Privatisation of London's Fire Service Training and Control Centre

European Services Strategy Unit
(Continuing the work of the Centre for Public Services)

FBU

Fire Brigades Union,

London Region,

John Horner Mews,

London N1 8PB,

Tel. 020 7359 3638

GMB

c/o 3rd floor,

Clerkenwell Fire Station,

42-44 Rosebery Avenue,

London EC1R 4RN.

Tel: 0208 555 1200 ext 35634.

Email: gmblfepa@btinternet.com

UNISON

169 Union Street,

Southwark,

London SE1 0LX,

Tel. 07584583971

Email: unisonlfepa@gmail.com

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(Continuing the work of the Centre for Public Services)

Dexter Whitfield, Director
Adjunct Associate Professor, Australian Institute for Social Research, University of Adelaide
Mobile 0777 6370884
Tel. +353 66 7130225
Email: dexter.whitfield@gmail.com
Web: www.european-services-strategy.org.uk

The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services, which began in 1973.

Content

List of Tables

Executive Summary

Safety is compromised

The planned outsourcing of training and Fire Control services could result in the fracturing of Fire and Emergency services in London. Firstly, by divorcing control and mobilisation from the main fire service functions; Secondly, by separating the provision of training from the fire service when there is wide consensus that training is an integral part of fire and rescue services. Thirdly, the Fire Control procurement - an ICT service, potentially a shared service project, up to £248m in value, involving 120 staff – is being rushed which could result in mistakes and safety being compromised.

New high risks imposed on fire service

Outsourcing imposes new financial and contract management risks into the fire service. The report identifies a series of risks that remain with the LFEPA and cannot be transferred to the private sector.

Poor performance of PPP strategic partnerships

20% of PPP strategic partnership contracts have either been terminated, reduced in scope, or suffered significant operational and/or financial problems. This is a higher rate than for PFI projects and imposes many more risks for the London Fire and Emergency Services.

Equalities

The LFEPA propose to TUPE transfer the FRS grade staff to the contractor and to second the operational staff. FRS staff have less favourable terms and conditions than operational staff.

Of the FRS staff to be TUPE transferred, 41.8% are female and 26.9% are black or ethnic minority staff.

Yet of the seconded operational staff on better terms and conditions, only 4.6% are female and 13.4% are black or ethnic minority.

The FRS grades have a significantly higher proportion of female and black and ethnic minority staff, and are potentially being subjected to differential treatment. This undermines Greater London Authority equity standards and policies and could potentially be legally challenged.

Value for money

Given the outsourcing track record of relatively small savings, failed expansion or commercial activities of PPP strategic partnerships, the diversion of funding from frontline fire services, the high transaction and contract management and monitoring costs, it is highly questionable whether the LFEPA will obtain value for money in a full cost and impact assessment.

Flawed procurement process

There is evidence the procurement process was inadequate because:

- No service review was undertaken with staff and trade union involvement
- No options appraisal
- No business plan at the start of procurement
- No proper oversight and scrutiny

Impact on pensions

It is vitally important that bidders are required to seek admitted body status to fire service pension schemes as a condition of contract. The private sector is rapidly closing defined benefit pension schemes. The government is seeking major changes in public sector pensions that will increase employee contributions and reduce the quality of pensions.

Proof required that 'in-house option' innovative and fairly assessed

The trade unions have not been involved in drawing up the 'in-house option' and are very concerned that the comparison with private sector bids is fair and equitable. The report contains criteria that will help in assessing proposals and the trade unions ultimately want full disclosure in the public interest.

Recommendations

The London Fire Brigade trade unions recommend the LFEPA:

1. Retain in-house provision of training and immediately implement localised training arrangements.

2. Immediately amend the Fire Control procurement to withdraw the managed services option. The project to design, build, provide and maintain control and mobilising ICT services should proceed.

3. Prepare an in-house option, developed jointly with the trade unions, if the managed services element is not withdrawn.

4. Adopt the secondment and TUPE Plus employment policies to protect terms and conditions for the length of the contract and to prevent the emergence of a two-tier workforce.

5. Require contractors to seek admitted body status to the relevant fire service pension scheme.

6. The Authority should use its powers under European Union procurement regulations to extend the timetable for each stage of the Fire Control procurement timetable (within the legal limits).

7. Redesign the service transformation process based on service reviews, service improvement plans, options appraisals and business cases.

8. Engage staff and trade unions in the design and development of the service improvement and in the procurement process when this option is justified.

9. Improve transparency with the release of policies, plans and information that are in the public interest.

Introduction

The London Fire and Emergency Planning Authority (LFEPA) commenced a procurement process for two major contracts in 2010 and 2011.

Provision of training services

In June 2010 procurement commenced for a 25-year PPP contract for the provision of operational fire fighting skills training and personal skills training for operational and support staff. The full cost of training delivery was estimated to be £24.91m in 2007-08 (FEP 1408, 2009).

