

Annual Audit Letter

Shropshire Council

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.

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Key messages

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

- **the audit of your financial statements (pages 6 to 11);**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 12 to 17); and**
- **the inspection of the Benefits Service (pages 18 to 20).**

Overview

1 This was the first year of the new unitary Shropshire Council following local government reorganisation (LGR). The process of LGR presented a significant challenge for you in ensuring that the services provided by the demising district councils and County Council were properly integrated into the new Council, whilst maintaining the provision of good quality services to the public. The fact that the Council achieved a successful transition is testimony to the hard work of officers and members in driving the process through.

2 However, there are challenging times ahead. Unprecedented Government funding cuts will mean that councils and other public services will need to work both harder and smarter. Your focus on a successful transition has meant your capacity to fully work through the potential impacts of any cuts and the full range of possible responses was reduced. You have recognised this and are now clearly focussed on meeting this challenge.

3 The provisional financial settlement was announced on 13 December 2010, with the frontloading of cuts. You have indicated your anticipated reduction to be in the order of £66 million over a four-year period. The funding shortfall, known pressures and growth requirements all need to be managed for 2011/12. Your latest estimates for the next three years are £30 million savings in 2011 and £38m in the next two years. Additional savings were identified to meet the grant cuts in the 2010/11 financial year. You are currently working through the detail, but through the 'Join the Conversation' campaign, organised and co-ordinated by the Council, all local public services, including the Council, the police, the fire and rescue service, the health service's primary care trust, and Jobcentre

Plus, are coming together to help shape the changing face of public services in Shropshire.

4 This is an ambitious programme, but the Council, and its predecessors, has a good record of delivering change and savings. There will undoubtedly be uncertainties for staff and the public during this period. Both members and senior management will play a key role in communicating and managing the changes and ensuring high quality services are maintained. I will continue to work closely with you over this period of transition and transformation.

Comprehensive spending review

5 The October 2010 Comprehensive Spending Review (CSR) stated that local government will face average annual cuts of 7.1 per cent to its funding over the CSR period from April 2011. The recent provisional settlement has confirmed these will be front loaded. You have already been proactive in recognising the need for change, including an application to Government for the capitalisation of redundancy costs. You have indentified around £12 million of the estimated £19 million savings required in 2011/12, but there is still more to be found, and further savings proposals are being worked up for decision in the next two months. There are detailed plans for a restructuring of roles and responsibilities across the organisation, and you are in the process of amending the terms and conditions of staff, to reduce costs and to improve productivity.

6 You have also produced outline plans as to how services will be provided differently in future and have set out a framework of your priorities for future investment and disinvestment. The key aim being to protect resources for frontline services and make these services more accessible to users. You have however recognised that compulsory redundancies will be required, but are seeking to reduce the number of these, to avoid severance costs and preserve the capacity to deliver the changed ways of working quickly.

7 Maintaining financial resilience in the light of these pressures will be key. The Council's current reserves policy is to maintain general fund balances of between 0.5 per cent and 2 per cent of the gross revenue budget. At 31 March 2010, the General Fund balance stood at £2,875k. This represents 0.5 per cent of the gross revenue budget and is at the minimum level set by the Council.

8 The Interim Head of Finance is conducting a risk based review of what an appropriate level of reserves is for the Council in light of the future financial pressures. For effective financial management and the maintenance of a sound financial position, it is important that Members determine a level of reserves which is more appropriate to these new circumstances and continue to closely monitor the financial position, which is now reported on a monthly basis, as opposed to quarterly.

Audit opinion and value for money

9 I issued unqualified opinions on your financial statements and those of the Pension Fund on 30 September 2010. I have not been able to issue you with a letter to close the audit of the accounts, as I am still addressing issues raised by members of the public, in respect of waste management and public transport, who have made objections to specific areas of expenditure in the accounts.

10 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 opinion. This performance reflects the hard work of officers and members in maintaining the effectiveness of services during this period of transition.

11 I undertook a review of joint working arrangements that exist between the Council and Shropshire Primary Care Trust (SPCT) which assist in the improvement of public health in Shropshire. There are examples of good arrangements in place across the arrangement but considerable challenges and risks remain during the next two years as GPs gradually assume responsibility for commissioning. The Council and the PCT need to ensure that the issues identified are addressed in the transition to you taking on the public health responsibilities, and you have put in place new management arrangements to specifically address this.

Benefits inspection

12 All of the new unitary councils that came into being on 1 April 2009 are subject to an Audit Commission inspection of their housing benefits service. You were assessed as providing a 'fair', one-star service that, because of the approach you have adopted, has promising prospects for improvement.

13 The transition to a unitary council has been managed well both corporately and at a service level. The new service delivery arrangements have saved £781,000 in the first year. You are proactive and successful in promoting the take-up of welfare benefits. The Service works well with its partners and stakeholders to help vulnerable people to get money advice and information on other benefits, providing an excellent service particularly for older people.

14 There have been some work backlogs particularly around claim processing. Dealing with these challenges has dominated the first year of the new combined service. Senior managers have had a positive impact on the Service, both in raising expectations, improving performance and in starting to change the organisational culture of the service. As a result the speed of processing new claims and reported changes has improved in 2010/11 and is now consistent across the County.

