular solution or design was found to be more beneficial than another it will be advantageous to include the outcome of those trials in the user requirement.

**Stage V - User Specification**
Having carried out the risk assessment and analysed all available management information to inform the user requirement, the user specification can be prepared. This should be an output-based specification requiring the PPE to remove or reduce the risks that have been identified to the lowest possible level. Those tendering should be required to determine how their particular solution addresses each specific risk in their returns.

**Stage VI - Manufacturer/supplier information**
Compliance with the PPE Regulations requires the employer to provide information about the PPE to the employees likely to wear it. It is necessary to provide adequate training and guidance on what level of protection is provided by the PPE, when and how to use it and how to check it is in good order. Manufacturers/suppliers have duties under the PPE Regulations and the Health and Safety at Work etc Act 1974 to provide information and the following information should be required from those tendering during the procurement process.

- **Sizing** – how to ensure a correct fit (male and female).
- **Identification** – how to ensure firekit can be tracked, traced and recalled as necessary.
- **Storage** – limitations of shelf life and the best conditions in which to store the firekit both in stock and after issue.
- **Drying arrangements** – the optimum conditions in which to dry and store firekit after operational use.
- **Cleaning** – the appropriate systems for cleaning and decontamination.
- **Maintenance** – how to inspect firekit and identify damage or excessive wear.
- **Repair** – how to carry out suitable repairs and the limitations that may apply.
- **Longevity** – a typical lifeing/retirement policy for firekit in general use. Any limitations that may apply and reduce or extend life expectancy.
- **Inspection regime** – advice on appropriate inspection programme to ensure continued compliance with the standards.
- **Disposal** – arrangements for disposal of firekit that is no longer serviceable in safe and environmentally friendly manner.

It is likely that those tendering will make subjective statements with regard to the provision of information, these will need to be verified by the brigade. Similarly, statements made with regard to compliance with standards or the reduction of risk will also need to be evidential and/or verified.
# Appendix C

Net Present Value Table

(Present value of £1)

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Appendix D

European and International Standards Relevant to the Procurement of Equipment

**EN ISO 9614-2:1996**

**EN ISO 11201:1995**
Acoustics – Noise emitted by machinery and equipment – Measurement of emission sound pressure levels at a work station and at other specified positions – Engineering method in an essentially free field over a reflecting plane (ISO 11201:1995).

**EN ISO 11202:1995**
Acoustics – Noise emitted by machinery and equipment – Measurement of emission sound pressure levels at a work station and at other specified positions – Survey method in situ (ISO 11202:1995).

**EN ISO 11688-1:1998**

**ISO/DIS 10085:1991**
Firefighting vehicle and equipment – Symbols for operator controls and other displays.

**EN 953:1997**
Safety of machinery – General requirements for the design and construction of guards (fixed, movable).

**EN 1050:1998**
Safety of machinery – Risk assessment.

**EN 1070:1998**
Safety of machinery – Terminology.

**prEN 1028-1:1998**
Firefighting pumps – Part 1: Requirements for fighting centrifugal pumps with primer.

**prEN 1028-2:1998**

**EN 294:1992**
Safety of machinery – Safety distances to prevent danger zones being reached by the upper limbs.

**EN 349:1993**
Safety of machinery – Minimum gaps to avoid crushing parts of the human body.
EN 563:1994
Safety of machinery – Temperatures of touchable surfaces – Ergonomics data to establish temperature limit values for hot surfaces.

prEN 1028-2:1998

prEN 1050:1996
Safety of machinery – Risk assessment.

prEN 1070:1997
Safety of machinery – Terminology.

EN ISO 9905:1997

EN ISO 9908:1998

ISO 3864:1984
Safety colours and safety signs.

ISO/DIS 10085:1991
Firefighting vehicles and equipment – Symbols for operator controls and other displays.
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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 end of a service 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.

Procurement practitioners, and others involved in procurement activities, are key to effective purchasing by fire authorities. It is thus crucial that they receive the information and support to allow them to streamline procurement functions, evaluate and monitor success, and maximise the potential for efficient and economical collaboration between brigades and with other agencies.

This good practice guide has been designed to assist fire authorities in carrying out the mandatory best value reviews of procurement that must be completed by April 2002. It sits alongside the Audit Commission’s national report of procurement in the fire service and examines in greater detail the main stages of the procurement process. At each of these stages, the guide outlines the key good practice points, along with relevant references, competencies, legislation, and performance measures, and provides checklists for action.

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