



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: 1 April 2011

Purpose of Report:

To outline the proposed programme for achieving and demonstrating value for money in 2011/12, and to report progress against the value for money programme for 2010/11.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.uov.uk

Media Enquiries Contact : Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

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 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 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 a duty to achieve value for money. As the funding reductions announced in the 2010 Spending Review take effect, the Service’s ability to use resources as efficiently and effectively as possible will become more important than ever.
- 1.3 The Value for Money Programme is presented annually to the Finance and Resources Committee. This programme outlines how the Service intends to achieve value for money during the forthcoming year.

2. REPORT

PROGRESS AGAINST THE 2010/11 VALUE FOR MONEY PROGRAMME

- 2.1 A report was presented to the Finance & Resources Committee in April 2010 which set out the programme of work for 2010/11.
- 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 2010/11, 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 2010/11 currently stands at £391k, and it is estimated that the cumulative savings for the three year period from 2008/09 to 2010/11 will be around £1,030k against a target of £1,447k. The final position for 2010/11 will be reported to Members in July. The failure to meet the savings target is disappointing although not unexpected. In January it was reported to Members that it was becoming increasingly difficult to identify efficiency savings that could be achieved before the end of the financial year, as attention is now very much focused on the forthcoming four

year period and the challenges involved in balancing the medium-term budget. Savings arising during this four year period may not meet the strict criteria which must be satisfied in order for them to be classed as 'efficiency savings'.

- 2.4 In February 2011 the government announced that Fire and Rescue Authorities (FRAs) will no longer be required to complete Annual Efficiency Statements. Instead FRAs will be expected to provide reassurance with regard to efficiency through greater transparency and accountability. Key to this will be the publication of data in accordance with the Draft Code of Recommended Practice for Local Authorities on Data Transparency. Procurement data for the period from April 2010 to December 2010 was published on the Service's website in January, and data will continue to be published on a monthly basis. Senior salary information has been published for 2010/11 and this will be updated annually.
- 2.5 The remainder of the 2010/11 VFM programme focuses on five main elements:
- The improvement of benchmarking processes;
 - Further development of methods to combine cost data with activity data and performance management information;
 - Engaging staff with the VFM agenda;
 - Procurement savings;
 - Base budget reviews.
- 2.6 The Performance Team continues to carry out benchmarking with members of Family Group 4. They have also carried out an exercise in order to determine which benchmarking partners are most closely matched in terms of ethnic mix, deprivation, council spend and life expectancy. The Chief Fire Officers Association (CFOA) has devised a set of performance indicators and these have been released for consultation. It was hoped that the Family Group would be able to adopt these performance measures once the final indicator set had been decided. However, the Performance Team is still awaiting the final outcome of the consultation and it is not clear if the project will be progressed any further. The Finance Department has adopted some of the VFM indicators that have been developed by the UK's public sector audit agencies, and data will be prepared for 2010/11 after the closure of the final accounts. A few other Fire and Rescue Services have expressed an interest in sharing their data for these indicators for benchmarking purposes.
- 2.7 Aside from external benchmarking, efforts are being focused on recording data for internal benchmarking purposes. This will enable the Service to monitor the impact of budget reductions by analysing trends over time. The newly implemented Agresso finance and procurement system will facilitate the recording of this data, as it enables additional information to be captured in the form of "attributes". This additional data will also aid future decision making.
- 2.8 The 2010/11 VFM programme reported that the Response Delivery Manager was developing a new way of recording and analysing the different types of activities performed by retained staff, with a view to combining this information

with cost data. Software development work is currently underway, and the new system will be piloted from April. This system will replace the current paper-based one. The new electronic system will produce detailed management information which will enable the Retained Support Manager to compare activity data with cost data on a monthly basis. This will improve budget management, and will help to ensure that retained resources are being utilised effectively. Managers will be able to analyse trends, benchmark and identify possible opportunities for efficiency savings. In the longer term it is hoped that the new system will provide the information needed for payroll, thus improving current payroll processes.

