

Outline Business Case

Communities and Organisational Development		Cornwall Fire, Rescue and Community Safety Service	
Light Rescue Pump procurement			
Capital Project			
Senior Responsible Officer	Area Manager	Head of Service:	Chief Fire Officer Paul Walker
Date Updated:	04/05/2016	Version:	0.2
Programme/Project Description:	Procurement of six Light Rescue Pump (LRP) emergency vehicles to replace aged fleet. As part of our Integrated Risk Management Plan we undertake robust risk analysis within our communities. This analysis, combined with feedback from our frontline staff, has identified a number of areas around Cornwall where the provision of smaller than conventional fire engines will enable more effective and efficient service provision. This procurement supports committed revenue savings, whilst also maintaining Fire Fighter Safety and response to emergencies for our residents in Cornwall.		
Reviewers:	Cornwall Fire, Rescue and Community Safety Service SLT Investment and Commercial Board		
Author(s):	Area Manager		

Document History			
Version	Date	Author	Change
0.1	04/05/16	Area Manager	
0.2	06/05/16	Area Manager	Changes included following comments from Assistant Chief Officer

Authority to Proceed		
All Business Cases require approval at Head of Service and DLT level before approval to proceed is provided by the Investment and Commercial Board or its Sub-Board as appropriate.		
Authorised Officer	Proceed	Stop
Head of Service: Chief Fire Officer Paul Walker	Yes	
Director: Cath Robinson		
Chair of Investment and Commercial Board or its Sub-Board as appropriate		

1.1 Background
Please provide a brief background of the project
Cornwall Fire, Rescue and Community Safety Service (CFRCS) maintain and make use of a significant range of safety critical assets in the delivery of their work. This includes a wide range of specialist vehicles, breathing apparatus, personal protective equipment and other risk specific tools required to deliver its service. All of these items have various operational life

spans and associated age replacement cycles, with some life limited by nature of design. This ensures that these assets remain fit for purpose, operationally sound, technically suitable for the task, and do not compromise public or firefighter safety.

Our current fleet of fire engines are getting older and reaching their 'end of life'. CFRCS keep such vehicles for approximately 15 – 20 years, with older vehicles being more difficult and costly to maintain; this is both in terms of accessing replacements parts and the staff hours required to ensure they are able to continue to provide a critical emergency response.

In order to address this, CFRCS has developed a 15 year capital replacement programme which will ensure that the assets we provide to our workforce to carry out their tasks remain fit for purpose, are aligned to local risks and provides flexibility in replacing our operational assets to ensure that those most in need of replacement or refresh are appropriately prioritised within the available funds. The Light Rescue Pump vehicle procurement is the first project within the 15 year capital replacement programme, replacing six ageing assets with new emergency response appliances.

1.2 Reasons (The Strategic Case)

An explanation of the reasons why an investment or expenditure is needed and the outcomes that will result. This shall be matched to published or agreed strategy and policy priorities wherever possible.

This project is the first in a planned series of projects that will see CFRCS moving to a blended approach of appliances being procured aligned to local risks and meeting geographical challenges within Cornwall. This is a major step change for the service, supported by public consultation undertaken to inform the 2016-19 Service Plan (incorporating the Integrated Risk Management plan) which identified that 80% of those consulted (staff, residents and elected Members) were in favour of reviewing resources and aligning these to risk. This includes the 15 year capital replacement programme being approved by elected Members, both through the four year budget setting process and sign off of the 2016 -19 Service Plan and Delivery Plan.

The Light Rescue Pump vehicle procurement has been expedited within the 15 year replacement programme as it contributes to delivering savings required within the Medium Term Financial Savings Plan, through the reduction in maintenance and running costs associated with aging vehicles.

As part of our Integrated Risk Management Plan we undertake robust risk analysis. This analysis, combined with feedback from our frontline staff, has identified a number of areas around Cornwall where the provision of smaller than conventional fire engines will enable more effective and efficient service provision.

Over the past decade or so the equipment used in responding to emergency incidents has significantly grown in quantity and complexity which has naturally led to the carrying capacity and size of fire engines increasing. By replacing six of our standard Type B fire appliances with light rescue pump vehicles fitted with key specialist equipment and personnel, it will significantly improve access and manoeuvrability in both rural areas and in town centres where some narrow streets and high density traffic can cause major difficulties for responding crews.

