

COMMUNITIES AND LOCAL GOVERNMENT **SELECT COMMITTEE FIRECONTROL INQUIRY**

SOUTH EAST REGION SUBMISSION

EXECUTIVE SUMMARY

- The SE Region wants the benefit of the full operational capability promised by the introduction of the FiReControl programme.
- Programme governance and management has alienated key stakeholders although it is recognised that there are current attempts to rectify this.
- Problems with EADS deliverables have been exacerbated for a want of partnering and support from the client side. Whilst getting better this needs to be improved further.
- Confidence in both EADS and CLG's ability to deliver the capability remains low.
- Fire Authorities remain sceptical of CLG delivering on financial guarantees, particularly in light of FireLink financial changes mid programme.
- FRAs are increasingly concerned about the final actual costs associated with FiReControl (and FireLink), as the savings originally promised are eroded.
- For some FRAs, further delays exponentially increase the risks associated with legacy controls and mobilising systems approaching obsolescence.
- The establishment of the Regional Control Centre buildings, and the Local Authority Controlled Companies to run them, has been achieved.
- Concerns remain over the costs of national requirements associated with the Regional Control Centre falling to local authorities.

INTRODUCTION

1. This report is submitted on behalf of the South East Regional Management Board (SE RMB) which represents 9 authorities (Buckinghamshire, East Sussex, Hampshire, Isle of Wight, Kent, Oxfordshire, Royal Berkshire, Surrey and West Sussex). This is the largest region by population representing 8.2 million people, has the highest number of authorities and is the third largest by area.

2. The SE Region has consistently supported the CFOA stated position¹ on FiReControl and remains committed to establishing a viable Regional Control Centre (RCC). This submission seeks to give a regional perspective and may not necessarily reflect individual submissions made by the regions' Fire and Rescue Authorities (FRAs). We recognise that the inquiry is for FiReControl but reference will also be made to the FireLink project.

3. The Select Committee wishes to establish:

- a. Progress with the project so far.
- b. The reasons for the cost and time overrun which the project has experienced.
- c. What, if any, changes need to be made to the Government's plans for proceeding with the project.

This submission will address the Select Committee requirements by commenting on:

- Project Governance and Organisation
- Timeframe and Confidence
- In-Service Contract Management
- Finance
- The SE RCC and associated costs
- How to proceed

PROJECT GOVERNANCE AND ORGANISATION

4. The Department for Communities and Local Government (CLG) owns the contract and commercial processes for FiReControl. FRAs are unsighted on the detailed obligations and outputs of the main contractor, European Aeronautic Defence and Space Company (EADS). The FRAs represent the main user and only customer for this contract yet have no contractual relationship with the supplier. Other Government departments² deliver large and complex projects by having a partnership between effectively 2 'customers' as the interface with the provider of operational capability. This has not been the case for FiReControl (nor FireLink) leading to the perception of disenfranchisement of the regions and individual FRSs. Too often, FRS involvement has been too little, too late when early engagement would have offered better support to EADS and increased project ownership by the end user community.

5. CLG set the contracts with EADS using an output specification, a technique encouraging innovation by not unduly constraining industry. However, it is a technique that assumes a partnering relationship with the provider. The lack of a partnering approach, involving FRSs working to support EADS, was evidenced by an adversarial relationship between CLG and EADS and, in turn, CLG and Regional Project Teams (RPT) representing FRS frustration. By necessity, FRSs

¹ The Association [CFOA] supports the project on the basis that it will bring to all FRSs a level of service currently enjoyed only by those who operate the best performing control centres and provided that ongoing funding for the solution is both adequate and fairly apportioned.

² For example, the MOD has a Customer 1 and Customer 2 distinction between the deliverer of capability and the end user of that capability, which is a relationship that operates throughout the acquisition cycle.

have recently been asked to supply piecemeal expertise to support EADS which falls short of the kind of partnering relationship envisaged by Government. The Office of Government Commerce (OGC) advice states:

Partnering is a form of collaborative working between customers and suppliers.....In contrast with traditional 'arms-length' procurement and contract management approaches, partnering is characterised by a greater degree of openness, communication, mutual trust and sharing information.....Both parties work together to identify optimum solutions and to anticipate and resolve problems in a constructive, collaborative way. The arrangement needs to be based on mutual trust and openness, a recognition that the relationship itself is as important as the contract and a conviction that partnering makes good commercial sense for this particular programme.

6. The recent shift towards better engagement with suppliers represents an important step in achieving the kind of co-operation and collaboration needed to overcome significant technical challenges and deliver products that are fit for purpose. Due to uncertainty surrounding the technical solution to be delivered by EADS, FRSs have been unable to make advances in command, control and mobilising systems. The emerging project assurance systems and allied testing mechanisms, if effective, should support EADS and increase end user confidence which has been low for some time. The changes in the contractual relationship between CLG and EADS witnessed in recent months is welcomed and is doing much to move towards the project approach advocated by the OGC.

