



Circular number	8-2005	Date issued	8 March 2005
This circular is	For guidance	No response required	
This circular is	Relevant to the National Framework		
Status	This circular clarifies what the government's efficiency agenda means for English Fire and Rescue Authorities. (FRAs)		

Efficiency

Issued by:

Clive Norris
Director Fire and Rescue Service Directorate

Addressed to:

The Chief Executive to the County Council
The Clerk to the Fire and Rescue Authority
The Clerk to the Fire and Civil Defence Authority
The Clerk to the Combined Fire and Civil Defence Authority
The Commissioner of the London Fire and Emergency Planning Authority
The Chief Fire Officer
Directors of Finance
Treasurers

Please forward to:

Anyone in your authority or organisation with a lead role on efficiency issues

Message

This circular clarifies what the government's efficiency agenda means for FRAs.

For further information, contact:

Richard Greenhous
Fire Service Improvement Team
Office of the Deputy Prime Minister
17/B Portland House
Stag Place
London. SW1E 5LP

Direct line **020 7944 4183**
Fax **020 7944 5599**
E-mail Richard.Greenhous@odpm.gsi.gov.uk

General helpline **020 7944 8194**

Website www.odpm.gov.uk

1.0 Introduction

1.1 What follows is the text of a letter from Clive Norris to Alan Doig dated 8 March 2005.

2.0 Text of the letter

2.1 I promised that I would write to you to try to clarify what the government's efficiency agenda means for English Fire and Rescue Authorities (FRAs).

2.2 A useful starting point is paragraph 7.3 of the 2005/06 Fire and Rescue National Framework, which outlines the ODPM and local government efficiency targets for the SR04 period (2005/06 - 2007/08), the context in which they sit and how ODPM proposes to support English FRAs in delivering them. But I understand that some uncertainty remains over what the targets actually mean for English FRAs.

2.3 Perhaps it would be helpful if first I made it clear that the one efficiency target for English FRAs (by which I mean single purpose all English Combined FRAs, fire and rescue service function of English Counties with that function, Fire and Civil Defence Authorities and the London Fire and Emergency Planning Authority) is the £105m gross cashable efficiency savings in 2007/08 assumed within the ODPM efficiency target. Of course by achieving this target English FRAs will also be contributing towards the total £622m efficiency savings that HM Treasury expects ODPM to deliver in 2007/08. Likewise they will be contributing towards the 2.5% per annum or at least £6.45 billion that HM Treasury expects local government as a whole to deliver in 2007/08. But these wider targets do not apply to the FRS itself. As the publication "Delivering Efficiencies in Local Services 2 - Further Guidance for Local Authorities"¹ makes clear, multi-purpose local authorities have fire expenditure specifically excluded from calculation of the baseline for their targets, and consequently they cannot count efficiency gains from fire towards that target. The one expectation of English FRAs is that they will, together, deliver £105m gross cashable efficiency savings in 2007/08.

2.4 The baseline year for the target is 2004/05. But efficiencies achieved in 2004/5 that continue through to the end of the SR04 period (2007/8) can be counted towards the target. The £105m figure is built on the analysis of the Bain report and subsequent experience, which has also informed the milestones for 2005/06 and 2006/07 described in the ODPM Efficiency Target Technical Note² of £25m and £75m gross cashable savings. These are not separate targets of themselves but give us a trajectory against which to measure progress towards the £105m target.

¹ http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_034633.pdf

² http://www.odpm.gov.uk/stellent/groups/odpm_about/documents/page/odpm_about_032565.pdf