In the past there has been a single approach to fire appliance procurement with one specification of appliance being deemed suitable for all stations/locations across Cornwall. We are transforming this approach to make sure that our assets are best aligned to local risk,

making the best use of public spend whilst ensuring we maintain Fire Fighter safety.

This project has three primary objectives:

- Improved response to emergency situations
- Reduced impact on the environment
- Capital and revenue savings

Improved response to emergency situations

CFRCS has recently reviewed and updated our Local Response Standards based on the risk profile of the county as outlined in our Risk Based Evidence Profile, which looks at a range of geographic, demographic and socio-economic factors to identify the areas most at risk in Cornwall. Our Integrated Risk Management Plan focuses on delivering targeted Prevention, Protection and Response work in the areas that we are currently unable to reach within a 10-minute response.

These are predominately rural areas and villages, and we know that 23% of the roads in Cornwall are classified as 'narrow roads', with 18% of our urban roads and 24% of rural roads measuring less than 5 metres in width. The country lanes, narrow streets and crowded town centres in these areas create access difficulties for our standard Type B fire appliances, as clearly demonstrated by the image below.



These access difficulties are further compounded by the fact that Cornwall has influx of visitors during holiday periods, the majority of whom are concentrated around rural coastal areas and beauty spots. This creates a heavy additional traffic burden in these areas in the summer months, thus slowing our response times due to the difficulties of negotiating traffic jams in a standard Type B fire appliance.

In order to improve our emergency response provision in these areas, we will replace our standard Type B Appliances with LRP appliances at targeted locations across the county.

The LRP can carry a crew of 5 and 2 breathing apparatus, and has the same rescue equipment capability as a standard Type B fire appliance; however it will deliver much improved access and manoeuvrability to these rural towns and villages. Crews will be able to deal with the vast majority of the common core of incidents without additional support being required, whilst ensuring public and fire fighter safety and maintaining operational effectiveness.

Reduced impact on the environment

This project will significantly reduce our impact on the environment and provide a major contribution to reducing our carbon footprint.

The running costs and maintenance will deliver environmental savings due to the fact that the new fire engines will be more fuel efficient than the vehicles they are replacing, and will have lower maintenance requirements on items such as tyres. The CO2 emissions from these vehicles will be significantly lower than the vehicles they are replacing.

Capital and Revenue Savings

Capital savings will be achieved because the initial cost of the fire engine, is approximately 33% cheaper than a conventional vehicle. A standard Type B fire appliance (capital cost circa £210k) versus a Light Rescue Pump Vehicle (capital cost circa £140k). Over the next 48 month period we will replace 6 appliances at a unit cost of £140k, making a net saving of £420k initial capital outlay.

Procurement of this type of vehicle will help us move towards a 12-year renewal cycle, rather than the current 15-year cycle. Although we currently operate to a 15-year renewal cycle in principle, the oldest vehicles in our fleet are now 24 years old. This approach will compound the revenue savings that the service will be able to realise by not only replacing these older vehicles, but also by bringing our replacement programme back on track reducing the renewal period.

Due to the reduced capital outlay the cost of prudential borrowing will also be reduced over the life of the programme.

Revenue

The capital replacement of six appliances supports our Mid Term Financial Savings plan, specifically against; Transport/fleet review realising £200k reduction from base. This project supports this saving through revenue efficiencies in the following areas:

Fuel

Due to the size and load of the LRP appliances they will deliver an average of 26 miles per gallon compared to the current 8 miles per gallon of current appliances. Based on an average of 1,000 annual miles per appliance this will deliver a £394.98 efficiency at current fuel prices giving an annual saving of £2,373 per annum for the six appliances.

Tyres

A set of tyres will be 20% cheaper than the £2,000 it costs for current appliances. The saving would therefore be £2,400 across the six appliances at 5 year replacement intervals.

Maintenance

Maintaining the smaller vehicles will save in the region of £1,000 per appliance per year on maintenance costs compared to a Type B Appliance.

Equipment Carried

These vehicles are designed to carry the key equipment required to respond to the majority of the common core of incidents, with more specialist equipment reserved for our larger vehicles or held on stations for use when required. This will release an additional minimum of £6,000 of savings per vehicle every 15 years on equipment that will no longer be carried and therefore not require replacing.