Three contractors were shortlisted:

- a joint AssetCo plc and Balfour Beatty plc (Capital Training Solutions)
- Babcock International Group plc
- Serco Group plc

Serco withdrew earlier in 2011.

Control and mobilising ICT and service provision

In August 2011, LFEPA issued a formal notice to commence procurement of a 10-year £17.5m - £248m contract to design, build, provide and maintain control and mobilising ICT services. It included a second option to provide managed services, in other words to outsource the entire control and mobilising service.

Future Options for Training

The trade unions have seen **no evidence that the procurement process was supported by an options appraisal and an outline business case**. The minutes of joint LFEPA/trade union meetings refer to a business case being prepared for Corporate Management Board and LFEPA meetings in October/November 2011, but this will be a *final* business case including recommendations at the conclusion of the procurement process.

Transparency

The trade unions asked to sign a confidentiality agreement so that they could be more involved in the procurement process, but this was refused (Minutes of Authority Joint Committee Meeting, 18 July 2011).

Capital costs

When Future Options for Training (FOFT) commenced in 2008, it was a property-led project. The original reports focused on *"…securing the provision of training facilities"* (FEP 1226, 2008). Three options were examined - capital investment, Private Finance Initiative (PFI) and outsourcing the service. Future options for the design and delivery of training came *after* the decision was made to provide a new training facility.

Capital investment was estimated to be just over £50m, net of the sale of the Southwark Training Centre site, would require GLA and Treasury approval to increase the LFEPA's borrowing limits and was also ruled out on grounds of affordability. The LFEPA applied for PFI credits, but this was unsuccessful because other Fire Authority projects were considered by the Department for Communities and Local Government to have a higher priority.

Part 1

Why Fire Service training must not be outsourced

Fire service training

"In all its aspects training is an integral part of the operational service and is the principal means by which we seek to protect our firefighters from harm and the Authority risk of legal liability. It is also the principal means through which we discharge our employer responsibilities with regard to our duty of care" (FEP 1226, 2008).

LFEPA Risk management strategy 2008-2011

The LFEPA risk management strategy has six main aims:

> ***1. Prevention:*** *Engaging with London's communities to inform and educate people in how to reduce the risk of fires and other emergencies;*
>
> ***2. Protection:*** *Influencing and regulating the built environment to protect people, property and the environment from harm;*
>
> ***3. Response:*** *Planning and preparing for emergencies that may happen, and making a high quality, effective and resilient response to them;*
>
> ***4. Resources:*** *Managing risk by using our resources flexibly, efficiently and effectively, continuously improving the way we use public money;*
>
> ***5. People:*** *Working together to deliver the highest quality services within a safe and positive environment for everyone in the organisation;*
>
> ***6. Principles:*** *Operating in accordance with our values, and ensuring that safety, sustainability, partnership and diversity run through all our activities.*

The risk management strategy makes only a brief reference to procurement:

> ***"Where services are delivered through formal partnerships or through contract management, robust risk management must apply at both the partnership interface and within the third-party organisation and its operating environment"*** (LFEPA, 2011).

We have not had access to any procurement documentation, but assume that a risk register has been prepared as part of the procurement process. Whether the register identifies all the contracting risks and allocates a realistic level of risk is unknown.

PPPs have basically the same funding mechanism as PFI, being funded through revenue budgets, so the project will have a major impact on the LFEPA budget, particularly given further public expenditure cuts over the next three years. This will have major implications for other LFEPA revenue budgets because the PPP will effectively be ring-fenced.

Summary of procurement and contracting risks

The procurement process and subsequent contract management if services are outsourced, impose a new set of risks on the LFEPA. The risks are more complex for long-term PPP strategic partnership contracts, particularly those that incorporate capital works and delivery of a core service. Both training and the control room must be considered core services in the fire service. The following risks remain with the LFEPA and cannot be transferred to a private contractor.

- Financial – affordability dependent on budget and public expenditure risk
- Operational and quality risk – because training and mobilising are such an integral part of fire and rescue services and the assurance of safe systems of work.
- Financial risk of AssetCo
- Demand risk

- Health and safety risks
- New training facility risk
- Risk of high level of additional and variant costs - additional income through variation orders and other claims for additional work, unforeseen circumstances and delays.
- New technology risks from wider application of ICT in training.
- Commercial risk
- Contract failure risk
- Contract management and monitoring risk – particularly important where there is little LFEPA experience of outsourcing services and none in long-term PPP strategic partnership.
- Transition and Start-up Risk
- Democratic Governance Risk
- Network/interface with other services
- Political risk
- Specification
- Residual value
- Legislation change

Some risks can be shared such as inflation and interest rate risk, general regulatory risk, force majeure (natural disasters, war, civil unrest) and obsolescence.

