

AGENDA MANAGEMENT SHEET

Name of Committee

Cabinet

Date of Committee

20th October 2005

Report Title

2005/2006 Annual Efficiency Statement

Summary

The report provides members with the opportunity to comment on the Fire and Rescue Service draft Annual Efficiency Statement for 2005/2006 to be submitted to the ODPM by 7th November 2005.

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Would the recommended decision be contrary to the Budget and Policy Framework?

Background papers

Fire and Rescue Services (FRS) Circular 8/2005

ODPM Efficiency Target Technical Note for Fire and Rescue Authorities issued by the ODPM on 28th January 2005

Reporting Efficiencies: Proposed Arrangements for English Fire and Rescue Authorities

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees

.....

Local Member(s)

.....

Other Elected Members

Councillor John Haynes, Councillor David Shilton

Cabinet Member

Councillor Richard Hobbs

Chief Executive

Legal

Tony Maione

Finance

Oliver Winters / Virginia Rennie

- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Cabinet

20th October 2005

2005/2006 Annual Efficiency Statement

Report of the County Fire Officer

Recommendation

- ◆ To note the requirements placed on the Fire Authority as a result of the Government's efficiency agenda.
- ◆ To comment on the draft 2005/2006 AES (Appendix A), prior to its approval by the County Fire Officer, Chair of the FRA and the County Treasurer.

1 Introduction

- 1.1** In 2003 the Government announced there would be a review of efficiency in the public sector. The recommendations were published by the Government alongside the Comprehensive Spending Review 2004 in July. Separate specific arrangements have been proposed for English Fire and Rescue Authorities. Nationally Fire and Rescue Authorities are required to generate £105m gross cashable efficiency gains by 2007/08. This is estimated to be equivalent to just over 5% of estimated 2004/05 net outturn expenditure (excluding capital charges). The ODPM Efficiency Target Technical Note gives milestones for 2005/06 and 2006/07 of £25m and £75m gross cashable savings, which are estimated to be equivalent to just over 1.2% and 3.6% of 2004/05 net outturn expenditure. It should be noted that efficiency targets will be an integral part of future CPA assessments.
- 1.2** The arrangements for reporting efficiency gains are due to be published shortly in October 2005. Proposed arrangements have been published for consultation and we are therefore following this guidance at present. The current proposal is that any efficiency gains we achieve will be monitored and reported through the publication twice a year of an Annual Efficiency Statement (AES) – one outlining the plans for the forthcoming year and one looking back at what was actually achieved.
- 1.3** This report provides members with the opportunity to comment on the draft 2004/2005 backward-looking and 2005/2006 forward-looking AES.

2. The Context for Warwickshire Fire and Rescue Service

2.1 Level of efficiency gains required

Based on the information received to date the following table illustrates the likely cash efficiency gains targets.

	2004/2005 Baseline	2005/06 Cashable Efficiency Gains Target	2006/07 Cashable Efficiency Gains Target	2007/08 Cashable Efficiency Gains Target
Efficiency Milestones (%)		1.2%	3.6%	5.07%
	£k	£k	£k	£k
All English FRAs: Annual	2,072,000	25,000	50,000	30,000
All English FRAs: Cumulative	2,072,000	25,000	75,000	105,000
WFRS: Annual	20,545	247	493	302
WFRS: Cumulative	20,545	247	740	1,042

The levels of efficiency gains required are cumulative, i.e. if any one-off gains are made they must be replaced on an ongoing basis in the following year. The total cashable efficiency gains to be found within WFRS by 2007/08 is currently estimated to be £1,042k, however, no specific targets have been set by the ODPM at individual FRA level and therefore this estimate is based on the percentage efficiency gains target being applied to the 2004/2005 baseline budget of WFRS.

However, the ODPM does expect every FRA to aim for at least the equivalent levels of gross cashable efficiency savings and a number to aim for significantly more. They do however recognise that some FRAs will have greater capacity for making efficiencies than others, but they have not specified which FRA's they are referring to.

2.2 Definitions

The ODPM states that efficiency is not about cuts, but about raising productivity and enhancing value for money. This means that certain types of activity are not efficiency gains. These include cuts that result in poorer services to the public, increased income purely from higher prices in fees and charges made to the public, or re-labelling of activity.

