

## Implementing Public Value

### Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260201 or Steve Worrall, Assistant Chief Fire Officer (Corporate, Performance and Operations) on 01743 260204.

#### 1 Purpose of Report

This report is for information purposes and presents to Members a summary overview of the concept of 'Public Value,' the proposed new approach to the strategic planning process. The process is currently being developed and implemented under the direction of the Fire Authority's Strategic Risk and Planning Group (STRaP), formally known as the IRMP Working Group.

#### 2 Recommendations

The Fire Authority is asked to note the contents of this report.

#### 3 Background

History can provide countless examples of change that have impacted upon the nation's Fire and Rescue Services (FRSs), be this political and/or structural change brought about through the transfer of the FRSs from one government department to another, through to role change, arising from events such as '9/11'. However, the consequence of the escalating national debt presents unparalleled challenges not only to the FRSs, but also to society as a whole.

The Fire Authority, together with all public sector organisations, can only speculate the outcome of the forthcoming general election and the likely financial impact that befalls public sector budgets to offset the national debt. Anticipating, planning and implementing a strategy and the necessary change to address this predicament will be one of the greatest strategic challenges facing both Members and officers alike.

Scrutiny of the Authority's existing integrated strategic planning process (that incorporates the Integrated Risk Management Planning process), has raised doubts over its suitability for the challenges faced in managing public expectations to deliver a service in times of economic uncertainty.

A review of alternative planning approaches has identified a methodology, which is relatively new to the United Kingdom (UK), and is entitled 'Public Value.'

## 4 What is Public Value?

Public Value, as a concept, is focused upon public 'participation' (consultation) and grounded in the notion that public services, as with the private sector, create value but, unlike the private sector, this value cannot be simply reduced to financial profit and loss. As a concept, it identifies with organisations such as the FRSs as creating a wide range of beneficial outcomes, which include, as examples:

- wider economic value;
- social and cultural value;
- fairness and equity, particularly with reference to vulnerable groups;
- political and democratic value by encouraging debate, participation and engagement amongst citizens; and
- Long-term sustainability of social and economic networks.

Public Value builds upon earlier philosophies of public management and offers an approach focused on the public's expectations, but anchored in the real-life experiences and dilemmas of public managers. Appendix A offers a summary of the key characteristics of traditional and Public Value methods of public sector management.

Since the introduction of Public Value in America in the mid-1990s, it has been attracting growing interest among public policy makers and managers here in the UK, Europe, Australia and New Zealand, and several developing countries over the past several years or so. Section 11 of this report – 'Background Papers,' provides hyperlinks to a range of UK government sources of information that discuss Public Value in greater detail.

The theory identifies with the public sector as creating a wide range of beneficial outcomes and is framed around the so-called 'Strategic Triangle'. A more detailed explanation of the Strategic Triangle in the context of the Fire Authority is set out in Appendix B, but in summary, the 'Triangle' integrates:

