

**Minutes of the Meeting of
Shropshire and Wrekin Fire and Rescue Authority
Audit and Performance Management Committee
held at Headquarters, Shrewsbury
on Tuesday, 30 November 2010 at 2.00 pm**

Members

Councillors Adams, Dixon, Eade, Dr Jones (Chair), Kiernan, Mason and Mellings (Vice-Chair)

Officers

Deputy Chief Fire Officer, Treasurer, Head of Operations and Risk (for items 8 and 9 only), Equality and Diversity Officer (for item 11 only) and Management Support Officer

External Bodies

Mr Patterson and Ms Mayne (Audit Commission)
Ms Pilawski and Mrs Hall (Internal Audit, Shropshire Council)

1 Apologies for Absence

There were no apologies for absence.

2 Introductions

Councillor Jones introduced Ceri Pilawski, the new Head of Internal Audit, and welcomed Kathy Hall, Group Auditor, both of which officers are from Shropshire Council.

Councillor Jones also welcomed Emily Mayne, from the Audit Commission, who is to replace Mr Wilson as the Audit Manager for the Fire Authority.

3 Declarations of Interest

There were no declarations of interest.

4 Minutes

Members received the minutes of the meeting of the Audit and Performance Management Committee, held on 9 September 2010.

It was proposed by Councillor Mellings, seconded by Councillor Dixon and

Resolved that the minutes of the meeting of the Audit and Performance Management Committee, held on 9 September 2010, be approved and signed by the Chair as a correct record

5 Public Questions

No public questions, statements or petitions had been received.

6 Annual Audit Letter 2009/10 and Other Audit Commission Matters

Mr Patterson presented the Annual Audit Letter 2009/10 (the Letter) to the meeting and talked through the key messages contained in the Letter. As part of this, Mr Patterson presented the Your Business @ Risk: Information Security Awareness Audit 2009/10, as it was referred to directly in paragraphs 32 to 34 of the Letter.

Mr Patterson advised that the audit approach for 2011 onwards will be based on two broad areas: financial resilience, which will form the majority of the work; and prioritising resources, which will form the minority of the work.

Councillor Dixon questioned Mr Patterson's comment that the Authority is in a good position with regard to future budget cuts. Mr Patterson explained that this comment related to the fact that the Authority has identified what measures it needs to take to address this issue and is, therefore, in a 'relatively good' position in terms of planning.

Councillor Eade asked if it was likely that the budget cuts would now be frontloaded in a move to even out the reductions. The Treasurer responded that he had received a letter from the Fire Minister, immediately after the Comprehensive Spending Review, which stated that the cuts would be end loaded. So far nothing else has been received to contradict this. The budget planning for the Authority has, therefore, been based on percentage reductions of 5, 5, 7.5 and 7.5 across the four years with cuts at the back end and savings at the front end.

The Treasurer commented that he was concerned that there might be a delay to the budget announcement, which was expected in the first week of December. Mr Patterson said that the Government is believed to be looking at this but there is concern that, if the announcement is delayed, then organisations will not have enough time to set a legal budget.

Referring to the International Financial Reporting Standards (IFRS), as mentioned in paragraphs 16 to 17 of the Letter, Mr Patterson undertook to provide a short training session on this subject, immediately prior to the next meeting of the Audit and Performance Management Committee.

Resolved that the Committee note both the Annual Audit Letter 2009/10 and the Your Business @ Risk: Information Security Awareness Audit 2009/10

7 Service Response to Your Business @ Risk: Information Security Awareness Shropshire and Wrekin Fire and Rescue Authority Audit 2009/10

Officers have duly noted the findings of the Audit Commission's on-line survey of staff conducted in April/May 2010. The findings, overall, appear relatively consistent with the national results acquired through the Commission's survey.

