

REPORT OF THE CHIEF FIRE OFFICER

MONITORING OF EFFICIENCY GAINS

1. PURPOSE OF REPORT

To inform Members of the background to Annual Efficiency Statements and to report on the current position in respect of planned efficiency gains for 2006/07.

2. BACKGROUND

2.1. The Gershon report on public sector efficiency was published in 2004 and identified areas of potential efficiency gains in both central and local government. Following this, the ODPM (now the DCLG) placed a requirement upon Fire and Rescue Authorities (FRA's) to report their efficiency gains through Annual Efficiency Statements. There are three statements submitted per year:

2.1.1. A forward looking statement for the year ahead, which is submitted in April;

2.1.2. A mid year update for the current year, which is submitted in November (FRA's with a CPA status of "excellent" are not required to submit a mid year update);

2.1.3. A backward looking statement for the previous year, which is submitted in June.

Annual Efficiency Statements are signed by the Chairman of the FRA and by the Chief Fire Officer.

2.2. FRS Circular 8/2005 "Efficiency and the English FRA's" set a target for FRA's to achieve £105 million gross cashable efficiency savings by 2007/08. This figure represents approximately 5% of estimated 2004/05 net expenditure. The target is to be achieved over the 3 years 2005/06, 2006/07 and 2007/08. Efficiency gains made in 2004/05 can be counted against the 2005/06 target if they are continuing gains and not "one-off".

2.3. Cashable efficiencies release cash whilst maintaining outputs. The resources released can either be cash savings or can be diverted to other services. Thus there is a direct financial saving or benefit, with money released that can be recycled within the FRA to deliver better results. Only cashable gains count towards the target. Appendix A shows examples of cashable efficiencies.

2.4. Non cashable gains occur when productive time has been freed but not yet redeployed to productive use in cashable form. Appendix A shows examples of non cashable efficiencies.

2.5. Quality crosschecks must be given as evidence that service quality has not suffered as a result of an efficiency gain. These can be Best Value Performance Indicators or some other measurable evidence of outcomes.

2.6. There is no requirement to use efficiency savings to reduce net expenditure. It is clear that the Government is committed to the efficiency agenda and expects efficiency savings to finance improvements in public services. The 2007 Comprehensive Spending Review is likely to result in further financial constraints on public spending so it is reasonable to expect that efficiency targets will continue beyond 2007/08.

- 2.7. Annual Efficiency Statements have not, so far, been subject to audit but they will form part of the evidence used in the forthcoming Comprehensive Performance Assessment (CPA) and evidence and calculation of gains will be checked by the external auditors.

3. **REPORT**

Efficiency Targets for Nottinghamshire Fire and Rescue Authority and Performance to Date

- 3.1 The FRS circular set a global target for FRA's. Within that, the Authority has set targets as follows:

- Target over the 3 years to 2007/08 of 5.67% of 2004/05 net expenditure. This equates to £2.216m of cashable efficiency savings;
- Interim cumulative targets of £0.496m for 2005/06 and £1.610m for 2006/07;
- The Fire & Rescue Authority has actually achieved £0.322m in 2004/05 and £0.780m in 2005/06 and reported that £1.331m would be achieved in 2006/07. If predicted efficiency gains are achieved then the cumulative gain at the end of 2006/07 will be £2.433m. This is in excess of the total target.

Identification of Potential Efficiency Gains

- 3.2 The Annual Efficiency Statement requires gains to be listed in various categories. These are:-

- Crewing arrangements (IRMP);
- Other IRMP savings;
- Collaboration;
- Reduced ill health retirements;
- Sickness reduction;
- Other HR savings;
- Better procurement;
- Corporate Services;
- Other.

- 3.3 Managers within the Service are aware of the efficiency agenda and report potential efficiencies to the Finance Department. A record of these is kept and Finance staff work with Managers to estimate any potential significant gains during the year and calculate actual significant gains for the backward looking Annual Efficiency Statement.

Monitoring of Efficiency Gains

- 3.4 Monitoring of performance against the year's forward looking Statement is now reported to the Strategic Management Team on a monthly basis. This is the first monitoring report to be presented to Members. Appendix B shows the performance against target as at 31 August 2006.

