



LONDON FIRE BRIGADE

Decision title

Review of our Contract Management Arrangements for Major Suppliers

Recommendation by
Assistant Director, Technical and Commercial

Decision Number
LFC-0376-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0376-D explains that in response to the report in December 2019 by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services ('HMICFRS') which detailed the inspection of the Brigade, and in particular that report's recommendation that the Brigade should undertake a review of contract management arrangements of its major suppliers, the report details the review which has been undertaken and the resultant action plan, both of which build upon the existing foundation of good contract management practice already in place. The action plan will further improve how the Brigade will achieve value for money and effective service delivery from its contracts with major suppliers.

Decision

That the London Fire Commissioner approves the action plan attached at Appendix 1 to report LFC-0376.

Andy Roe
London Fire Commissioner

Date **This decision was remotely signed on Thursday 15 October 2020**

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LONDON FIRE BRIGADE

Report title

Review of our Contract Management Arrangements for Major Suppliers

Report to

Corporate Services DB
Commissioner's Board

Date

9 June 2020
30 June 2020

Report by

Assistant Director Technical and Commercial

Report number

LFC-0376

Protective marking: **NOT PROTECTIVELY MARKED**

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Summary

In response to the report in December 2019 by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services ('HMICFRS') which detailed the inspection of the Brigade, and in particular that report's recommendation that the Brigade should undertake a review of contract management arrangements of its major suppliers, this report details the review which has been undertaken and the resultant action plan, both of which build upon the existing foundation of good contract management practice already in place. The action plan will further improve how the Brigade will achieve value for money and effective service delivery from its contracts with major suppliers.

Recommended decision

It is recommended that the action plan in Appendix 1 is approved.

Background

Context

1. The Brigade originally set up a contracts management group in 2000 for the purpose of managing its major contracts such as those based on total quality management, those based on a Private Finance Initiative (PFI) basis as well as public private partnership style contractual relationships. Over the years, this allowed the Brigade to develop good practice in managing contractual relationships, particularly in the areas of risk management, risk transfer, performance management and payment mechanisms. For example, in 2009, the Brigade won an award from SOPO (The Society of Procurement Officers in Local Government) for our ground breaking work in the field of supplier business continuity and risk management. That was for the development of a supplier continuity programme to manage intermittent disruptions to business and supplier failure risk plans to manage scenarios where suppliers could cease trading altogether.
2. In 2015, the Brigade refreshed its approach to procurement, purchasing and contract management (refer to the report to the Corporate Management Board (CMB) dated 22 July 2015

entitled "Improving LFB procurement process and performance and contracts management" (FP 09/6/15). This initiative was a continuation of the journey the Brigade had already embarked upon to continuously improve its procurement and contracts management practice.

3. More recently, the Brigade has restructured its Procurement department into a category based structure which is a change from the previous separate and silo type structure into a more focused based approach using category management principles to achieve better value for money and contract effectiveness. Further information on this and other recent examples of us continuing our journey of good practice in procurement and contracts management can be found in LFB's formal statement to our external auditors (Ernst & Young) for them to provide an opinion on value for money as part of the external audit process of our accounts (2019/2020).

Recommendation from the HMICFRS report

4. The HMICFRS inspection report, dated 17 December 2019, recommended that the Brigade review its contract management arrangements with regards to its major suppliers in order to ensure contract delivery is effective and value for money is achieved. Hence, this represents a further opportunity to continue our journey in improving our procurement and contracts management good practice.

Definitions

5. The term "major supplier" in this context means a supplier with whom the Brigade has a contract, which is either of substantial financial value relative to the Brigade's budget, or, regardless of spend, is strategically important to the frontline delivery of the Brigade's operations. A list of major suppliers and contractors to the Brigade is provided in Appendix 2.
6. The term "effective contract delivery" means that the purpose of the contract and the Brigade's requirements are satisfactorily fulfilled via the operation of the contract by both the supplier and the Brigade (as client).
7. The term "value for money" (vfm) essentially means that a product, service or works is worth the money spent on it. This can be further understood in terms of economy (i.e. cost minimisation), efficiency (i.e. how the product, service or works is provided) and effectiveness (i.e. the outcome or fulfilment of the requirement). Therefore, vfm has regard to both quality and cost.

Our aim

8. Our aim is to ensure that all our major contracts are working as effectively as possible with contract service delivery being satisfactory and with value for money being achieved in each case.