Fully cognisant of the need to reduce the risk of breaches to information security, the Service co-ordinated the formation of a West Midlands regional fire and rescue service syndicate to address the mandatory requirements of Her Majesty's Security Policy Framework. The Region's five fire and rescue services are national leaders in this area and have secured regional funding to support the delivery of the Policy Framework's requirements. To this end, the Service has recently undergone a comprehensive security audit, the findings of which have been considered alongside the Commission's findings. A Security Improvement Plan is currently in development and will be implemented soon, albeit the scale of conformity to the Framework will take at least 12 to 18 months and will have funding implications.

Resolved that the Committee note this agenda item

The Head of Operations and Risk joined the meeting at this point.

8 Risk Management Group – Progress Report

This report provided Members with an update on the monitoring of recommendations made by Internal Audit that is undertaken by the Risk Management Group. The report also dealt with progress on other issues.

The Head of Operations and Risk informed the Committee that the three 'Significant' recommendations, which remain outstanding from 2009/10, have been addressed but as yet sufficient evidence is not available to prove that the changes to procedure have been embedded. He also advised that the 11 'Requires Attention' recommendations from 2010/11 can be broken down as follows: 1 relates to Creditors; 3 relate to Business Continuity and the change to electronic management; 1 relates to the risk assessment of equipment; 4 relate to fraud and corruption, in particular to Retained Duty System (RDS) payments; and 2 relate to Asset Management.

Councillor Mellings commented that he was pleased to see that excellent progress had been made in reducing the number of outstanding recommendations. Councillor Dixon queried the 4 recommendations relating to fraud and corruption and asked for further details. The Head of Operations and Risk responded that there may have been an opportunity for fraud to occur in relation to RDS claims but these areas have now been addressed.

Resolved that the Committee

- a) Note the progress that has been made against the outstanding Internal Audit recommendations from earlier years; and
- b) Agree the changes made to the Internal Audit programme

9 Annual Governance Statement Improvement Plan 2010/11

This report summarised the progress made to date against the improvements contained in the Annual Governance Statement (AGS) Improvement Plan 2010/11.

The Head of Operations and Risk informed the meeting that progress is being made on each of Improvements detailed in the appendix to the report and that they are all on target for completion.

Councillor Mellings referred to IRN 2, which is the Strategic Planning Process, and asked for a flavour of the 200 'suggestions', which had come out of the consultation process. The Assistant Chief Fire Officer (ACFO) responded that there had in fact been 314 suggestions, which had been reduced to 29 key thematic areas for Public Value consultation. The suggestions covered items as diverse as the removal of appliances through to the cleaning of computers. A full report on the outcomes of the Public Value process will be presented to the Fire Authority meeting on 15 December 2010.

Resolved that the Committee note the progress made against each of the improvements contained in the AGS Improvement Plan 2010/11

10 Performance Monitoring

10a Performance against Best Value Performance Indicators April 2010 to September 2010

The Service Performance Group has already received a report detailing performance. The summary given below acts as an Exception Report, bringing key strategic performance issues to the attention of Members. Areas of poor performance are being addressed through the Service Performance Group.

Corporate measures are experiencing high achievement against targets. Financial Indicators are all performing on target with the exception of BV8, with an achievement of 97.7 percent of undisputed invoices being paid within 30 days (the target is 99 percent). Sickness indicators are within agreed targets and performing well, as are those for Equality and Diversity, which are still measured. The environmental impact indicator has a current assessment value of 824 following a trend of reduction and is on track to achieve the year end target value of 820.

There have been 24 personal injury employee accidents in the year to date, an improvement from 35 at the same time last year. Of these, 7 have been during training.

Operational measures show that wholetime appliances are available for 100 percent of the time. There is a noticeable increase in the number of secondary fires, in particular deliberate, with an expected failure to meet target. However, the numbers of all primary fires (those which are accidental in dwellings and in commercial property) are reduced from previous years and on target. All three smoke alarm measures are failing (number fitted, number not fitted and number, which failed to activate), but by small percentages.

In supporting both constituent authorities' National Indicators, the Fire Authority is failing the numbers of primary and secondary arson incidents. Primary incidents are only just over target by 10, whilst those classed as secondary are failing after a poor period of performance in April; however a reducing trend is being realised as the year progresses. The Authority is on track to achieve target for the number of all primary fires and resulting casualties and fatalities.