- 2.9 There are plans to use the Intranet as a tool to engage staff in the VFM agenda. A facility which allows staff to submit suggestions for VFM improvements has been developed, but it has not yet been implemented. This will be progressed as part of a wider programme of staff engagement which will be led by Corporate Services.
- 2.10 A procurement savings target of £20k has been set for 2010/11. Reviews of existing suppliers and contracts have generated savings in excess of £40k, and several large contracts are currently being re-tendered. These are expected to generate significant savings over the new few years, and these savings have been incorporated into the medium term budget. The implementation of the Agresso system has enabled the Service to make improvements to procurement processes. The majority of items purchased (both stock and non-stock) are included in an electronic catalogue. The Procurement Team will ensure that catalogue products are regularly market tested in order to secure best value. The financial thresholds for procurement rules included in Financial Regulations will be amended, so that all purchases of items that aren't included in the catalogue will be subjected to more scrutiny and market testing, regardless of their value. Currently the thresholds set out in the Financial Regulations are based on those used by local government throughout the East Midlands, and these don't explicitly require market testing for the procurement of items below £1,000. The Procurement Team will continue to make use of framework agreements where these offer good VFM.
- 2.11 Numerous environmental 'spend to save' projects are being undertaken in order to generate longer term savings and reduce the Authority's carbon footprint. Several boilers have been replaced with high efficiency boilers, and a trial is about to commence which will assess the effectiveness of electronic heating controls at the Service's Headquarters building. The results of this trial are expected at the end of March, and it is hoped that this will help to reduce gas consumption at the site. The majority of single glazed windows and doors at HQ have now been replaced with energy efficient double glazed doors and windows, and the light fittings are to be replaced with energy efficient models. The new light fittings and tubes will reduce lighting energy use by up to 50%, and it is estimated that the project will have a 'payback' period of around 3 to 4 years. There are also plans to install automatic meter readers for electricity, gas and water across all sites. This will enable the Service to manage energy and water usage more effectively.

- 2.12 The Finance Team worked closely with budget holders during the budget setting process in order to review past expenditure and prioritise the use of resources within departments. All budget holders put forward various options for achieving savings, which were then peer reviewed by middle and senior level management. A risk based approach was devised to deal with areas of expenditure that tend to be unpredictable, e.g. pensions, medical fees and demand led aspects of community safety work, which allowed budget savings to be made without exposing the Service to financial risk. Together these initiatives have produced significant budget reductions. A base budget review of retained pay expenditure was carried out which drew upon the outcomes of the retained review, the retained time recording project, and analysis of historical cost and activity data. The resulting changes to the retained pay budgets will enable expenditure to be managed more effectively.

VALUE FOR MONEY PROGRAMME 2011/12

- 2.13 Over the previous few years several key themes have consistently been incorporated into the annual VFM programmes. These include the improvement of benchmarking processes, the development of new methods to integrate cost and activity data in order to inform decision making, engaging staff with the VFM agenda, and achieving best value in procurement. These elements can now be considered as permanent inclusions in the ongoing VFM programme.
- 2.14 Despite the fact that Annual Efficiency Statements are no longer required by Central Government, it is important that efficiency savings are still identified and reported to management. This is because efficiency savings achieved in one particular area may highlight best practice or examples of innovation that can be transferred to other areas of the Service. It is proposed that all budgetary savings will be assessed by the Finance Team as and when they arise. Budget reductions arising from savings that meet the definition of an efficiency saving will be vired to a special 'holding code' within the finance system. This will not only ensure that efficiency savings are captured and reported on, it will also ringfence the funding that is to be given up during the next budget setting process. A separate holding code will be set up for budgetary reductions that do not meet the definition of an efficiency saving. The Corporate Management Board will receive regular progress reports, and Members will of course be informed via regular revenue budget monitoring reports.
- 2.15 The budget reductions brought about by the spending review continue to present the Service with major financial challenges. Several departments have been set savings targets which must be achieved during the next four years. Department managers will devise detailed plans to meet these targets, assisted where necessary by members of support service teams including human resources, finance, procurement and ICT etc. A multi-disciplinary team of senior managers led by the Head of Corporate Services will oversee the implementation of plans to achieve budget savings, and report progress to the Corporate Management Board. This team will manage any post-consultation changes that relate to the allocation of resources to meet the demands placed

upon the Service. In order to minimise the impact of budget reductions, it is important that VFM principles are applied so that resources are used as efficiently and effectively as possible.

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

There are no risk management implications arising from this report.

9. RECOMMENDATIONS

That Members note the contents of the report.

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

None.

Frank Swann
CHIEF FIRE OFFICER