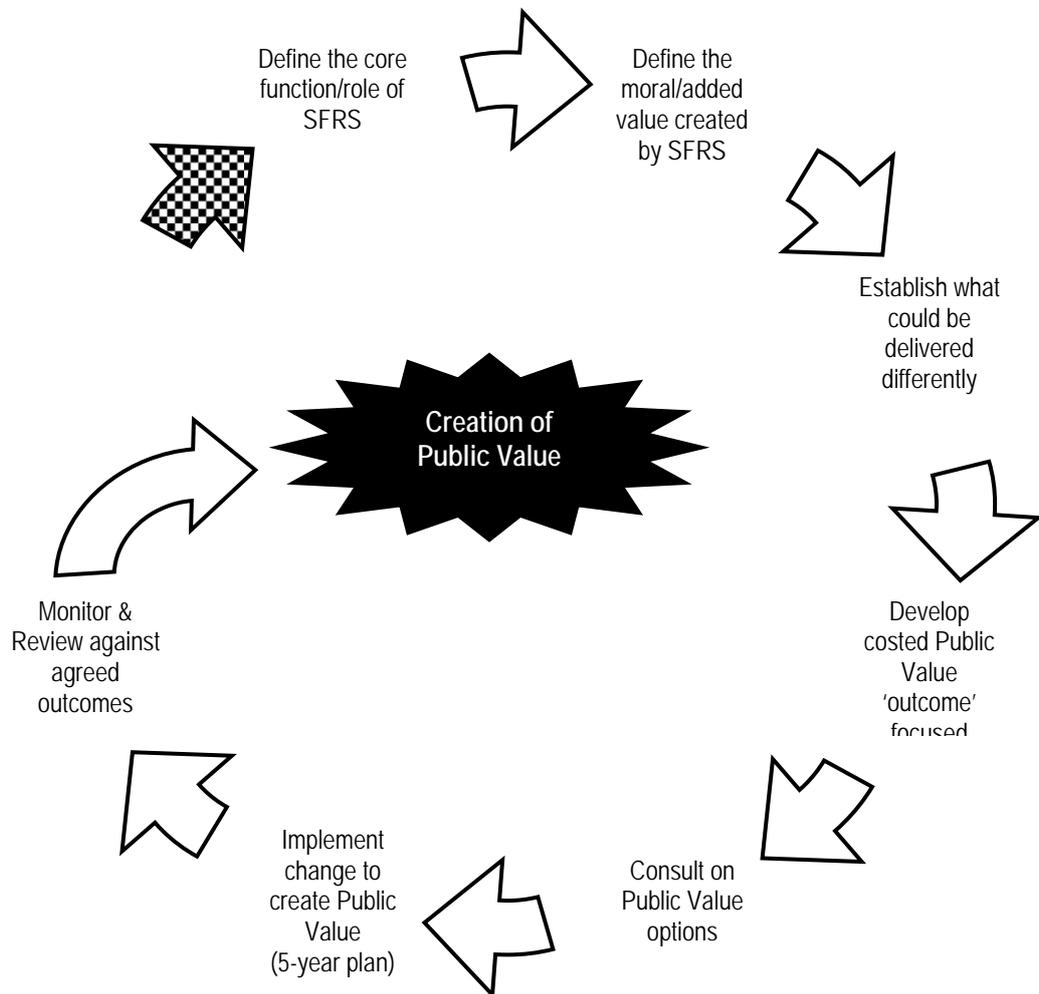
**Value strategy** - what is valuable for the organisation to do in relation to its public sector mission;

**Political management** (Legitimacy and Support) - what are the expectations of various political stakeholders and how can the manager/service work to manage the political environment, thereby ensuring that resources and authority will flow; and

**Operational capacity** - what is feasible for the manager to push the organisation to accomplish, and what capacity needs to be developed to move forward on the value strategy.

## 5 The Application of Public Value

With the support of Members forming the STRaP Group, officers have developed a planning process based on the concept of Public Value. The process, in its most simplistic form, is summarised in Figure 1 below:



**Figure 1. Public Value Planning Process**

Figure 1 summarises the key aspects of the Public Value planning process under development by officers and overseen by the STRaP Group.

The actual process spans a twelve-month period and involves engagement with a wide range of stakeholders through structured consultation sessions. The outcome from the process will be a detailed five-year change programme, incorporating the Authority's statutory IRMP obligations, that creates Public Value within the local communities.

Quality within the process is controlled through regular checkpoints, utilising the Office of Government Commerce 'Gateway Review' procedure, a procedure that is Member led. Moreover, the process includes set reporting points to the Authority and its delegated committees at all major decision points.

Representative bodies have been advised of the process and underpinning Public Value methodology. It is pleasing to report that representative bodies are supportive of both Public Value and the process. It is also worthy to note that the concept of Public Value has also been warmly received by the Trade Unions Congress (TUC). Brendan Barber, General Secretary of the TUC, has stated that:

*"Public Value is fundamentally about letting the people who can really make a service better – management, staff and users – talk to each other. And most importantly it is about making management and staff accountable to the users and communities whose needs they must meet. No-one thinks this is easy...the public value approach has a long way to go if it is really to turn its aspirations into practical guidance for change. But public value is an approach that, unlike the market-based model, starts where we should always have started: forging stronger links between producers and users based on shared principles of quality and equity."*<sup>1</sup>

## **6 Public Value and the Integrated Strategic Planning Process**

The Public Value methodology and planning process set out in this report is the subject of ongoing development at this stage. Once the development aspects have been completed, the Authority's existing Integrated Strategic Planning Process will be revised accordingly, with amendments brought before Members for approval.

## **7 Financial Implications**

The Public Value planning process set out within this report is being managed within existing budgets, with no additional cost implications expected.