AssetCo plc

The company has a 20-year PFI contract to supply fire engines and equipment to the London and Lincolnshire fire authorities. It also has a LFEPA contract to provide 700 reserve firefighters in 'extreme situations', widely regarded as a strike breaking force, and an, as yet un-tested, alternative mobilising service in similar circumstances. A boardroom dispute in 2011 led to the resignation of its founder followed by a series of events:

- HM Revenue and Customs sought a winding up petition for £4.5m unpaid tax;
- additional financial demands from a legal firm and Northern Bank, resulting in a rapid decline in its shares, trading at one stage at just 2.9p (a 94% fall since the beginning of the year), valuing the company at £7.3m.
- the company was in talks with the Bahrain-based Arcapita Bank, but it withdrew an offer in September 2011 (AssetCo Regulatory Notice, 15 September 2011).
- the company was refinanced in September with the issue of 7m new shares, which raised £14m. North Atlantic Value (part of J.O. Hambro Capital Management Group) acquired 53.8% of the new shares, Ulilico Investment Ltd and Bermuda Commercial bank 21.6%, and Henderson Global Investors Ltd 21.4% of the new shares (AssetCo Regulatory Notice, 26 September 2011).

The financial crisis in AssetCo plc occurred in the middle of the procurement process for LFEPA training services. The joint bid with Balfour Beatty plc introduces additional risks. We do not know the basis of this joint bid, particularly the roles and responsibilities of each company, but the following additional risks should be assessed:

- The distribution of financial responsibilities between the joint bidders
- Share of different types of risks borne by each company
- Contingency arrangements in the event of disputes
- Risk of legal dispute arising between the companies

There are unconfirmed rumours that AssetCo have withdrawn from the procurement process.

High costs and poor performance of strategic partnership/PPP deals

Of forty-four PPP strategic partnership contracts let by local authorities between 2000-2010, three have been terminated; two have been significantly reduced with services and staff returned in-house and a third is currently being re-negotiated with a large transfer of services and staff planned to return in-house; three other contracts have suffered significant financial and/or operational problems (ESSU, 2010).

20% of PPP strategic partnership contracts have either been terminated, reduced in scope, or suffered significant operational and/or financial problems.

This is a higher rate than for PFI projects and imposes many more risks for the London Fire and Emergency Services.

History of failed commercial objectives in strategic partnerships

The scope for commercial trading was a key part of the Future Options for Training Project.

"Generate increased income as part of the wider CLG 'entrepreneurial local authority' agenda, through delivery of training to fire safety delegates from business and other organisations, and broadening our other income generation activities" (London Safety Plan 2010-2013, 2009).

Contractors make grand promises but often do not deliver. The amount of additional work gained by PPP strategic partnerships from other local authorities and public sector bodies has been minimal. The recent flagship contracts, such as the ten-year Somerset County Council, Taunton Deane DC and Avon and Somerset Police Authority project with IBM, has failed to win any new work since the contract started four years ago.

Of the 44 strategic partnership contracts awarded to date, only one has met a job creation target, but this was achieved by relocating a BBC licence contract from Bristol to Blackburn. Commitments to create new regional centres rapidly reduced in number and then disappeared altogether.

This raises key questions for the evaluation of training bids:

- What controls will LFEPA have over commercial use of LFEPA premises in order to ensure it does not impact on fire service training?
- What charges will be levied for the use of LFEPA facilities? *"The Project Manager for FOFT has stated that if an outsourced option is successful and they wish to use our facilities there will be a sliding scale of charges for this usage based on time periods."*
- But that statement appears to relate only to the cost of the premises – is the authority seeking a profit share arrangement? If so, what are the basic elements of the agreement? If LFEPA is only benefiting from renting facilities, this undermines the commercial objectives stated at the outset of this project.
- What level of charges do the bidders propose for the use of external facilities and how do they compare to LFEPA costs?
- Which other Babcock and Balfour Beatty training contracts include provision of third party commercial activity?

Charging for use of training facilities

Some PPP strategic partnerships in local government allow the contractor rent-free accommodation for a 3-5 year period. This often results in disputes when the rent-free period comes to an end if the contractor seeks to extend this subsidy.

Fracturing the Fire and Rescue Services

Happens in two ways:

Firstly, by **divorcing control and mobilisation from the main fire service functions**;

Secondly, by **separating the provision of training from the fire service when there is wide consensus that training is an integral part of fire and rescue services.**

Consequences

- New risks are imposed in a service, which is designed to minimise risk to the community and businesses in London.
- New problems for public management in managing and coordinating contracts delivered by private contractors.
- Major problems of democratic governance and ensuring the public interest and transparency.
- Significant threat of discrimination in the treatment of the workforce, which could reverse progress in equalities and diversity.
- An increasing proportion of the LFEPA budget diverted from frontline fire and rescue services to managing the costly procurement process, coordinating contractors and coping with between 6% - 12% of the budget being diverted into contractor's profits.
- Loss of a motivated and committed workforce and continued outsourcing will only accelerate the loss of morale.
- Additional loss of jobs and potential decline in the terms and conditions of staff (wages, pensions and other conditions) ultimately affects recruitment and impacts on the local economy.

