



CSR07 Guidance on Measuring and Reporting Efficiency Gains

**A guide for Fire and Rescue Authorities on completing
annual efficiency statements**



CSR07 Guidance on Measuring and Reporting Efficiency Gains

A guide for Fire and Rescue Authorities on completing annual efficiency statements

June 2008

Communities and Local Government: London

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 020 7944 4400
Website: www.communities.gov.uk

© Crown Copyright, 2008

Copyright in the typographical arrangement rests with the Crown.

This publication, excluding logos, may be reproduced free of charge in any format or medium for research, private study or for internal circulation within an organisation. This is subject to it being reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the publication specified.

Any other use of the contents of this publication would require a copyright licence. Please apply for a Click-Use Licence for core material at www.opsi.gov.uk/click-use/system/online/pLogin.asp, or by writing to the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU

e-mail: licensing@opsi.gov.uk

If you require this publication in an alternative format please email alternativeformats@communities.gsi.gov.uk

Communities and Local Government Publications
PO Box 236
Wetherby
West Yorkshire
LS23 7NB
Tel: 08701 226 236
Fax: 08701 226 237
Textphone: 08701 207 405
Email: communities@capita.co.uk
Online via the Communities and Local Government website: www.communities.gov.uk

June 2008

Product Code: 08FR05391

ISBN: 978-1-4098-0195-5

Contents

Purpose of this note	4
What has changed?	4
One-off gains	4
Quality cross checks – BVPIs	5
Reporting categories	5
Forward look AESs	5
Backward look AESs	6
Examples of efficiency savings for CSR requirements	6
Completing an AES	7
Submitting an AES	8

Purpose of this note

This note should be read in conjunction with the SR04 AES guidance. It provides an update on reporting arrangements for the CSR07 period. For detailed information regarding efficiency reporting please refer to the AES guidance.

What has changed?

Target – The national efficiency target for the Fire and Rescue Service is to achieve a cashable net annual efficiency saving of £110m a year by the end of the CSR07 period. Communities and Local Government 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:

19 July 2008	Backward Look 2007–08
19 July 2008	Forward Look 2008–09
1 April 2009	Backward Look 2008–09
1 April 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 the Department for Communities and Local Government of likely revisions to their forecast at the earliest opportunity.**

Quality cross checks – BVPIs

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 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 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 for 2008–09.

Forward look AESs

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

In addition to this requirement, Communities and Local Government 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.

Backward look AESs

For future backward look AES submissions, FRAs will be required to report up front and ongoing investment costs on the AES template itself. Communities and Local Government will amend the template to allow for this.

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 two quarters; further savings are made in the second and third year.

£K	08-09	09-10	10-11
Assumed counterfactual spend ¹	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. Eg 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.

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.

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 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.

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.

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

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.

ISBN 978-1-4098-0195-5

ISBN 978-1-4098-0195-5



9 781409 801955