There are four standard categories of efficiency gains:

- (E1) reduce inputs (money, people, assets etc) for the same output,
- (E2) reducing prices (procurement, labour costs etc) for the same output,
- (E3) getting greater outputs or improved quality (extra service, productivity etc) for the same inputs, and
- (E4) getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in output or quality.

The first two (E1 and E2) are cashable, the latter two (E3 and E4) are said to be non-cashable. Only cashable efficiency gains count towards us meeting our target. However, it is important that we also identify any non-cashable gains, however these have not been included within this report as they are still being quantified.

Cashable gains represent the potential to release savings in cash for other areas of spending. By contrast non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges and improvements in productive time.

These targets are not additional to the cost effectiveness savings departments are required to identify as part of the budget process. Indeed it is expected that for 2005/2006 a significant proportion of the savings required will be as a result of work already going on in departments to balance their budgets in 2004/2005 and 2005/2006.

3 The Annual Efficiency Statement (AES)

3.1 The proposed AES comprises of two parts:

- The **forward part**, which is a brief outline of the strategy for securing efficiency gains, the key actions that will be taken during the next year, and the cashable efficiency gains that are expected to result from them.
- The **backward-looking part** that sets out the cashable efficiency gains achieved in the past financial year.

These returns also offer FRAs the opportunity to report any non-cashable efficiency gains that they are planning to or have achieved, and although these will not count against the target as detailed above, they will demonstrate the planning and management of efficiencies within the Service that will help support future CPA assessments.

3.2 Quality Measures

One of the “rules” of measuring efficiency gains is that in order to claim the efficiencies FRAs are required to demonstrate that quality has been maintained. This is required to provide assurance to Government that any efficiency gains made are not at the expense of service quality. If, for any service area, the quality indicator goes down any efficiencies made in that sector will potentially be classified as “cuts” and therefore discounted.

Preferably any measurements chosen should be collected already so as to minimise duplication of effort, e.g. BVPIs.

4 The WFRS AES Submission

4.1 The draft AES submission for WFRS is attached at Appendix A. At this stage the financial part of the AES does not include any non-cashable gains or quality indicators as we are still working on this information. Non-cashable gains will centre around the gains made from the setting up of the Area Risk Teams in 2004/2005 and the increased focus on prevention, education and developmental services within the Community.

- 4.2 The statement must be signed by the Chair of the FRA, Chief Fire Officer and Chief Financial Officer.
- 4.3 Members are asked to comment on the draft AES, so that these comments can be considered when preparing the final version for submission to ODPM on 7 November 2005. Members are also asked to agree that the Chair of the FRA, Chief Fire Officer and Chief Financial Officer should approve the final AES.

WILLIAM BROWN
County Fire Officer

Service Headquarters
Leamington Spa

30 September 2005

2005/2006 Annual Efficiency Statement – Forward Look

Strategy for Securing Efficiency Gains

Warwickshire Fire and Rescue Service (WFRS) as a Shire Authority is a department of Warwickshire County Council (WCC). WCC is an excellent authority and WFRS is good, as rated in the recent CPA process. These results have in part been achieved through continually reviewing what we do and more importantly why we do it. The WCC annual budget process has, for over a decade, required all services to deliver a 2% to 2.5% annual improvement in cost effectiveness – making the delivery of efficiency gains an integral part of our service and financial planning process.

As a result many of the strategies and projects that will deliver the required efficiency gains are already included within our Service Plans including the Integrated Risk Management Plans and West Midlands Regional Management Board Programme Plan. To supplement this, in 2004 WCC agreed a vision for modernising the whole organisation accompanied by a programme of service delivery changes to transform the organisation over the next ten years.

With these building blocks in place, the Annual Efficiency Statement process will supplement work already in progress, providing a more formal mechanism for quantifying and reporting on efficiency gains both internally and in a consistent way with other Fire Authorities.

