

Circular number	<b>15/2009</b>	Date issued	<b>13 March 2009</b>
This circular is	<b>Request for information</b>	By	<b>20 July 2009</b>
This circular is	<b>Relevant to the National Framework</b>		
Status	<b>This circular informs FRAs that the deadline for submitting backward look 2008/9 Annual Efficiency Statements (AESs) and forward look AESs for 2009/10 is 20 July.</b>		

# Backward Look Annual Efficiency Statements (AESs) for 2008/9 and Forward Look AESs for 2009/10

## Issued by:

**Talia Watson**

**Programmes, Finance and Performance Division**

## Addressed to:

**The Chair of the Fire and Rescue Authority  
The Chief Executive of the County Council  
The Clerk to the Fire and Rescue Authority  
The Clerk to the Combined Fire and Rescue Authority  
The Commissioner of the London Fire and Emergency Planning Authority  
The Chief Fire Officer**

## Please forward to:

**Treasurers  
Finance Directors  
RMB Chairs**

## Summary

This circular is to inform Fire and Rescue Authorities (FRAs) that the deadline for the submission of both backward look 2008/9 Annual Efficiency Statements (AESs) and forward look AESs for 2009/10 is 20 July 2009. The CSR07 AES guidance and a template for Regional Management Boards (RMBs) to record collaborative efficiency gains are attached.

## For further information, contact:

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### 1.0 Background

- 1.1 The national efficiency target for the Fire and Rescue Service is to achieve a cash-releasing net annual efficiency saving of £110m by the end of the CSR07 period. CLG expects all authorities to continue to make efficiency savings in order to improve service and provide value for money.
- 1.2 AESs are divided into two parts. The forward look is a brief outline of the strategy for securing efficiency gains, the key actions that will be taken during the next year, and the efficiency gains that are expected to result from them. The backward look sets out the efficiency gains achieved in the past financial year.

### 2.0 Backward Look AES 2008/9

- 2.1 FRAs are required to submit a backward look AES for 2008/9 by 20 July 2009 with reference to the CSR07 guidance. In CSR07 FRAs are required to report efficiency gains **net** of one-off and upfront investment costs, rather than gross as in SR04. **FRAs are required to report up front and ongoing investment costs separately in the appropriate column on the AES template.** The template has been amended to allow for this.

### 3.0 Forward look 2008/9

- 3.1 FRAs are also required to submit a forward look AES for 2009/10 by 20 July 2009 with reference to the CSR07 guidance. As with the backward look, **FRAs are required to report up front and ongoing investment costs separately on the AES template.** The template has been amended to allow for this. Both the forward and backward look AESs are signed off by the Chief Financial Officer by the act of submitting the online AES template.

### 4.0 CSR07 Guidance

- 4.1 The CSR07 guidance complements the existing AES guidance which provided the basis for efficiency reporting during SR04, and should be read in conjunction with it. CSR07 guidance and the examples included in it have been worked up in conjunction with the Efficiency Measurement Working Group, on which several FRAs are represented. The Department has reflected the Group's suggestions and comments in the CSR07 guidance. The examples suggest how to calculate and report efficiency gains net of up front investment costs and net of ongoing investment costs. Simple calculations have been used to try and clearly convey the principle.

### 5.0 Regional Management Boards (RMBs)

- 5.1 Several FRAs have flagged the difficulty in capturing efficiency gains achieved through collaboration with other FRAs. In order to address this, the Department is asking RMBs to report collectively on efficiency gains delivered through the RMB. This requirement is reflected in the 2008/11 Fire and Rescue Service National Framework. To avoid double-counting, FRAs will no longer be required to report collaborative efficiency gains and the "collaborative" category has been removed in the forward look AES template for 08/09. RMBs are asked to complete the attached template and return to [taliam.watson@communities.gsi.gov.uk](mailto:taliam.watson@communities.gsi.gov.uk) by 20 July 2009.