The failure rate of strategic partnerships is significantly higher than for PFI projects.

Importance of oversight and scrutiny

The LFEPA does not have an oversight and scrutiny committee. The project sponsor is a member of the Project Senior Stakeholder Board, which comprises the Commissioner, Deputy Commissioner and two Directors. The project sponsor is also the moderator for the evaluation of the training content of the bids.

However, there is no Member involvement and thus no political scrutiny of the procurement process. This is a major omission in the LFEPA's corporate structure. It is paramount that the procurement process is democratically accountable and that options appraisals, business cases and contract award decisions are subjected to political scrutiny. Similarly, the management and monitoring of significant contracts must be subjected to periodic managerial and political review and scrutiny. It is a denial and disregard of public interest that any core service or large-scale (10 - 25-year) contract would not be subjected to political scrutiny.

Transaction costs

It is difficult to identify the total transaction costs of the training procurement. LFEPA FOFT reports refer to transaction costs of £65k and £116k in 2009/10 (FEP 1393), £950k in 2010/11 (FEP 1483) and £750k in 2011/12– identified as a £200k cost reduction in the 2010/11(FEP 1698), giving a total of £1.9m.

Company performance

It is not within the scope of this report to examine the track record of the bidders. The financial difficulties of AssetCo plc have been referred to above.

Balfour Beatty was fined £5.2m in 2009 by the Office for Fair Trading following an investigation into bid rigging where companies had colluded with competitors on building contracts (Office for Fair Trading, Press Release 114/09, 22 September 2009). Balfour Beatty was one of a number of construction companies found to have been funding an illegal construction industry black list. Within the last 2 years, Balfour Beatty's construction arm, have recently broken a national agreement on Electricians pay rates.

Babcock presumptuously advertised for two London fire service training managers in the middle of the procurement process. The advert includes a job description *"…to manage the training delivery element of the partnership with the LFB"* with responsibility "…*to deliver the LFB contract."* Babcock was forced to withdraw the advert following a letter correspondence from the LFEPA, initiated by a complaint from the trade unions.

Babcock was in the centre of a dispute over responsibility for Lewisham Connexions staff in April 2011. Lewisham Council decided not to renew the contract with Babcock Enterprise, who claimed that the staff were not their responsibility, despite having being transferred to the firm under TUPE regulations.

Part 2
The case for in-house Fire Service training

Commitment to in-house option

Although an in-house bid was not submitted, FOFT has been committed to developing an in-house option. This has been formally described by FOFT managers as:

> *"A report will be provided which details the costs of providing property solutions to fully meet the requirements of an in-house local training delivery model and will inform FOFT Project Board/CMB decision making"* (Future Options for Training Project Workstream, April, 2011).

> *"In response to the request for information regarding the capital investment option (improved Authority estate together with an improved training staffing model), please note that as part of the annual budgetary process, Training department has been rationalising its staffing model in readiness to deliver the improved training delivery model contained within FEP 1393. Improvements and efficiencies, which have been identified, have been done so on the basis that there is no adverse impact on the training delivery plan.*

> *Training department will continue to rationalise its staffing model and these savings together with the capital costs of improving the Authority estate will be submitted to Members in due course. This option will then be compared with the outsourced option as part of the final business case"* (Peter Groves, Project Manager, email to Trade Unions, 20 July 2011)

> "*The aim of the in-house option was to provide a localised training delivery model and minimise the travelling time to courses. No specified training venue was given"* (FOFT, Minutes of Meeting 18 July 2011).

Current provision

Forty per cent of LFEPA training was delivered at local training venues in 2009, with a further 17.6% in fire stations. These two venues accounted for 44% of total training expenditure of £24.5m in 2009 – see Table 1.

Table 1: **Summary of training delivery by type of venue**

Venue type	% of Training Delivery	Delivery days	Delivery costs (£m)
Central venues	34.3	4,521	10.2
Local training venues	40.1	5,282	7.1
Fire stations	17.6	2,321	3.7
External venues	7.9	1,042	3.5
Total	**100.0**	**13,166**	**24.5**

Source: Future Options for Training, FEP 1393, July 2009

Comparing the in-house option with bidders proposals and costs

The assessment of the in-house option and external bids must be fair and equitable. This has often not been on a comprehensive or a like-for-like basis in PPP strategic partnerships. This also applies to the procurement of the Fire Control project discussed in Part 3. None of the following criteria change the evaluation of bids. We therefore recommend the assessment should take account of the following criteria in Table 2.