Methodology

9. We accomplish our aim through two methods:
 - **Organisational arrangements** – We ensure our contract management organisational arrangements are robust and kept under review to ensure effectiveness. We have undertaken a current review of our arrangements which has resulted in a comprehensive action plan being developed which builds upon and further improves the good contract management practice already in place.
 - **Contract specific remedial action plans** - In most cases, our organisational arrangements will resolve contract management issues via business as usual

processes. However, contract specific remedial action plans will be developed on a case by case basis where required. Specifically, the purpose of these plans will be to address major issues in contract effectiveness or vfm which have not been resolved via the business as usual processes (other action plans) within the management of the contract. The contract specific remedial action plans will include performance and risk issues that have been escalated to the Assistant Director Technical & Commercial for resolution via focused discussion with a director of the particular supplier.

The review process

10. Initial discussions were held within Procurement on the content, shape and effectiveness of our existing contract management arrangements. From these initial discussions, a draft action plan was developed which continuously improves our arrangements and which will achieve our aim set out above in paragraph 8. Stakeholders from client departments, including Property, Training, People Services, Finance, ICT, General Counsel, Governance and Operations were consulted on the draft plan. The final draft plan is included in Appendix 1 awaiting final approval.

The organisational arrangements action plan

11. The organisational arrangements action plan for contracts management is comprehensive in its scope and makes further improvements in the following areas:
 - Governance
 - Policy & procedures
 - Stakeholder management
 - Reporting
 - Responsible Procurement
 - Diversity and inclusion
 - Contract risk
 - Contract administration
 - Contract performance
 - Professional capability (training & development)
 - Quality Assurance
 - Communications
12. Actions have been prioritised and assigned lead responsible officers with target deadlines. The actions have been assigned to managers in Procurement and also to heads of service and lead client officers where appropriate.

Monitoring the progress of implementing the action plans

13. Our progress in implementing the organisational arrangements action plan will be monitored as follows:
 - Monthly via the Procurement Department's managers' meeting
 - Quarterly (minimum) via meetings between the Head of Category (Procurement) and the Lead Client Officers
 - Quarterly via the Brigade's corporate performance management system
 - Quarterly updates to the Transformation Board Sub Committee

- Six monthly update reports to the Corporate Services Directorate Board and to a refreshed Contracts Oversight Board.
14. Details of bespoke remedial action plans, which will include performance and risk issues that have been escalated to the Assistant Director Technical and Commercial for discussion with a director of the supplier, will be reported via the above forums.

Conclusion

15. The action plan has been designed to continuously improve our existing contract management practices in order to secure the success of our major contracts. It is therefore purposely comprehensive and ambitious to further improve value for money and effective service delivery from these contracts. Actions have been developed on a SMART basis (specific, measurable, attainable, relevant and time-based). The achievement of the actions within the plan are a key feature of the Brigade's Transformation Delivery Plan.

Finance comments

16. This report recommends that the action plan at appendix 1 is approved. The action plan includes actions regarding improvements to training and the use of electronic processing. Any resulting costs from these actions and any staff costs to deliver the plan will be contained within existing resources.

Workforce comments

17. There are no issues arising from the contents of this report. Consultations with representative bodies are undertaken on a case by case basis regarding specific issues as they arise in both the procurement phase and the service delivery phase of contracts.

Legal comments

18. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
19. Section 1 of the Fire and Rescue Services Act 2004 (FRSA 2004) states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
20. Under section 7 (2)(a) of the FRSA 2004, the Commissioner must secure the provision of personnel, services and equipment necessary to efficiently meet all normal requirements for firefighting, and this is achieved through contracts for these purposes.
21. Furthermore, when carrying out its functions, the Commissioner, as the fire and rescue authority for Greater London, is required to 'have regard to the Fire and Rescue National Framework prepared by the Secretary of State (FRSA 2004, section 21).
22. Section 28 of the FRSA 2004 empowers the Home Secretary to appoint inspectors of fire and rescue authorities. In 2017 the Home Secretary appointed Her Majesty's Inspectorate of Constabulary (HMIC) as inspectors of fire and rescue authorities under this section and HMIC

changed their name to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

23. The Policing and Crime Act 2017 sets out that HMICFRS will inspect and report on the efficiency and effectiveness of fire and rescue authorities in England.
24. HMICFRS is an inspectorate, and has powers to secure information, but no powers to give orders for change.
25. It is for the Commissioner, subject to the oversight arrangements in place from the Mayor, Deputy Mayor, Greater London Assembly and Home Secretary, to take action as a result of HMICFRS's recommendations.
26. This report and attached action plan set out the actions that the Commissioner intends to take in response to the recommendation of the HMICFRS, specified at paragraph 4 above.