The aforesaid commentary acts as a précis of performance for the previous reporting period. More detailed information is available upon request from the Service's Performance Analyst.

Councillor Dixon commented that he was pleased to see that the amount of information presented to the Committee had been reduced as requested by Members.

Resolved that the Committee note the agenda summary given

10b Summary of Progress within the Improvement Priorities

At its meeting on 11 February 2009 the Fire Authority agreed a suite of Improvement Priorities to ensure the successful delivery of its overarching aims and objectives. There are three priority areas, namely Capacity, Competence and Communication, each with supporting stages / work streams managed under the heading "Customer Focus". There is nothing of exception to report with these supporting stages / work streams up to the end of October 2010.

Resolved that the Committee note the agenda summary given

10c Retained Duty System Performance Monitoring April to September 2010

This report provided information regarding the ongoing performance of the Retained Duty System (RDS) in Shropshire.

Councillor Jones drew Members' attention to the fact that both Oswestry and Much Wenlock have experienced a drop in RDS numbers

Resolved that the Committee note the contents of the report

11 Equality and Diversity

11a Progress on the Single Equality Scheme

There are 53 actions on the Single Equality Scheme (SES) to date: 1 has been completed since last review; 33 are in progress; 16 are not yet due; and 3 are overdue (to be reviewed by the Equality and Diversity Steering Group).

A summary of some of the actions is given below:

- The Discipline and Grievance training programme will be completed by the end of November.
- Equality Impact Assessments are being completed by all departments.
- The Lesbian Gay and Bisexual (LGB) planning project group has met on several occasions and many organisations have now confirmed involvement and/or funding.
- Gypsy and traveller training has been devised and will be undertaken at the end of 2010/ early 2011.
- Dyslexia and Monitoring Brigade Orders are in draft and going through consultation.
- Equality and Diversity (E&D) watch training has now commenced.
- A presentation was given to the Fire Authority on the new Equality Act at its meeting on 4 November 2010.
- The SES suggested E&D Champions for each of the Strands, the E&D Steering Group needs to look at this and more evidence is required of executive and Members' visits which link to E&D.

Further information can be found in the reports, which were presented to the Human Resources Committee on 12 October 2010, and which can all be accessed via the Service's website.

Councillor Dixon asked for clarification of what the funding for the LGB Planning project group was to be used for. Councillor Jones explained that this was funding for consultation as to how to deliver services to this section of the community. The E&D Officer joined the meeting at this point and further explained that the LGB planning project group involved a range of public services and was consulting on issues relating to service delivery. The feedback has proved to be useful and the consultation was deemed to fit with Public Value.

Councillor Eade asked for further clarification of which E&D activities were statutory and which were not. The E&D Officer explained that the Equality Act placed certain statutory obligations on the Authority, which included consultation. Many of the actions detailed in the SES are a response to this statutory consultation.

The ACFO added that whilst Members' comments regarding E&D activities were noted, the Fire Authority also has a statutory obligation to comply with the Fire and Rescue Services Act 2004, which, through the Fire and Rescue Service National Framework, places other statutory obligations upon the Authority.

These obligations may require a level of specialism / expertise, which historically has not been available through the E&D services provided by Shropshire Council.

Councillor Eade challenged whether the arrangements represented value for money and reiterated that he wanted to receive details of E&D activities, which were statutory and non-statutory, together with a full breakdown of their associated costs at the next meeting of the Committee. Officers undertook to provide this information.