TIMEFRAME AND CONFIDENCE

7. CLG and EADS have so far struggled to deliver any substantive output on time, and "shortcuts" have been sought which introduced concerns amongst the FRS about the quality of the solution. Where programme delays have become evident to all concerned, there has been firstly denial and then delay in the actual announcement of slippages. This has led to a degree of distrust and cynicism on deadlines issued by CLG. This is unhealthy, leading to unwillingness for busy FRS staff to commit resources to support project outcomes. Unfortunately, delay has become an expectation.

8. In good faith, many FRSs accepted previously published dates for the FiReControl capability being delivered as their planning assumption when considering the procurement of replacement mobilising systems. Delays to date have left a number of FRSs carrying increasing and serious risk as current systems reach or pass obsolescence. FRSs continue to mitigate risk under existing contracts but this approach is finite. More worrying for some FRSs is a growing concern that FiReControl will not be delivered at all, leaving some FRSs to begin procurement against a deadline imposed by their failing mobilising systems. This will carry significant operational and commercial risks. These risks become even more serious in the context of the economic and financial constraints likely to be faced by the sector in the coming years. The intent of the Pre-Budget Report seems clear in terms of reducing public debt and spending and fire is not among the few services identified for specific spending protection commitments (education, health and policing). Fire and Rescue Authorities face a potential "double whammy" of spending constraint and significant unplanned expenditure if FireControl fails to deliver on its promises and it will have an impact on front line services.

9. Within the SE, mobilising and control technology will become obsolete for 4 FRSs in 2010 and a further 2 in 2011. Mitigation is in place to extend the life of legacy systems but at varying degrees of additional cost and an increasing and changing risk profile. It is possible that even a short additional delay to the current SE cutover period of March – December 2012, may force 3 of SE FRSs into replacing their current systems and the others to re-appraise the resultant risk and consider a replacement programme. This unplanned expenditure will be significant and wasteful.

IN-SERVICE CONTRACT MANAGEMENT

10. The manner in which FRSs and FRAs were 'consulted' over the in-service management of both FiReControl and FireLink contracts was disappointing in that only a single option was presented with little information or evidence provided against which to make informed comment. The lack of clarity within the documentation raised concerns about the true intention of this consultation which eliminated all other options other than the proposed solution of incorporating Firebuy to manage the service contracts for FiReControl and FireLink. It would have been reasonable to expect more engagement before deciding on how the 2 key contracts underpinning FRS operational capability would be managed. Before the consultation process was complete, CLG had already advertised for Board members for the re-vamped Non-Departmental Public Body (NDPB) reinforcing the belief that this was a notional exercise, not consultation. All three emergency services will be using Airwave suggesting a potential requirement for a single organisation managing the contracts for all three. Without further consideration of this potential structure, it was difficult to make a judgement between the potential benefits of aligning FireLink and FiReControl within the Fire sector as opposed to aligning the three emergency services' use of the Airwave system.

FINANCE

11. There is a lack of clarity with the financial models for both FireLink and FiReControl projects. FRSs are finding it difficult to commit to accurate forecasting to support budget submissions. The SE region held a finance briefing day on 19 November 2009 in order to close on issues first hand with CLG and FireLink finance staff. Nineteen points for further clarification were taken away for further work by the on-hand experts.

12. The update of the FiReControl business case published on 6 May 2009 showed the SE region with a forecast saving of £1.5m, the largest of any of the regions. The Ministerial statement which accompanied it reiterated that this would be available for reinvestment in front-line services. This claim continues to be viewed with scepticism and, rather than expecting savings, many FRAs in the SE are fearful of an increase in cost damaging their medium term financial strategies. Although this is entirely a matter of opinion that scepticism is built on the following:

- a. Indications that the SE RCC will cost more to operate than assumed in the business case.

- b. Doubts that the cost of activities that will stay with FRAs after RCC 'go-live' have been fully recognised in the assessment of future costs.
- c. Uncertainty about FiReControl payments as it is unclear how these will be recalculated prior to cutover to the RCC.
- d. CLG have yet to succeed in providing reassurance around these matters, fostering an air of deep concern and exacerbated by delays in the project.
- e. The staffing model for the RCC and assumptions made on FRSs staffing after 'go-live' remain problematic.

13. It has been reported to the Fire Finance Working Group that the cost of the delay to the project has been £40m, part of which may be recoverable in liquidated damages from EADS. Delays have produced knock-on implications for FRAs, particularly with respect to existing systems, some of which are now being used well beyond the end of their normal lifetime. CLG continue to insist that any expenditure on systems prior to cutover will fall to FRAs. For reasons outside FRA control, it is increasingly likely that cash will need to be spent in ways that do not represent value for money, for example on extending contracts on obsolete equipment. (Also see paragraphs 9, 15 and 16). Similarly, views of CLG are being damaged by a perception that hardball is being played over funding of implementation expenditure. While FRAs will accept that budgets impose constraints with current levels of New Burdens allocations, there is a risk that FRAs will be unable to resource all the activities that they need to complete in the timescales required. The only alternative to this would be for FRAs to subsidise costs, which is an unacceptable proposition in the current financial climate and contrary to Ministerial stated intent.