Sustainability implications

27. The action plan set out in Appendix 1 incorporates Responsible Procurement actions that set out high level stakeholder responsibilities in ensuring that related requirements are performance managed and reporting information provided. The majority of major contracts outlined in Appendix 2 include Responsible Procurement requirements, the remainder will be reviewed for appropriate inclusions at their next re-tender in line with PN696 and the Technical and Commercial Department's Responsible Procurement procedure.
28. The existing internal audit procedures of the certified Environmental Management System for the Brigade include Responsible Procurement, improved alignment with overarching quality assurance will need to be considered within the quality assurance strategy.
29. Some Responsible Procurement training has been provided to staff as part of the GLA Group training provision to improve professional capability and further opportunities will be explored.

Equalities implications

30. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.
31. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
32. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.
33. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), to have due regard to the need to:

- a. Eliminate discrimination, harassment and victimisation and other prohibited conduct.
- b. Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
- c. Foster good relations between people who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- a. remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
- b. take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- c. encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- a. tackle prejudice, and
- b. promote understanding.

34. There has been an equality impact assessment undertaken on the wider HMICFRS Action Plan, and this specific action plan directly references the aims of the new Togetherness Strategy, due to be launched in 2020, and its relevance to diversity and inclusion in procurement.

35. The action plan includes responsibilities by the Heads of Category (Procurement) to develop equalities and diversity within contracts. Specifically, for both pre-contract and post-contract phases, where feasible, this is to develop and monitor proportionate action plans per contract to promote equalities and diversity within the delivery of contracts.

List of Appendices

Appendix	Title	Protective Marking
1.	Action Plan: Brigade wide review of contract management arrangements for major suppliers	None
2.	List of LFB's major suppliers and contractors	None

APPENDIX 1 - Action Plan: Brigade wide review of contract management arrangements for major suppliers

The HMICFRS inspection report, dated 17 December 2019, recommended that the Brigade review its contract management arrangements for its major suppliers in order to ensure contract delivery is effective and value for money is achieved.

The term "major supplier" in this context means a supplier with whom the Brigade has a contract with, which is either of substantial financial value relative to the Brigade's budget, or, regardless of spend, is strategically important to the frontline delivery of the Brigade. A list of major suppliers to the Brigade is provided in Appendix 2.

Aim:

We will ensure that all major contracts are working as effectively as possible with contract service delivery being either satisfactory with value for money being delivered or further contract specific remedial action plans in place to address any major shortfalls in effectiveness.

Targets (progress updated as of 4 May 2020):

1. Issue draft action plan on 21 April 2020 to stakeholders for amendments in track changes by 28 April 2020 **COMPLETE**
2. Final draft action plan by 29 April 2020. **COMPLETE** Head of Procurement to draft report for Corporate Services Directorate Board (CSDB). **COMPLETE**
3. Action plan to be approved by Corporate Services Directorate Board by 31 May 2020 and the Commissioner's Board on 17 June 2020 **TBC**
4. Contract specific remedial actions to be developed on a case by case basis where required and monitored by the Assistant Director of Technical and Commercial. **WHEN REQ'D**

Theme	Action description	H/M/L	Lead responsibility	Deadline	Status	Updates
Governance	Define the list of major suppliers and contractors which shall be shared with Head of Category , Heads of Service and Lead Client Officers	H	Head of Procurement	31 May 2020	Complete	Complete
Governance	Ensure each contract has an appropriate lead client officer appointed during the procurement stage and that all live major contracts have a lead client officer	H	Heads of Service in conjunction with the relevant Head of Category	30 June 2020		
Governance	Establish effective proportionate arrangements for the oversight of the performance of LFB's major contracts portfolio at director/assistant director level. This will involve a review and refresh of the previous Contracts Oversight Board (COB), and include reporting requirements.	M	Head of Procurement	31 October 2020		
Governance	Establish procedure for escalation of material issues (not usually BAU issues, unless persistent) for notification to Assistant Director of Technical and Commercial, and for inclusion in Remedial Action Plans	H	Assistant Director of Technical and Commercial	31 July 2020		
Policy & Procedures	Draft and finalise a contract management manual to provide general guidance for all stakeholders involved in the management of contracts	H	Head of Commercial Contracts Management	31 August 2020		
Policy & Procedures	Draft and finalise a template for contract specific procedures and work instructions for	H	Head of Commercial Contracts	31 August 2020		

