meeting	**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY** **FINANCE AND RESOURCES COMMITTEE**
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REPORT OF THE CHIEF FIRE OFFICER

VALUE FOR MONEY – PROGRESS REPORT

1. PURPOSE OF REPORT

To bring to the attention of the Members the progress that has been made against the Value for Money programme which was approved by the full Fire & Rescue Authority on 24 March 2006.

2. OVERVIEW

It is still very early in the financial year and much of the work on value for money themes is yet to begin. There has however, been some progress in the area of insurances and the higher level cost comparator work, both of which are set out below.

3. INSURANCES

3.1 FiReBuy are looking at insurances at a national level with a view to considering the use of some sort of captive. It is clear from the early work that whilst there seems to be some measure of understanding of the insurance marketplace this is far from perfect at present. What is becoming increasingly clear however is that there is huge potential for savings in this area.

3.2 Currently the Authority spends of the order of £600,000 on annual insurances, including brokerage fees and provisions for uninsured losses. Added to that are the in house costs of risk management and claims handling.

3.3 As part of the national project, Nottinghamshire have provided details on claims and costs of claims and premiums over a number of years, to act as a benchmark for cost comparisons. The consultants carrying out the work have chosen to use a formulaic approach to the value of claims, expressing this as a weighted cost per employee. They have concluded that an average weighted cost per employee is about £335, within an acceptable range of £200-£400. They state that those Authorities operating outside this range are either very poor at risk management and claims handling or very poor at insurance buying.

3.4 Nottinghamshire's weighted costs have ranged from £325 to £331 since 2001, which shows that the processes for risk management, insurance procurement and claims handling are robust.

3.5 Given that the national project is still running and that the early indicators are that there are no significant problems in this area for Nottinghamshire, it is not proposed to carry out any further analysis until the national project is completed.

4. OVERALL COST COMPARATORS

4.1 Statistics for 2005/6 financial year are not yet available for Fire & Rescue Authorities, however there is little budget variation between each Authority year on year. The 2004/5 figures are available from CIPFA and it is these figures which have been used throughout.

4.2 As recently as 2003/4 Greater Manchester commissioned a report which showed that there was a strong correlation between the levels of deprivation within an area and the costs of providing a Fire and Rescue Service. There have been a number of counter arguments put forward which appear to argue that geographical sparcity is also an issue. These range from issues around sheer geographical difficulties (Highland and Islands) to issues around tourism (i.e. Manchester's deprived population have road accidents in Lancashire). However the Audit Commission are increasingly acknowledging that social deprivation is a key driver.

4.3 As the drive for increased spending and diversion of resources towards Community Safety continues, it becomes increasingly obvious that deprived communities require greater input than others.

4.4 Simple cost comparisons are therefore fairly unhelpful in looking at overall value for money and it is already known that these are significantly skewed by deprivation factors.

4.5 For example, the Family Group for cost comparison purposes is group 4 and consists of the following Authorities :

Nottinghamshire
Staffordshire
Lancashire
Humberside
Essex
Cleveland
Avon
Leicestershire
Merseyside
Kent
Hampshire
Derbyshire
Cheshire

The group also contains Northern Ireland, but this Authority has been excluded from the comparators due to the somewhat special circumstances of Fire and Rescue provision in the Province.

4.6 A simple analysis of cost per head shows the following :

Authority	Population	Budget 2005/6	Cost Per Head	Rank
Leicestershire	951,570	31,092,034	32.67	1
Staffordshire	1,050,182	36,504,000	34.76	2
Derbyshire	987,948	34,655,346	35.08	3

Hampshire	1,680,747	59,560,000	35.44	4
Cheshire	997,637	37,650,000	37.74	5
Nottinghamshire	1,035,816	39,966,000	38.58	6
Kent	1,634,410	63,589,900	38.91	7
Lancashire	1,440,316	56,557,015	39.27	8
Essex	1,654,648	65,271,543	39.45	9
Avon	1,016,468	41,822,537	41.14	10
Cleveland	649,720	30,319,909	46.67	11
Humberside	885,304	42,182,255	47.65	12
Merseyside	1,357,100	67,835,000	49.99	13

Nottinghamshire is ranked sixth on this table at about the average.

4.7 The table is also revealing in other ways in that, for example, it shows that there is virtually no correlation between population size and cost per head. This is important because this indicates that traditional arguments around critical mass and economies of scale do not apply.

4.8 It is more likely therefore that there are other factors influencing these figures than population alone and of course the possibility that some Authorities are more efficient than others must not be overlooked. Nevertheless there is clearly some further analysis required.

4.9 The Government last produced figures on deprivation in 2004 and it seems unlikely that these indicators would have changed significantly in just two years.