To ensure we maintain our integrated and cohesive approach to service and financial planning we have put a number of processes and systems in place:

- Medium term efficiency plans will become part of our overall medium term financial planning which will be prepared in conjunction with our service plan, and its approval will be part of that plan.
- Regular in year monitoring of progress in delivering the annual efficiency plan will be undertaken as part of the current performance management arrangements.
- Efficiency plans will be produced in conjunction with our partnering Fire and Rescue Authorities within the West Midlands Region to ensure a consistency of approach is maintained across the Region and to provide a forum for disseminating best practice and new initiatives.

Efficiency gains, both delivered and expected, will also be integrated with our medium term budgeting process as a resource available for reallocation to priority service areas as identified through our annual planning process.

In 2005/06 our efficiency gains will come from a number of initiatives and specific projects. Many of the projects will deliver efficiency gains over the medium term rather than 2005/06.

- Improvements in efficiency through Regional working.
- Improvements in efficiency through a risk based approach to service delivery.
- Improvements in efficiency through a range of prevention, education and developmental services.

- Improvements in efficiency through a review of duty systems and crewing arrangements.
- Improvements in efficiency through a review of pay structures for firefighters on the retained duty system.
- Improvements in efficiency through IT developments
- Improvements in efficiency through better procurement
- Improvements in efficiency through specific service led initiatives.

Key Action to be Taken During the Year

Improvements in efficiency through Regional working

- We will ensure that the benefits of working in collaboration with other Fire and Rescue Authorities through the West Midlands Regional Management Board Programme are fully realised.

Improvements in efficiency through a risk based approach to service delivery

- We will carry out a strategic appliance review.
- Develop a risk based attendance strategy.
- Develop a risk based inspection process.

Improvements in efficiency through a range of prevention, education and developmental services

- We will continue to deliver a programme of free Home Fire Risk Assessments and free smoke alarm fitting for identified 'at risk' groups.
- We will continue to develop and improve a range of services for young people.
- We will develop working partnership arrangements with an extended range of organisations in the public, private and voluntary sectors as a way of reaching 'at risk' groups more effectively.
- We will continue to work with all relevant stakeholders to promote the installation of sprinklers in 'risk appropriate' buildings as a cost effective risk reduction measure.

Improvements in efficiency through a review of duty systems and crewing arrangements

- We will review and revise, if appropriate, the 42 hour and Day Crewing duty systems in response to the need to provide a more flexible and equitable service to the community.

Improvements in efficiency through a review of pay structures for firefighters, and a review of uniformed and non-uniformed posts

- We will identify and evaluate alternative pay structures for firefighters on the retained duty system and produce a business case for changes to the existing system.
- We will review uniformed posts and evaluate the potential to re-designate as non-uniformed.

Improvements in efficiency through IT developments

- We will provide more extensive and improved customer service access through the development of new, electronically enabled channels.
- We will facilitate the re-engineering of front/back office services to streamline and e.enable workflows.

- We will enable information to be shared within the organisation and with others more easily and securely and enable business-to-business transactions to be carried out electronically.
- We will enable staff to work more flexibly in terms of time and location.

Improvements in efficiency through better procurement

- We will equip people with the necessary skills and competencies to ensure that policy objectives, best practice and innovative procurement techniques are routinely used.
- We will develop robust contract and supplier management arrangements.
- We will seek to reduce off-contract expenditure to a minimum.
- We will continually look to improve our procurement activity in the way we work corporately, in collaboration with other organisations and with suppliers focusing most attention on the areas of expenditure that are highest value or of highest risk.
- We will strive to maximise our buying power by aggregating requirements both internally and externally seeking to work in collaboration wherever it is beneficial and appropriate to do so.
- We are committed to implementing electronic solutions to support improved procurement and will seek to trade electronically with its suppliers and providers of goods and services.

Improvements in efficiency through specific service led initiatives

- We will work with the other “excellent” shire counties in the region promoting a shared service agenda.
- We will continue to work with Regional Fire and Rescue Authorities through the West Midlands Regional Management Board to deliver efficiency gains through the seven thematic projects which are currently underway.
- We will seek to re-engineer our services to focus on lower cost and/or higher benefit alternatives.
- We will aim to deliver specific efficiency gains through more partnership working, for example with the Police and Ambulance Services.