

Kent and Medway Fire and Rescue Authority

Commercial and Procurement Strategy 2018-22

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Introduction

Kent and Medway Fire and Rescue Authority is committed to **working together, saving lives and reducing harm**. Our objectives and plans focus on home safety, road safety, assisting businesses, responding to emergencies, and protecting the wider community from the impact of major events.

In doing so we recognise the need to have the ability to buy goods and services in such a way that we deliver Value for Money on every pound spent with our suppliers, whilst complying with EU Directives and UK Government policy that govern public sector procurement.

Following good procurement practice allows us to:

- Manage the interface between the market and ourselves to maximise the effectiveness and Value for Money of our services.
- Help to maximise the efficiency of the market-provided services to us by:
 - Presenting a consolidated and consistent service to our customers;
 - Delivering procurements to project timetables;
 - Improving services whilst making efficiency savings and minimising risk; and
 - Working with business areas to understand their future direction and where service provision could be provided by the market. This is to ensure that the services that we receive deliver what is required by our operational business areas.

The Legal Framework

All our procurement must be compliant with legal obligations including those under health and safety, the EU procurement rules and other international agreements. The following directly relate to procurement:

- the Treaty of Rome EU Directive 2004/18/EC (known in the UK as the Consolidated Directive);
- UK Statutory Instrument 2006 No 5;
- The Public Contracts Regulations 2015;
- The Equality Act 2010 relating to corporate and social responsibility.

EU rules (that apply to the provision of goods, works and services) require set procedures and timescales to be applied to certain categories of procurement where the value exceeds prescribed thresholds. These are reviewed periodically. Current thresholds are:

£181,302 for goods and services;
£4,551,413 for works and construction;
£615,278 for light touch regime.

Even when a tender process is not subject to the directives, for example because the estimated value of a contract falls below the relevant threshold, EU Treaty-based principles of non-discrimination, equal treatment, transparency and proportionality still apply and some degree of advertising, appropriate to the scale of the contract, is likely to be necessary to

demonstrate transparency. This is in line with the objective of achieving value for money in all public procurement, not just those covered by the procurement directives.

For purchases below the EU threshold, consideration must be given to the extent of competition required and the most appropriate procurement route or methodology to follow. In determining whether the EU thresholds are likely to be reached, account must be taken of the total estimated cost of the contract over its intended duration, excluding VAT. This should cover the total procurement requirement. Where there is a requirement over a period of time for goods, works or services of the same type under a series of contracts which have similar characteristics, the value of those contracts may need to be aggregated in determining whether the thresholds have been reached.

Requirements must not be split up and disaggregated so that individual parts do not exceed the EU threshold with the intention of avoiding the full extent of EU rules.

Procurement Service Order

In accordance with Section 135 of the Local Government Act 1972, the Procurement Service Order sets out the rules by which the Authority authorises spending on goods, works and services we require and to regulate all spending by employees of the Authority. The Procurement Service Order is available on our website.

Value for money

Our aim when procuring goods, services or works is to achieve Value for Money whilst having due regard to propriety and regularity. Contracts are not awarded solely on the basis of the lowest price, but on the basis of the ***Most Economically Advantageous Tender***. In other words, on the basis of the best price/quality score achieved by a supplier under the scoring guidelines set out in the evaluation strategy document.

Value for money is defined as the optimum combination of whole-life cost and quality (fitness for purpose) to meet the user's requirement. Whole-life cost means the total cost of the acquisition over the life of the contract including maintenance, operations and disposal. It is not just about the lowest price.

Bidding costs should be kept to the minimum necessary for effective competition.

In tendering procedures which involve the selection of suppliers to be invited to tender or negotiate, the selection should be made on the basis of objective and relevant criteria, taking account of the evidence permitted under the EU directives where they apply.

Governance

Progress on procurement projects shall be reported into the Corporate Development Steering Group and all relevant Programme and Project Boards. This shall apply to both local and collaborative projects.

Under the National Fire Commercial Transformation Programme, all national collaboration projects must report into the Strategic Commercial Board. The Board is chaired by Ann Millington and is made up of National Sponsors at Chief-level and Category Leads. The Board also has an independent assurance member from Police and representation from the Home Office Commercial Directorate, representing Police and Fire.