	the action below.		Management			
Policy & Procedures	Draft contract specific procedures and work instructions which detail the organisational arrangements as to how that particular contract will be managed, including implementation before service commencement. These will define stakeholder responsibilities. The organisational arrangements should be accommodated in the contract.	H	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	31 October 2020		
Policy & Procedures	Ensure LFB stakeholder responsibilities are defined per contract (to be included in the contract specific procedures).	H	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	31 October 2020		
Policy & Procedures	Establish effective procedure for timely contract extensions	M	Head of Procurement	31 March 2021		
Policy & Procedures	Review the contract change management and change control procedures to ensure they are effective, proportionate and comprehensive.	M	Senior Deputy Head of Procurement	31 December 2020		
Stakeholder Management	Regular internal liaison meetings are to be scheduled between the Head of Category (Procurement) and the Lead Client Officer to discuss client feedback, contract performance issues and fulfilment of requirements. Each meeting to have a structured agenda and key actions recorded. Documents are to be filed on SharePoint under the relevant contract management section.	H	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	31 July 2020		

Stakeholder Management	Define what "attractive client" means for LFB and achieve it through adopting a collaborative win-win working approach to contractual relationships with suppliers and the timely payment of invoices	M	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	31 March 2021		
Stakeholder Management	Define what "intelligent client" means for LFB and achieve it (via being informed with timely information, category specific market specialist knowledge, good practice, effective client involvement)	H	Head of Category (Procurement)	30 November 2020		
Reporting	Develop savings register source database for savings reports. Ensure savings are included in relevant reports and dashboards	M	Senior Deputy Head of Procurement	31 December 2020		
Reporting	Complete precis of data and information per major contract and maintain on an annual basis (annual spend, termination costs, etc)	M	Head of Category (Procurement)	30 November 2020		
Reporting	Develop lean, effective data capture and management reporting process – lean, exception reporting for COB based on achieving value for money and effectiveness	M	Head of Procurement & Head of Commercial Contracts Management	31 October 2020		
Reporting	Develop improved data capture and management reporting – dashboard for Head of Category	M	Head of Commercial Contracts Management	30 November 2020		
Contract Performance	Ensure all new major contracts include appropriate effective performance regimes including KPIs.	H	Head of Category (Procurement)	30 July 2020		
Contract Performance	Ensure (via the procurement) that all new major contracts include provisions for the adoption of continuous improvement	H	Head of Category (Procurement)	30 July 2020		

	approaches in the development of contract service delivery and achievement of value for money.					
Contract Performance	Ensure all contract management meetings include action plans for the monitoring, management and completion of business as usual: <ul style="list-style-type: none"> i. agreed actions ii. continuous improvement targets 	H	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	30 July 2020		
Quality Assurance	Develop a strategy for the auditing, monitoring and assurance of contract activities, including verification of data and management information.	M	Senior Deputy Head of Procurement	31 March 2021		
Quality Assurance	Ensure lessons learned during post-contract phases are used to improve re-procurements in the subsequent pre-contract phases. This includes capturing client and supplier feedback both throughout and at the end of contract periods.	L	Head of Category (Procurement)	31 March 2021		
Risk	Ensure all new major contracts include appropriate and effective risk transfer regimes (including the apportionment of risk to the party best placed to manage it)	H	Head of Category (Procurement)	30 July 2020		
Risk	Each major contract to have a risk register established which incorporates both generic and emerging risks. Risk is to be a standing agenda item on: <ul style="list-style-type: none"> i. all contract management liaison meeting with the supplier 	M	Head of Category (Procurement) in conjunction with the Lead Client Officer for each contract	30 November 2020		

	ii. all liaison meetings between the head of category (Procurement) and the lead client officer					
Professional Capability (Training & Development)	Plan a staged approach to ensure high levels of competence of all LFB staff involved in contractual relationships with major suppliers (via training and development). This may include external courses in addition to internal workshops, procedures familiarisation, and on the job training. This includes both pre-contract tasks (e.g. specification writing and developing KPIs) and post-contract tasks (e.g. commercial and supplier relationship management).	M	Head of Commercial Contracts Management	31 March 2021 (stage one) Later stages TBC		
Responsible Procurement	(For procurement officers) Ensure Responsible Procurement (RP) is effectively integrated into the commercial contract management of all major contracts and is not treated as an outlying issue. In particular, ensure reporting is timely and RP actions plans are managed effectively.	M	Head of Category (Procurement)	30 November 2020		
Responsible Procurement	(For lead client officers) Ensure RP is effectively integrated into the service delivery management of all major contracts and is not treated as an outlying issue. In particular, ensure reporting is timely and RP actions plans are managed effectively.	M	Lead Client Officer for each contract	31 March 2021		