Table 2: **Comparison of in-house option with bids**

No	Criteria for comparison of in-house option with bids
1	**Like-for-like basis:** it is essential that the comparison is fair and equitable. Bidders were required to ensure future training provision is innovative and maximises the provision of training at evenings and weekends; trainer-facilitated "maintenance of skills" training on a local basis; blended training solution using a mix of practical, theoretical and computer based training solutions (CBT) and increased use of CBT to formally facilitate and assess pre-learning prior to attendance on courses; and training is based on identified need, both individual and organisational. They should also be the basis of the in-house option.
2	**Take account of variant bids:** changes the scope, content and phasing of variant bids submitted by the private sector must be taken into account.
3	**Ensure the in-house option reflects current arrangements:** the in-house option should fully reflect current staffing levels, operational systems and arrangements. This must be accurate because it forms the baseline for future projections.
4	**Ensure the in-house option does not under-estimate the ability of the Training Department to improve and innovate:** a pessimistic assumption for in-house change and an over-optimistic assumption in external bids can lead to a significant over-statement when comparing costs over 25 years.
5	**Rigorously assess bidders' claims for changes in efficiency by taking account of effectiveness and economy:** this should include estimates of contractor's additional charges sought via variation orders and other claims for additional work, unforeseen circumstances and delays. The bid price is rarely the actual cost of the service.
6	**Operational impact assessment:** planned changes to the design, management and delivery of training should be assessed to prevent any reduction in the scope, quality and accessibility of training.
7	**Rigorous analysis of savings claims:** need to identify the source, evidence and assumptions underpinning claims by private contractors to achieve financial savings – see Part 1 for details. Average savings from outsourcing and strategic partnerships have varied between 6.5% and 8.3% over the last two decades based on government studies (Audit Commission, 2008 and Whitfield, 2010). The timing of any savings must also be assessed, because they can only be estimated for most of the contract period, and are likely to be reduced by contract variations and amendments. Bids will also contain a 6% - 12% profit margin for the contractor, in effect reducing the provision of training by this amount before other factors are taken into account.
8	**Risk analysis:** assess strategic, operational, financial, contract management, employment, and democratic governance risks and critically assess the extent to which risks are retained, shared and transferred - see Part 1.
9	**Pricing of risk transfer:** the pricing of risk transfer is usually critical in determining value-for-money and should be carefully examined to ensure it is justified and correctly priced.
10	**Fully assess the cost to LFEPA of privately financed capital training facilities:** the full additional costs of privately financed capital works must be taken into account, together with additional operational costs.
11	**Cost of concessions or hidden subsidies to a private contractor:** this often takes the form of rent-free accommodation or low-cost rental agreements that do not reflect the full cost to the authority. In contrast, the full cost is normally included in the in-house option.
12	**Carry out a sensitivity analysis to prevent optimism bias:** it is important to ensure that forecasts of demand, levels of activity, changes in training needs in bids are realistic and

	evidence based. Different levels of demand and activity can result in unequal comparisons.
13	**Cost of employment:** the labour costs in private sector bids should be rigorously interrogated to determine the extent to which contractors will implement TUPE obligations.
14	**Third party or commercial income:** this was an objective stated at the launch of FOFT, so it is important that the in-house option includes plans for third party use and shared service delivery where this is feasible and viable. Fire service operational implications of private sector plans for third party use of LFEPA and external facilities should be fully assessed.
15	**Subcontracting:** the planned level of subcontracting of training provision should be assessed, particularly with regard to quality, its management and potential hidden costs.
16	**Cost of contract management and monitoring:** the cost of contract management and monitoring varies between 1% – 3% of the contract value (Audit Commission, 2008). This excludes the retained client costs of identifying training needs, policies and planning provision.
17	**Effect of changes in pension costs:** the financial implications of changes in pension schemes, employer and employee contributions and the quality of pensions must be identified and assessed.

Part 3
Fire Control project

London's Fire Control project

In August 2011, LFEPA issued a formal notice to commence procurement of a 10-year £17.5m - £248m contract to design, build, provide and maintain control and mobilising ICT services. It included a second option to provide managed services, in other words to outsource the entire control and mobilising service. The contract will be awarded in 2012.

The original report to LFEPA referred only to a refresh or replacement of the mobilising system, which is supported by the trade unions (FEP 1703, March 2011). However, the Minutes of the LFEPA meeting on 22 March 2011 show that the Chair of the Authority amended the recommendation by adding "and operation". This was approved by 8 votes to 6 (LFEPA Minutes of Meeting, 2011). The manner of this change and the lack of any supporting evidence, indicates it was motivated by political dogma.