Resolved that the Committee note the agenda summary given

111b Equality and Diversity Steering Group Summary Report

Since the last progress report, the Group has had one meeting, on 5 October 2010, when it reviewed and agreed to the gypsy and traveller training, which will commence towards the end of 2010 / early 2011. The consultation on the multi-faith and cultural year planner has been completed and will be sent out towards the end of 2010. The Group was made aware of a radio interview with Group Manager Dickens on positive action in Cleobury Mortimer, encouraging women to apply as retained firefighters. The new website now allows women to complete the Service's female questionnaire online. The Deputy Chief Fire Officer has attended the Telford Race Equality and Diversity Partnership's Annual General Meeting and gave feedback to the Group. The Group identified some work that needed to be completed further to The Equality Act's introduction on 1 October 2010. The Group thanked Jonathan Hyams, as it was his last meeting and welcomed back Natalie Hill, who has now returned from maternity leave.

Resolved that the Committee note the agenda summary given

12 Public Value Performance Measurement Framework 2011/12

This report set out proposals for the introduction of a new community focused Public Value Performance Measurement Framework. The Framework sets out a simplified performance regime focused upon capturing public satisfaction with performance.

The ACFO informed the meeting that there was a mistake in the recommendations on page 1 of the report where recommendation b) should read 'to be adopted from 1 April 2011' not 'to be adopted from 1 April 2010'.

Councillor Dixon commented that both the staff and public consultation sessions had been challenging and worthwhile.

The ACFO reported that the public consultation sessions had been attended by 34 invited members of the public, which gave a confidence level of 90 percent with a margin of plus or minus 14 percent. Of these attendees, 88 percent had found the proposed indicators 'simple to understand', 9 percent had 'proposed changes to them' and 3 percent 'did not comment'.

The ACFO explained that the targets for the new indicators will be set by the Strategy and Resources Committee. The seven 'Gold' level indicators will be supported by 'Silver' and 'Bronze' sub-indicators. These will be managed within the Service and will link together, which was not possible under the previous Best Value Performance Indicators (BVPIs). These sub-indicators will only be addressed by Members when they are failing.

The Committee agreed that the proposed 'Gold' indicators are more sensible and focussed and was pleased that they are measures rather than indicators. There were, however, some questions over the value of indicator 6, which is 'the average cost per household, per annum, for the fire and rescue service'. The ACFO explained that this annual indicator would be useful, when setting the precept. Councillor Dixon asked if any cost savings would be achieved by the changes to the performance management method. The ACFO responded that there was no indication at this point in time.

Mr Patterson commented that the previous Government led BVPI system had been a burden but the key to measuring value for money is how performance is being managed, so any measures would need to give the full picture of work undertaken by the Service, e.g. rescue work. The ACFO explained that the Service only receives statutory funding to save lives from fires. There is no central funding or performance indicators relating to road traffic incidents or flooding. Councillor Eade stated that he was happy with the proposed indicators but would like to see inclusion of road traffic incidents etc.

Councillor Adams commented that he did not wish to see the BVPIs 'slipped in' as 'Silver' and 'Bronze' indicators and that there needed to be clarity over the requirements of what was being measured. The ACFO confirmed that there was no intention to rebrand the BVPIs into the new system.

Councillor Mellings suggested that Members be involved in the development of the 'Silver' and 'Bronze' indicators, perhaps through a working group of officers and Members. The Committee agreed that this would be the best way to establish these indicators.

It was proposed by Councillor Adams, seconded by Councillor Mellings, and

Resolved that the Committee:

- a) Recommend to the Fire Authority the proposed seven 'Gold' measures (page 2 of the report), to be adopted from 1 April 2011; and
- b) Authorise officers to develop the underpinning 'Silver' and 'Bronze' measures.

The meeting closed at 3.20 pm.

Chair.....

Date.....