**6.0 Publication of AES data**

6.1 From March 2008 efficiency savings achieved and forecast for each FRA will be published on council tax bills.

**7.0 Audit Commission Toolkit**

7.1 The Audit Commission has also published a value for money tool which allows individual Fire and Rescue Services to compare where they are placed with other services in their best value family groups. It can be found at <http://firevm.audit-commission.gov.uk/>.

7.2 For any queries regarding the above please contact Talia Watson at [talia.watson@communities.gsi.gov.uk](mailto:talia.watson@communities.gsi.gov.uk).

**Talia Watson**

**Programmes, Finance and Performance Division**

# CSR07 GUIDE ON MEASURING AND REPORTING EFFICIENCY GAINS: A GUIDE FOR FIRE AND RESCUE AUTHORITIES ON COMPLETING ANNUAL EFFICIENCY STATEMENTS.

## Target

The national efficiency target for the Fire and Rescue Service is to achieve a cashable net annual efficiency saving of £110m by the end of the CSR07 period. CLG expects all authorities to continue to make efficiency savings in order to improve service and provide value for money, therefore the requirement for FRAs to report efficiencies will continue in CSR07.

Key dates for the submission of AESs:

20 July 2009	Backward Look 2008/09
20 July 2009	Forward Look 2009/10

## One-off gains

In order to be considered an efficiency gain, all savings must be sustainable. A sustainable efficiency gain is “*an efficiency gain which exists for the current year and at least two subsequent financial years afterwards*”. **No one-off gains should therefore be reported in CSR07, as by definition, they do not meet this criterion.**

The value of sustainable efficiency gains may fluctuate over time for a range of reasons. Once recorded in an AES, FRAs should state explicitly in the backward look AES where gains reported in the forward look AES have not been achieved, and whether they are likely to be achieved in future years. FRAs should notify Communities and Local Government of likely revisions to their forecast at the earliest opportunity.

## Quality cross checks

FRAs should continue to use an appropriate quality cross check to demonstrate that service level has been at least maintained. If continuing to collect former BVPI data for local performance management purposes then these remain appropriate for FRAs to evidence that service levels have been at least maintained. Alternatively, FRAs can use other appropriate local performance measures to evidence an efficiency gain. FRAs are asked to provide a brief explanation in the “quality crosscheck” column of the AES template to explain what the quality crosscheck indicator is and what it is measuring.

## **Reporting categories**

Several FRAs have flagged the difficulty in capturing efficiency gains achieved through collaboration with other FRAs. In order to address this, the Department is asking RMBs to report collectively on efficiency gains delivered through joint working. This expectation is a requirement in the 2008/11 Fire and Rescue Service National Framework. To avoid double-counting, FRAs are no longer be required to report collaborative efficiency gains and the “collaborative” category has been removed from the AES template.

## **Reporting upfront and ongoing investment costs**

Unlike efficiency gains reported in SR04 where efficiencies could be reported either net or gross, all reported efficiency gains must be recorded on the forward look AES template **net** of all investment costs. FRAs are required to report up front and ongoing investment costs on the forward and backward look AES templates. CLG has amended the templates to allow for this. These are signed off by the Chief Financial Officer by the act of submitting the online AES template.

In addition to this requirement, CLG intends to pull together examples of innovative efficiency practice, drawing on examples provided by FRAs. In order to be able to demonstrate that an activity is “efficient”, FRAs will be expected to keep a record of any investment costs relating to a reported efficiency gain.

## **Narrative**

Please ensure that you fill in the text box on the AES template. You should use this space to briefly explain how each efficiency reported was or will be achieved. This is particularly important for any efficiency gains reported under the “other” category.

## **Examples of efficiency savings for CSR requirements**

**1. Net of *up front* investment costs.** Requirement: All up front investment costs have to be netted off from vfm savings in the year in which they fall if they occur in the year in which savings are claimed.