The contract notice made reference to the possibility of a shared service with Lincolnshire County Council, Buckinghamshire & Milton Keynes Fire Authority and Royal Berkshire Fire Authority. However, none of the fire authorities have formally agreed to join this project, and it appears that the three authorities may have withdrawn from the project.

The inclusion of ICT design and provision with a managed services option could be a mistake because the supplier of a 'best in class' ICT system is not necessarily the best in class managed services provider, and vice versa.

The speed of the procurement process could lead to mistakes and problems, particularly since the managed services element was added by the chair of the LFEPA. The London contract is likely to set a precedent for future fire control projects in the UK, given the demise of the national fire control project.

Failure of the national Fire Control project and other public sector ICT projects

"This is one of the worst cases of project failure that the Committee has seen in many years. FiReControl was an ambitious project with the objectives of improving national resilience, efficiency and technology by replacing the control room functions of 46 local Fire and Rescue Services in England with a network of nine purpose-built regional control centres using a national computer system. The project was launched in 2004, but following a series of delays and difficulties, was terminated in December 2010 with none of the original objectives achieved and a minimum of £469 million being wasted" (Public Accounts Committee, 2011)

ICT contract failures

A study of 105 outsourced public sector ICT projects with a total value of £29.5 billion identified significant cost overruns, delays and terminations.

- Cost overruns totaled £9.0 billion or 30.5%
- 57% of contracts experienced cost overruns.
- 33% of contracts suffered major delays.
- 30% of contracts were terminated.

  (ESSU, 2007)

ICT contract failures have continued in a wide range of government departments, local authorities and public bodies.

The lessons of ICT outsourcing

The Society of Information Technology Management (SOCTIM), the membership association for public sector ICT professionals, *"…has tracked costs and user satisfaction in both in-house and out-sourced operations for over a decade.* ***On a like-for-like basis, the outsourced operations are always more expensive"*** (SOCTIM, 2011).

SOCTIM also recommend:

- *"Never outsource a problem." "…this action might just make things worse as well as handing over to the supplier the savings that they could have made themselves"*
- Do not outsource core competences.
- Do not outsource strategic expertise and capability to challenge.

The National Audit Office investigation of the failed national fire control project concluded that the Department for Communities and Local Government (DCLG) should draw on a series of lessons. These are equally applicable to national and local ICT projects:

- *"treat IT projects as business change projects from the outset, working to align the business purpose, the change needed to be delivered and the IT system(s) to enable project benefits to be maximised;*
- *develop appropriate IT and project management capacity in-house and reduce over-reliance on consultancy;*
- *understand and resolve cultural as well as technical obstacles;*
- *ensure end users are fully part of the programme team from the outset;*
- *ensure that the business case and approval process apply an appropriate level of optimism bias adjustment and challenge;*
- *ensure that expected costs and benefits and delivery timetables are based upon robust data and an accurate assessment of the project's complexity;*
- *establish critical path analysis, sequencing and aligning project elements;*
- *ensure rewards and incentives reflect the balance of financial risks and exposure throughout the life of the project; and*
- *ensure more transparent control procedures and criteria for evaluating project viability."*

  (National Audit Office, 2011)

Importance of in-house Fire Control

Fire Control is an integral part of front line service delivery. A fire service control room is not simply a call centre. As well as providing life saving information to persons trapped in fires and mobilising resources to assist them, it manages fire cover and provides risk-based information, support to fire-fighters on the ground, and liaises with other emergency services, agencies and provides a strategic overview to senior managers.

The Fire Control service often plays a key role in providing advice and support before fire crews arrive on the scene. Control operators have a vital role in assisting callers to be calm and to take appropriate action to help save lives. This requires skills and time that are frequently undervalued by private contractors. Since the Lakanal tower block fire in Camberwell in July 2009 in which six people died, there has been a marked increase, in the number of occasions when fire control has provided fire survival guidance.

The present service is delivered by a high performance, highly skilled and motivated workforce. There can be no contractual guarantee from a future service provider that this will be assured and maintained as the damage, transfer to the private sector inevitably causes, will be irreversible.

In-house option

After the LFEPA decision to commence procurement for the fire control service, a number of meetings were held between the Deputy Leader of the Authority (Cllr. Heaster), officers and trade union representatives. Reference was made to 'there is no alternative' and 'clearing the decks' before local elections in 2012. Further discussions took place about the scope of an in-house bid, but there was a lack of clarity from the LFEPA over what this meant in practice. The possibility of forming a mutual or social enterprise was also explored by the trade unions, but this approach was abandoned due to financial and other barriers.

Procurement timetable

The Fire Control procurement timetable is very short. The formal contract notice was issued in mid August 2011 with a contract award scheduled for March 2012. The Authority should use its powers under European Union procurement regulations to extend the timetable for each stage of the procurement timetable (within the legal limits).