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Annual Audit Letter

Shropshire and Wrekin Fire Authority

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Key messages	2
Overview	2
Current and future challenges	2
Audit opinion and value for money	3
Financial statements and annual governance statement	4
Overall conclusion from the audit	4
Whole of Government Accounts	5
International Financial Reporting Standards.....	5
Value for money	6
2009/10 use of resources assessments	6
VFM conclusion	6
Risk-based performance reviews	9
Approach to local value for money work from 2010/11.....	9
Current and future challenges	11
In year financial performance	11
2010/11 financial performance and beyond.....	11
Business continuity in the fire and rescue service	12
Closing remarks	14
Appendix 1 – Audit fees	15
Appendix 2 – Glossary	16
Annual governance statement	16
Audit opinion	16
Financial statements.....	16
Qualified.....	16
Unqualified.....	16
Value for money conclusion.....	16

Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 4 to 5); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 10).**

Overview

1 You have continued to focus on delivering good value services in areas that matter to local people. Your Public Value approach to future spending plans embeds this within the services you expect to deliver. This system of financial planning stems from consultation with the public, partners and staff, and gives emphasis to a shared view of what these differing groups want delivered. And more importantly, how this can be done with the funds available.

2 However, there are challenging times ahead. Unprecedented government funding cuts will mean the Authority and Fire Service, as well as other public services will need to work both harder and smarter. This is a significant challenge for the Authority but you have a good record of delivering change and savings. There will undoubtedly be doubts for staff and the public over the next few years. Both members and senior management will play a key role in communicating and managing the changes and ensuring high-quality services are upheld. I will continue to work closely with you over this period.

Current and future challenges

3 The Coalition Government's Comprehensive Spending Review (CSR) announced on 20 October 2010 that there will be a 25 per cent decrease in the grant given to fire authorities. With the advice that fire services, 'will need to modernise, increase efficiency and deliver workforce reform'.

4 This puts pressure on the resilience of your medium term financial strategy. The Authority has taken a new approach in 'Public Value' financial planning and has historically delivered to budgets set. A range of initiatives have been identified, which if successfully managed and implemented, will result in an incremental 25 per cent reduction of the Service's budget over a four year period. The initiatives predominantly take advantage of natural

staff turnover to secure savings whilst maintaining, without significant reduction, frontline services to the community. The proposals allow for a gradual budget cut (currently estimated at £2.7m – £2.9m in cash terms) whilst; avoiding compulsory redundancies, maintaining all fire stations and alleviating the necessity for merger with one or more other fire authorities.

5 It is therefore an increasingly pressured and uncertain environment from a financial prospective. The robustness of your financial management and your future service and financial strategy will be key to the Authority in achieving its ambitions. For instance, the impact of back end loading of changes to the revenue support grant and the future of the regional control centre are currently unknown. You have already made savings plans and have a track record of delivering these in the past. However, you may have to revisit your assumptions once the local impact of the CSR announcements is known, to ensure they meet the significant budget reductions expected.

Audit opinion and value for money

6 I issued an unqualified opinion on the Authority's accounts on 29 September 2010. In my opinion the accounts give a true and fair view of your financial affairs and those of the fire-fighters' pension fund for the year. The accounts presented for audit were of a high quality and the format of working papers were also of a high standard. I reported details of the minor issues arising from my audit to the Audit & Performance Management Committee on 9 September 2010.

7 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. As a result of my work I was able to issue an unqualified conclusion. This performance reflects the hard work of officers and members in upholding the effectiveness of services during 2009/10.

8 One area, use of natural resources, was assessed for the first time in 2010. I found there was good awareness of the Authority's impact on the environment with a sound strategic approach in place backed with practical initiatives. Your commitment to the effective use of natural resources is evidenced through the full attainment ISO 14001:2004 Environmental Management System registered with British Standards. The Authority is unique in having this standard for all of its activities.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

I gave an unqualified opinion on the Authority's 2009/10 financial statements on 29 September 2010, within the statutory target date.

Overall conclusion from the audit

9 I issued an unqualified opinion on the Authority's accounts on 29 September 2010. This was in line with the statutory deadline. In my opinion the accounts give a true and fair view of your financial affairs and those of the fire-fighters' pension fund for the year.

10 Before giving my opinion I reported to those charged with governance, in this case the Audit & Performance Management Committee, on the issues arising from the 2009/10 audit. I presented this report on 9 September 2010 and only the most significant issues arising are repeated in this letter.

11 I did not identify any significant weaknesses in your internal control arrangements. The accounts and the format of working papers presented for audit were of a high quality.