REGIONAL CONTROL CENTRES

14. The building, commissioning and establishment of the Regional Control Centre (RCC) in Fareham and the network of 8 other RCCs nationwide have been a success. Most worthy of note include:

- a. South East Fire and Rescue Control Centre Limited (SEFRCC) being incorporated in August 2007. It has had very stable participation by 9 Directors and has met at least 20 times to conduct company business.
- b. The Chief Executive, Senior Operations Manager and Service Support Manager are in post and are supported by an Office Manager, Human Resources Advisor, Company Secretary, Finance Advisor and Legal Advisor.
- c. Delivery of key elements of the Human Resources work stream is on track including the development of a credible staff transition plan which will enable the efficient transfer of people and operations to the new RCC.
- d. The establishment of a Company led consultation supporting engagement with representative bodies and staff.

15. It is a matter of record that the SEFRCC Board has concerns over the cost of the RCC building. The resilience features of the building are impressive and

the rationale understood. However, the Board are aware that the lifetime cost of the lease (£43M over 25 years) will be borne by the owning FRAs. Whilst all parties are aware that this is not a commercial rental, and is akin to a private financing initiative, this is under challenge because:

- a. The Board and FRAs were not involved in the procurement process, so cannot provide required assurances that it is value for money.
- b. The total amount payable is well in excess of the cost to build the facility.
- c. There appears to be no opportunity to review or challenge these costs.
- d. The cost forces a re-investment of a substantial proportion of efficiency savings expected to be realised by FRSs and FRAs and invested elsewhere.

16. The SEFRCC Board maintain the size of the facility exceeds what is needed by the region. The reasons for the design and scale of the SE RCC have been explained. However, they centre on the need for future proofing, national resilience and the fall back of operations from other regions. The future proofing is not against any regional measure in this regards and the other requirements represent national requirement not regional need. The cost cannot be justified by the Board to its owning authorities and FRS customers. Similar concerns apply to ICT investment and management of the future upgrade/replacement. The combined impact of these matters moves the balance of RCC running costs to elements over which the company has little or no control. This creates concern about the ability to manage overall costs and to make ongoing efficiency savings.

HOW TO PROCEED

17. The SE FRSs have done all they can to support and assist CLG to deliver the projects. We have robust governance in place; we are the only region to appoint, and pay for, a full time professional Project Director to deliver FiReControl; we are paying for an additional 3.5 Full Time Equivalents to strengthen our Regional Project Team in the run up to RCC 'go-live' and we have actively sought to support and strengthen CLG national work streams to assist in successful delivery.

18. FRAs and their FRSs did not instigate this project; they were not party to drawing up the requirement that underpins the contract; do not have access to the detail of the contract with EADS; had little influence in the specification of the Regional Control Centres (RCCs). Additionally, they have an imposed Private Developer Scheme (PDS) and facilities management contract to run the buildings and now witness the handing over of the key in-service management of both FiReControl and FireLink contracts to a NDPB on which they will have representation but no control. It is somewhat ironic therefore, to be asked how we see the project best proceeding. However, if this is a continuation of the improving stakeholder management experienced in the last 12 months, we welcome this opportunity to contribute the following comment on the future but feel unable to advocate any alternative delivery strategy:

- a. It is not possible to judge whether continuing the current strategy may be the best way forward as we know too little about the commercial risks and obligations to assess the implications of sticking with it or finding an alternative. Continuing as we are presupposes that the EADS solution is deliverable and CLG mitigate delay risk by funding replacement mobilising systems where a case can be made.
- b. Most SE FRSs are now reliant on the outcomes of FiReControl being delivered or CLG funding an alternative.
- c. Any alternative approach run by CLG would need to start with the FRS community being fully involved at inception and embraced as partners not just stakeholders.
- d. Alternative regional collaborative ventures, perhaps working to deliver a national specification, may reduce FiReControl scope and risk but Government would also need to re-appraise the requirement for national resilience capabilities and how they are funded and delivered.
- e. A National Network provides vital resilience and negates the need for local and costly fallback arrangements. Any alternative to FiReControl must have resilience as a core requirement which is fully funded.

CONCLUSIONS

19. Most FRSs are now reliant on receiving the capability promised by the FiReControl project. It is clear that the expected cash savings have been eroded and all SE authorities now have to consider the spectre of increased costs in the future. In hindsight, CLG should have partnered EADS in line with OGC guidance and more fully involved the FRS in requirement setting and contract drafting. Bold and welcome commitment on funding associated with both FireLink and FiReControl must be honoured. Additional costs resulting from delay cannot be borne by local authorities. The success of building, commissioning and establishing the RCCs is recognised. Similarly CLG must recognise and fund the high running costs associated with this PDS as local authorities had no option to market test other potential solutions. CLG must also fund the over specification of RCCs designed to meet national resilience requirements.

20. CLG has opted to manage this project from the outset and has sight of all the contractual and commercial information on which to assess technical and financial risk. The SE Region is prepared to continue with the current delivery method as long it now delivers the promised capability on time and without shifting additional cost and risk to local authorities. Any alternative strategy must begin by enfranchising and partnering the FRS community. Any option for local or regional collaborative ventures must be funded appropriately and national requirements additionally funded. Networked resilience remains a key outcome.