



Integrated Clothing Project

OR - A tale of
'How to win friends and influence people'

Agenda

- Introduction to ICP?
- Key drivers / issues
- Aims / Objectives / Project Scope
- Who & how
- ICP PFI / PFI Credit
- How PFI works / What it means
- Benefits
- Timetable / Summary

Introduction -What is ICP?



– Aim:

- ‘To deliver a national identity for the F&RS and a standard specification for a wide range of clothing, which will provide value for money and address equality and diversity issues’

Introduction - What is ICP? cont..



- 1st major collaborative procurement exercise in the F&RS;
- Open to all F&RAs in the UK;
- Endorsed by, LGA, CFOA & Practitioners Forum;
- Identified as good practise by the Minister;
- Acknowledged in the F&RS Framework;
- One of two projects invited through to next stage in the PFI credit process - £66.67m out of the £100m available

Key Drivers

- Equality & Fairness HMFSI Thematic Review 1999
- Audit Commission Report - Jan 01
- Bain Report - Dec 02
- White Paper - June 03
- Draft F&RS National Framework - Dec 03
- F&RS Bill -2004

Key Issues



- Current arrangements result in a range of style and colours;
- Duplication of R&D activities and procurement across F&RS;
- Inability for F&RS to provide accurate data relating to cost of clothing
- Disparate approach highlighted by AC
- Need to improve resilience in F&RS and interoperability of equipment for cross border working;
- Need to provide appropriate clothing to meet enhanced role of F&RS;
- Health and Safety Issues.

ICP - Key Objectives



- To secure an agreed design solution for the Service which would create a national identity and reflect the changing role of firefighters;
- To produce specifications for a “wardrobe” of clothing that meet the needs of the F&RS whilst encompassing H&S, religious and specific male and female clothing requirements;
- To produce outcome specifications based on comprehensive risk assessments for the entire range of PPE and other clothing (e.g. Urban Search & Rescue).

Project Scope



- Design - 'national image'
- Operational PPE - interoperability with all clothing and other equipment
- Other Clothing:
 - Station/day wear
 - Ceremonial wear
 - Sports wear
 - Corporate wear/Non operational wear
 - Protective clothing

Who & How



- 47 English F&RAs interested - 30 support PFI
- Wales, Northern Ireland & Scotland playing an active part
- FSC
- LFB Project Team, seconded officer from ODPM, external Legal, Commercial and Technical Consultants;
- Newsletters
- Project overseen by National ICP Board



The 30 PFI Contracting Authorities

Leicestershire
London
Merseyside
North Yorkshire
Northamptonshire
Northumberland
Nottinghamshire
Oxfordshire
Royal Berkshire
Somerset
Surrey
Tyne & Wear
Warwickshire
West Midlands
Wiltshire and Swindon

Avon
Cleveland
Cornwall
County Durham and Darlington
Devon
Dorset
East Sussex
Essex
Gloucestershire
Hampshire
Hereford and Worcester
Hertfordshire
Humberside
Isle of Wight
Isles of Scilly



What is the ICP PFI?

- 30 of the 47 English Fire & Rescue Authorities have signed up
- Contract for a fully managed service for the provision of all Personal Protective Equipment (PPE) and other clothing
- Includes the design, maintenance, cleaning, repairing, distribution and management of all clothing under a PFI contract
- PFI is appropriate because it has been agreed that PPE can be treated as a capital asset
- The ICP PFI project is therefore eligible to receive PFI support to help fund the PPE capital costs
- The 30 Contracting Authorities signed up to a joint bid for PFI Credits to support the project
- An Outline Business Case has also been prepared and has recently been scrutinised by the Project Review Group (PRG) - HM Treasury, P(UK), 4Ps, ODPM.

