

## REPORT OF THE TREASURER

# ANNUAL EFFICIENCY STATEMENTS

### 1 Purpose of Report

This report informs the Fire Authority of the submission of the efficiencies made in 2005/06 to the Department for Communities and Local Government (DCLG).

### 2 Recommendations

The Fire Authority is recommended to note the submission made on its behalf, and its position in relation to the national target for efficiencies.

### 3 Background

The Government set a savings target through efficiencies, based on 2004/05 expenditure, of 1.27% in 2005/06, 4.12% in 2006/07, rising to 5.67% in 2007/08. These targets were for the Fire and Rescue Service as a whole, and it has been acknowledged that some authorities have more scope than others for finding efficiencies depending on their performance pre 2004/05.

Success or failure could not, therefore, be measured in purely mathematical terms at an individual authority level.

### 4 This Fire Authority's Approach to Efficiencies

The Fire Authority has set out its policy regarding efficiencies in its annual budget process and in its Medium Term Financial Plan (Section 4). This can be summarised by regarding the search for efficiencies and value for money as embedded in everything it does to deliver the service.

### 5 What is an Efficiency Saving as Defined by the Government?

An efficiency saving occurs if:

- i Inputs are reduced but deliver the same or greater outputs;
- ii Prices can be reduced for delivering the same outputs;
- iii Inputs remain the same but outputs or quality of service increase;
- iv Inputs increase but outputs are raised further.



Efficiencies are not cuts, and there should be evidence, therefore, that service standards are maintained.

The target for efficiencies must be cashable, i.e. made up of efficiencies that enable the Fire Authority either to use the savings in investing in the service or for holding down the Council Tax. Non-cashable savings are where more or better services can be achieved for the same money or for a relatively smaller additional cost. These are also reported but do not count towards the target.

## 6 This Fire Authority's Position

The Fire Authority's submission of efficiencies actually found during 2005/06 (so called backward-looking) is attached at the Appendix to this report. The submission had to be returned by 6 July and was prepared after the accounts were closed and has been sent to the Department for Communities and Local Government (DCLG).

Efficiencies in 2005/06 of £264,000 have been positively identified against an estimate of £243,500. Additional efficiencies have been identified in Human Resources and Procurement, offset by reduced savings from those expected in establishing the Bad Weather Reserve. In addition the anticipated saving of £41,000 in leasing costs has not been included. Although the money was taken from the budget, it is not possible without a great deal of work to demonstrate to an auditor's satisfaction that there was neither an impact on other budgets nor a reduction in performance.

As a result of the submission, the situation so far is:

|                          | <b>2005/06</b> | <b>2006/07</b> | <b>2007/08</b> |
|--------------------------|----------------|----------------|----------------|
|                          | £000           | £000           | £000           |
| 2004/05 (actual)         | 167-           | 161-           | 167-           |
| 2005/06 (actual)         | 264-           | 203-           | 203-           |
| 2006/07 (estimate)       | -              | 308-           | 308-           |
| 2007/08 (balance)        | -              | -              | 252-           |
|                          | <hr/>          | <hr/>          | <hr/>          |
|                          | 431-           | 672-           | 930-           |
| National Target (actual) | 210-           | 676-           | 930-           |
|                          | <hr/>          | <hr/>          | <hr/>          |
| Excess/(Shortfall)       | 221-           | (4)            | -              |

This indicates that the Fire Authority is expected to be in line with the notional allocation of the national target for revenue during 2006/07. On present indications £252,000 of efficiencies during 2007/08 would deliver the allocation of the target for the final year of the current regime.

## 7 Future Efficiencies

Work is proceeding to identify and qualify efficiencies that are arising throughout the year, and in those areas, such as extension of service and leasing, which are difficult to measure. In addition, work is ongoing with the Integrated Risk Management



Planning Members' Working Group and with budget-holders as part of the service and budget planning process for 2007/08.

## 8 Non-cashable Efficiencies

Understandably less time has been spent formally identifying non-cashable efficiencies. However they are just as important for effective delivery of best value and the Fire Authority is dedicated to maximising their potential. The following areas have been highlighted on earlier efficiency submissions to the DCLG:

- i Partnership working with local authorities and neighbouring brigades as well as Firebuy;
- ii Use of wholetime firefighters to undertake Community Fire Service;
- iii Reducing sickness levels;
- iv Use of redeployment;
- v Reducing fire investigations; and
- vi Reducing the number of deliberate small fires.

