



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

Agenda Item No:

Date: 09 April 2010

Purpose of Report:

To outline the proposed programme for achieving and demonstrating value for money in 2010/11, and to report progress against the Value for Money Programme for 2009/10. The report also recommends a target for Annual Efficiency Savings for 2010/11.

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1. BACKGROUND

- 1.1 Value for money (VFM) is obtained when an optimum balance is achieved between the “3Es”:

Economy is the price paid for what goes into 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 may be qualitative or quantitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.

- 1.2 As a publicly funded organisation, the Fire and Rescue Authority has always had a duty to achieve value for money. In recent years more emphasis has been placed on the importance of value for money, particularly since the advent of Comprehensive Performance Assessment (now Comprehensive Area Assessment) and the introduction of efficiency targets following the Gershon Review in 2004.
- 1.3 Value for money is assessed as an integral part of the Use of Resources themes under the Comprehensive Area Assessment Framework.

2. REPORT

Progress against the 2009/10 Value for Money Programme

- 2.1 A report was presented to the Finance & Resources Committee in March 2009 which set out the programme of work for 2009/10.
- 2.2 A key component of the VFM programme is the achievement of cashable efficiency savings. The Comprehensive Spending Review 2007 (CSR07) set a national three year target of £110m for the three year period 2008/09-2010/11, which equates to 1.6% of the 2007/08 expenditure baseline. There are no mandatory targets for individual fire authorities.
- 2.3 Members agreed an internally set efficiency savings target of £500k for 2009/10, which is approximately 1.2% of the 2007/08 baseline. Progress against this target is regularly reported to the Finance and Resources Committee. The forecasted savings total for 2009/10 currently stands at £467k, and the cumulative savings for 2008/09 and 2009/10 are estimated to be £921k against a target of £947k.

- 2.4 The remainder of the 2009/10 VFM programme focuses primarily on four areas:
- The continuing development of methods to integrate performance management data with cost information;
 - The improvement of benchmarking processes and identification of benchmarking opportunities;
 - Engaging service staff with the VFM agenda, and setting up a forum which will allow people to suggest and discuss ideas for improving value for money;
 - Targeting areas where procurement savings might be made.
- 2.5 Work is ongoing to develop methods for integrating performance management information and cost data. This will enable performance information to be viewed in a financial context, which will give a clearer picture of how effectively resources are being put to use. The new finance system will record data in a way that will enable costs to be analysed at a much greater depth than they are currently. This will allow the baseline costs for current levels of performance to be more accurately identified, so that the financial impact of changes to working practices can be monitored more easily.
- 2.6 The Response Delivery Manager is developing a new way of recording and analysing the different types of activities performed by retained staff. As a result it will be possible to combine cost information with activity data. At present, the time spent by retained staff on activities other than operational incidents is recorded using a paper-based system. In order to be able to analyse trends, benchmark, and identify possible opportunities for efficiency savings, retained staff need a standardised way of recording station work and administrative duties electronically. This will help to ensure that retained resources are being utilised effectively. Other departments are also beginning to record the time spent on certain activities so that managers can ascertain whether the level of resources being consumed by an activity is appropriate. Managers will be able to track the impact of changes to systems and processes in order to judge whether the changes are having the desired effect. They are also able to see the impact of new activities or new priorities on the workloads of their departments.
- 2.7 The Performance Management Team routinely carries out benchmarking against data supplied by other authorities who are members of the performance Family Group, and it is aiming to increase the range of indicators that are measured. However, in 2009/10 its efforts have been somewhat hampered by the departure of two key members of staff and the workload pressures created by the implementation of the new Incident Recording System. Despite this, Nottinghamshire is planning to adopt at least some of the value for money indicators that have been developed by the UK's public sector audit agencies. As some other Family Group members have also committed themselves to adopting these indicators it is hoped that external benchmarking can take place in the future. The adoption of these indicators will assist the Authority in demonstrating how it is achieving value for money improvements. The Chief Fire Officer Association (CFOA) has devised a new set of performance indicators which are

designed to fill the gap left by the removal of the Best Value Performance Indicators. These proposed indicators are currently subject to consultation. The Family Group members are committed to adopting these performance measures once the final indicator set has been decided. The proposed indicators are primarily designed to measure the effectiveness of fire authorities, and they are intended to form part of a balanced view of performance.