PFI Credit support

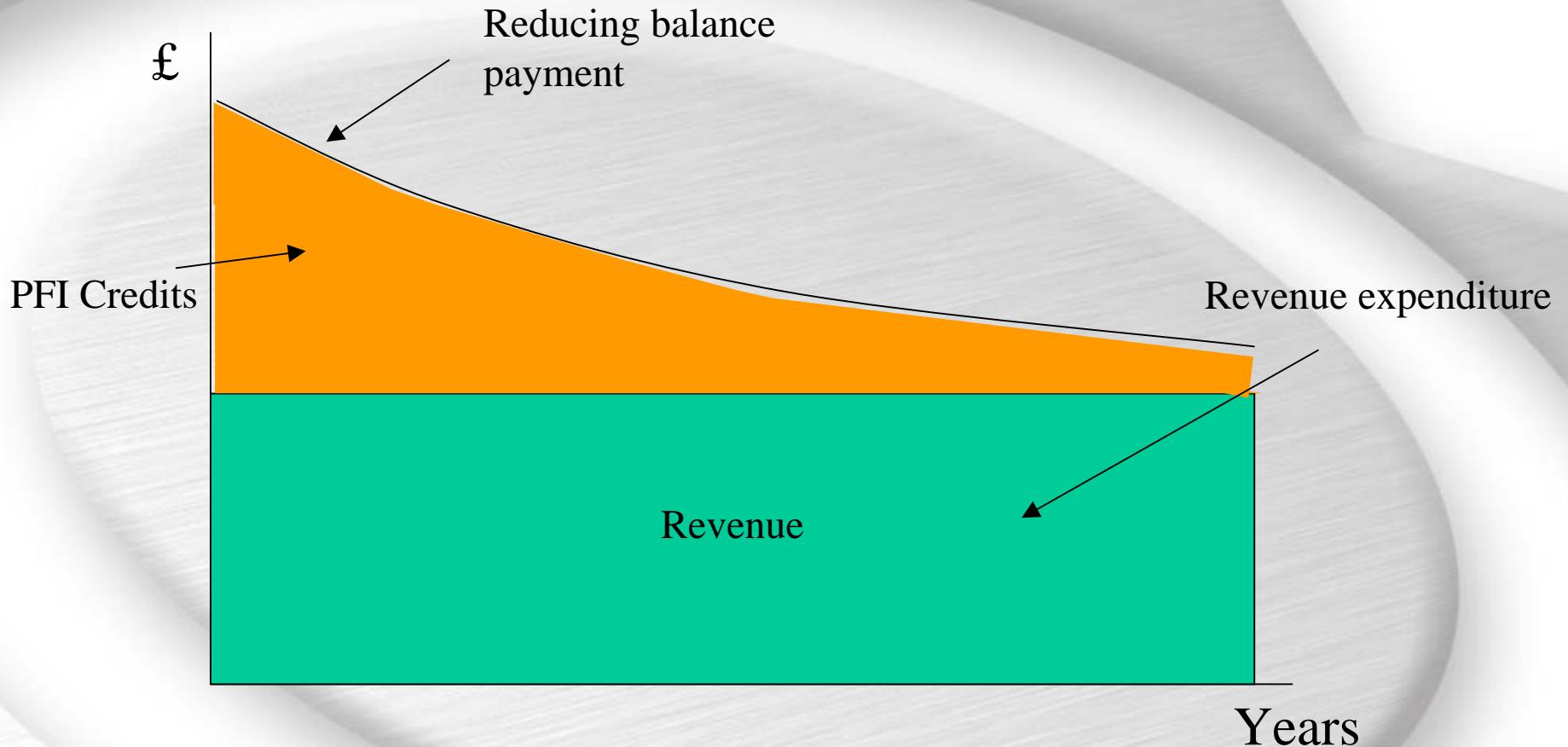


- ODPM has £100 million of PFI Credits available to support projects as part of its fourth round bid (2004)
- Two projects have been approved by ODPM and recommended to receive support - the ICP PFI being one of these projects
- ODPM has committed that a maximum of £66.67 million will be available to contribute to the capital costs of the ICP project (i.e. the cost of buying PPE)
- PFI credit support will facilitate investing in new PPE across the 30 Contracting Authorities - helping raise standards and deliver a national identity
- PFI credits will be paid to each of the contracting authorities over an almost indefinite period (on a reducing balance)*
- PFI credit provides extra support that wouldn't have otherwise been available to invest in new PPE over the next 15 years (in addition to new funding options available through the Prudential Code)

* New annuity payments are also being considered

How does it work?

- PFI Credits are currently paid as additional revenue support to Contracting Authorities on a reducing balance basis





How does the PFI Credit get paid?

