



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Finance and Resources Committee

# VALUE FOR MONEY

Report of the Chief Fire Officer

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**Agenda Item No:**

**Date:** 4 April 2008

**Purpose of Report:**

To outline to Members a proposal for achieving and demonstrating value for money in 2008/09, and to report progress against the value for money programme for 2007/08.

## CONTACT OFFICER

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## 1. BACKGROUND

- 1.1 Whilst the Fire and Rescue Authority has always had a duty to achieve value for money, more emphasis has been placed on this duty in recent years due to developments such as the introduction of the Comprehensive Performance Assessment framework and the setting of efficiency targets. Other drivers of value for money include:
- Best value reviews;
  - Auditor's requirement to make a statement regarding the Authority's arrangement for securing value for money in the Annual Audit and Inspection Letter;
  - Internal and external pressures to control costs by managing resources effectively;
  - A moral duty to provide a value for money service for the people of Nottinghamshire.
- 1.2 Value for money (VFM) is obtained when an optimum balance is achieved between the "3Es":
- Economy** is the price paid for what goes in to providing a service, for example the cost of labour or materials.
- Efficiency** is a measure of productivity, or how much you get out in relation to what you put in.
- Effectiveness** is a measure of the impact achieved (this measure can be quantitative or qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.
- 1.3 A report was presented to the Finance and Resources Committee on 13 April 2007 which outlined the Value for Money Strategy and set out a programme of work for 2007/08.

## 2. REPORT

### PROGRESS AGAINST THE 2007/08 VALUE FOR MONEY PROGRAMME

- 2.1 Appendix A shows the 2007/08 Value for Money Programme of Work. The items in this programme can be divided into those that are ongoing processes and those that are one-off tasks. The following are considered to be one-off tasks:
- Review of sickness absence programmes;
  - Storage of road fuel;
  - Water usage and charging;
  - Building/grounds maintenance.

- 2.2 The review of sickness absence programmes is largely completed and a new Managing Sickness Absence Procedure has been in place since July 2007. There is still an intention to review the use of Firstcare for absence reporting, but this review will also have to consider changes to working practices that will occur following the transfer of Control Staff to the Regional Control Centre. The project to look at storage of road fuel is ongoing, with plans to install several new storage tanks at stations across the City and County during 2008/09. The use of storage tanks will enable the Service to take advantage of discounted prices for bulk fuel purchases and provide resilience in the event of disruptions to forecourt supplies. The reviews of both water usage and charging, and the buildings and grounds maintenance contracts have been deferred due to re-prioritisation of workloads.
- 2.3 The remaining items in the programme are ongoing and can be expected to continue into 2008/09 and beyond, with the exception of the benchmark assessment of risk management. This project has stalled, partly due to the merger of Devon and Somerset Fire Services in April 2007 (Devon Fire and Rescue Service and Nottinghamshire Fire and Rescue Service were due to jointly lead this project), and partly due to lack of available benchmarking data. A lack of available data is also hindering the Service's ability to undertake financial benchmarking, although the Head of Fire Protection is currently leading a project to establish a national set of benchmarking criteria for Fire Protection, including financial benchmarks. A project to overhaul the current system of coding financial data is due for completion in April 2008, which will lead to significant improvements in financial reporting. This will also enable us to generate more meaningful cost information which can be used for internal benchmarking and decision making.

## **VALUE FOR MONEY 2008/09**

- 2.4 The proposed value for money programme consists of two elements:
- Achieving and measuring the level of efficiency gains required to meet the demands of the Comprehensive Spending Review 2007 (CSR07); and
  - Improving value for money in its wider sense across the organisation.
- 2.5 CSR07 covers the three year period from 2008/09 to 2010/11 and sets the public sector a target of achieving cashable efficiency savings of 3% per annum against a baseline of net service expenditure for 2007/08. Mandatory targets have not been set for individual authorities, but authorities are expected to demonstrate their efficiency gains to Communities and Local Government (CLG) through Annual Efficiency Statements. Local targets will be set to enable the Authority to monitor its progress in achieving efficiency gains. The CLG is due to release detailed guidance for Fire and Rescue Authorities in Spring 2008. Members will be given more information on our proposed targets once this guidance has been obtained.
- 2.6 The target set by CSR07 is tougher than the previous targets imposed by the Spending Review 2004 (SR04). The target has risen from 2.5% to 3% per annum and under CSR07 there is a requirement for all efficiency gains to be cashable, whereas the SR04 target required only half of the gains to be

cashable. A cashable gain represents a cash resource that is freed up for use elsewhere within the Service or to hold down Council Tax increases. It is therefore important that the Service ensures that systems for identifying, measuring and reporting cashable efficiency gains are suitably robust.

- 2.7 All budget holders and members of the Performance and Co-ordination Team (PaCT) and the Strategic Management Team (SMT) will receive guidance on ways in which cashable gains might be achieved, and will be asked to contribute to the calculation of a “forward look” value for money indicator, which will forecast the gains that are expected to be attained.
- 2.8 Projects and activities with the potential to generate efficiency gains will be analysed using a modelling tool developed by the Regional Improvement and Efficiency Partnerships. This spreadsheet tool, known as “Mietool”, has been specifically developed for use by local authorities and is designed to quantify forecasted efficiency gains and to monitor the realisation of anticipated benefits. Managers will be responsible for delivering the savings that are identified, with support provided by the Finance Team.
- 2.9 Performance indicators (including local performance indicators) and expenditure patterns will also be closely monitored for evidence that efficiency gains are being achieved. Managers are expected to report any new potential gains that are identified during the year to PaCT. Progress on the achievement of efficiency gains will be regularly reported to senior management and the Finance and Resources Committee.
- 2.10 In addition to meeting the efficiency targets set by Central Government, the Authority is also committed to improving value for money in its wider sense. This includes increasing productivity through the improvement of processes and working practices, evaluating activities to ensure that they are an effective means of achieving organisational priorities and objectives, and ensuring that the Service’s impact on the environment is reduced wherever possible.
- 2.11 In recent years the Authority has achieved and demonstrated value for money primarily through the use of best value reviews, value for money programmes and special studies. These are an effective method of improving value for money and they will continue to be carried out. However, it has been recognised that this approach can lead to a belief amongst some managers that improving value for money is solely the responsibility of those that are directly involved with “value for money work”. If the Authority is to continue to make improvements then it is essential that all managers are made aware of the importance of value for money and the role that they have to play in achieving it. For this reason it is the intention to shift the emphasis of the Authority’s value for money programme towards embedding value for money principles into management processes and decision making. Value for money principles are already incorporated into budgeting, business planning and procurement processes, but it is felt that more can be done in order to ensure that value for money is truly embedded in corporate practices.

