

Central Scotland Joint Fire & Rescue Board

Report to Members and the Controller of Audit
on the 2009/10 Audit

October 2010

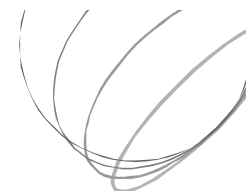


 AUDIT SCOTLAND



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Key Messages

Introduction

In 2009/10 we looked at the key strategic and financial risks being faced by the Central Scotland Joint Fire & Rescue Board (the board). We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2009/10 audit and the outlook for the period ahead.

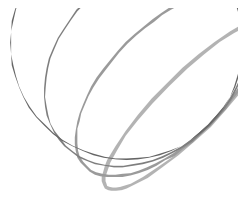
Key outcomes from 2009/10 audit

Overall, we found the financial stewardship of the board during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- We have given an unqualified opinion on the financial statements of Central Scotland Joint Fire & Rescue Board.
- Final accounts preparation procedures and working papers were good.
- As at 31 March 2010 the board remained within the revenue carry forward limits.
- Many aspects of a sound corporate governance framework are in place.
- Internal Audit concluded that “substantial assurance can be placed upon the board’s overall framework of control for the year to 31 March 2010”.
- The process of collating and reporting statutory performance indicators is satisfactory.
- The board are taking forward shared services initiatives including a Shared Services Framework in conjunction with Fire and Rescue Services at Fife and Tayside.

Key issues for the board in the future include:

- Continuing to address the challenges to the board in achieving its corporate objectives, including the introduction of an effective performance management and reporting framework.
- Delivering services in the face of reducing funding in the years 2011 to 2015 including looking for further opportunities to share services.
- Strengthening scrutiny by evaluating the effectiveness of the Best Value & Scrutiny Committee and providing an appropriate training framework for Members.

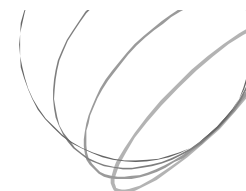


- Working with councils and other partners to deliver the outcomes of Single Outcome Agreements (SOAs).

Key issues for the attention of members are outlined in the Action Plan included in this report.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the board during the course of the audit.

Audit Scotland
October 2010



Introduction

1. This report summarises the findings from our 2009/10 audit of Central Scotland Joint Fire & Rescue Board (the board). Other detailed reports have already been issued in the course of the year in which we make recommendations for improvements (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. Findings are set out in four sections: financial statements; use of resources; governance & accountability; performance management & improvement. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the board going forward.
3. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the board in February 2010. The AAP summarises the specific governance and other risks that could affect the board's financial statements. It describes the work we planned to carry out in response to these risks.
4. Overall conclusions about the board's management of key risks are discussed throughout this report. Appendix B sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.
5. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses highlighted by auditors in this and other reports are only those that have come to our attention during our normal audit work in accordance with the Code of Practice approved by the Accounts Commission, and may not be all of the weaknesses that exist. Communication by auditors of the matters arising from the audit does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.
6. We thank the members and officers of the board for their assistance and cooperation in the conduct of our 2009/10 audit.

Financial statements

Introduction

7. In this section we summarise key outcomes from our audit of the board's financial statements for 2009/10. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
8. We have audited the financial statements and give an opinion on:
 - whether they present a true and fair view of the financial position of the board and its expenditure and income for the year;
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
9. We also reviewed the annual governance statement which sets out the findings from the board's review of the effectiveness of its governance arrangements and assessing whether disclosures in the statement are consistent with our knowledge of the board.

Overall conclusion

10. We have given an unqualified opinion on the financial statements of Central Scotland Joint Fire & Rescue Board for 2009/10.
11. The board's balance sheet has an excess of liabilities over assets of £123.190 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
12. In his Foreword to the Annual Report and Accounts, the Treasurer outlines his view that it has been considered appropriate to adopt a going concern basis for the preparation of the financial statements as constituent authorities of the board are required under the 1995 Combined Fire Area Administration Scheme Order, to meet all liabilities of the Board as they fall due. Future pension liabilities will be met, as they fall due, by government grant and contributions from constituent authorities in the normal way. We are satisfied that the process the Board has undertaken to consider going concern is reasonable.

