

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY
---------	---

date	03 June 2005
------	---------------------

agenda item number	
--------------------	--

REPORT OF THE CHIEF FIRE OFFICER

PROPOSED PARTNERSHIP AGREEMENT FOR THE PROVISION OF COMMERCIAL TRAINING

1. PURPOSE OF REPORT

The purpose of this report is to seek the approval of Members, subject to certain conditions, to the creation of a commercial partnership between Nottinghamshire and City of Nottingham Fire and Rescue Authority and Nationwide Fire Safety Ltd for the provision of Commercial Training services.

2. BACKGROUND

- 2.1 Members may be aware that the Authority has a Commercial Training unit based at the Service Development Centre, which has operated for a number of years delivering a range of Fire Safety training to both the commercial sector and other areas of the public sector.
- 2.2 In order to keep the commercial training activity separate from the everyday activities of Fire Safety, it was effectively "floated" as a trading entity and whilst it has always delivered a good service to customers, we have not taken advantage of the Unit's true commercial potential. The Unit at present is delivering a very small profit of about £8,000 per annum on a turnover of about £110,000.
- 2.3 A number of options have been considered, including a combination with the Fire Extinguisher Maintenance Unit under a single Commercial Services Manager, direct management by the Head of Resources and Finance, and seeking out a private sector partner to manage the service.
- 2.4 The ability for the Service to increase the profitability of the Unit, and to diversify into other training mediums without incurring the risks involved in undertaking a venture of this type on our own, moves us towards the partnership with a private sector company. There are also some powerful reasons for supposing that using a private sector partner is the way to go, creating value over in-house operational management :
 - Trading companies can develop additional third party business and thereby use assets and people more efficiently and, by combining the support functions for several contracts, create economies of scale ;

- Nationwide Fire Safety Ltd focuses on particular activities in its particular markets, investing in developing specialist skills and tools to keep them at the competitive leading edge of their industry ;
- The commercial financial disciplines necessary for trading and securing a return on capital makes the private sector more willing than public bodies to invest.

3. PARTNERSHIP PROPOSAL

- 3.1 Management have been approached by a company called Nationwide Fire Safety Ltd who currently provide commercial training in a number of county areas, including Nottinghamshire, who recognise that this is an area for potential business growth, particularly if the “hands on” training that is currently provided can be supplemented by on-line or other computer based training modules. They recognise our expertise in terms of providing high quality face to face training and are seeking to create a partnership which builds on this and expands it to become more financially beneficial for both parties.
- 3.2 Private sector delivery of this service may be viewed with suspicion. The profit motive is perceived to create an irrevocably ‘divergent interest’ to long-term value for the Fire Service. The key to overcoming this suspicion is to engineer the partnership so the contractual agreement can align the interests of all stakeholders in the service, so that the Service has more to gain from collaboration. The long term interests of both parties must be served by a reasonable share of the overall benefits and this can be achieved by playing to the strengths of the private sector, so there is mutual benefit for both parties in maintaining a healthy relationship. Any contract between Nationwide Fire Safety Ltd and Nottinghamshire Fire & Rescue Service (NFRS) must be watertight in sharing the added value equitably between both parties, while maintaining the first class service already given by the Unit.
- 3.3 Over half of all learning in the UK workplace will be e-learning within five years (Chief Executive qualifications and curriculum authority). The Government’s consultation documents from the department for education and skills introduces proposals on how employers and learners might enable e-learning to work better for users and suppliers. With the Government’s strategy explaining that e-learning is essential to achieving the overarching objective of increasing participation, upskilling and raising standards of teaching and learning. The on-line initiative provided by Nationwide Fire Safety Ltd affords the organisation an opportunity to position in-line with current government policy.
- 3.4 The basis of the partnership is that the company will take the responsibility for the day to day management of the Unit, augmenting it as required with their own experienced training staff, and perhaps more importantly take an active role in marketing the unit which the Authority has not been able to do for reasons associated with the restrictions on Local Government trading activities.
- 3.5 In addition, the company are seeking to actively involve the Service in their on-line learning initiative for accrediting students with qualifications in Workplace Fire Safety using both web and computer based training modules. Copies of this software have been examined by Senior Fire Safety Officers in the Service who are content that their training materials provide a good level

of training for commercial users. Clearly this would need to be kept under review to ensure the Service's endorsement of their product can continue.

- 3.6 In return the company are proposing that profits generated from the face to face training activity will be shared on a 50:50 basis and the Fire & Rescue Service will receive 20% of total sales revenue from the e-learning training. The company are not seeking to recover any of their "up-front" development costs from this venture.
- 3.7 A business model has been researched jointly with Nationwide Fire Safety Ltd to consider the likely profitability of such a venture, which is discussed in detail in the Financial Implications section of this report. It is clear however, that the Service will be able to increase the profitability of this Unit significantly even on a fairly pessimistic view of future activity.
- 3.8 It is also possible that this partnership may be able to be expanded into other areas of activity as the company are also keen to discuss ways in which both the company and the Service can co-operate in more public facing opportunities, such as joint operations from retail premises which may fit in well with the Service's aspirations for getting closer to communities.