2.12 The proposed arrangements for achieving this are as follows:

- All staff to receive training in basic value for money principles in order to raise general awareness of the importance of value for money;
- Managers and budget holders to receive training in tools and techniques for improvement. Finance staff will provide support and assistance;
- The Senior Accountant (VFM) will work closely with the Corporate Planning Team to ensure that value for money improvements arising from business plan activities are identified and evidenced. Improvements arising from activities that are outside the scope of the business planning process will be reported to PaCT;
- Accountability for value for money improvements will be clearly articulated, including who is responsible for delivering which elements;
- Methods of integrating performance management data with cost information will be developed to help provide an understanding of how levels of expenditure link with performance;
- Benchmarking processes will continue to be developed. External benchmarking activities will be pursued where useful benchmarking data already exists, or where other organisations are willing to collaborate with us to establish criteria for producing comparable benchmarking information. Internal benchmarking systems will also be developed. This information will be used to review and challenge whether value for money is being achieved;
- Activities will continue to be evaluated to ensure they are effectively meeting the Service's objectives and are fulfilling the needs of the community;
- A programme of equality impact assessments will be implemented. Progress will be reported to PaCT and the Ad Hoc Group on Equalities and issues requiring attention will be prioritised;
- Whole life costing and unit costing will be more widely incorporated into decision making processes, where appropriate;

2.13 Specific plans will be drawn up for the delivery of the programme after further consultation with PaCT and SMT.

### **3. 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. Specific requirements for the achievement of efficiency gains will be presented to Members in due course.

#### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no specific human resources or learning and development implications arising from this report.

#### **5. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment is attached at Appendix B. Whilst there are no equality implications arising directly from this report, it remains essential to the achievement and demonstration of value for money that what has become known as “the fourth E” (Equity) can also be demonstrated. The External Auditors, in their inspections, are keen to see that there is demonstrable equity in service delivery and finance staff, working with the Authority’s Equality and Diversity Officer, will seek to ensure that this can be properly shown.

#### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

#### **7. RISK MANAGEMENT IMPLICATIONS**

- 7.1 The proper management of resources to achieve desired outcomes is key to the success of the organisation.
- 7.2 Improper management of value for money will ultimately be reflected in poor assessments by the auditors in their CPA assessment as well as result in a failure to meet Government efficiency targets.

#### **8. RECOMMENDATIONS**

That Members approve the proposed approach to achieving value for money.

#### **9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Frank Swann  
**CHIEF FIRE OFFICER**

## **2007/08 VALUE FOR MONEY PROGRAMME**

Areas of work included for 2007/08:

- Participation and taking a lead role in the development of a benchmarking process for the Fire and Rescue Service;
- Benchmark assessment of Risk Management, leading on behalf of ALARM with Devon Fire and Rescue Service;
- Continued support to the regional procurement project;
- Continued support to the Integrated Common Service project;
- Review of sickness absence programmes;
- Water usage, charging and environmental issues;
- Storage of road fuel;
- Evaluation of BME engagement and consideration of equity issues;
- Evaluation of RiskWatch via Quizclass or similar products;
- Continuance of Base Budget Review cost reduction process;
- Building/Grounds Maintenance;
- Baseline study of environmental impacts and development of an improvement programme;
- Development of improved financial reporting arrangements integrating with the performance management framework;
- An evaluation of the engagement with disabled citizens.

## INITIAL EQUALITY IMPACT ASSESSMENT

Appendix B

<b>Section</b>	<b>Manager</b>	<b>Date of Assessment</b>	<b>New or Existing</b>
Finance	Sue Cornish	13/03/2008	New
<b>Name of Report to be assessed</b>		VALUE FOR MONEY	
1. Briefly describe the aims, objectives and purpose of the report.		This report outlines a proposal for achieving and demonstrating value for money in 2008/09, and to report progress against the value for money programme for 2007/08.	
2. Who is intended to benefit from this report and what are the outcomes?		Members of the Finance and Resources Committee, who will be better informed about progress and future plans regarding value for money.	
3. Who are the main stakeholders in relation to the report?		Members of the Finance and Resources Committee, all employees of the Service.	
4. Who implements and who is responsible for the report?		Senior Accountant, Performance and Value for Money.	



5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

<i>STRAND</i>	<b>Y</b>	<b>N</b>	<i>NEGATIVE IMPACT</i>	<i>POSITIVE IMPACT</i>
Race		N		
Gender		N		
Disability		N		
Religion or Belief		N		
Sexuality		N		
Age		N		

6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group?	<b>Y</b>	<b>N</b>	7. Should the policy/service proceed to a full impact assessment?	<b>Y</b>	<b>N</b>
					N

**I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.**

Signed (completing person).....Sue Cornish

Date 13/03/2008