Annual Governance Statement

13. CIPFA's *Delivering good governance in local government* recommends that the review of the effectiveness of the system of governance, including internal control, should be reported in an annual governance statement. We are pleased to note that the board's 2009/10 financial statements included an Annual Governance Statement, which sets out the findings from the board's review of the effectiveness of its governance arrangements. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Accounts submission

14. The board's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers available for audit were good and this enabled the audit to progress smoothly. Audited financial statements were finalised prior to the target date of 30 September 2010 and are now available for presentation to Members and publication.

Accounting practice

15. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). With effect from 2010/11, local authorities will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS). Because local government bodies have already adopted some aspects of IFRS, we expect the transition to be fairly smooth, but the change does require significant issues to be addressed.
16. A CIPFA/PricewaterhouseCoopers partnership was appointed to assist in the transition to fully IFRS compliant financial statements within the agreed IFRS timetable and the board has made progress in this area.
17. We were satisfied that the board prepared the financial statements in accordance with the 2009 SORP. The board has adjusted the financial statements to reflect audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Treasurer.

Audit testing

18. As part of our work, we took assurance from a number of the board's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:

- Payroll
- Main accounting system
- Debtors accounts receivable
- Cash and Bank
- Creditors payments
- Budgetary control
- Capital accounting

19. Auditing Standards require internal and external audit to work closely together to make optimal use of available audit resources. We relied on the work of internal audit on overtime, allowances, travel and subsistence to support our work.

Legality

20. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to Members' attention.

Financial reporting outlook

Compliance with International Financial Reporting Standards (IFRS)

21. As noted above, the board has made progress in this area. Although there are no formal deadlines in advance of 30 June 2011 when the 2010/11 accounts are due, the early production of a restated opening balance sheet and shadow accounts is accepted good practice. In line with good practice the board has requested that we review its IFRS restated opening balance sheet as at 31 March 2009. We intend to carry out this review and report to Members by the end of 2010.

Action Plan no 1

Use of Resources

Financial results

22. The board's net operating expenditure in 2009/10 was £22.961 million. This was met by constituent authorities' contributions of £17.402 million, resulting in an income and expenditure account deficit of £5.559 million. This represents 24.2% of the net expenditure for the year and largely reflects the unfunded nature of the Firefighters Pension Scheme.
23. The movement on the general fund balance is an important aspect of the board's stewardship as the main budget reference point. After making technical adjustments for amounts required by statute and non-statutory proper practices, a general fund deficit of £0.933 million was achieved for the year. The main technical adjustments required to arrive at the general fund balance result from:
- Capital investment being accounted for as it is financed, rather than when fixed assets are consumed.
 - Retirement benefits being charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
24. The Board's budget for 2009/10, assumed that reserves of £0.594 million would be utilised in the year. As noted at paragraph 23 above, the actual outturn for 2009/10 was a deficit of £0.933 million. In his Foreword, the Treasurer summarises the principal reasons for the adverse budget variance of £0.339 million:
- The transfer of £0.562 million from the general fund to a newly established repairs and renewals fund.
 - Employee costs were £0.760 million over budget mainly as a result of additional pensions expenditure which is being met by the Scottish Government.
 - Increased income of £0.914 million mainly due to pensions top-up funding from the Scottish Government.

Financial position

25. The board holds a general fund which consists of both earmarked amounts set aside to support future years' expenditure and a contingency for unexpected events or emergencies. At 31 March 2010, the board held a general fund balance of £0.870 million (3.8% of annual net revenue expenditure) which is within the 3-5% level identified in the board's reserve strategy.

26. The amounts carried forward by the board were also within overall carry forward limits approved by Scottish Ministers.

Capital performance

27. Capital expenditure in 2009/10 totalled £0.986 million, reducing from £1.271 million in 2008/09. Capital investment in 2009/10 was funded from government grants (£0.965 million), and capital receipts (£0.021 million). The 2009/10 capital spend represented an under spend of £0.056 million against the budgeted expenditure of £1.042 million contained in the capital expenditure programme. This underspend mainly arose due to slippage in minor works expenditure and general equipment replacement.
28. The board's capital investment programme anticipates capital expenditure of £0.940 million in 2010/11 and 2011/12, rising to £0.960 million in 2012/13. This is expected to be funded from annual government grant of £0.880 million and capital receipts.