4.10 Deprivation indices are not available at Fire & Rescue Service/Authority level and therefore it has been necessary to look at each individual District or Unitary Authority area and aggregate these to produce a usable index number. This has been achieved by weighting each District or Unitary area population by its deprivation factor and then summing these to give a deprivation weighted population for each Fire & Rescue Authority area. These weighted populations have then been used to derive weighting factors for each Fire & Rescue Authority.

District/Unitary	Deprivation index	Ranking	Population	Weighted Population Index
Ashfield	27.77	66	114,524	3180.331
Bassetlaw	25.71	82	111,405	2864.223
Broxtowe	16.03	194	108,561	1740.233

Gedling	16.43	184	111,461	1831.304
Mansfield	32.53	33	98,436	3202.123
Newark and Sherwood	19.75	143	110,503	2182.434
Nottingham City	41.75	7	271,922	11352.740
Rushcliffe	8.95	310	109,004	975.586
Total			**1,035,816**	**27328.980**

The weighted population indices have then be used to measure the variation from the mean of all indices to produce deprivation weighted populations as follows :

Authority	Deprivation Factors	Weighted Population
Leicestershire	0.753852	717,343.3
Staffordshire	0.988681	1,038,295.0
Derbyshire	0.759380	964175.6
Hampshire	1.040485	1,748,792
Cheshire	0.831143	829,179.2
Nottinghamshire	1.252355	1,297,209.0
Kent	1.222618	1,998,259.0
Lancashire	1.577801	2,272,532.0
Essex	1.187593	1,965,049.0
Avon	0.837510	851,302.5
Cleveland	0.938078	609,488.3
Humberside	1.050508	930,018.6
Merseyside	2.343438	3,180,280.0

4.11 If these deprivation weighted populations are then used to derive a cost per head of deprivation weighted population the following table emerges :

Authority	Weighted Population	Cost Per Head of Weighted Population	Ranking
Leicestershire	717,343.3	32.67	9
Staffordshire	1,038,295.0	34.76	7

Derbyshire	964175.6	35.94	8
Hampshire	1,748,792	34.06	6
Cheshire	829,179.2	45.41	11
Nottinghamshire	1,297,209.0	30.81	3
Kent	1,998,259.0	31.82	4
Lancashire	2,272,532.0	24.89	2
Essex	1,965,049.0	33.22	5
Avon	851,302.5	49.13	12
Cleveland	609,488.3	49.75	13
Humberside	930,018.6	45.36	10
Merseyside	3,180,280.0	21.33	1

Nottinghamshire moves from sixth to third on this basis.

4.12 It is not suggested, of course, that deprivation is the only factor which influences Fire & Rescue Authority spending, however it is suggested that it is a significant driver. An examination of CIPFA statistics also shows that the key differences between high and low spending Authorities are the number of wholetime stations that are maintained. Given that the number of wholetime stations is itself a direct function of risk and risk is a direct function of deprivation then it is easy to see why this is such a good indicator.

4.13 Even if the actual weighting factors are in doubt it cannot be asserted that there should not be some weighting attached to deprivation which would therefore place Nottinghamshire somewhere between third and sixth in the family group. As the upper quartile starts at fourth and above, it is highly probable therefore that Nottinghamshire falls into this group.

4.14 Of course this does not mean that there is no room for improvement in respect of value for money generally, but what it does mean is that there are probably no significant problems within the cost structure at the corporate level. This in itself is unsurprising given that 75% of all Fire & Rescue Authority spending is on staffing and that staffing is driven by deprivation and risk. It is however re-assuring to be able to prove this statistically.

5. REGIONAL PROCUREMENT AND THE STORES REVIEW

5.1 Regional Procurement continues to be an ongoing project sponsored by the East Midlands Regional Management Board and as a project it is progressing according to the plan. The review of stores provision was an area that was of particular interest in Nottinghamshire and an area that was included in the value for money plan.

5.2 First Procurement Consultants were engaged by the region to examine the stores functions of every Fire and Rescue Service in the region and they concluded that both Nottinghamshire and Leicestershire had extremely well run and efficient stores functions. Nottinghamshire was specifically singled out as having a very efficient and professional procurement function and very committed and enthusiastic staff. It was suggested that some Nottinghamshire staff be seconded to Derbyshire to assist them in re-organising their stores function.

6. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

7. PERSONNEL IMPLICATIONS

There are no implications for personnel beyond the proposal to second staff to Derbyshire, which has yet to be discussed with Derbyshire or the staff concerned.

8. EQUALITY IMPACT ASSESSMENT

An initial impact assessment has revealed that no specific equalities issues are associated with this report

9. FINANCIAL IMPLICATIONS

There are no specific implications for finance arising from this paper beyond those at the corporate level as set out in the report.

10. RECOMMENDATIONS

That Members note the contents of this report and support the continuance of the value for money programme.

11. BACKGROUND PAPERS FOR INSPECTION

None.

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