4. LEGAL ISSUES

- 4.1 Clearly such a partnership can only be entered into once the arrangement itself is legally sound, both in terms of the legality of entering in to such a partnership and contractual issues have been confirmed. It is not considered appropriate to instruct lawyers on this matter until approval in principle has been given by the Fire Authority and therefore any such agreement would have to be subject to the resolution of any legal issues.
- 4.2 The formulation of the partnership falls out of the scope of a tendering process, as the form of the partnership will be an income generating one and not the provision of a service or product which would require compliance with a tendering process.
- 4.3 The only theoretical precondition for the delivery of a service via this kind of partnership, is that it must be possible to manage it by contract rather than by command. The nature, level and quality of the service must be able to be defined in writing, the contract will force the transparent specification of the service required and the quality standards to which it should be delivered, and performance will be continuously monitored against any contractual specification.
- 4.4 Protection for NFRS will be included within the detail of the contract, to protect against any potential divergence from the agreed agenda. Providing Nationwide Fire Safety Ltd with a stable long-term business is the carrot, sharing the strategic control is the stick. The contract will be designed in a way that gives NFRS a number of vetoes which can be used in extremis if the relationship shows signs of breaking down and which are potent enough to ensure that the partner will always be 'forced' to co-operate.
- 4.5 Mechanisms and processes for managing the process of collaboration between the partners will be looked at which may come in the form of some kind of partnership governance committee with representatives from both sides, who could be charged with discussing and agreeing the strategic direction of the partnership at regular intervals.

- 4.6 The issue of transfer of staff has been considered and whilst it is possible to transfer staff under TUPE arrangements, it is considered that this would unnecessarily complicate matters, not only for the staff, but also for the Service. To operate this as a genuine partnership would seem to be the best way forward for both parties. Staff therefore would remain employees of the Service with all their normal rights and conditions of service retained.

5. FINANCIAL IMPLICATIONS

- 5.1 Financial modelling has been carried out jointly between the Service and Nationwide Fire Safety Ltd to assess the viability of the proposed partnership and the level of residual risk which the Fire Authority would retain (see Appendix A). The calculations show that the fixed costs of the Unit can be recovered if 63 training days are delivered. In reality it is expected that as many as 180 training days could be delivered within the existing fixed cost base (ie: existing staff and structures) although it is anticipated that this will also be augmented with casual training staff as required.
- 5.2 At this peak capacity level it is estimated that profits to the Authority could be of the order of £100,000 as opposed to the existing £8,000, which shows this to be a very viable proposition. The sensitivity of these calculations shows that even on volumes as low as 75 training days the Authority would be no worse off than under current arrangements.
- 5.3 None of the above figures include any estimates of income from the sales of on-line or computer based learning packages, as this is considered to be wholly a matter for the commercial risk of Nationwide Fire Safety Ltd. Whilst the Authority would expect a benefit from this activity, it is considered imprudent to use any prospective income in this area to influence the decision for the training partnership.
- 5.4 In terms of residual risk, the Authority will continue to employ the staff and therefore in the event of commercial failure, the risks of redundancy or returning the Unit to the management of the Authority remain. This is no different however, to the current risk levels.

6. PERSONNEL IMPLICATIONS

- 6.1 In any partnership of this nature there are clearly implications for the staffing of the existing Unit, although it is intended that all the current staff will continue to be employed within it. Issues such as day to day management arrangements and the applications of sickness and leave arrangements for staff will need to be discussed to ensure that staff are not disadvantaged by this arrangement. Discussions will take place with the Trade Union representing these staff.
- 6.2 The manager who is proposed for the Unit is, however, an ex-public sector manager who is aware of all the issues surrounding local government conditions of service and it is therefore considered less likely that there will be any insurmountable issues in this area.
- 6.3 It must be borne in mind however, that this proposed partnership represents the best chance of keeping this Unit running in the medium and long term as its current levels of profitability would not suggest that the commercial risks

associated with this activity should continue to be borne by the Authority for such a small return.

7. EQUALITY IMPACT ASSESSMENT

An initial assessment has revealed there are no equality issues arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The risk management implications are outlined fully in the above report.

9. RECOMMENDATIONS

9.1 That Members authorise the management team to enter into a partnership arrangement with Nationwide Fire Safety Ltd for the purpose of providing Commercial Training and for the joint promotion of on-line Fire Safety training as set out in the above report.

9.2 That such approval shall be subject to the legal issues set out in the body of the report being satisfactorily resolved.

10. BACKGROUND PAPERS FOR INSPECTION

None.

Paul Woods
CHIEF FIRE OFFICER

Commercial Training – Cost Model**Fixed Costs**

Salaries	FTE	Salary
Trainers	2.3	45,802
Manager	1	30,000
Total Salaries		75,802
National Insurance		7,580
Pensions		5,038
Managerial Overhead		
Natfire		5,000
Staff Training		1,000
Accommodation Costs		
Office costs		8,000
Stationery		500
Phones		300
Vehicle		4,500
Travel		1,000
Subscriptions		300
Uniform		100
Books and Publications		400
Marketing Costs		15,000

Total Fixed Costs**124,620****Variable Costs****Per Student**

Catering	5.00 Per Day
Stationery	20.00 Per Course

Casual Trainers 200.00 Per Day**Maximum Training Days** 180

Maximum Income

Cost Per Day	110.00
Number of Students	20.00

Income Per Day	2,200.00
-----------------------	-----------------

Stationery	5.00 Per Student
Catering	5.00 Per Student

Cost Per Day

Stationery	100.00
Catering	110.00

Contribution Per Day	1,990.00
----------------------	----------

Break even Point	62.62 Days
------------------	------------

At Full Capacity	180 Days
------------------	----------

Contribution	358,200
Less Fixed Costs	124,620

Profit	233,580
---------------	----------------