The Commercial and Procurement Team

Team Structure

In October 2017, a new approach to Commercial and Procurement within KFRS was launched following a formal re-structure during the summer.

The focus and need to provide effective and efficient procurement advice continues to be a prerequisite on many public sector agendas, not least to ensure savings are achieved wherever it is possible to do so. Increasingly there is a need to be more astute in terms of commercial acumen. Therefore, it was recognised that the team required a new focus, one which would adopt category management principles.

Category Management Approach and Principles

In 2016/17, we spent £20m on third party goods and services, which is a significant volume of influential spend. We also manage 117 live contracts, details of which are available on our website as part of our demonstration of transparency.

Since April 2017, we have been engaging with key stakeholders to undertake an exercise to develop a procurement pipeline focusing on the next 2-5 years. This exercise has identified a significant number of priorities at a local level for KFRS, which will all require commercial specialism and expertise to deliver contracts to ensure that our corporate objectives and operational needs are met. Major projects, such as communications with firefighters at incidents, station new-builds and vehicle replacements, all require commercial resource to successfully deliver in accordance with legislation, ensuring that best value is achieved and that not only our requirements are met, but also the requirements of Government when it comes to national resilience.

Given the pipeline of priorities that require professional commercial expertise, it was considered to be an ideal time to adopt category management practices. These enable the team to profile, benchmark, research and assess the market, risks, competition, trends and new opportunities to ensure continuity of supply and that best value is achieved, developing an expert level of knowledge of the specific category at a senior level. The team focuses on five key areas of priority identified for the organisation, which are Operations; ICT; Fleet/Professional Services; Facilities Management (FM); and Construction (Property).

The general principle, as defined by the Chartered Institute for Purchasing and Supply, is that category management is a strategic approach which organises procurement/commercial resources to focus on specific areas of spend. This enables category managers to focus their time and conduct in-depth market analysis to fully leverage their procurement decisions on behalf of the whole organisation within that category area. The results can be significantly greater than traditional transactional-based purchasing methods.

A structured category management approach will not only help us generate savings, but also improve supplier performance, mitigate supply risks, and drive innovation and continuous improvement.

Category strategies and plans bring together demand estimates, savings targets, supplier relationships, and regulatory/market dynamics so they can be examined and understood collectively. Rather than initiating an effort based on a single business need, expiring contract, or incumbent supplier relationship, category management considers the totality of what we buy against the backdrop of the markets from which we buy.

The ethos within the team is one of building talent from within the organisation. We shall support continued professional development to enhance the skills, knowledge and experience of each member of the team and shall ensure that we have up to date knowledge and application of current and proposed legislation and Government/public sector procurement policy. The Category Managers are qualified and members of the Chartered Institute of Purchasing and Supply and have access to a wealth of experts and up to date case law to support them in their continued development. At the Category Officer level, which includes an Apprentice, we are focused on growing new talent within the Commercial and Procurement profession, and the Service is committed to supporting the individuals at this level to achieve the qualification, whilst receiving on the job practitioner training and development.

In addition to local Service requirements, we have the responsibility to design and deliver procurement strategies for the Clothing Category under the National Fire Commercial Transformation Programme, following the success of the National Personal Protective Equipment Framework. We are also leading on the development of the National Training Framework, which went to market in late 2017/18. The vision for the Programme in the future, is that as a sector, we shall move to virtual procurement support to deliver significant cashable savings via standardisation, collaboration and aggregation. The proposed re-structure has therefore also taken into account strategic alignment with this future vision. Further information regarding the National Programme is detailed later.

Commercial and Procurement Forward Plan 2018-22

Our Approach

Internal inputs: The new structure and delivery model ensures that we can reach a point in our evolution where we can fully appreciate cross-functional input. Pulling down the barriers between functions means more than just including Finance or Marketing in communications. Other functional leaders should have an opportunity to review the list of defined categories, ask questions, and provide their perspective in time for the Commercial and Procurement Team to act upon it. Our delivery model enables us to manage categories in a way that will allow us to leverage every potential advantage, which means that the more viewpoints that can be incorporated into the plan, the better. This is crucial for any projects or Service objectives that have touch points or synergies with more than one business/functional area.

