

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
date	<b>24 March 2006</b>	agenda item number

### REPORT OF THE CHIEF FIRE OFFICER

#### VALUE FOR MONEY

##### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to bring to the attention of Members the requirement, under the revised guidance for Comprehensive Performance Assessment (CPA), for the Authority to actively seek out and demonstrate Value for Money.
- 1.2 The report also suggests to Members various target areas for specific “value for money” studies to be carried out.

##### 2. BACKGROUND

- 2.1 The latest proposals for CPA (“The Harder Test”) puts greater emphasis on the use of resources within the Authority and whilst considering the same areas as were previously assessed by the “Auditors Scored Judgement”, place greater importance on the achievement of value for money. Members may recall that value for money was also one of the areas that the assessors at the last CPA assessment regarded as underdeveloped in Nottinghamshire.
- 2.2 There was no suggestion that the Authority was not achieving Value for Money or that certain of the initiatives undertaken were not seeking to improve this. The criticisms that were made related to the Authority not having a plan to achieve value for money.
- 2.3 The Improvement and Development Agency has defined Value for Money as :

“ the optimum combination of whole life costs and benefits to meet customer requirements”

However this is considered to be an unnecessarily cumbersome definition.

The Audit Commission have reverted back to a more traditional definition of Value for Money concentrating on the achievement of the three “E”s :

Economy	-	The price paid
Efficiency	-	A measure of productivity
Effectiveness	-	A measure of impact

There is often confusion between efficiency and effectiveness but a useful descriptor might be to regard efficiency as “doing things right” where effectiveness is “doing right things”.

Nevertheless, Value for Money is achieved when there is an optimum balance between all three of the “E”s.

- 2.4 The Audit Commission in their guidance are keen to point out that Authorities are already required to achieve annual efficiency savings and that they should not therefore duplicate work already being carried out. This is of course true, but in order for the Authority to be able to gain assurances about Value for Money it is considered that three key elements require to be brought together :

Efficiency Statements and Programmes  
Best Value Reviews  
General Value for Money Reviews

- 2.5 The duty of Best Value requires Authorities to adopt a fairly rigid set of tests and is a very formal approach. Value for Money studies however will allow a more creative approach to be adopted to complement the Best Value approach, such that all three of the above elements will combine to give assurances to Members that Value for Money is both being managed and improved over time.
- 2.6 The relationship between efficiency programmes and Value for Money is of itself unhelpful as the efficiency targets are specifically focussed on budget reductions. This is not a good basis for Value for Money work which should be focussed on getting the best out of the Authority’s resources, not necessarily using less of them. It is a means of assessing the value of investment.
- 2.7 This report sets out the approach to be adopted by the Authority and draws together a number of new and existing activities under the general banner of Value for Money.

### **3. REPORT**

- 3.1 The Performance Management Framework and associated management systems already provide a secure basis for dealing with both external and internal performance indicators which will show in a quantitative manner how the Authority is performing against both its own stated objectives and those externally monitored Performance Indicators set out in the Best Value Performance Plan. This performance management system which incorporates within it the business planning process, the risk profile and monitoring and review processes at both corporate and departmental levels, provides a strong quantitative basis for management to monitor and improve performance.
- 3.2 This framework also provides a number of qualitative measures such as satisfaction levels and some measure of impact. It is, and has always been, difficult however to obtain meaningful data with which to measure outcomes. This is particularly true in the short term.
- 3.3 For example it may be possible to measure the number of Home Safety Checks that are carried out and the efficiency with which this is done – ie: mean cost per visit, use of resources etc. It is however more difficult to measure how effective this work is for a number of reasons such as :
- The Fire and Rescue Service can only really measure internally the effects that this initiative has on fire deaths and injuries when in fact the initiative is more widely focussed.

- Other partners and agencies are pursuing the same outcomes and therefore it is an overall outcome that is more important.

Similar difficulties will exist with measuring qualitative outcomes in relation to Road Traffic Collisions because it is difficult to assess how much survival rates improve as a result of particular interventions by the Fire and Rescue Service.

Evidence, however, may be empirical or anecdotal rather than statistical which, whilst not meeting the strict definitions required by Best Value, will nevertheless provide a basis for the Authority to gain an assurance that the investment in both staff time and budget is worthwhile.

- 3.4 In addition to high level strategic study work the Value for Money Programme should also consider a number of smaller, self contained studies as well as remaining aware of those pieces of work being undertaken as part of regional co-operation via the Regional Management Board and being directed nationally. Examples of regional work include the regional procurement project and the Integrated Common Services project whilst nationally the creation of FireBuy, the Regional Control Project and Firelink are all designed to improve Value for Money and should therefore be included in the Authority's plans. Indeed the prospects for regional solutions should always be considered as part of any Value for Money study. Nevertheless Value for Money achievable locally should not be unduly sacrificed or delayed to achieve regional objectives.

#### **4. PROPOSED PROGRAMME OF ACTIVITY**

- 4.1 The proposed programme is deliberately not over ambitious. The Authority is in period of rapid change and evolution which means that resources are already highly committed. The performance management process is developing but will require significant effort to realise its objectives fully and become a stable management system. There is little point in pursuing a separate agenda around value for money which further challenges this project and may impede its success. Nevertheless the outcomes from this project will be used to inform the process.

- 4.2 The projects and studies proposed include :

- Overall cost comparators with other Fire and Rescue Service and analysis of differences where possible ;
- Benchmark assessment of Risk Management, leading on behalf of ALARM with Devon FRS ;
- Consideration of Insurance arrangements to include regional and national options such as the use of captives and mutuals ;
- Support to the regional procurement project including review of stores provision ;
- Support to the Integrated Common Services project ;
- Continuance of work with ORH around Demand Led Resourcing ;
- Review of Sickness Absence programmes ;
- Continued examination of Non-Domestic Rating arrangements ;

- Water usage, charging and environmental issues ;
- Storage of road fuel ;
- Continuance of Base Budget Review cost reduction process ;
- Building/Grounds Maintenance.

4.3 The above studies will be carried out by Departments within the Service under the supervision of the Head of Finance and Resources and also by using the services of Internal Audit who have some time available within their plan to support this type of activity.

4.4 Specific plans will be drawn up for the completion of these studies after consultation with Departmental Managers.

## **5. RISK MANAGEMENT IMPLICATIONS**

There are no specific implications for risk management within this report, however the proper management of resources to achieve desired outcomes is key to the success of the organisation. A specific review of Risk Management and the way it is applied across all Fire Authorities will also give assurances in this area.

## **6. PERSONNEL IMPLICATIONS**

There are no implications for personnel beyond those relating to the study of absence management processes.

## **7. EQUALITY IMPACT ASSESSMENT**

A review into the effectiveness of the Service's engagement with BME communities will provide assurances that the Authority's policies are effective in this area.

## **8. FINANCIAL IMPLICATIONS**

There are clearly financial implications in the area of Value for Money, although these relate to gaining assurance that investment of resources is effective. There are specific requirements for the achievement of efficiency savings which whilst not referred to specifically in this report have been previously reported in the budget report to the Authority on 24 February 2006.

## **9. RECOMMENDATIONS**

That Members approve the proposed approach to the achievement of Value for Money and that the information is taken to the first meeting of the Finance and Resources Committee on 13 April 2006 for the final programme to be agreed.

## **10. BACKGROUND PAPERS FOR INSPECTION**

None.

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