Additional learning

The project is further supported by extensive user engagement that has been undertaken for over four years with user groups across the service, from an initial concept vehicle gaining detailed evaluation, being scrutinised by elected Members and trialled, and subsequent trialling of two additional vehicles which have enabled us to prepare the organisation for change, raise awareness and informed the detailed specification that is being prepared for the tendering process.

Between January and March 2016, CFRCS undertook a procurement exercise for three Light Rescue Pumps using the Yorkshire Purchasing Organisation (YPO) framework. It was anticipated that using this framework would reduce burden, expedite the process and deliver value for money as an acknowledged framework. CFRSCS engaged with Commercial Services to provide assurance and governance to this process. In March 2016 the decision was taken to not award the contract as a result of this tendering process for the following reasons:

1. During the tender process we learned that the way the specification document had been written provided too much lateral interpretation for suppliers and lost focus on user requirements. In addition, we were limited in terms of evaluation criteria weights and questions by using the YPO framework.
2. Through engagement with other Fire and Rescue Services (FRS) during the tender process, we learnt some FRS's were realising additional savings by grouping orders for call off. As we know we need 6 over the 4 year period it was felt prudent to go with one tender as opposed to multiple tenders thus attracting additional discounts. This change supports the delivery of capital savings (increased discount).
3. On the basis of point two, there needed to be specific performance clauses into the contract regarding future calls offs – based on performance of the first vehicle delivered. This will enable proof of concept and enable us to change the fit out of the appliances so that they can be equipped to best meet local risks (it is anticipated that the chassis will be fit for purpose).

A full lessons learned exercise was undertaken following this procurement exercise with members of the procurement team and action taken to address the points raised. This includes undertaking a thorough review/rewrite of the tender specification document to fully capture user needs, ensuring that lifecycle costs form part of the tender process so that these form part of the awarding criteria, further supporting our MTFP strategy, ensuring a robust contract management process is put in place which is being supported by the governance structure that is now established for the project.

We are proposing a 60% cost, 40% quality split. This decision has been made after speaking with Devon and Somerset Fire and Rescue (DSFR) about their last tender for similar vehicles. They did not include any quality questions in their ITT, and purely assessed price and specification. DSFRS set up a single supplier framework on this basis, and after finding quality issues with the vehicles in service, they decided to stop using the framework. We have also learned from the last aborted tender using a YPO framework, where we could not change the weightings to suit our requirements. We need to consider the fact that as this will be an open tender we are open to offers across Europe/the wider market, and the correct balance between cost and quality will be key. We will check this 60/40% split when the evaluation criteria questions have been finalised- to make sure we have the correct weightings.

The decision has been taken to not hold a Supplier Open Day due to the specialist nature of this procurement and the fact that nationally the fire sector has well established relationships with existing suppliers. Although it's not practical to do for this tender, a supplier day will be held for future tenders following development of the 15 year replacement plan.

This project directly contributes to the service's objectives of:

Respond 1: To ensure we have the right resources in the right place at the right time

Perform 3: Use our resources effectively to target risk

This project supports the Council's strategy theme of 'being efficient, effective and innovative' along with 'healthier and safer communities'.

1.3 Options (The Strategic Case)

A brief description of the different solution options considered. Please provide a brief overview if the Strategic Outline Case has already been presented to the Investment and Commercial Board.

Please provide more detail if the Strategic Outline Case is being presented at the same time as the Outline Business Case.

Option One – Do Nothing

The first option that has been considered is to do nothing. This is the current position of the service. Due to the risk critical nature of the current vehicles, this would place both firefighter and public lives at risk as a number of fleet is at end of life. The CFRCS fleet has aged significantly and is proving costly (revenue and time) to maintain. Therefore, this has been discounted as an option.

Option Two – Do Minimum

The second option that has been considered, as part of the proposed 15 year capital replacement programme, is to replace all traditional "Type B" fire appliances with a like-for-like specification. However with the absence of undertaking individual station needs assessments, first responding vehicles would be allocated without considering the varying demographical needs of residents across Cornwall. Therefore this has also been discounted as an option.