External inputs: When researching in preparation for a category plan, Commercial and Procurement needs to understand the most critical suppliers and their full range of capabilities. Not only will this provide a broad perspective on the opportunities that exist, it will help the Team to connect our current supplier or contract-level efforts to the supply markets themselves. It is also critical that the plan reflects how much volatility exists in the space. This brings to light risks that need to be monitored and helps define the intended active term of the plan: higher risk equals shorter-term category plans with more frequent refreshes.

Once this range of inputs has been combined to form one or more category plans, the Category Managers can define the next steps - ways to turn the plan into actions and results. Since category planning is conducted at a level that transcends projects, it also affects multiple procurement disciplines, such as:

- **Strategic sourcing wave planning:** Each category shall be brought under management through several sourcing projects. The order in which they should be delivered shall be defined by analysis undertaken by the Category Managers to determine, for example, any advantages associated with combining them in new ways or running them in parallel, particularly if there are synergies or dependencies between projects across business/functional areas. With a category plan to provide context, the quality of these decisions is significantly improved.
- **Resource allocation and skills training:** The Category Managers can use the sourcing plans to focus resources on the areas which shall generate the greatest return on investment. But the answer is not simply in the numbers. Specific category knowledge and skills such as cost-modelling, negotiation, or analysis, in the right combination, shall be used to go from plan to results.
- **Information gathering:** The Category Manager can use the plan to identify the areas where it will benefit from additional research or new qualified sources of information. Creating maximum value from the category may even require a deeper understanding of the second or third tier of the supply chain – needs that are best addressed when identified in advance as part of the planning phase.
- **Supplier relationship management:** When spend is managed by category rather than by contract, different levels of priority may be assigned to the suppliers included

within the plan. By viewing suppliers this way, the Category Managers will undoubtedly identify a critical supplier that does not have high spend, but represents a source of competitive advantage or a risk for operational disruption.

There are many advantages to completing a category planning exercise early, but there may be timing-based milestones for revisiting a category plan. Category plans are more likely to experience changes in response to events, such as break-through technologies in ICT or the emerging impact of Brexit on the markets and exchange rates. Common triggers for category management plans to be revisited and then revised as needed include:

- **Shifts in the risk landscape:** One of the greatest advantages of managing spend at the category level rather than at the supplier level is that the total potential impact of identified risks can be understood very quickly. When risk levels rise or fall, either for an individual supplier or for the whole supply chain, the whole category plan needs to be reviewed.
- **Adjustments to the demand forecast:** Category plans usually include assumptions about how much of what products and services the company plans to buy. Unlike a single contract, the demand associated with a category plan will reflect our business decisions at the highest level. If a business/functional area undergoes major changes, a wholesale adjustment will be needed in the category plan. The relationships that the Category Managers foster with the business/functional areas is therefore crucial to help with planning associated with any plans to undertake major change. This links in with the internal inputs outlined above.
- **Supplier performance:** Responding to changes in supplier performance can mean moving away from a struggling provider or rewarding exceptional service from another. When suppliers are identified as belonging to the same category (even if we do not purchase the exact same products/services from them), the Category Manager shall analyse options to move demand to the most qualified suppliers available.

Collaboration

The Commercial and Procurement Team support the objectives of the National Fire Commercial Transformation Programme, which was formed in response to the Police and Fire Minister and Home Secretary's reform announcements which challenged the sector to do more to improve its commercial strategy. The sector spends circa £600m per annum on third party good and services, the majority of which could be influenced by a more joined-up and collaborative approach, which has the potential to extend across blue light agencies.

The Programme's mission statement is to proactively develop/support and champion a National Fire and Rescue Commercial Strategy that meets the needs of all stakeholders within the fire and rescue community, and encourage and support national and regional sector and cross-sector collaboration wherever possible in order to ensure that VFM is delivered to the public at both local and national level.

It has three guiding principles:

- **Standardise requirements:** developing agreed standard specifications that are operationally-driven rather than procurement-led;
- **Aggregate volumes:** fire and rescue services that bring volumes to market typically get better deals. Where possible, i.e. non-fire specific goods and services, consider the wider purchasing power of other public sector organisations;
- **Collaboratively manage contracts and suppliers:** joined-up strategic engagement, supplier performance and contract management.