- 3.4.1 The total reported cashable gain for 2006/07 was £1.331m, as recorded on the Forward Look Annual Efficiency Statement. The deferral of the start date for Shift Change has impacted on two of the gains, firstly the deployment of Central Fire Station crew to community safety activities and secondly, the transfer of posts arising from the Best Value review of Road Traffic Collisions. The Central Fire Station initiative will now start in January 2007, as will the Specialist Rescue initiative first tranche. The second tranche will start in April 2007 so will fall within next year's efficiency gains. In addition, the project to review and implement Special Service Charges has not yet started – an implementation date of 1 October was assumed and this has been amended to an estimated start date of 1 January on the Appendix. The impact of delays in these 3 projects means that the total expected cashable gain for 2006/07 has reduced to £1,025m, a fall of £306k.

3.4.2 Despite this reduction, the Authority is still exceeding the cumulative target for 2006/07 by £517k and there are several newly identified gains which were not reported on the 2006/07 Forward Look Annual Efficiency Statement, but which may be added to the 2006/07 Backward Look Annual Efficiency Statement. These are not included within this report as they are subject to further verification.

3.4.3 At the time of preparing the 2006/07 Forward Look Annual Efficiency Statement, reasonable assumptions were made about the implementation dates of the new gains. The progress to date highlights that some of these assumptions were optimistic. The CIPFA Finance Advisory Network has conducted a survey of 2005/06 Annual Efficiency Statements for Local Authorities (not Fire & Rescue Authorities), including both Forward and Backward Look. One of the findings of the survey is that many Authorities failed to realise all of the gains anticipated in their Forward Look Statements. The Authority may need to be more circumspect when preparing next year's Statement.

4. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

5. FINANCIAL IMPLICATIONS

The financial implications are shown within the body of the report. The identification of efficiency gains should result in better inputs to the budget process and possible benefits such as the ability to fund new initiatives from any cashable efficiency gains arising. This also complements the drive to achieve value for money.

6. RISK MANAGEMENT IMPLICATIONS

The reporting of planned and actual efficiency gains to the DCLG is a requirement. Cashable efficiency gains can release resources for other initiatives, thereby reducing the risk of not being able to achieve the Authority's objectives due to resource constraints.

7. EQUALITY IMPLICATIONS

There are no equality implications arising from this report.

8. RECOMMENDATIONS

That Members note the contents of this report.

9. BACKGROUND PAPERS

None.

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Examples of Cashable Efficiency Gains

- Purchase of the same specification of product for a reduced price
- Using wholetime firefighters to provide cover at retained stations during their off duty periods (saving in training costs)
- Converting an operational post to a support post undertaking community fire safety, assuming that the operational postholder leaves and is not replaced by an operational post
- Selling surplus assets and using the capital receipt to reduce borrowing, thereby reducing interest costs

Examples of Non Cashable Efficiency Gains

- Purchase of a higher specification of product for the same price
- Using wholetime firefighters to carry out home safety checks during existing shift times
- Reduction in sickness absence levels, resulting in more productive time

Appendix B

Efficiency Savings for 2006/07 (Forward Look Statement)

		<u>Cashable</u>	<u>Non Cashable</u>	Notes	<u>Projected Cashable Gains for</u> <u>2006/07 as at 31/8/06</u>
		£	£		
Revised Shift Systems	Reduction in Flexi Duty Officers BVPI 143	26,417		Assumed start date of 1/10/06	26,417
Revised Shift Systems	Demand Led Resourcing - Deployment of Crew at Central FS on Community Safety Activities	235,216		Assumed start date of 5/9/06 *1	100,807
Revised Shift Systems	Reduction in Ridership after Aerial Ladder Appliance Changes	744,490		Whole year	744,490
Revised Shift Systems	RTC Best Value Review - Transfer of Posts	(Tranche 1) 179,839		Assumed start date of 1/10/06 *1	89,919
		(Tranche 2) 59,946	239,785	Assumed start date of 1/2/07 *3	0
Other IRMP Savings	Reduction of Mobilisations to False AFA Calls (BVPI 149)	40,852	76,533	Whole year	40,852
Other	Special Service Calls	42,619		Assumed start date of 1/10/06*2	21,310
Other	Treasury Management increase in interest earned	1,561		Whole year	1,561
		<u>1,330,942</u>	<u>76,533</u>		<u>1,025,357</u>

Notes to Projections

*1 Start date now January 2007.

*2 Start date now estimated at January 2007.

*3 Start date now April 2007

Impact on total efficiency target		
	Target	Actual or Estimated
	£	£
Target for 2005/06	496,000	1,102,000
Target for 2006/07	1,114,000	1,025,357
Cumulative to the end of 2006/07	1,610,000	2,127,357
Target for 2007/08	606,000	
Total	<u>2,216,000</u>	<u>2,127,357</u>