Option Three – Deliver 6 light rescue pump vehicles

The third option, as part of the proposed 15 year capital replacement programme, is to replace six of the current traditional "Type B" fire appliances, with a light rescue pump vehicle. This vehicle is cheaper to purchase (£70k saving per unit compared to "Type B" fire appliance) and is smaller in size which would significantly improve accessibility and provide greater flexibility in terms of responding to call outs, supporting local based risk and improving services to local residents. In addition, these vehicles would provide a reduction in lifecycle revenue costs compared to the traditional "Type B" fire appliance due to it being a lighter vehicle.

This option would maximise the use of capital to ensure value for money. This will be designed around a principle of risk based procurement, ensuring that assets are aligned to needs and will also be critical in delivering savings required the short term capital investment to secure revenue savings i.e. around maintenance costs etc).

1.4 Benefits Expected (The Economic Case)

Key benefits expected from the investment should be summarised here, with baseline and target measures and owners identified, grouped by financial year.

For revenue expenditure, identify potential savings or articulate potential efficiencies or innovations that could be generated.

Do not list costs in this section.

	Benefits	Year 1	Year 2	Year 3	Year 4
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	(£m)	(£m)	(£m)	(£m)
Reduction in capital costs	0.021162	0.007054	0.007054	0.007054
Reduction in fuel	0.001186	0.000395	0.000395	0.000395
Reduction in spend on tyres	0.001440	0.000480	0.000480	0.000480
Reduction in equipment required for each vehicle	0.007200	0.002400	0.002400	0.002400
Total	0.030988	0.010329	0.010329	0.010329
Non-financial benefits				
Reduced staff labour to maintain vehicles	956 hours	318 hours	318 hours	318 hours
Improved services to residents				
Reduced environmental impact through replacing ageing vehicles with more efficient and economically friendly vehicles				

Note:

Update Year 1 - Year 4 with appropriate financial years.

Check unit of currency e.g. £1,000,000 should be shown as 1.000 in table above, £500,000 as 0.500

1.5 Costs (The Economic Case)

Costs associated with the investment shall be summarised here set out by financial year. These should be linked to the Project Plan.

For revenue projects, this shall be the total contract value plus any additional costs that arise from the contract for each year (e.g. additional staff costs, licensing costs, maintenance costs etc.)

	Year 1 (£m)	Year 2 (£m)	Year 3 (£m)	Year 4 (£m)
Total				

Note:

Update Year 1 - Year 4 with appropriate financial years.

Check unit of currency e.g. £1,000,000 should be shown as 1.000 in table above, £500,000 as 0.500

1.6 Commercial Approach (The Commercial Case)

Please provide information on the following:

- How the expenditure/investment supports Council objectives?
- How the Council's Sourcing Strategy has been considered including whether Internal Direct Award is appropriate.

- How value for money will be achieved? e.g. consider, for example, the following:
 - level of pre-market research, Supplier engagement and market readiness for the procurement
 - quality of specification and KPIs
 - completion of competitive tender exercise with sufficient time allowed for all stages
 - contract award based on Most Economically Advantageous Tender
 - appropriate Terms and Conditions
 - plans for robust Contract Management (including both performance and relationship management)
- If Internal Direct Award is proposed how the [Internal Direct Award Procedure](#) will be followed to confirm that it will provide value for money and that the Council Company has the competency and capacity to deliver?
- Whether opportunities for collaboration have been considered?
- The planned route to market?
- Whether the expenditure/investment is new?
- TUPE and Pensions obligations
- Payment terms
- How variations and break clauses are provided for in the contract?
- How innovation is provided for in the contract?
- What provision there is for the use of subcontractors
- The exit plan

This section can be tailored as appropriate to the circumstances. Where matters are not relevant sections can be deleted.

Support of Council's objectives

This project supports the Council's strategy theme of 'being efficient, effective and innovative' along with 'healthier and safer communities'. We will deliver improvements in our service to meet the challenges of dwindling resources, local conditions and national priorities.

Consideration of Council's Sourcing Strategy

Commercial services will be involved at the start where the business need is identified, which will allow a forward procurement plan to be created. As with procuring the 6 vehicles together, we are pooling demand where possible through use of call off agreements over longer periods of time, as opposed to completing individual procurements each time a single item needs replacing. This should ensure we achieve the best possible value for money. This allows a proactive approach with more time being spent at the start of the procurement cycle, as opposed to the end.