This Plan will therefore include national priorities for delivery, which shall evolve as the Programme grows and matures. The priorities will cover all categories within the Team structure, and will build upon most recent successes, such as the recently-awarded cleaning contract, which adopted a standardised cleaning specification developed by Leicestershire Police, and shall deliver cashable savings for us of c25% against a budget of £1.5m over a five-year term following a joint procurement with Kent and Essex Police Forces.

The Plan

The pipeline shall continually evolve as the Category Strategies develop and annual budgets are reviewed and agreed for each of the strategic plans. This shall form the basis of the Procurement Plan in terms of real-time priorities for the Team. Crucially, over this period of time, the plan is for local requirements to be delivered via national or regional arrangements, and the core function of the Team shall be to support collaboration as a virtual procurement resource, both within the fire sector and beyond into other blue light agencies.

Whilst Sites and Property are exploring opportunities for co-location across the blue light agencies, there will be the need to support local priorities through local arrangements for re-developments for example, but that is not to say that these arrangements cannot be sourced via regional or even national deals. There is however the Social Value Act to be taken into consideration when appraising sourcing options, particularly in relation to the FM/Construction category. The Social Value Act requires people who commission, or buy, public services to consider securing added economic, social or environmental benefits for their local area.

Throughout this period, the Team shall support delivery of major projects within each category area, such as new-builds, the outcome of the light fleet review, and implementation of cloud-based solutions.

Savings Trajectory

The savings targets that are identified within each of the Category Strategies shall be populated within the pipeline of priorities, which will enable the Team to track return on investment and value against each project or priority area.

Savings targets have already been identified for the National Clothing Strategy, which has estimated between 20-24% savings against the total annual spend of £19.8m across the sector. This figure will need to be further tested through soft market engagement for each priority identified under the strategy. The PPE project, valued at a minimum of £70m over the eight-year arrangement, is already tracking savings of 0.75% against the baseline price.

Another example of success is the CCTV/Telematics project, which is expected to deliver £450k savings over the contract period against insurance.

Appraisals shall include a SMART objective for savings, and shall be monitored throughout the appraisal year. There are a number of factors that may influence savings potential, on both a negative and positive scale, and these factors shall be monitored as part of the category management model and recorded against each savings target periodically. The Team will also be encouraging formalised processes to record benefits over a relevant and realistic period of time to be agreed with the Business Lead/Project Manager in order that actual savings can be recorded and compared to forecast savings identified upon contract award.

Going forward, as of calendar year 2018, the fire sector will be required to report savings data annually to the National Fire Commercial Transformation Programme, which shall report progress to the Policing and Fire Minister.

The Team, working with internal customers, shall adopt the strategic supplier relationship management model, designed by the National Fire Commercial Transformation Programme as the national standard approach to supplier management across the sector. Opportunities for in-contract savings shall be explored through application of the model, which will look at areas such as Service Level Agreements and Key Performance Indicators, identifying mutual benefits for both the supplier and KFRS to remove onerous measures that are often costly to both parties and add very little, if any, value to delivery of the service or goods. Constructively challenging 'gold plating' within specifications and 'value-add' requirements that generally exceed our business need, again, resulting in significant cost and often risk premiums within contracts. Removal of such requirements often results in cash benefits to an organisation, but not to the detriment of operational requirements.

Regular benchmarking of contracts will also be undertaken by the Category Managers and suppliers shall be made aware through standard terms and conditions that this shall be conducted periodically and any cost adjustments shall be made if they are positive for KFRS.

Strategic and transparent relationships with suppliers is a crucial foundation for any such discussions/negotiations and it is vital that these discussions are either led, or supported, by members of the Commercial and Procurement Team.

Soft market engagement can also be used as enabler for more accurate forecasting/budgeting and to aid business investment decisions, which is not to say that the decision must always be to invest. The process can be used to assess the reaction of the market to a proposed requirement and procurement approach. It brings suppliers perspectives to public sector procurements at an early stage, offering potential benefits in terms of making the subsequent procurement process more focused and efficient, if indeed a procurement process follows.