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<sup>1</sup> TUC (2008). *Rethinking Public Service Reform. The 'Public Value' Alternative*. Page 1. (<http://www.tuc.org.uk/touchstone/publicservicereform/publicservicereform.pdf>)

## **8 Legal Comment**

The Public Value planning process satisfies the Authority's duty to consult and will fulfil all existing IRMP statutory requirements.

## **9 Equality Impact Assessment**

An Initial Equality Impact Assessment has been completed and is attached to this report.

## **10 Appendices**

### **Appendix A**

Key characteristics and differences between three models of Public Management

### **Appendix B**

The Public Value Framework

## **11 Background Papers**

The following useful web links are provided for further Government sources of information regarding Public Value:

[http://www.cabinetoffice.gov.uk/strategy/seminars/public\\_value.aspx](http://www.cabinetoffice.gov.uk/strategy/seminars/public_value.aspx)

[http://www.cabinetoffice.gov.uk/strategy/seminars/delivering\\_public\\_value.aspx](http://www.cabinetoffice.gov.uk/strategy/seminars/delivering_public_value.aspx)

<http://www.communities.gov.uk/documents/localgovernment/pdf/1241999>

<http://www.theworkfoundation.com/research/publicvalue.aspx>

<http://www.theworkfoundation.org/research/publicvalue/publicvaluereports.aspx>

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk); the implications are detailed within the report itself.

Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Area Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial		Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Integrated Risk Management Planning	*		



## Key characteristics and differences between three models of public management

	<b>Traditional public management</b>	<b>'New public management'</b>	<b>Public Value</b>
<b>Public interest</b>	Defined by politicians / experts	Aggregation of individual preferences, demonstrated by customer choice	Individual and public preferences (resulting from public deliberation)
<b>Performance objective</b>	Managing inputs	Managing inputs and outputs	Multiple objectives - Service outputs - Satisfaction - Outcomes - Maintaining trust/legitimacy
<b>Dominant model of accountability</b>	Upwards through departments to politicians and through them to Parliament	Upwards through performance contracts; sometimes outwards to customers through market mechanisms	Multiple - citizens as overseers of govt - customers as users - taxpayers as funders
<b>Preferred system for delivery</b>	Hierarchical department or self-regulating profession	Private sector or tightly defined arms-length public agency	Menu of alternatives selected pragmatically (public sector agencies, private companies, JVCs, Community Interest Companies, community groups as well as increasing role for user choice)
<b>Approach to public service ethos</b>	Public sector has monopoly on service ethos, and all public bodies have it.	Sceptical of public sector ethos (leads to inefficiency and empire building) – favours customer service	No one sector has a monopoly on ethos, and no one ethos always appropriate. As a valuable resource it needs to be carefully managed
<b>Role for public participation</b>	Limited to voting in elections and pressure on elected representatives	Limited – apart from use of customer satisfaction surveys	Crucial – multi-faceted (customers, citizens, key stakeholders)
<b>Goal of managers</b>	Respond to political direction	Meet agreed performance targets	Respond to citizen/user preferences, renew mandate and trust through guaranteeing quality services.

*Table extrapolated from Cabinet Office document – 'Creating Public Value An analytical framework for public service reform'*

[http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/public\\_value2.pdf](http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/public_value2.pdf)

## The Public Value Framework

This appendix has been prepared to guide Members through the Public Value framework to help understand the important strategic choices facing the Fire Authority as it faces the challenge of economic uncertainty. The information provided is intended as supplementary reading for those who wish to gain a greater understanding of the theory underpinning the Public Value approach.

### The Public Value Framework

The particular planning process summarised within the main body of this report is set against the so-called Public Value framework. The framework is designed to help government and public sector organisations position their organisations in complex environments not only to ensure the organisation's survival, but also to ensure that they are using the assets of their organisations most efficiently and effectively to create Public Value. Its so-called *signature concept* is an image of a 'strategic triangle' that draws attention to three distinct issues that public sector organisations must address in developing their strategic vision. Figure 2 (right) presents this simple mnemonic device, with the Fire Authority at its centre, designed to focus the attention of Members and officers in three key areas.