A rushed 7-month timetable to award a 10-year £17.5m - £248m ICT contract is inevitably going to result in mistakes, omissions and is not in the public interest. The fiduciary duty of the LFEPA could be compromised.

The decisions by LFEPA to commence procurement with the fire service training and fire control contracts only months before the start of the 2012 Olympic Games in London was perverse. All contracts require a 'bedding-in' period and for this to coincide with the intensified risks associated with the Olympic Games, is a high risk strategy and not in the public interest. Although LFEPA do not plan to implement the Fire Control contract until after the Olympic Games, this does little to improve staff morale.

Part 4

Employment and equalities impacts

The training workforce

The LFEPA has a total of 261 staff within the scope of the FOFT project – 194 operational staff and 67 FRS staff. Tables 3 – 7 detail the gender and black and ethnic minority community composition of the training workforce.

The LFEPA propose to TUPE transfer the FRS grade staff to the contractor and to second the operational staff. FRS staff have less favourable terms and conditions than operational staff. The FRS grades have a significantly higher proportion of female and black and ethnic minority staff, and are potentially being subjected to differential treatment.

The following analysis is based on gender and BME and does not include disabled and lesbian, gay and bisexual or transgender staff.

Gender

Table 3: **Gender of training operational staff to be seconded** (at 19/09/11)

Gender	White	BME	Not known	Total
Female	5	4	0	9
Male	161	22	2	185
Total	**166**	**26**	**2**	**194**

Source: Future Options for Training, September 2011

Table 4: **Gender of training FRS staff to be transferred** (at 19/09/11)

Gender	White	BME	Total
Female	19	9	28
Male	30	9	39
Total	**49**	**18**	**67**

Source: Future Options for Training, September 2011

There are 37 female staff or 14.25% of the total number of training staff. Three-quarters of female staff are FRS staff.

Black or Ethnic Minority Staff

Table 5: **BME of training operational staff to be seconded** (at 19/09/11)

Ethnicity	Female	Male	Total
White	5	161	166
Black or Ethnic Minority	4	22	26
Not known	0	2	2
Total	**9**	**185**	**194**

Source: Future Options for Training, September 2011

Table 6: **BME in training FRS staff to be transferred** (at 19/09/11)

Ethnicity	Female	Male	Total
White	19	30	49
Black or Ethnic Minority	9	9	18
Total	**28**	**39**	**67**

Source: Future Options for Training, September 2011

Black or Ethnic Minority staff: There are 44 (16.9%) Black or Ethnic Minority staff in training, 26 of whom are operational staff and 18 are FRS staff.

Potential discrimination in treatment of staff

Of the staff to be TUPE transferred, 41.8% are female and 26.9% are black or ethnic minority. There are no guarantees that transferred staff will retain current terms and conditions since the TUPE regulations do not contain any time limits. Contractors frequently seek to change terms and conditions within months of a transfer. The LFEPA did not require contractors to bid on the basis of TUPE Plus, which would have guaranteed continuation of existing terms and conditions for the length of the contract. It would also apply to new starters and would help to prevent a two-tier workforce from emerging. The Coalition Government has rescinded Code of Practice on Workforce Matters but this does not prevent the LFEPA from including TUPE Plus conditions in contracts on the basis of its employer responsibilities and the reality that the fire service *"…training is an integral part of the operational service"* (FEP1226, 2008).

In contrast, seconded staff are predominately male and white and will retain LFEPA terms and conditions: only 4.6% are female and 13.4% are black or ethnic minority – see Table 7.

Staff on FRS grades have less favourable terms and conditions of service than operational staff. Any redundancies will be concentrated in FRS staff, because the contractor will directly employ these staff and will more easily adjust the level of seconded operational staff.

FRS staff are a significantly more diverse workforce than the seconded operational staff. Thus redundancies in FRS grades would undermine Greater London Authority equity standards and policies. They could potentially be legally challenged.

Table 7: **Summary of equalities impact of LFEPA employment model**

LFEPA staff group	Equality group	% of staff
Transferred staff	Female	**41.8%**
	Black or Ethnic Minority	**26.9%**
Seconded staff	Female	**4.6%**
	Black or Ethnic Minority	**13.4%**

Source: Future Options for Training, September 2011

The inequitable treatment of staff was not recognised by management – the EIA Screening Template in August 2011 stated: *"At this stage of the FOFT project it is not anticipated that there will be any negative impact on each of the equality groups"* (London Fire Brigade, 2011). The employment model of transferred and seconded staff predates this statement and was described in the EIA template!

The London Safety Plan 2009-2012 states the LFEPA will incorporate the Mayor of London's priorities to 'promote equality in the workforce' by: *"Working towards achieving the progressive targets for recruiting and developing black or ethnic minority staff in our operational and FRS workforce."* In addition, the LFEPA received an 'excellent' rating for level 5 of the Equality Standard for Local Government following self and external assessment in 2009 (HRE 341, 2009).