## 9 Legal Comment

There are no legal implications arising directly from this report.

## 10 Appendix

Efficiency Savings Achieved in 2005-06

## 11 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

|                                      |   |   |  |
|--------------------------------------|---|---|--|
| Balance Score Card                   |   | Integrated Risk Management Planning     |  |
| Business Continuity Planning         |   | Legal                                   |  |
| Capacity                             |   | Member Involvement                      |  |
| Civil Contingencies Act              |   | National Framework                      |  |
| Comprehensive Performance Assessment |   | Operational Assurance                   |  |
| Equality and Diversity               |   | Retained                                |  |
| Efficiency Savings                   |   | Risk and Insurance                      |  |
| Environmental                        |   | Staff                                   |  |
| Financial                            | * | Strategic Planning                      |  |
| Fire Control/Fire Link               |   | West Midlands Regional Management Board |  |

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.






**SHROPSHIRE & WREKIN FIRE AUTHORITY**

**Efficiency Savings Achieved in 2005-06**

| Category  | Quality cross-check (QCC) met (see note 1) | One off or recurring? | Capital | All figures £'000 |  |   |                                     |   |     |
|---|--|-----------------------|---------|-------------------|--|---|-------------------------------------|---|-----|
|   |  |                       |         | Revenue           | Annual Cashable Efficiency Gain (see note 2) | Cumulative Cashable Efficiency Gain (including gains from 2004-05 and 2005-06) (see note 3) | Annual Non-cashable Efficiency Gain | Cumulative Non-Cashable Efficiency Gain |     |
| Revised shift systems/<br>Crewing arrangements (IRMP) |  | Recurring             |         |                   |  |   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Other IRMP savings                                    | ✓  | Recurring             |         | ✓                 |  | 102-  |                                     | 12-                                     |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Collaboration   |  | Recurring             |         |                   |  |   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Reduced ill-health retirements                        |  | Recurring             |         |                   |  |   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Sickness reduction                                    |  | Recurring             |         |                   |  |   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Other HR savings                                      | ✓  | Recurring             |         | ✓                 | 25-  | 15-   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Better procurement                                    | ✓  | Recurring             |         | ✓                 | 85-  | 110-  | 5-                                  | 5-                                      |     |
|   |  | One off               |         |                   | 20-  |   |                                     |   |     |
| Corporate services                                    | ✓  | Recurring             |         | ✓                 | 33-  | 73-   |                                     |   |     |
|   |  | One off               |         |                   |  |   |                                     |   |     |
| Other   | ✓  | Recurring             |         | ✓                 | 70-  | 70-   |                                     |   |     |
|   |  | One off               |         | ✓                 | 31-  |   |                                     |   |     |
| <b>TOTAL</b>  |  |                       |         |                   | -  | 264-  | 370-                                | 5-                                      | 17- |

**NOTES**

1. Quality checks are described in the narrative (Appendix A).
2. Final efficiencies quantified in 2005/06.
3. All savings quantified in 2004/05 and 2005/06 recurring in 2007/08.

|  |   |   |
|--|---|---|
| <br><b>Chair of the CFA</b> | <br><b>Chief Fire &amp; Rescue Officer</b> | <br><b>Chief Financial Officer</b> |
|--|---|---|



## 1. Strategy for Securing Efficiency Gains

The Authority regards seeking efficiency measures as a fundamental element embedded in its approach to service delivery. Below is an extract from the Medium Term Financial Plan for 2006/07:

- 4.1 *The Authority has a number of methodologies and structures for promoting and delivering value for money. These are summarised below:*

### **Performance Review**

- 4.2 *The key methodology is the Integrated Risk Management Planning process, led by a Working Group of key Members of the Authority. This is at the heart of delivering wide-ranging innovation to the way the Service is managed and delivered. It looks at fundamental issues and as such is likely to deliver the largest shifts in use of resources through examining staff deployment, use of property and the vehicle and appliance fleet.*
- 4.3 *The results of the IRMP Working Group's reviews are fed into the budget process each year following appropriate consultation with stakeholders and the public.*