12 You prepare and approve your accounts earlier than many other public bodies and well ahead of the statutory deadline of 30 June 2010. The partner organisations that you rely upon to provide you with information for inclusion in your accounts, despite your best efforts, failed to provide it in line with the agreed timetable. As a result there were some amendments required to the approved financial statements, none of which impacted upon council taxpayers. The significant changes were in respect of the:

- expected downward revaluation of the Shrewsbury Headquarters and Telford fire station by £4,389,000, following late information from your valuer;
- new requirements for Council Tax and National Non-Domestic Rate disclosure led to an increase in debtors by £458,000 and creditors by £369,000 because of the collection authorities providing information after your accounts were prepared; and, in addition,

- a post Balance Sheet event disclosure in respect of the impact of future pension liabilities changes as the basis of the calculations will change to CPI from 1 April 2011 as opposed to the RPI.

13 There were also some other disclosure changes made because of our audit, such as:

- Government Grants Deferred of £581,000 being changed from short to long-term liabilities; and
- the disclosure of Capital Commitments of £3,587,000 as the contract for the refurbishment of the Shrewsbury HQ was signed just before the beginning of the 2010/11 financial year.

Whole of Government Accounts

14 The whole of Government Accounts (WGA) cover about 1,300 bodies. They aim to provide commercial style accounts for the public sector and are prepared by the Treasury.

15 To support these accounts, I am required to submit a consolidation pack which summarises the Authority's financial statements in a consistent way with all other local government bodies. I submitted this consolidation pack with a statement confirming that it was consistent with the Authority's audited financial statements on 30 September 2010.

International Financial Reporting Standards

16 From next year (2010/11) you will prepare your financial statements for the first time under International Financial Reporting Standards (IFRS). Implementation of IFRS in Local Government is a major challenge for all authorities and requires substantial preparatory work. Important milestones are:

- restating your 2009/10 balances on an IFRS basis; and
- completing skeleton accounts and accounting policies for member approval before the end of the financial year.

17 I am in regular dialogue with you over your progress and have no significant issues to report to you now. As noted above, the introduction of IFRS will lead to significant changes to the content and format of the financial statements. I have asked the Audit & Performance Management Committee to consider whether it will have the necessary skills and knowledge to fulfil its duties when presented with the accounts in June 2011. I would be happy to assist the Authority with this if you believe it would be helpful.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

18 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would stop. This was with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

19 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

20 I report the significant findings from the work I have carried out to support the VFM conclusion.

VFM conclusion

21 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body. Below is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Workforce ¹	Yes
¹ Brought forward from 2008/09	

22 Based on the criteria above, I issued an unqualified conclusion stating the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

23 There has been no decline in the Authority's performance from last year. Your planning for financial health is strong and you can show how financial planning contributes to improved outcomes linked to your priorities. The medium term financial plan (MTFP) is robust and realistic. It is being further improved by introducing the Public Value (PV) approach, which increases stakeholder involvement. The PV 5 year plan will be available in December 2010. The MTFP and budget are consulted on with a focus group of various stakeholders.

24 You understand your costs and how these link to performance. Environmental impact is considered in every procurement decision. You have also sought to increase your investment in Community Fire Safety (CFS) work. Other examples of good practice are:

- your financial strategy provides a clear overview of the revenue budgets and can be linked to the factors considered when setting budgets for the next four years;
- the financial performance report for officers and members includes other key financial information; and,

- Community Safety staff report information such as the numbers of CFS visits carried out by whole time and retained firefighters, and numbers of smoke alarms fitted to date.

Governing the Business

25 Your commissioning and procurement are good. For example, the:

- long-term commissioning of the service is based on a clear needs analysis; and
- Integrated Risk Management Plan (IRMP) provides the basis for understanding risk in the community. It is based on consultation and informs the Commissioning process.