Pension funding

29. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.
30. The Firefighters pension scheme is unfunded and has no assets to be valued. The board's estimated Firefighters pension scheme liability as at 31 March 2010 was £133.600 million (£89.800 million as at 31 March 2009). As the scheme is unfunded, the pension liability will fall to be met by serving officers' contributions and by taxpayers in the future (through constituent authorities' contributions).
31. From April 2010, the board is required to set up and maintain a new pension account. Income to the scheme comprises employee contributions and a new actuarially-based employer's contribution calculated as a percentage of pensionable pay. The employer contribution rate from April 2010 is 21.8% for the old scheme and 11.5% for the new scheme. Any shortfall in pensions will be met through a 'top-up' payment by the Scottish Government.
32. The board's estimated pension liabilities for support staff at 31 March 2010 exceeded its share of assets in the Falkirk Pension Fund (FPF) by £3.875 million (£1.137 million in 2008/09). As noted in our 2008/09 report on the audit, following an actuarial valuation of the FPF, the board, through the

administering authority, and the actuary agreed increases in employers' contributions to address the reduction in the funding level of the scheme. The theoretical contributions identified as being required equated to 23.8%, however due to the funding difficulties being experienced in the current economic climate, increases were restricted to 18% in 2009/10, 18.5% in 2010/11 and 19% in 2011/12 as part of a stabilisation strategy.

33. The implications of the decision to restrict employers' contributions will be kept under review by the actuary in the course of future valuations.

Financial Planning

34. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. Although the exact size of the funding reduction will not be known until the last quarter of the year, the board is taking steps both nationally (through the Fire Conveners' Forum and Chief Fire Officers' Association Scotland (CFOAS)) and locally to meet the difficult economic challenges. CFOAS and the Fire Conveners are working to ensure that all eight Scottish Fire and Rescue Services align their planning assumptions and processes, and that these in turn align with those of local authorities. The Fire Conveners have recently agreed a National Strategy Programme to address the spending reductions.
35. Following latest guidance the board is assessing a number of funding scenarios based around reductions ranging from 12% to 25% over the period 2011/12 to 2014/15 (weighted towards 2011/12). This equates to identifying savings of between £2 million and £4.2 million over the period.
36. The board continues to work with the CFOAS in a collective approach to explore options for adoption on a national level in order to meet the challenges ahead. Senior Management is also developing business cases aimed at achieving efficiency and other savings options while minimising the impact on front line services. This will require review of a number of areas including workforce planning, asset management, joint working and procurement.

Action Plan no. 2

Asset Management

37. The pressure to get the best out of the board's asset base and the money that is invested in it is greater than ever in the current financial circumstances. Effective management of assets is essential to help the board achieve its objectives and priorities, while getting best value from its reducing resources.

38. The board is adopting the asset management framework currently being used by the Tayside Fire & Rescue Service. The board has carried out research to ensure that the framework meets the needs of the board and intends to roll out the framework by March 2011.
39. We have previously raised concerns regarding the operational use of two combined aerial rescue pump (CARP) appliances purchased by the board in 2005/06 at a cost of over £0.8 million. Since the outset, the board has encountered a number of difficulties in bringing these appliances to full operational capability.
40. A report was presented to the Board at its September 2010 meeting which advised members that although the service will continue to seek resolution to all the outstanding issues with the manufacturer and try to identify any further engineering solutions, one option may be to seek disposal of these appliances and some exploratory advertising on a European Procurement Portal is currently taking place. The Board approved this approach at its meeting and steps are being taken to dispose of the appliances.

Procurement

41. Improved procurement practices are an important source of savings. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes.
42. Fire and Rescue Services across Scotland have a history of collaboration in procurement largely driven through the CFOAS Procurement Group. The Scottish Fire and Rescue Services have benefited from collaboration that has standardised approaches and has delivered savings and improvements in quality. In 2009, the Group was formally re-established as FireScotland Procurement, a dedicated Fire & Rescue Service Centre of Expertise. The board continues to benefit from this collaboration.

Managing People

43. In our 2008/09 Report on the Audit we noted that a formal workforce strategy was still to be developed. The significant reduction in funding in the years ahead will clearly have implications for the board's workforce. Reducing spending on staff will need to be a key component of the way in which the board responds to the challenges it faces and indeed the board has already introduced a recruitment freeze during 2010/11. The board will need to balance the requirement for savings with the need to ensure that it has the right people in the right place to take forward its strategic objectives and priorities, and that any up-front costs represent best value for money. A formal workforce strategy will be an integral part of this process.