### **Authority Policy**

- 4.4 *The Authority regards the objective of providing value for money as a key part of its culture and two of its policies reflect this:*
- *The ambition that service developments should be expected to be funded from efficiencies. This is built into financial planning for the next three years.*
  - *An open approach to delivery of the Government target for efficiencies for the Fire Service as a whole.*
- 4.5 *Although the target is acknowledged as a national average, and not all authorities will be able to make it, this Authority takes the view that it should aim to deliver its average share, and, if higher efficiencies are deliverable, to deliver these as well. The current situation is set out below:*

| <b>On-going efficiencies (revenue)</b> | <b><u>2005/06</u></b> | <b><u>2006/07</u></b> | <b><u>2007/08</u></b> |
|--|-----------------------|-----------------------|-----------------------|
|  | <b>£000</b>           | <b>£000</b>           | <b>£000</b>           |
| 2004/05 Final                          | 167                   | 167                   | 167                   |
| 2005/06 Target (Revised)               | 243                   | 236                   | 236                   |
| 2006/07 Target                         | -                     | 308                   | 308                   |
| 2007/08 Policy Target*                 | -                     | -                     | 179+                  |
|  | <u>410</u>            | <u>711</u>            | <u>890+</u>           |
| <br>                                   |                       |                       |                       |
| National Target                        | <u>210</u>            | <u>630</u>            | <u>890</u>            |
| Disaggregation                         |                       |                       |                       |

\* Minimum demonstrated to balance to national disaggregation



## 2. Detail of Efficiencies Actually Obtained in 2005/06

|   | Original<br>Forward<br>Looking | This<br>Statement<br>2005/06 | On-going |
|---|--------------------------------|------------------------------|----------|
|   | £000                           | £000                         | £000     |
| <b>Other HR Savings</b>   |                                |                              |          |
| i. Investment in in-house instructor training has meant on-going savings against external contract for blue light training. Six month monitoring process in place.  | -                              | 4-                           | 9-       |
| ii. Policy to increase wholetime/retained officers. Savings in initial and on-going training.   | -                              | 21-                          | 6-       |
| iii. Extension of service and sickness injury deployment. Policy in place since 1990's, problems calculating increase over 2004/05 base.  | -                              | -                            | -        |
|   | -                              | 25-                          | 15-      |
| <b>Better Procurement</b>   |                                |                              |          |
| iv. Policy of examining bids for price increases from budget holders.   | 19-                            | 17-                          | 17-      |
| v. Insurance savings on personal accident cover and motor insurance as a result of linking personal accident to potential one-off costs only and maintaining performance on vehicle incidents.                                  | 30-                            | 61-                          | 61-      |
| vi. Occupational Health. Providing for new audiometry requirement within existing external contract.  | -                              | 4-                           | 4-       |
| vii. Firebuy<br>Plus £5,000 non-cashable savings in staff time.   | -                              | 23-                          | 3-       |
|   | 49-                            | 105-                         | 85-      |
| <b>Corporate Services</b>   |                                |                              |          |
| viii. Risk Officer<br>Absorption of risk officer's post within existing staff duties, as managing risk is being embedded in the service. Internal audit review of risk and statement of internal control to ensure no problems. | 33-                            | 33-                          | 33-      |



| <b>Other</b>   |               |               |              |
|--|---------------|---------------|--------------|
| ix. Property   | 5-            | 5-            | 5-           |
| Redefining ground maintenance needs to reduce annual costs of external contract. |               |               |              |
| x. Savings in Water Use  | 5-            | -             | -            |
| Not achieved during the year.  |               |               |              |
| xi. Debt Charges   | 31-           | 31-           | --           |
| IRMP redefinition of capital needs at Brigade HQ.                                |               |               |              |
| xii. Retained Service  | 80-           | 65-           | 65-          |
| Use of Bad Weather Reserve to reduce annual budgets to an annual average level.  |               |               |              |
| xiii. Plant and equipment  | 41-           | -             | -            |
| Savings in lease costs. Unable to clearly quantify.                              |               |               |              |
|  | -----<br>162- | -----<br>101- | -----<br>70- |
| Total  | <u>244-</u>   | <u>264-</u>   | <u>203-</u>  |