26 The Audit Commission has identified as good practice, in previous assessments, the positive leadership provided by the members who have led the IRMP process. Local liaison panels enable members to engage with group managers. The Authority can show that its members and staff display high standards of personal conduct. Ethical Standards Bulletins go to all members as requested by the Standards Committee.

27 Partnerships continue to be well managed with cost-effectiveness and measurable outcomes now central to evaluating all partnerships. Overall there is a strong risk management culture and suitable support arrangements are embedded.

28 The Authority and Fire Service can demonstrate a strong counter fraud culture. You have a fraud and corruption strategy, which is updated annually and communicated to staff, and an effective Audit & Performance Management Committee.

Managing Resources

29 You have a good awareness of what natural resources you consume in your own operations, and what strategic approach is in place to reduce the use of those natural resources. Most notably, your commitment to the effective use of natural resources is evidenced through the full attainment of ISO 14001:2004 Environmental Management System registered with British Standards.

30 All activities including procurement have an environmental consideration, for example, all IT is purchased based on having the lowest impact all the way through from manufacture to disposal. The Authority is also a signatory and key partner to Shropshire's Community Strategy 2010-2020. The strategy binds partners to responding to climate change, and enhancing our natural and built environment.

31 You manage your workforce well. Your main success has been in utilising the retained service to undertake high levels of community safety work in the rural part of Shropshire. The retained service review, identified as notable practice, continues to deliver significant outcomes with appliance availability now at over 98 per cent.

Risk-based performance reviews

32 To support my VFM conclusion I undertook a study of information security awareness. The detailed findings have been reported separately. In summary the survey found that the overall perception of most staff is that IT security at the Authority is adequate or better and that all staff have a role to play in it. The results did not identify any high risks in relation to other bodies surveyed.

33 However, our survey indicates that there are key areas where the Authority particularly needs to raise staff awareness. These are:

- using appropriately secure mechanisms to share personal data outside of the Authority. Over half would use unsecured e-mail, and 20% would use standard post.
- using a secure method of accessing Authority data when working out of the office. Over three quarters of respondents use relatively insecure methods of accessing confidential Authority data from outside the work environment.
- consideration of data risk from accessing unknown sources. About one in five would put an unknown CD or memory stick straight into a works computer.
- just under a third of staff were not entirely clear on the Authority's rules on the use of its IT resources.

34 You have recognised the above and the need to reduce the risk of breaches to information security. You have co-ordinated the formation of a West Midlands fire and rescue service syndicate to address the mandatory requirements of the national framework. You have secured funding for this from the Regional Improvement and Enterprise Partnership and have recently undergone a comprehensive security audit. A Security Improvement Plan is currently in development which will be delivered over the next 12-18 months. This is a very positive response and I will continue to monitor your progress.

Approach to local value for money work from 2010/11

35 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

36 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

37 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the

results of all my local VFM audit work and the key messages for the Authority in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

In year financial performance

38 During 2009/10 the Authority managed an approved revenue budget of £20.8m expenditure on services. You performed well in year in relation to the expected use of reserves to support the in year expenditure by using £0.88m less of the general reserve than budgeted for.

39 This left the level of the general revenue balances as at 31st March 2010 at £0.5m, which is £0.6m less than 2009/10, but overall earmarked and general reserves increased from £4.3m to £5m. The Medium Term Financial Forecast sets out, over a five year period, the allocation of these reserves to support the revenue budget and limit council tax increases. This still leaves the plan with ambitious savings and efficiency targets of £2.7m.

40 The approved capital programme for the year totalled £2.26m. This included £900,000 for the first phase of the scheme to refurbish the Service's headquarters, workshops and fire station at the St Michael's Street site. The MTFS includes the Capital programme and it is progressing as expected.

2010/11 financial performance and beyond

41 As for all the public sector the Authority faces pressures from the economic downturn across the economy. The Coalition Government's Comprehensive Spending Review (CSR) announced on 20 October 2010 that there will be a:

“A 25 per cent fall to central government grant to fire authorities. The government states the fire service will need to modernise, increase efficiency and deliver workforce reform.”