A key aspect of market-sounding is that it can help KFRS translate desired outcomes into a high-level statement of business requirements that is well-aligned with the market, which makes it much more likely that the desired outcome will be achieved. This helps to reduce the research and development costs that suppliers would often need to invest in if they were bidding 'blind' against our requirements and will also help to reduce the risk premium that suppliers build into their cost models as it removes, as far as possible, any unknowns. It is

vital that the market sounding process remains open, and that the suppliers involved are treated with fairness and equality to avoid very costly legal challenges downstream. It is therefore critical that the Commercial and Procurement Team lead on any market engagement activity undertaken by KFRS.

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Action Plan

Action/Activity/Project Description	Start Date	End Date
Develop new category strategies and delivery plans to underpin the new category management approach.	May-18	Jun-18
Develop savings targets within each category strategy and monitor return on investment/value for money against each area.	May-18	Jun-18
Implement new category plans with frequent monitoring of progress and horizon scanning.	Jun-18	Mar-22
Deliver market engagement event across all categories to enable suppliers to understand KFRS procurement forecasts.	Jul-18	Jul-18
Carry out customer satisfaction survey focused on the new category management model.	Nov-18	Nov-18
Support the delivery of the new Finance and Procurement system project.	Feb-16	Sep-18
Review the current contracts to identify potential in-contract savings.	Sep-18	Mar-19
Continue to deliver Commercial and Procurement awareness training sessions across staff in KFRS.	Jan-19	Jun-19
Delivery of the National Workwear Framework project.	Sep-17	Jun-19
Support the delivery of the National Firefighting Training Framework.	Jan-18	Mar-19
Delivery of the Specialist firefighting PPE project.	Jan-18	Mar-19
Support the delivery of the Ballistic PPE with West Midlands FRS.	Jan-18	May-18
Delivery of Safe and Well Equipment National Framework.	Feb-18	Jun-18
Support the delivery of the fire-ground radio refresh project.	Mar-18	Jul-19
Support the delivery of the Emergency Services Network project.	Jul-17	Dec-20
Support the delivery of the CCTV/Telematics on vehicles project.	Dec-16	Dec-18
Support the delivery of the integrated risk management system project (Project F).	Jan-18	Dec-19
Develop Procurement Intranet Site.	Mar-18	Jul-18
Review the Procurement and Disposal policies.	Apr-18	Jun-18
Develop, publish and deliver against the procurement pipeline and contract register.	Apr-18	Mar-22
Explore options for local procurement to be delivered via national/regional collaboration exercises both within the fire sector and across other blue light agencies.	Apr-18	Mar-22
Report annual savings data to the National Fire Commercial Transformation Programme and Policing and Fire Minister.	Apr-18	Mar-22
Adopt the 'strategic supplier relationship management model' designed by the National Fire Commercial Transformation Programme as the national standard approach to supplier management.	Nov-18	Mar-22
Embed processes to ensure that Small and Medium-Sized Enterprises (SMEs) and Black and Minority Ethnic Enterprises (BMEs) bid for contracts without discriminating against larger firms.	Apr-18	Mar-22
Support the delivery of the Procurement Audit.	Apr-18	Apr-18

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Annex 1: Our approach to Small and Medium-Sized Enterprises (SMEs) and Black and Minority Ethnic Enterprises (BMEs)

Insofar as it is consistent with obtaining value for money we are committed to encouraging small firms (generally defined as independent businesses which employ up to 249 people) to bid for contracts.

Where purchasers opt for prime contractors, they should ensure that the business case for doing so considers value for money. Prime contractors should be asked during the procurement process to demonstrate their track record in achieving value for money through effective use of their supply chain, including the use of small and medium-sized enterprises (SMEs) and black and minority ethnic enterprises (BMEs).

Prime contractors should be required to pay sub-contractors on time and ensure that when paid by KFRS, payments flow down through the supply chain.

Every effort should be made to remove barriers to participation by SMEs and BMEs without discriminating against larger firms. They can be encouraged by making sub-contracting opportunities more transparent and by disaggregating services for procurement.

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