Diversity & Inclusion	For both pre-contract and post-contract phases, where feasible, develop and monitor proportionate and relevant action plans per contract to promote Equalities & Diversity within the delivery of contracts. These are to be in alignment with the Togetherness Strategy.	M	Head of Category (Procurement)	30 November 2020		
Communications	Each contract to have a proactive communications plan, to be reviewed and agreed with the lead client officer on an annual basis and form part of the category plans.	M	Head of Category (Procurement)	30 November 2020		
Contract Administration	Review contract register and contract management database, ensure data accuracy and effectiveness including timely trigger alarm dates for re-procurement start dates, contract extensions and associated communications to lead client officers.	H	Head of Commercial Contracts Management and Senior Deputy Head of Procurement	31 August 2020		
Contract Administration	Consider the feasibility and benefits of implementing an external, third party contract register and contract management application.	L	Head of Commercial Contracts Management and Senior Deputy Head of Procurement	31 March 2021		
Contract Administration	Ensure MOPAC audit actions are proactively managed, completed on time and monitored	M	Senior Deputy Head of Procurement	31 December 2020		
Contract Administration	Ensure all client purchase orders placed under a contract are compliant with the terms of the contract.	M	Lead Client Officer	31 December 2020		
Contract	Transition to full electronic processing of contract documentation & ensure its effective	M	Senior Deputy Head	30 September		

APPENDIX 2 - List of LFB's major suppliers and contractors

The term "major supplier" in this context means a supplier with whom the Brigade has a contract with, which is either of substantial financial value relative to the Brigade's budget, or, regardless of spend, is strategically important to the frontline delivery of the Brigade.

Contracts managed by Procurement / partly by Procurement:

Vehicle & Equipment contract – Babcock Critical Services Ltd

Training – Babcock Training Ltd

Temporary Workers – Hays

Scientific Services – Bureau Veritas

Emergency Fire Crew Capability – Securitas

Laundry – Berendsen (now Elis)

Structural PPE – Bristol Uniforms Ltd

Lease Car Inspections, Blues & Twos installation – Pullmans

Fuel - Certas Energy UK Ltd.

Fuel Cards – Allstar Business Solutions Ltd.

Foam (1) – Auxquima

Foam (2) - Angus

Travel – Corporate Travel Management Ltd

Property managed contracts

PFI Stations – Blue3 London Ltd

FM Services Integrator – KBR Includes a range of FM Contracts including Asbestos (Gradient), Bay Doors (Arkas), Mechanical Electrical and Plumbing (Kier and Servest), Building Fabric (Close Brothers) and Lifts (Apex).

Asbestos - Gradient

Security – Mitie

Grounds Maintenance - Burleys

Statutory Compliance areas -Quintain

Guarding Services (empty buildings) – Vigilance

Waste – Bywaters

Cleaning - Interserve

Gym/Sports Equipment - Sportsafe

Mechanical and Electrical Consultant- GRE

Consultancy Practices (3 practices) —Currie and Brown; Frankam and Fulkers

Catering – Compass ESS

Property and Estates Consultancy– Dron and Wright

Electric (car/van) Charging Points – Chargemaster

Contracts managed by ICT:

Control & mobilising services - Capita

WAN / ISP / MAN / Smart numbers / Citrix netscalers / WLAN / Ad-hoc hardware purchases from key suppliers - BT

Break / Fix - SCC

Non-emergency telephony - Datrix

Digital main scheme radios - Airwave

Paging - Vodafone or Page One TBC

Mobile phones / MDT's / Sim cards – Vodafone

Cyber defence system - DarkTrace (via BT)

Maintenance and support of several key systems - SBS (Sequel Business Solutions)

Farynor - Atkins

ICOS for Command Units – currently an SLA with Telent; tender issued for re-procurement

Finance System - Infor

Multi Functional Devices - Canon

Risk analyses & modelling of operational data - Operational Research Services (ORH) – (to be transferred to Strategy & Risk)

Contracts managed by TSS Fleet

Fleet Vehicle Inspection Services – Applus

Vehicles and equipment - Babcock Critical Services (jointly managed with Procurement)

Contracts managed by TSS PEG

RPE components - Drager

Contracts managed by People Services

Occupational Health – Health Management Limited (HML)

Contracts managed by Training

Training - Babcock Training Ltd (jointly managed with Procurement)

Contracts managed by Finance

Provision of Insurance Services – AJ Gallagher