Flexibility to change specifications or cease call off agreements due to reasons such as improvements in design/technology, or poor supplier performance will need to be considered. We need to 'future proof' the specifications as much as possible. The use of the Contract Management toolkit will ensure on-going performance monitoring- this will be managed as a joint activity between Commercial Services and the Fire & Rescue Service.

It will also allow greater potential for collaboration with other Fire & Rescue Services, depending upon their own ability to forward plan, and their willingness to collaborate.

Achievement of Value for Money

As outlined above a forward procurement plan will allow us to maximise pooling of demand, rather than individual one-off purchases. A comparison can be made between one off purchase prices, and prices based on a forward plan/call off- to ensure value for money is achieved.

The commercial documentation used in the Tender process will need to state clearly that

reductions on normal market prices are expected due to volume. Market research can be carried out to establish market prices, and where other Fire & Rescue Services are willing & legally able to collaborate we may also be able to compare pricing. It may be necessary to consider variant bids which will also potentially allow for greater reductions in price.

Internal Direct Award – Value for Money, Competency and Capacity

N/a

Opportunity for Collaboration

Commercial services have discussed what procurement route DSFRS took when purchasing similar vehicles last year – they set up a single supplier framework and did not have any quality evaluation questions; the response to the specification was evaluated instead. This is not the right approach for CFRCS.

Route to Market

We have already reviewed the different sourcing options/procurement routes and recently aborted a Tender using a Yorkshire Purchasing Organisation framework as it did not allow key user needs to be taken into account. The new Sourcing strategy is to use an Open OJEU Tender which will allow us more flexibility in terms of evaluation criteria, weightings, terms and conditions and performance indicators. We have produced a defined list of our specification requirements for the six light rescue pump vehicles.

Recurring expenditure

Recurring expenditure will be maintenance and spare parts, however maintenance will be carried out in house. Following discussions with other garages we are significantly cheaper (our internal labour charge is £34 per hour) as opposed to figures in the region of £100 per hour labour charge.

TUPE and Pensions obligations

N/A

Payment terms

During the build process we will stage the payments into three. 1/3 of the final sum to be paid on award of contract, 1/3 to be paid mid-build following an inspection and 1/3 to be paid on satisfactory completion of order.

Variations and break clauses

As outlined in the consideration of the Councils Sourcing Strategy & Route to Market-

Flexibility to change specifications or cease call off agreements due to reasons such as improvements in design/technology, or poor supplier performance will need to be considered.

It may be necessary to consider variant bids which will also potentially allow for greater reductions in price. We will ask for break pricing based on quantity and any variations and break clauses will be made clear up-front at ITT stage, and will also be part of the Terms & Conditions/contract. These can be monitored and reviewed as part of the on-going Contract Management.

Provision for innovation

Allowance for innovation will be included in the ITT and evaluation criteria, ensuring compliance to necessary regulations.

Potential for sub-contractors

We will request a breakdown of the supply chain in the tender submission.

Exit plan

This will form part of the proposed 15 year capital programme whereby vehicles will be frequently reviewed and replaced on an on-going replacement programme. It is likely we will place an order for three vehicles within the first year, followed by a call off of the remaining 3 vehicles on a yearly basis thereafter. A robust review and evaluation will be undertaken after the first three vehicles have been issued, prior to calling off of the last three vehicles. This will include 'lessons learned' along with agreeing a mechanism for any modifications prior to the call off of the last three vehicles. Project sign off will ensure agreed product specifications and implementation timescales have been met.

1.7 Investment Appraisal (The Financial Case) CAPITAL PROJECTS ONLY

The Investment Appraisal illustrates the balance between the development, operational, maintenance and support costs against the financial value of the benefits over a period of time. Any costs which can be capitalised will be identified here.