44. The board recognised that a new workforce strategy would need to reflect the national developments in career and contribution management and planned to introduce a staff appraisal system (with a revised introduction date of April 2010) as part of its career and contribution management framework. There has been some further slippage in the timetable, however a report is scheduled to be presented to Members in November 2010 setting out the proposals for implementation of the board's Career and Contribution Management Framework.

Shared Services

45. The Accounts Commission commented on the lack of progress in developing shared services in its *Overview of the local authority audits 2008*. They recommended that high priority should be given to shared services in the light of financial pressures and the drive for efficiency.
46. In September 2009, Members approved a Shared Services Framework involving Central, Tayside and Fife Fire and Rescue Services. 10 projects have since been identified across all aspects of service delivery and support to be considered under shared services:
- Operational integration
 - Finance and procurement
 - Workforce planning
 - Community fire safety
 - Training and development
 - Information, communications and technology
 - Control room resilience
 - Legislative fire safety
 - Fire investigation
 - Performance management
47. Since then work has been in going, focussing on operational integration, information, communications and technology, workforce planning, legislative fire safety and fire investigation as the key priorities.
48. The board can demonstrate other examples of collaboration such as asset management, procurement of specialist equipment for national resilience programmes, workforce development, the use of vehicle workshops and shared premises.

Governance and accountability

Introduction

49. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. In 2009/10 we carried out a review of the governance arrangements in the board. We concluded that, overall, the board had systems in place that operated well within a sound control environment.

Scrutiny

50. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda.
51. A report entitled *Review of Committees* was presented to the Board at its meeting in June 2010. This report identified that there may be insufficient clarity in defining the overarching roles of certain committees, particularly in the case of the Best Value & Scrutiny Committee and the Resources and Joint Consultative Committee.
52. In the action plan contained in our 2008/09 Report on the Audit, the board also agreed to develop a Best Value & Scrutiny Committee self-assessment checklist to be submitted to committee early in 2010. Our report also highlighted that the CIPFA/SOLACE publication "*Audit Committee Principles in Local Authorities in Scotland*" contains a good checklist for this purpose.
53. Following the review of committees in June 2010 the Board approved revised committee remits and reporting arrangements. In particular, the remit of the Best Value & Scrutiny Committee was clarified to confirm that it had a scrutiny role with respect to best value, the promotion of internal control, performance management and audit and financial management and was extended to include scrutiny of the Service's arrangements for risk management. We note, however that no self-assessment checklist has yet been prepared.

Action plan no. 3

Roles and relationships

54. The Accounts Commission recommends that priority is given to the continuous professional development of Members. A number of events have previously been organised by the board,

although the majority of these have been of an informational and instructional nature rather than formal training in terms of Members' Personal Development Plans.

55. A report was presented to the Board in June 2010 recommending that it should re-examine the training programme for Members and consider how best the continued development of members be facilitated. The report recommended that a further Training Needs Analysis be undertaken to assist in the identification of further training needs. Work in this area remains to be completed.
56. Job Descriptions are not in place for Members setting out their role as Members of the Board. Job descriptions would provide useful guidance on the role of board members in areas such as partnership working and scrutiny.

Action plan no. 4

Partnership Working

57. The board is a partner in the Clackmannanshire, Falkirk and Stirling Community Planning Partnerships and together with its community planning partners has a strong commitment for working together for the benefit of the local area.
58. Strategic Community Plans are in place for all three areas which set out the key partnership priorities and are underpinned by 2009-2012 single outcome agreements which aim to provide improved outcomes for the communities.

Public performance reporting

59. Local authority bodies have a clear statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions (Local Government in Scotland Act 2003). Statutory guidance on Best Value requires local authority bodies to manage performance effectively with a view to continuous improvement. This should reflect the local context in which they operate and their own particular priorities.
60. The board currently reports performance to stakeholders through the performance statistics on its website, with a combination of statutory performance indicators and locally determined indicators. The board also publishes on its website, an annual performance management report which provides a direct link between the board's performance and the Single Outcome Agreements prepared and submitted by the board and its Community Planning Partners. The 2009/10 performance management report is not yet included on the board's website.
61. An Administration and Performance Officer was appointed in April 2010. This appointment is seen as having a key role to play in further developing the board's Public Performance Reporting processes.