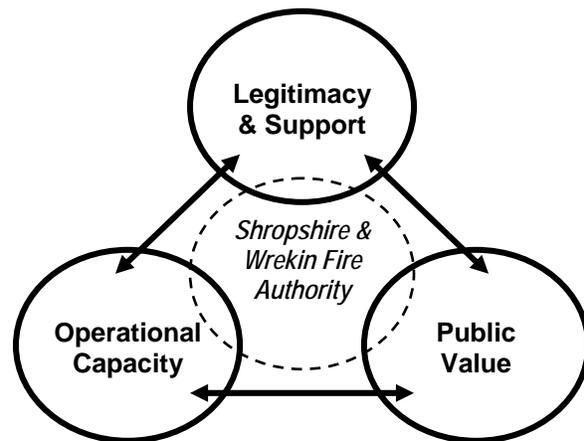


Figure 2. – The Strategic Triangle

The first area is what public value the Authority seeks to produce. The second is what sources of legitimacy and support the Authority can rely on to provide the authorisation and resources it needs to pursue that vision of public value. The third area is the location and character of the operational capacity the Authority requires to achieve its goals.

The triangle is drawn in such a way as to express to Members and officers that they must be able to solve each part of this puzzle and that the solutions to one problem in the triangle have to "fit" with the solutions to the other parts of the triangle. One cannot succeed without simultaneously answering each of the questions posed by the triangle.

## **The Public Value Framework: Understanding the Environment of Shropshire and Wrekin Fire Authority**

The development of a strategy depends first on a diagnosis of the environment in which the Fire Authority operates. For the Authority, the relevant environment is the collective geographical areas of Shropshire and Telford & Wrekin. This environment has some easily discernible general qualities that are important to the formulation of an effective, value-creating strategy for the Authority. It has more or less economic strength. It is both urban and rural. It has a political culture that does or does not favour government as an important means for improving the quality of individual and collective life. The county and borough may contain many diverse subcultures; what works for the urban parts of Telford and Wrekin might be very different from what works for more rural areas such as Clun. For that reason, the Authority through the Integrated Risk Management Planning (IRMP) process, has previously developed a variety of strategies and initiatives that address the interests/needs of diverse parts of the community and natural/built environment. However, the real challenge of developing a Public Value led strategy for the Authority is to get past these general characteristics of the environment in which the Service operates and to focus on more particular features of the environment that have an immediate and decisive impact on what the Authority can and should do. The strategic triangle directs the attention of Members and officers in three directions:

- (1) **up** toward those in positions/stakeholders of authority who can provide legitimacy and support to the Authority
- (2) **out** to the production of Public Value in the communities the Authority serves
- (3) **down** into the Service's personnel upon whom the Authority relies on to achieve the desired results

### **The Political Authorising Environment**

The point of the triangle that focuses on legitimacy and support draws attention to the political authorising environment. The Department for Communities and Local Government (CLG) is a key player in that part of the Authority's environment, but there are many other crucial key stakeholders. Those responsible for the funding formula that gives the Authority its budget, the legislative framework makers (e.g. those responsible for Fire and Rescue Services Act and National Framework), both Shropshire Council and Telford and Wrekin Borough Council, the Audit Commission, the media, interest groups, voters, and taxpayers etc. The Authority, in particular, needs to pay some attention to every level and branch of government, from local parish councils through to Parliament.

Not all of these 'players' are interested in, let alone focused on the activities of the Authority and/or the fire and rescue service. Consequently, many figures in the authorising environment have more latent than actual power over the Authority. Furthermore, those who turn their attention to the Authority will want quite different things from it. Some might want it to disappear into a regional or sub-regional entity so the money can be spent elsewhere. Others might want the Authority to be no more than a funding source for their own organisations (e.g. through Total Place), creating as little competition as possible for funding sources.

The political environment, in general, is variable. Its attitudes toward any fire authority are influenced both by external events or ideas and by whatever measures Government takes to provoke or stimulate that environment.

Over the past few years, in general, the political authorising environment for fire authorities has been mixed, with some authorities seeing budgets shrink to dangerous levels. The stalling economy, the emergence of a public philosophy that seeks to limit the role of public services to 'core functions,' and public scepticism about government's efficacy have taken a toll on the nation's fire and rescue services and compelled them to examine what their most important public purpose should be. Is their core purpose prevention, protection and/or response, or on the other hand, is it something completely different?

## Public Value

The question of what constitutes the most important public purpose of the Fire Authority is the focus of the second point of the strategic triangle: the Public Value that is to be produced for individuals and communities. In the private sector, businesses create two different types of value for two different types of customer. Upstream, business delivers returns on the shareholder's investment. Downstream, business sells products that are useful, aesthetically pleasing, or status enhancing to the consumer.

