

Circular number	15/2010	Date issued	30 March 2010
This circular is	Requires the submission of completed AESs	By	20 July 2010
This circular is	Relevant to the National Framework		
Status	This circular advises FRAs that the deadline for submitting backward look 2009/10 Annual Efficiency Statements (AESs) and forward AESs is 20 July 2010.		

Backward Look Annual Efficiency Statements (AESs) for 2009/10 and Forward Look AESs for 2010/11

Issued by:

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Fire & Rescue Performance & Finance 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 advise Fire and Rescue Authorities (FRAs) that the deadline for the submission of both backward look 2009/10 Annual Efficiency Statements (AESs) and forward look AESs for 2010/11 is 20 July 2010. The CSR07 AES guidance and a template for Regional Management Boards (RMBs) to record collaborative efficient gains are attached.

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1.0 Background

- 1.1 This circular is to inform FRAs of the timing for submission of Annual Efficiency Statements (AESs) for 2010. There will be a further circular issued to notify FRAs when the online AES templates hosted by ESD Toolkit are live and ready for completion. We are not proposing to make any changes to the format used last year.
- 1.2 The national efficiency target for the Fire and Rescue Service (FRS) is to achieve a cash-releasing net annual efficiency saving of £110m by the end of the CSR07 period. In the tight fiscal environment going forward CLG expects all FRAs to continue to maximise efficiency savings in order to improve service and provide taxpayers with value for money.
- 1.3 As in previous years 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.
- 1.4 Both the forward and backward look AESs are verified and signed off by the Chief Financial Officer by the act of submitting the online AES template.

2.0 Backward Look AES 2009/10

- 2.1 FRAs are required to submit a backward look AES for 2009/10 by 20 July 2010 with reference to the CSR07 guidance. FRAs are required to report efficiency gains **net** of one-off and upfront investment costs. FRAs are required to report up front and ongoing investment costs separately in the appropriate column on the AES template.
- 2.2 FRAs should state where gains reported in the forward look AES for 2009/10 have not been achieved and whether they are likely to be achieved in future years.

3.0 Forward Look AES 2010/11

- 3.1 FRAs are also required to submit a forward look AES for 2010/11 by 20 July 2010 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 template.

4.0 CSR07 Guidance

- 4.1 The updated guidance (Annex A) should be read in conjunction with previous guidance issued on the measuring and reporting of efficiency gains for CSR07. 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 convey the principle.

5.0 Regional Management Boards (RMBs)

- 5.1 As set out in the 2008/11 Fire and Rescue Service National Framework FRAs, working through the Regional Management Boards, **must** review the opportunities to deliver efficiencies through closer joint working or sharing of functions at regional or sub-regional level and take action to implement those efficiencies.
- 5.2 As for last year, the Department is asking the RMBs to report on efficiency gains achieved/forecast through collaboration. RMBs are therefore required to complete the attached excel template (Annex B) and return to andy.swyer@communities.gsi.gov.uk by 20 July 2010.

6.0 Publication of AES data

6.1 Efficiency savings achieved and forecast for each FRA and RMB will be published on the Department's website and (for FRAs) on council tax Bills. This meets the principles of opening up data to promote transparent and effective government as set out in '*Putting the Frontline First: smarter government*'.

7.0 Audit Commission Value for Money Profile Tools

7.1 The Audit Commission has published new value for money profiles. These allow FRSs to compare spend and performance and can be found at on the Audit Commission's website: [Audit Commission - Value for Money Profile Tools](#).

7.2 For any queries regarding the above please contact andy.swyer@communities.gsi.gov.uk.

Andy Swyer

Fire & Rescue Performance and Finance Division

**CSR07 (2010) 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. In the ongoing tight fiscal environment CLG expects all authorities to continue to make efficiency savings in order to improve service and provide value for money.

Key dates for the submission of AESs:

20 July 2010	Backward Look 2009/10
20 July 2010	Forward Look 2010/11

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, FRA 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. FRA should notify Communities and Local Government of likely revisions to their forecast at the earliest opportunity.

Quality cross checks

FRA 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 FRA to evidence that service levels have been at least maintained. Alternatively, FRA can use other appropriate local performance measures to evidence an efficiency gain. FRA 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

As for last year, the Department is asking RMBs to continue 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 not required to report collaborative efficiency gains.

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. These are signed off by the Chief Financial Officer by the act of submitting the online AES template.

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.

CSR07 Year	08/09	09/10	10/11
Assumed counterfactual spend ¹	100	110	120

¹ 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.

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.

CSR07 Year	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 ²	0	210	220

Completing an AES

The mechanism for submitting AES returns is the esd-toolkit (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.

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). 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.

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

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. 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. **Both the forward and backward look AESs are verified and signed off by the Chief Financial Officer by the act of submitting the online AES template.**

1. 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 have been published on council tax bills, providing further incentive and encouragement for FRAs to maintain progress against the national target of £110m. Additionally, backward and forward look efficiency savings are now published on the Department's website.

Audit Commission Value for Money Profile Tools

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

[Audit Commission Value For Money Profile Tools](#)

March 2010

RMB Efficiency Gains Template

ANNEX B

RMB						
Type of Saving	FRAs Involved (List)	Quality crosscheck	Net annual cashable efficiency gain*	Net cumulative cashable efficiency gain	Upfront investment costs	Ongoing investment costs
Total						

* Please provide a breakdown of this figure for each FRA involved in the collaboration