Governance and internal control

62. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.
63. In his Internal Audit Annual Report 2009/10, the Head of Internal Audit confirmed that substantial assurance can be placed upon the internal controls in operation throughout the board.
64. Our review revealed that Internal Audit met the requirements of the CIPFA Code of Practice for Internal Audit in Local Government and that we were able to place reliance on them to support our audit work.

Prevention and detection of fraud and irregularities

65. The board has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. The board has an approved Anti-Fraud Policy and Fraud Response Plan which contribute to sound arrangements to prevent and detect fraud and corruption.

NFI in Scotland

66. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant outcomes for Scottish public bodies (£21 million during the 2008/09 NFI cycle and £58 million cumulatively up to end March 2010). If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
67. The most recent data matching exercise collected data from participants in October 2008 and the national findings were published by Audit Scotland in May 2010. Instructions for the 2010/11 NFI exercise were issued by Audit Scotland in June 2010 and participants should be preparing to provide the requested data by early October. The national report published in May 2010 included a self-appraisal checklist that all participants were recommended to use prior to NFI 2010/11.
68. We monitored the board's involvement in NFI during the course of the audit and found that the Treasurer had taken appropriate steps to manage the process. Similar arrangements are anticipated for the new round of NFI in 2010/11.

69. Although no cases of fraud have been uncovered and no savings have as yet been generated, assurance may be taken about the internal arrangements to assist in the prevention and detection of fraud.

Outlook

70. Governance and accountability issues are likely to be prominent as the board's operating environment and economic position becomes more difficult and the development of working in partnership with others increases.

71. In the coming years the board faces challenges to improve its governance arrangements, including

- Evaluating the Best Value and Scrutiny Committee to ensure that it is operating effectively.
- The development of Training Needs Analyses, Personal Development Plans and Job Descriptions for Members.
- Further development of the board's public performance reporting.

Performance management and improvement

Introduction

72. An effective organisation has a clear and ambitious vision for what it wants to achieve to secure high quality services and effective outcomes for service users. The vision should be backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery.

Vision and strategic direction

73. The board has a service development plan which sets out its long term vision and its five strategic priorities:
- Delivering safer and stronger communities.
 - Influencing community behaviour.
 - Reducing the impact on the environment.
 - Providing value for money for communities.
 - Acting as a good employer.
74. Effective strategic planning requires a clear link between corporate planning, service planning and financial planning. We have previously identified scope for improving the board's arrangements to provide robust evidence of clear linkages in the processes. Action was agreed by the board to demonstrate closer links between business cases and the strategic objectives of the organisation in time for the 2011/12 planning process.
75. We have been advised that the board is developing a different style of Service Development Plan which will be available in early 2011/12 and which will identify not only the strategic priorities of the board but also the measures for achievement of those objectives. We intend to monitor progress in this area.