### ***Example***

A fire authority employs consultants and delivers efficiency savings by improving crewing arrangements and reducing overheads. The Fire Authority incurs an up front cost of £10k in the first year for consultants fees. The new processes are implemented in the first year and generate £10k savings in the last 2 quarters; further savings are made in the second and third year.

£K	08/09	09/10	10/11
Assumed counterfactual spend <sup>1</sup>	100	110	120
Actual spend	90	85	85
Cost of consultancy	10	0	0
Costs falling in year	100	85	85
Total recurring net vfm savings	0	25	35

**2. Net of *ongoing* investment costs.** Requirement: All ongoing investment costs have to be netted off from vfm savings *in the year in which they occur*.

This means ensuring that any new additional operating costs incurred as a result of implementing a new process are subtracted from the vfm saving each year. E.g. if a new team/post are established to improve procurement practice and drive down costs, the increase in administration costs needs to be identified and subtracted from the vfm saving.

### **Example**

A fire authority outsources its training function, or buys the services of another authority reducing payroll costs, by £250k per year. There is a one-off up front cost of £300k to cover redundancy pay and an ongoing charge for the new service of £50k per annum.

£K	08/09	09/10	10/11
Assumed counterfactual spend	300	310	320
Actual payroll costs	50	50	50
Redundancy costs	300	0	0
Charge for new service	50	50	50
Costs falling in year	400	100	100
Net vfm savings	-100	210	220
Total recurring vfm savings reported <sup>2</sup>	0	210	220

### **Completing an AES**

The mechanism for submitting AES returns is the esd-toolkit ([www.esd-toolkit.org](http://www.esd-toolkit.org)). It is an online performance-monitoring service owned and run by authorities with core team support from the IDeA. The template for each AES return should be available on the esd-toolkit site between one and two months prior to the submission deadline.

<sup>1</sup> The baseline for the CSR07 vfm programme is set as 07/08 outturn, the assumed counterfactual spend is the expected profile of expenditure should no vfm action take place (e.g. the baseline rolled forward and uplifted for inflation). This applies to all tables.

<sup>2</sup> Where there is a negative total for vfm savings we would expect that no 'savings' would be reported as delivered.

Every authority must nominate an individual to register with the esd-toolkit team as the officer responsible for submitting statements (this can be done by e-mailing [esd-toolkit@idea.gov.uk](mailto:esd-toolkit@idea.gov.uk)). Those authorities who already have an esd-toolkit administrator can set up access rights for other officials within their authority so that they can edit the template. However, only the single nominated individual may actually submit a statement.

For technical advice and assistance on using the esd-toolkit, and to register someone as the officer responsible for submitting statements, you should contact the esd-toolkit team by e-mail at [esd-toolkit@idea.gov.uk](mailto:esd-toolkit@idea.gov.uk). In addition, the esd-toolkit team has produced some brief user guides to explain how to complete the templates for each AES. The guidance can be found on the esd-toolkit online submissions page.

### **Submitting an AES**

When FRAs are completing their AES on the esd-toolkit, they may repeatedly save their statement without limit until the deadline for submissions. This allows for FRAs to draft the contents of the statement over a period of days, and only submit the final version by the deadline date.

An important element in providing assurance that the AES is robust is the requirement that each statement must be seen, certified and approved by the Chair of the FRA, Chief Fire Officer and certified in post Chief Financial Officer. When the "Submit Statement" function is chosen, we accept that as sufficient indication that full approval has been obtained for the statement: it is not necessary for authorities to send a hard copy with these signatures.

### **Publication of AES data**

From March 2008 efficiency savings delivered by FRAs will be published on council tax bills, providing further incentive and encouragement for FRAs to maintain progress against the national target of £110m.

### **Audit Commission Toolkit**

The Audit Commission has also published a value for money tool which allows individual Fire and Rescue services to compare where they are placed with other services in their best value family groups.

<http://firevfm.audit-commission.gov.uk/>