- 2.5 As we noted in the 2005/06 National Framework, £105m in 2007/08 is equivalent to just over 5% of the estimate of 2004-05 net outturn expenditure (excluding capital charges) for English FRAs published by CIPFA in its "Fire and Rescue Service Statistics - 2004". On the same basis, the milestones for 2005/06 and 2006/07 are equivalent to just over 1.2% and 3.6%. We would expect every FRA to aim for at least these levels of gross cashable efficiency savings and a number of FRAs to achieve significantly more. We would ask questions of any FRAs failing to achieve these levels but they would not automatically be deemed to have failed to make a sufficient contribution to the target. This is because we recognise that some FRAs will have greater capacity for making efficiencies than others. So equally, any FRAs achieving these levels would not automatically be deemed to have made a sufficient contribution to the target if we believe that they have capacity to deliver more. That is why we have gone for one target for all of the English FRAs together rather than a blanket target for every FRA. English FRAs as a whole will therefore need to work together to ensure that the target is met. We would encourage bodies like CFOA to take a leading role in co-ordinating the overall response to the target.
- 2.6 Efficiency will no doubt also be something that the Audit Commission focuses on in the course of carrying out its Comprehensive Performance Assessment (CPA) of FRAs. So we envisage this being one of the issues that we address in the improvement planning that follows. This could provide a valuable opportunity to share good practice where it emerges. Again we hope that bodies like CFOA will play an important role and look forward to working with you on this.
- 2.7 All of the £105m efficiency savings that the English FRS is expected to deliver must be "cashable". These can be defined as changes that maintain the same or a better level of service provision while reducing the resources needed to deliver that same service. They are those where there is a direct auditable financial saving or benefit, with money released that an FRA can then make a positive choice, if it so wishes, to spend elsewhere or recycle within a service to deliver better results. By contrast "non-cashable" efficiency savings are achieved by reforms that result in additional outputs or better outcomes, such as enhanced quality or quantity of service, for the same resources. They are those where gains do not necessarily lead to lower costs but which lead to improved performance for the resources used, for example improved outputs, reductions in fees and charges, and frontline staff using their time more productively. You will understand that achieving cashable efficiency savings often allows additional non-cashable efficiency savings to be made. I have little doubt that the English FRS may be able to deliver a number of non-cashable efficiency savings in addition to £105m cashable efficiency savings and we'd certainly be interested in hearing about those. But non-cashable efficiency savings will not count against the £105m target.

- 2.8 The £105m is also a "gross" figure. As you know, we have long acknowledged that the modernisation of the service involves costs as well as savings. To meet the target, the English FRS will need to be able to demonstrate that the gross savings have been made, but this need not equate to a net reduction in fire and rescue authorities' total expenditure. So if an investment is made in an area that results in cashable efficiency savings, all of those savings can be counted: the original investment need not be netted off. Equally, FRAs should be able to make cashable efficiency savings in some areas such as reducing sickness absence, that can then be reinvested in enhancing others such as community fire safety that enhance the quality of service, without making unreasonable demands of local council tax payers.
- 2.9 So finding efficiencies is not about cutting frontline services for users. Indeed any saving that leads to a material reduction in performance cannot properly be counted as an improvement in efficiency. The aim of the efficiency target is to ensure that maximum use is made of the increased investment in both central and local government, including FRAs, provided by SR04. Efficiency gains made by fire and rescue authorities will be retained locally for re-investment in front-line service. The outcome should be to improve the quality and breadth of local fire and rescue services, while minimising the need for increases in local taxation.
- 2.10 I would not want to suggest that this is anything other than a stretching target. There remains a lot for us to do and it will only be met if FRAs make the most of the opportunities available to them. But we believe that it is achievable and should be given that efficiency is an integral component of the wider modernisation agenda.
- 2.11 I understand that this letter may not answer all of your questions. We will need to develop further guidance with the FRS that gives it the clarity that it desires. We have proposed that the next steps will be to work with you and others in the English FRS to develop both a means for measuring achievement against the target and a delivery plan to ensure that it is met. I found our initial discussion on 17 February most useful and we will doubtless wish to continue to work together to take this important work forward. Later this month we will circulate for comments a draft scheme for FRAs to report efficiency gains. In the mean time please do not hesitate to contact me again if you think that any further clarification is required.
- 2.12 I am copying this letter to the Chief Fire Officers, chairs and clerks of every FRA in England plus the LGA.

Clive Norris

Director, Fire and Rescue Service Directorate