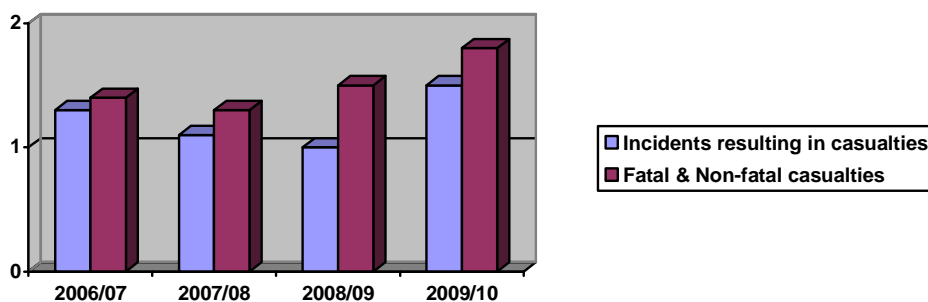
Performance management

76. The board currently reports a combination of statutory performance indicators and local performance indicators. Our review revealed that the process of collating and reporting statutory performance indicators is satisfactory.
77. Information is reported for eight local indicators:
- Provision of advice to householders.
 - Response time to fires in domestic premises.
 - Staff turnover.
 - Ethnicity of male and female personnel.
 - Number of detectors installed.
 - Response time to road traffic collisions.
 - No. of disabled Fire & Rescue personnel.
 - Staff enrolled on accredited development programmes.
78. Information has been collated and published for 2009/10 which will provide a baseline for comparison in future years.
79. The statutory and local performance information is also linked to the standards and targets set out in the three single outcome agreements produced by the Community Planning Partnerships in Clackmannan, Falkirk and Stirling.
80. The board appointed an Administration and Performance Officer in April 2010 who has been key in developing a draft Performance Management Framework for the board. The Framework was approved by the Senior Management Team on 1 September 2010 and will be submitted to the Best Value & Scrutiny Committee in November 2010. We shall continue to monitor progress in the performance management arrangements following the introduction of the Framework.

Overview of Performance (Statutory Performance Indicators)

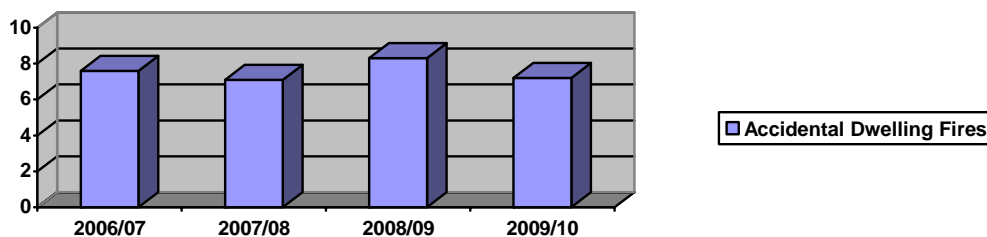
Fire Casualties

81. Performance in this area has deteriorated with increasing numbers for both incidents (from 1.0 per 10,000 of population in 2008/09 to 1.5 in 2009/10) and casualties (from 1.5 per 10,000 of population in 2008/09 to 1.8 in 2009/10). However both indicators compare favourably to the 2008/09 Scottish averages of 1.9 and 2.6 respectively (the latest available comparative year).



Accidental Dwelling Fires

82. Performance in this area is improving with numbers decreasing from 8.3 per 10,000 of population in 2008/09 to 7.2 in 2009/10. This indicator also compares favourably to the 2008/09 Scottish average of 10.3.



Proportion of working time lost due to sickness absence

83. Sickness absence levels improved in 2009/10, with the number of days lost by rider shifts due to sickness and light duties falling from 6 days to 5.6 days. For all other staff, the number of days lost due to sickness fell from 8 days to 5.4 days. Both indicators compare well with the 2008/09 Scotland average performance of 8.4 days and 7.1 days respectively (the 2009/10 comparator is not yet available).

Equality and Diversity

84. The board has approved a Single Equality Scheme which includes an action plan for the delivery of equality and diversity initiatives throughout the Service. The Single Equality Scheme details the board's commitment to equality and diversity and embedding these principles into its operating activity is a requirement of the Equality Act 2010. Progress against the action plan is reported on an annual basis.

85. The board has also identified local equality and diversity performance indicators covering ethnicity of male and female personnel and the number of disabled Fire and Rescue personnel. Baseline information has been collated for these indicators and progress on these indicators will be regularly monitored.

Efficiency & Improvement Programme

Change Management

86. The current economic climate and the reduction in public sector spending present significant challenges to the board. Despite the reductions in funding, there is increasing demand on fire and rescue services and the board needs to explore whether there are better, more cost effective ways of delivering quality services. The board recognises that difficult decisions will have to be made over the next few years and a significant programme of change is inevitable.

Self Evaluation

87. To help achieve best value it is essential that the board undertakes a critical review of its overall improvement activity. Self-evaluation will be an important tool in managing future performance. The board needs to consider how well it coordinates all of its improvement activity and reviews to ensure that it systematically identifies key areas for improvement and ensures that it implements the actions necessary to improve effectiveness and efficiency.
88. In the action plan contained in our 2008/09 Report on the Audit, the board stated that it was considering the appropriateness of adopting the Public Service Improvement Framework (PSIF) as a mechanism for self-evaluation and that it intended to commence work on the project by April 2010.
89. Funding for the PSIF framework was not made available in 2010/11 and as a result the Framework was not progressed. We have been advised that this will be re-considered for the next planning cycle but with the difficult economic environment an alternative solution may need to be found.