- 2.8 In the previous report which set out the 2009/10 value for money programme, it was suggested that an 'Efficiency Group' could be set up which would be comprised of a cross-section of staff and would provide a forum for investigating and assessing ways to improve value for money within the service. However, after further investigation it was decided that it would be difficult for such a group to operate effectively. This is because in order to be properly representative of the entire organisation, the group's membership numbers would probably be so large as to render it unmanageable. Also, due to the locations of fire stations and other premises throughout the county, attendees at efficiency meetings would inevitably incur travelling time and travel expenses, which is arguably not a good use of time and resources. Instead, the VFM Accountant will work with the Corporate Communications department to explore the possibility of setting up a 'virtual forum', using the new intranet as a tool for sharing ideas about VFM improvement. In theory this could be combined with a reward scheme which would provide an incentive for people to participate. The costs of such a scheme could be met from the savings generated by peoples' ideas and suggestions. However, this idea will need to be explored fully in order to assess whether such a scheme would be feasible.
- 2.9 The 2009/10 VFM programme set a procurement savings target of £20k. Reviews of existing contracts and suppliers have generated estimated savings of approximately £25k, including potential savings of £9.5k relating to telephone call charges and line rental. Not all of these procurement savings can be classed as cashable efficiency savings as some are one-off savings and therefore don't meet the criteria. Despite this they still represent an improvement in value for money.
- 2.10 In addition to the activities specifically included in the 2009/10 VFM programme, numerous other projects and reviews have been undertaken or are planned which will improve the value for money delivered by the service:
- Numerous environmental 'spend to save' projects have been recommended by the Environment and Sustainability Manager. These projects will not only generate savings, they will also reduce the Authority's carbon footprint. The 'payback' period of some of these activities is as little as one to three years, with savings being generated thereafter. Examples include the replacement of existing lighting with energy efficient lighting, the installation of automated meter readers for electricity, gas and water, and the replacement of existing boilers with condensing boiler units.
 - A review of fire cover is currently being carried out. This project is due to be completed by September 2010. The review will seek to ensure that

Nottinghamshire Fire and Rescue Service is able to provide the most appropriate level of fire cover, and that resources are targeted effectively. It will also identify opportunities for efficiency savings to be realised.

- An independent review of the retained duty system has taken place, and the final report was presented to Members in July 2009. The report contained many recommendations, one of which was that the Authority should evaluate the cost effectiveness of using retained staff to carry out home safety checks (HSCs). In response to this recommendation, a decision has been taken to employ two specialist non-uniformed Home Safety Check Operatives to carry out HSCs instead of retained crews. This is expected to generate efficiency savings in excess of £65k, and will free up time for retained staff to dedicate to operational matters.
- The introduction of self rostering arrangements for wholetime crews from 1 April 2009 has so far led to a reduction in short term sickness absence, a reduction in the amount spent on travel expenses arising from detached duties, and an increase in the availability of wholetime appliances. All of these outcomes have contributed to an increase in the level of value for money provided by the Service.
- There are plans to enter into a Knowledge Transfer Partnership (KTP) with Nottingham Trent University. The purpose of this KTP is to establish which prevention activities most successfully improve community safety. This will allow prioritisation of spending and enable the sharing of evidence based best practice.

Value for Money Programme 2010/11

- 2.11 The proposed Value for Money Programme for 2010/11 consists of two main elements: the continuation of activities included in the 2009/10 programme, and carrying out targeted base budget reviews. Specifically, the activities from the 2009/10 programme that will continue as part of the 2010/11 programme are: the achievement and reporting of cashable efficiency savings, the improvement of benchmarking processes, the further development of methods to incorporate cost data into performance management information, and finding ways of engaging staff with the VFM agenda. Additionally, a new procurement savings target of a further £20k will be set for 2010/11.
- 2.12 The approved efficiency savings target for 2009/10 is £500k, which equates to approximately 1.2% of the 2007/08 baseline. The cumulative target for 2008/09 and 2009/10 is £947k. As mentioned in 2.3 above, the forecasted savings total for 2009/10 is £467k, which will give a cumulative savings total of £921k for 2008/09 and 2009/10. It is recommended that a target of £500k be adopted for 2010/11. This will be a challenging target as there is now less scope for cashable efficiency savings to be achieved in the short term. However, major reviews of the Authority's key areas of service provision are underway and it is hoped that these reviews will uncover opportunities for efficiency savings in the longer term. Savings will undoubtedly be identified during the forthcoming financial year as the Authority targets its resources more effectively in order to balance the medium-

term budget, but these savings may not meet the sustainability or quality cross-check criteria that must be satisfied in order for them to be labelled as 'efficiencies'. The Corporate Management Board will identify areas where efficiency savings are expected to arise, and these will be reported to Members in due course.

- 2.13 The budgeting process for 2010/11 to 2012/13 highlighted the potential difficulties that the Authority could face if the revenue support grant settlements for 2011/12 onwards are as tough as predicted. It is therefore more important than ever that resources are targeted effectively. In order to ensure that budgeted resources match the Service's priorities, a series of base budget reviews will be carried out during 2010/11. These reviews will challenge the assumptions upon which budgets are currently based, and budget holders will be expected to demonstrate clear links between budgets and objectives. This will provide strategic managers with more information about the Authority's cost base, and will assist them to make informed choices about resource allocation during the budgeting process for 2011/12.

3. FINANCIAL IMPLICATIONS

The financial implications are contained in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

There are no direct equality implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The External Auditors examine the Authority's approach to Value of Money as part of their Use of Resources assessment and also the Value for Money conclusion on the final accounts. Notwithstanding the issues of external inspection however it is also important that members of the public can be assured that the achievement of value of money is very much on the authority's agenda.

9. RECOMMENDATIONS

That Members note the contents of the report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

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