Year	Extra Support
1	£7,066,576
2	£6,783,913
3	£6,512,557
4	£6,252,054
5	£6,001,972
6	£5,761,893
7	£5,531,417
8	£5,310,161
9	£5,097,754
10	£4,893,844
11	£4,698,090
12	£4,510,167
13	£4,329,760
14	£4,156,570
15	£3,990,307
16	£3,830,695
17	£3,677,467
18	£3,530,368
19	£3,389,153
20	£3,253,587
21	£3,123,444
22	£2,998,506
23	£2,878,566
24	£2,763,423
25	£2,652,886
26	£2,546,771
27	£2,444,900
28	£2,347,104
29	£2,253,220
30	£2,163,091
31	£2,076,567
32	£1,993,505
33	£1,913,765
34	£1,837,214
35	£1,763,725



- The schedule on the left shows the total amount of extra Revenue Support Grant (RSG) that will be received each year to support the ICP PFI (based on the maximum £66.67 million Credit)
- The money is currently paid on a reducing balance basis (4% of capital each year, and interest at 6.6%)
- Additional PFI revenue support extends beyond the length of the 15 year contract and is paid on a reducing balance indefinitely
- It is likely that the PFI Credit will be paid to a lead authority who will distribute agreed funding support to each of the Contracting Authorities on a predetermined basis.



What does this mean for my Authority?

- Example:

– Existing Clothing expenditure	£350,000 pa
– Additional Revenue Support (from PFI)	<u>£252,377</u> reducing
– Subtotal	£602,377
– PFI payment (£487 per fire fighter)	<u>(£487,000)</u>
– Year 1 Surplus	£115,377

- Based on

– Authority A	1,000 fire-fighters
– Contracting Authorities (Total)	28,000 fire-fighters
– Authority A % share	3.57%
– Start year	2005/6
– Assumed common procurement costs	£30,357

- Payback of procurement costs in year 1 x8
- Each authority needs to work out their own position



Is such a large project going to work?

- Project has been through external scrutiny to establish its viability
- The project is approved subject to re-presenting how the authorities will contract together to deliver the project
- It is expected that Credits will be paid to a lead authority, who will manage the distribution of funding to partners
- It is expected that a National Procurement Agency will be set up in the Fire & Rescue Service and that each Authority will have an agreement that is managed through this Agency
- Contracting Authorities will need to be committed to the process and will need to empower the ICP National Project Board to deliver the project
- ICP PFI authorities will need to make a higher contribution to common procurement costs - but receive circa. 8 times payback in the first year of receiving PFI credits
- OJEU has already been issued and market interest established. Credible suppliers are available to deliver the requirement.



What are the benefits to my authority?

- Provision of a fully managed service for PPE and all other clothing;
- Risk transfer to those parties best placed to manage it;
- Performance and availability measures to ensure an effective delivery of the service;
- Common procurement costs delivering improved value for money to contract for a 15 year PFI service;
- Additional support through PFI Credit funding to support the capital cost of investing in new PPE;
- Improved standards of PPE to support the Health & Safety of fire-fighters;
- Improved equality and diversity of the workforce through providing suitable clothing



What are the benefits to my authority (cont.)

- The establishment of a national identity for the first time;
- All firefighters will have access to the same standard of PPE and other clothing;
- Long term contract will encourage investment and innovation by the clothing industry
- Increased purchasing power - economies of scale;
- Elimination of duplication in activities such as R&D, trialling, procurement process;
- Freeing up resources and redirecting to where there is real need i.e. CFS;
- Improved prediction of annual costs, minimising variance on F&RAs year on year payments.

Outline Timetable

- 2 July 04 -Outline Business Case to Minister
- July 04 - OBC to Partnerships UK
- Aug 04 - OBC to HMT Project Review Group
- Sep 04 - Presentation to PRG

*if approved Procurement Process
recommences*

Summary



- The project represents a milestone in the F&RS approach to procurement
- Collaboration on this scale has never been tried before – new path to tread
- Matches the ethos of modernisation and will provide the Service with an image to be proud of and have a distinct image of its own
- Continued Stakeholder support will be needed
- Represents a good deal for PFI contracting authorities