Action plan no. 5

Risk Management

90. The Board has a risk management policy in place and has carried out a review of its Corporate Risk Register. Operational risks are monitored as part of the Integrated Risk Management Plan process and a full review of operational risks to personnel has commenced to identify gaps in processes which need to be addressed. The next step will be to fully embed risk management within the organisation.

91. The remit of the Best Value & Scrutiny Committee has been amended to include risk management within the committee's scrutiny arrangements. We will continue to monitor progress in the Board's development of its risk management framework.

Performance outlook

92. Effectively managing the board's performance will remain a key challenge as budgets are reduced. The board will need to make difficult decisions about its priorities and the service that it intends to provide over the coming years. Crucially, the board will need to use its performance information to understand and manage the effect of spending decisions.

Appendix A: Reports and Opinions

External audit reports and audit opinions issued for 2009/10

Title of report or opinion	Date of issue	Date presented to Best Value and Scrutiny Committee
Annual Audit Plan	26/02/10	12 March 2010
Governance and Internal Control	02/07/10	Scheduled for next Best Value & Scrutiny Committee (5 November 2010)
Report on financial statements to those charged with governance	26/08/10	N/A (to be presented to the Board)
Audit opinion on the 2009/10 financial statements	30/8/10	N/A (to be presented to the Board)
Annual report to the members and the Controller of Audit	30/10/10	N/A (to be presented to the Board)

Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	21	<p>IFRS</p> <p>The introduction of IFRS is a significant change to local government accounting and will need to be effectively managed.</p> <p>Risk: Insufficient attention is paid to the introduction of IFRS, meaning that the council is unable to prepare compliant accounts in time.</p>	Action Plans will be prepared to ensure that the relevant responsible people are aware of tasks to be completed to ensure production of the 2010/11 Accounts by the due date.	Treasurer	November 2010
2	34-36	<p>Financial Planning</p> <p>Moving forward it is important that the board has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate.</p> <p>Effectively managing performance will remain a key challenge as budgets are reduced. Crucially, the board will need to use its performance information to understand and manage the effect of spending decisions.</p> <p>Risk: the board is unable to meet expenditure commitments from available income and available funding is not effectively directed to priorities.</p>	The Board receives regular reports from the Chief Fire Officer/ Treasurer regarding forward financial planning, but still awaits figures from government to clarify the level of savings required in 2011/12 – 2014/15. In respect of the current financial year 2010/11 the Board receives regular reports on financial and service performance.	Chief Fire Officer/ Treasurer	Ongoing
3.	53	<p>Scrutiny</p> <p>The Board has not assessed the Best Value and Scrutiny Committee to ensure that it is carrying out its functions in an effective manner.</p> <p>Risk: the committee may not be effective in scrutinising the activities of the board and holding management to account.</p>	We have re-examined the functions of the board's sub committees and realigned them with new terms of reference. As a consequence of this exercise, we will look to undertake a review sometime in the new year, once the amended terms of reference have settled.	Clerk to the Board	March 2011

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4.	54-56	<p><i>Roles and relationships</i></p> <p>Adequate training should be provided to Members to enable them to fully participate in an effective manner in scrutiny activity. The board may also wish to consider introducing Job Descriptions for Members which would provide guidance on the role of members in areas such as scrutiny and partnership working.</p> <p><i>Risk: the development needs of Members may not be effectively met.</i></p>	TNAs are currently been looked at and we are liaising with HR advisers in its content. We are examining the possibility of holding a joint TNA session with Members of the Police Board. At present we are looking at identifying a suitable date, with the hope it may be able to take place in the new year.	Clerk to the Board	March 2011
5	87-89	<p><i>Self Evaluation</i></p> <p>To help achieve best value it is essential that the board undertakes a critical review of its overall improvement activity. Self-evaluation will be an important tool in managing future performance. No decision has yet been made in regard to taking forward a self-evaluation mechanism.</p> <p><i>Risk: The board may be unable to assess its improvement activity in a robust manner and may not be well placed to deliver best value.</i></p>	As noted at paragraph 89, we were unable to allocate funds or personnel to adopt the framework in the current year. It will be considered again during this year's planning process but with reducing numbers of personnel in the service and budgets being as difficult as they are, it may be that we seek alternative solutions.	Director of Support Services	Ongoing