Capital	Yr1 (£m)	Yr2 (£m)	Yr3 (£m)	Yr4 (£m)
Expenditure				
Capital Asset Acquisition Costs				
Project Management				
Building / Construction Works				
Professional and Legal Expenses				
Payments to Third Party				
Other Capital Costs				
Total Expenditure	0.420	0.140	0.140	0.140
Funding				
Borrowing	0.267			
Capital Receipt	0.153 (DCLG grant carry forward into 2016/17)			
Grant - <i>which funder?</i>				
Specific funding - <i>e.g. S106</i>				
Reserve - <i>what reserve?</i>				
Revenue contribution - <i>what revenue budget?</i>				
Total Funding	0.420	0.140	0.140	0.140

Revenue	Yr1 (£m)	Yr2 (£m)	Yr3 (£m)	Yr4 (£m)
Expenditure				
Staff costs				
Maintenance				
Licences				
Insurance				

Borrowing costs				
Income				
Contributions/Fees/Charges				
Total Income				
Net revenue impact				

Please complete:

Which revenue budget will this impact?

Has the budget manager approved this?

Note:

Update Year 1 - Year 4 with appropriate financial years.

Check unit of currency e.g. £1,000,000 should be shown as 1.000 in table above, £500,000 as 0.500

VAT Implications (including effect on Partial Exemption calculation). Please ensure that VAT advice is sought for all business cases and that reference is made to the authority's 'Capital Project VAT Guidance'.

VAT implications will vary depending on type of purchase.
Detailed VAT advice will be sought where required

1.8 Implementation Approach (The Management Case)

Set out how the investment will be implemented or how the contract will be managed.

Implementation

A service level Operational Asset Review Programme Board has been established to oversee the wider 15 year programme, of which this is a project. A dedicated Managing Successful Programmes (MSP) Practitioner will be provided to oversee the governance arrangements for the project and provide assurance that it is being managed appropriately. A full suite of project documentation will be developed, with clearly defined outputs and benefits, appropriate milestones, a risk and issue log, and transparent delivery arrangements. Monthly highlight reports will be provided to the Senior Leadership Team.

Area Manager has been appointed as the Senior Responsible Officer for this programme. Group Manager has been appointed as the Programme Lead and he will coordinate all sub-project activity, with work stream groups established to support delivery of individual project activities.

We have involved colleagues from the Council's Commercial Services team to ensure that the procurement procedure is incorporated into project timelines.

Governance support will be required from the Business Support Team within the Fire, Rescue and Community Safety Service. Additional support will be required from the Business Support Team in terms of obtaining incident and risk data.

Contract Management

We will ensure a robust contract management process is put in place which is being supported by the governance structure that has been established for the project, reporting into SLT. Use of the Contract Management toolkit will ensure on-going performance monitoring.

1.9 Resource Requirements (The Management Case)

List anticipated Internal and External resource requirements:

- Internal – e.g. HR, Prog. Management, Finance.
- External – e.g.

Internal Resource Requirements

Commercial Services to assist with procurement process

Finance

Programme management to be provided from within Service

External Resource Requirements

N/A

1.10 Timescales (The Management Case)

Set out the main milestones of the project

Milestones

22.04.2016- Kick off meeting- discuss sourcing strategy/approach & actions required

06.05.2016- complete all ICB 1 documentation & submit

12.05.2016- ICB 1 meeting- approval to Tender

31.05.2016- completion of all documents - completion of all documents required for Tender-:

- Specification
- Confirmation lessons learned actioned/considered in spec
- Spares documentation for costing
- Agreed evaluation criteria questions & weightings
- Agreed KPI's & contract management
- Terms & conditions (legal)

06.06.2016- issue Tender on Ojeu

18.07.2016- Tender deadline

28.07.2016- completion of evaluation & ICB 2 pre-award report preparation

28.07.2016- submit all documents for ICB 2 panel review

08.08.2016- ICB 2 panel review- approval to contract award

12.08.2016 pre-award notice, start of stand still period

22.08.2016- end of stand still period

23.08.2016- Contract award

1.11 Risks (The Management Case)

Summary of the key risks associated with the project. A risk log can be attached.

Risk	Impact	Timescales
If the procurement of vehicles is not approved then additional revenue costs will be incurred within the Engineering budget in respect of; <ul style="list-style-type: none">• Vehicle repair• Maintenance and increased fuel usage• Failure to deliver on Carbon reduction targets		
Adverse impact on response standards		
Adverse effect on firefighter and public safety		
Changes to the capital budget		
Community confidence could be reduced		
Resistance to change		
Changing political landscape		
Perception of 'loss'		