The outsourcing of the training service will potentially have a negative effect on the LFEPA's Equality Action Plan and Equality Framework and set back recent progress in equalities. The trade unions are also concerned that there is a lack of integration between planning the future of service delivery and the equalities action plan.

Further evidence of bias

The EIA Screening Template also included the following statement:

> *"In respect of the Equalities agenda an obvious benefit of the outsourced solution is that it will also be possible for the Authority to specify the standard of facilities that need to be available for courses to accommodate a diverse workforce."*

This applies equally to the in-house option so there is no "obvious benefit" of outsourcing. If the private bidders plan to increase the amount of training delivered externally, then there is no reason why the in-house option couldn't do likewise and achieve the same levels of accessibility.

The EIA template only addressed the equalities implications for staff. It is essential the EIA examines the equality implications for the service *and* the interface with service users. This is also applicable to the fire control procurement. The training EIA will not be made available to the trade unions until after the Corporate Management Board in late October 2011.

Fire Control staffing

The fire control centre employs 120 staff, of which 56.7% are female and 9.2% are from black or ethnic minority communities. All of the BME staff in the control room are officer grade.

Table 8:**Grade/gender and BME of Control Room staff**

Role/Grade	Female	Male	BME	White	Not known	Total
Principal Ops Manager	0	1	0	1	0	1
Senior Ops Manager	2	0	0	2	0	2
Operations Manager	0	6	0	6	0	6
Assist. Operations Mgr	18	12	0	28	2	30
Control Room Officer	68	13	11	68	2	81
Total	**88**	**32**	**11**	**105**	**4**	**120**

Source: LFEPA, October 2011.

Pensions

The fire service has three pension schemes, the Firefighters' Pension Scheme (FPS), the New Firefighters' Pension Scheme (NFPS) and the Local Government Pension Scheme (LGPS). The FPS scheme was closed to new entrants in April 2006 and new operational staff since had to join the NFPS, which has a later retirement age and an inferior accrual rate. The FPS and NFPS are 'pay-as-you-go' schemes with pensions paid out of current income. The LGPS is a funded scheme with pensions funded by a return on investments.

Most importantly, the pension schemes are 'defined benefit' schemes, which provide benefits based on employees' pensionable service and their pensionable salary. The members of 'defined contribution' schemes bear the investment and actuarial risks with pensions dependent on investment returns from employer and employee contributions.

The government is proposing changes to the Local Government Pension Scheme to save £900m. It proposes to increase employee contributions by 1.5% (earnings over £15,000 per annum) and an increase in the accrual rate to 1/65 from 1/60 from April 2013. These changes are widely opposed by staff and trade unions.

The proposed pension arrangements for staff in the training and fire control procurements are at present unknown. Outsourcing could have major impacts on fire service staff pensions.

Firstly, Babcock International and Balfour Beatty have closed their defined benefits schemes to new members, except for former public sector employees transferring into the company in relation to specific contracts (Babcock Annual Report and Accounts 2011 and Balfour Beatty Annual Report and Accounts 2010). This means that staff transferring to other jobs within these companies may have to leave the defined benefit pension scheme. AssetCo currently has a defined benefit pension scheme.

Secondly, increased pension contributions could increase the opt-out rate that could reduce scheme membership (FBU, 2011). If private contractors are not required to seek admitted body status to fire service pension schemes, this could cause a parallel loss of membership. Further actuarial analysis should be undertaken in order to assess the impact on the sustainability of the fire service pension funds.

The trade unions demand immediate clarification on maintaining continued membership of each of the fire service pension schemes. The LFEPA should ensure that all contractors are required to seek admitted body status in order to protect staff pensions.

Part 5
Recommendations

The London Fire Brigade trade unions recommend the LFEPA:

1. Retain in-house provision of training and immediately implement localised training arrangements.

2. Immediately amend the Fire Control procurement to withdraw the managed services option. The project to design, build, provide and maintain control and mobilising ICT services should proceed.

3. Prepare an in-house option, developed jointly with the trade unions, if the managed services element is not withdrawn.

4. Adopt the secondment and TUPE Plus employment policies to protect terms and conditions for the length of the contract and to prevent the emergence of a two-tier workforce.

5. Require contractors to seek admitted body status to the relevant fire service pension scheme.

6. The Authority should use its powers under European Union procurement regulations to extend the timetable for each stage of the Fire Control procurement timetable (within limits).

7. Redesign the service transformation process based on service reviews, service improvement plans, options appraisals and business cases.

8. Engage staff and trade unions in the design and development of the service improvement and in the procurement process when this option is justified.

9. Improve transparency with the release of policies, plans and information that are in the public interest.

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