42 To address the impact of the recession upon the Service a Public Value review was introduced at the outset of 2010. The Member led review, through a structured process of staff engagement, has sought to solicit the views, opinions and support of staff to form a collective strategy to address likely budget cuts.

43 A range of initiatives have been identified, which if successfully managed and implemented, will result in an incremental 25 percent reduction of the Service's budget over a four year period. The initiatives predominantly take advantage of natural staff turnover to secure savings whilst maintaining, without significant reduction, frontline services to the community.

44 The proposals allow for a gradual budget reduction (currently estimated at between £2.7 million and £2.9 million in cash terms) whilst; avoiding compulsory redundancies, maintaining all fire stations and alleviating the necessity for merger with one or more other fire authorities. In addition to the savings identified, officers remain confident that additional savings will be achievable over the same period from the continuing challenge of all contract renewals.

45 You have already realised savings in insurance premiums and officers estimate that, over a four-year period, an additional £150,000 of ongoing savings may be realisable through more rigorous contract challenges. As a consequence, it is anticipated that approximately £2.9m of savings through budget cuts may be realised over the four-year period.

46 There are also doubts over the future of the proposed regional controls centre. Although it was expected that many schemes were to be stopped, the Comprehensive Spending Review announcement on 20 October did not refer to the West Midlands Region and the project is being reviewed at ministerial level. This involves continuing discussions with the main contractor over issues on the delivery of the project, as no extra funding will be given.

47 The contract has a target date for contractual deliverables of June 2011. All non-committed expenditure funding to joint project teams around the country has been cut by 11 per cent, with a specific cut to your grant of 5.2 per cent. This has the potential to affect your future spending and budgeting, as well as the burden on the local council tax payer.

48 It is therefore an increasingly pressured and uncertain environment from a financial prospective. The robustness of your financial management and your future service and financial strategy will be key to the Authority in achieving its ambitions. For instance, the impact of back end loading of changes to the revenue support grant is unknown. You have already made savings plans and have a track record of delivering these in the past. However, you may have to revisit your assumptions once the local impact of the CSR announcements is known, to ensure they meet the significant efficiencies and savings expected.

Business continuity in the fire and rescue service

49 In September 2010 the Audit Commission reported upon business continuity in the fire and rescue service. It concluded that all fire and rescue services had adequate business continuity plans in place and that resilience, nationally, was improving. Specifically for Shropshire & Wrekin Fire and Rescue Service it concluded:

"Business continuity management arrangements are satisfactory. The Fire and Rescue Service (FRS) has adequate arrangements in place to deal with a mass absence of staff. Business continuity (BC) arrangements are supported and some plans are

exercised. Learning is captured and changes made as a result. Awareness by internal and external stakeholders of the BC strategy is limited but improving. The Service is fully aligned to the British Standard BS25999 but has not yet undertaken formal review by external audit. The intention is to provide 100% of New Dimensions assets but this is not guaranteed. The FRS identifies what capacity it needs to deal with disruptions to services but it is not clear if sufficient staff are available or if they have the skills required. The Service's call queuing and call handling arrangements are managed by BT and Cable & Wireless and there are flexible fire control arrangements in place. However, the Service is aware of these issues and plans to do more to address them."

Closing remarks

50 I have discussed and agreed this letter with the Chief Fire Officer and the Treasurer. I will present this letter at the Audit & Performance Management Committee on 30 November 2010 and will copies will be available to all members.

51 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Authority during the year.

Report	Date issued
Information security awareness	May 2010
Report to those charged with governance - Annual Governance Report	September 2010
Opinion on the financial statements	September 2010
Value for Money conclusion	September 2010
Annual Audit Letter	November 2010

52 The Authority has taken a positive and helpful approach to our audit. I wish to thank the Authority and Fire Service staff for their support and cooperation during the audit.

Grant Patterson
District Auditor
November 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£44,558	£44,558	-
Value for money	£18,942	£18,942	-
Total audit fees	£63,500	£63,500	-

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.