Similarly, there are two different kinds of customers for the Authority. Upstream, there is the authorising environment outlined above— those who pay and/or advocate through legislation to keep the Authority in existence. Downstream, there are the citizens of Shropshire and Telford & Wrekin who receive services from the organization or benefit from its operations. These citizens are part of the Authority's *task* environment.

The Public Value that the Authority seeks to produce, though it may involve economic returns (by way of efficiencies) or useful services, is different in kind from the value created in and by the private sector. The Authority creates value by fulfilling its politically mandated mission— roughly stated - *putting Shropshire's safety first through the protection of life, property and the environment*. The degree to which that mission is fulfilled should be measured both quantitatively (e.g. how many deaths and injuries are avoided, how many fires are prevented) and qualitatively (what kinds of impact does the Authority's services have on the social, health and economic wellbeing of citizens?).

Creating the highest-level value, then, means the Authority's key task will be to reach as many citizens as possible in as many places as possible and to affect them as positively and profoundly as possible.

## **Operational Capacities**

Exactly how the Authority can achieve these goals is the focus of the third point of the strategic triangle: the operational capacities that the Authority relies on to achieve its priorities and objectives as currently set out in the Corporate Plan.

Understanding operational capacities means first taking stock of the assets and capabilities held by the Service. What sources of funding does the Authority rely on and how does it distribute those funds within the Service? What is the Authority's reputation amongst partners and the communities' citizens? Does the Authority have significant convening power? How strong are the Authority's connections with partners? How comprehensive? What particular policies and procedures (e.g. through IRMP) has the Authority developed and refined over time to allow it to do its work cheaply and excellently?

Beyond the formal structure of the Authority, there are many partners (locally) and co-producers (neighbouring/national fire and rescue services offering New Dimension assets/services) who help the Service achieve the Authority's mission. These include, as examples, Shropshire Council, Telford & Wrekin Borough Council, West Mercia Police, West Midlands Ambulance Service and the 'Third Sector' (Voluntary agencies) who through a variety of partnership agreements help the Authority achieve its purpose. The work the Authority does with its partners and co-producers is the second important aspect of its operational capacity.

## **The Importance of the Fire Authority**

One of the important conclusions to be drawn from this quick overview of the Authority's environment is that the local communities show up repeatedly as a crucially important part of the Authority's strategic environment. Indeed, local citizens are an important player at each point of the strategic triangle. They show up initially as a key constituency and ally in building legitimacy and support for the Authority. The citizens elect Members to represent them on the Authority. When the relationship between the Authority and the local communities is strong and healthy, the Service is most active, committed, and effective in delivering the Authority's mission.

Local communities also show up as a key element in the operational capacity of the Authority, capacity afforded primarily through the payment of council taxes that accounts for two-thirds of the Authority's budget. There is also no way that the Authority can achieve the goal of broadening, deepening, and diversifying its workforce without the participation of local communities, particularly in respect of supporting the retained service.

Finally, the local communities show up in the Public Value circle as an important end result of the Authority's statutory obligations. The local communities represent and consist of those citizens who receive directly, through intervention activities, or indirectly, through the enforcement of fire safety legislation in non-domestic premises, the Authority's services.

Since the Authority is morally responsible for fostering an environment that supports the health, social and economic wellbeing of citizens, the services it delivers must be strong. In effect, as the local communities are engaged, not only are the means of achieving the Authority's mission enlarged, but the end itself is in itself achieved.

Members charged with leading the Service know that their legitimacy and support, their operational capacity, and their ultimate success in building Public Value through local engagement is essential to sustain a locally focused fire and rescue service.

The only important questions lie in what particular parts of the Service can be more effectively delivered when balanced against shrinking budgets, and still create Public Value. It is the exploration of this question that lends itself to an alternative approach as has been historically addressed through the IRMP process. The Public Value framework will enable the Authority to distribute and focus attention on strategically important parts of the Authority's environment, and drill deeper into the strategic problems that the Service faces.

**Note**

*This appendix is, in part, based upon the publication prepared by Mark H. Moore and Gaylen Williams Moore (2005) – Creating Public Value through State Art Agencies. Arts Midwest (US) commissioned the publication in association with The Wallace Foundation and has kindly given written permission for the reproduction of parts of the publication within this appendix.*