Making savings on ambulance fuel

The price of fuel amounts to a significant non-pay cost for ambulance trusts. Steven Bliss describes how one ambulance trust is working hard to try and reduce spending in this area

The *NHS Improvement/HFMA NHS efficiency map* is designed to help NHS provider organisations deliver their savings plans. One way to do this is by sharing experience and good practice – in this case in managing the cost of ambulance fuel.

East Midlands Ambulance Service NHS Trust was formed in October 2006. It provides a full range of ambulance services to a population of some 4.8 million people across six counties.

It employed almost 3,100 staff on average in 2016/17 and reported a total income of £173m.

More than two thirds of the trust's costs are employment costs (£122m). The largest item of non-pay costs is transport costs (£18m), and within that is £5m of fuel costs. Any saving in fuel costs, whether the amount used or the price paid for it, is therefore significant.

How fuel is obtained

Ambulances refuel frequently – it would be disastrous if an ambulance was ever short of fuel when needed. Even though an ambulance normally starts a shift with a full fuel tank, it will often have to refuel during the shift.

At the East Midlands Ambulance Service Trust, there are three ways to obtain fuel, in reducing order of cost:

1. At any garage – paying the normal price using a fuel card to pay
2. At a number of garages where the trust has negotiated a reduced rate for fuel – typically about two pence per litre below the normal rate
3. Using fuel the trust has purchased at a reduced (wholesale) rate – typically about six pence per litre below the normal rate. This is stored in bunkers at each of the main locations where ambulances are kept and where the crews start their shift. There are 40 of these sites. This arrangement – known as bunkered fuel – is described further below.

The main aim of the trust's savings project, as described overleaf, was to maximise the use of bunkered fuel and minimise the purchase of fuel at full retail price. It also aimed to improve the quality of information on fuel and so reduce the chance of wastage or fraud.

Bunkered fuel

The *Civil Contingencies Act 2004* requires ambulance trusts to keep substantial stocks of fuel in-house, so that the service can continue to

run in an emergency if fuel supplies are disrupted. As well as using this bunkered fuel for emergency back-up, it clearly makes sense to use it for normal usage because of the price saving; yet the trust found that only about half the fuel it used was from bunkers.

One hundred per cent usage from bunkers will never be possible, because sometimes an ambulance needs fuel when it is a long way from a bunker and it has no choice but to use the nearest available garage.

However, there was ample evidence that ambulance drivers often paid full price at normal garages even when a bunker or a garage offering a reduced rate was reasonably close.

There were sometimes personal incentives for the driver to do this, such as free coffee or credits on his or her own loyalty card.

Shortcomings in recording

Fuel purchases from garages are all paid using a card and recorded on itemised bills. The system is robust, with information soon available in electronic form, and anomalies or potential fraud are quite easy to spot.

The system for bunkered fuel is less well documented. Manual records are kept of what fuel is issued from each bunker on each shift, and this can be traced back to the ambulance and crew that started and finished their shift at that location.

Hence the trust can construct records of its entire fuel usage by ambulance and source of fuel, but it is laborious.

The locations with bunkers are often unmanned during much of the day, and deliveries and withdrawals of fuel are unsupervised, so there is also scope for fraud. Stock checks are regularly made, but the estimate of fuel in each bunker at the stock take can never be entirely accurate. The absence of reliable records is a financial risk, and it gives insufficient assurance that emergency fuel stocks are being maintained.

Bunkered fuel is the cheapest form of fuel but also the most poorly recorded.

The savings project

Detailed study of purchases from commercial garages highlighted all the garages that were regularly used, even though they were within 15 minutes of a trust bunker.

As a first stage, the aim was to transfer 75% of fuel purchases from these garages (equivalent to about a million litres a year) to bunkered fuel. At the fuel prices then prevailing, this was expected to save about £62,000 a year.

Further savings, not initially quantified, were expected to be made by paying closer attention to fuel records, investigating anomalies and pursuing potential frauds.

The main measure of success is the volume of purchases from commercial garages: if these go down, it is reasonable to assume that the project is succeeding. Evidence from the first six months of 2017/18 is that about a quarter of the planned savings have been achieved. The volume of fuel purchased from garages reduced from 872,000 litres in April-September 2016 to 755,000 litres in April-September 2017 – this was a reduction of 117,000 litres (about 13%) in six months.

The largest monthly reductions were in August and September, and if this trend is maintained the annual savings will move closer to target.

There have been two main obstacles to progress – culture and quality of data:

- **Culture**. Ambulance crews operate with great autonomy They are not used to being told where to go for their fuel, especially as sometimes they have no choice but to obtain fuel where they think best. The fact that the trust, or their part of the trust, is missing a chance to make savings has no direct impact on them. Any savings would count towards divisional cost improvement targets, but that has not been a strong influence on crews.
- **Quality of data** The trust has good data on how much is spent on fuel at garages, and can see whether this is reducing as planned. It has poor data on use of bunkered fuel. It cannot know for sure, or quickly, whether reduced spending at garages is because of a switch to bunkered fuel or for unconnected reasons – not ideal for monitoring savings. Although the aim was to devolve fuel budgets, the quality of data does not allow this yet.

Next steps

The trust is part way through a savings project aimed to complete in 2018. It has become clear that the current quality of data on the usage of bunkered fuel is a problem. The trust is in the process of procuring an integrated computerised fuel monitoring system, which should be implemented later in the 2017/18 financial year.

KEY CONTACTS

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