Financial statements and annual governance statement

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

I gave unqualified opinions on the Council's 2009/10 financial statements and those of the Pension Fund on 30 September 2010.

Overall conclusion from the audit

15 My detailed conclusions from my audit of the Council's 2009/10 financial statements and the Pension Fund Annual Report are included in my Annual Governance Reports. I presented these to the Audit Committee on 16 September 2010 and the Pensions Committee on 30 September 2010. I have agreed a detailed action plan for the recommendations made. I do not therefore make any recommendations in this report but summarise my findings for information.

16 This has been the first year of the new Council. The transition from a County Council to a Unitary has required a considerable effort by the Council and its staff in combining the five demised district councils with the continuing services of the previous County Council. This has also placed pressures on departments such as Finance, who had to properly account for this transition, at the same time as addressing other significant issues such as complex accounting for Private Finance Initiative (PFI) projects and addressing the need for future budget reductions.

17 Against this background of change, it was not unexpected that a number of issues arose during the audit, which required changes to the financial statements. However, no material amendments were made to the primary statements.

Audit opinions

Shropshire Council

18 I issued an unqualified opinion on your financial statements on 30 September 2010. In my opinion:

- the accounts gave a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

19 I have not been able to issue you with a letter to close the audit of the accounts as I am still addressing issues raised by members of the public in respect of waste management and public transport, who have made objections to specific areas of expenditure in the accounts.

Shropshire County Pension Fund

20 I am required to issue an opinion on the Pension Fund accounts, separately from the Shropshire Council opinion. I issued an unqualified opinion on 30 September 2010.

21 As part of my audit work on the Pension Fund, I am required to provide the Auditors of other bodies who contribute to the Pension Fund with assurance that the figures in the other bodies' accounts in respect of the pension fund are fairly stated. I was able to give such assurance.

Whole of Government Accounts

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

23 To support these accounts, I am required to submit a consolidation pack which summarises the Council's financial statements in a consistent way with all other local government bodies.

24 I submitted this consolidation pack on 5 October 2010, with a statement confirming that it was consistent with the Council's audited financial statements. The processing of late changes to the main financial statements meant this was two working days after the departmental deadline. I am working with officers to ensure this does not occur again.

Significant issues arising from the audit

25 There were no significant issues arising from the audit. The draft financial statements were given to us on the agreed date and were supported by very good working papers.

26 At the commencement of my financial statements audit, I noted that there were eleven members who had not completed their 'Disclosure of Related Party Transactions Statement 2009/10'. Action by Finance ensured all members completed their disclosure by 20 September 2010. However, the Council will need to ensure that procedures are reviewed to ensure that all Members appropriately complete their annual disclosure prior to the authorisation of the financial statements. Ideally, this would mean all returns being completed by members in April.

27 Amendments were required to the financial statements, primarily to reflect classification errors such as the recording of accrued interest on loans. There were two non trivial errors which were not adjusted in the 2009/10 financial statements relating to the International Financial Reporting Interpretations Committee (IFRIC) 12 restatement of the Quality in Community Services PFI scheme whereby the Council has recognised the initial asset and liability arising from the transaction at valuation, rather than at cost. The cumulative effect of the misstatement arising from 2006/07 is £3.251 million which represents the required adjustment to show the correct position at 31 March 2010. The Council will be considering adjusting the 2010/11 financial statements for this item, but they do not affect the underlying financial position of the Council, just the way it is presented.

28 There were a number of amendments required to disclosure notes including accounting policies, fixed assets and reserves. These were corrected during the course of the audit.

Significant weaknesses in internal control

29 I did not identify any significant weaknesses in your internal control arrangements. However, with the pressures on public finances beginning to impact upon the Council, the need to maintain and develop internal controls is greater than ever. It is important that Members continue to recognise the need to maintain the integrity of the internal control environment in the future, for example, the importance of organisational checks and balances to control risk.

Level of reserves

30 The Council's current reserves policy is to maintain general fund balances of between 0.5 per cent and 2 per cent of the gross revenue budget. At 31 March 2010, the General Fund balance stood at £2,875k. This represents 0.5 per cent of the gross revenue budget and is at the minimum level set by the Council. The Interim Head of Finance is now conducting a risk based review of what an appropriate level of reserves is for the Council in light of the future financial pressures and the role of a unitary council. It is

important that Members determine a level of reserves which is more appropriate to these new circumstances and closely monitor the financial position of the Council to ensure that a sound financial position can be maintained.

Treasury management

31 The ongoing low interest rates have significantly affected the Council's income. The Council continues to operate a prudent approach to its investments and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. Latest information provided to members in September 2010 shows that the Council achieved a return of 0.63 per cent on the Council's cash balances, outperforming the benchmark by 0.23 per cent.

32 The Council has a claim in place for the £1 million deposit placed by Bridgnorth District Council with the Icelandic Bank, Landsbanki. This has been accepted as a priority claim by the Landsbanki Winding up Board. The latest details indicate that 95 per cent of the deposit may be repaid in the future. The first payment of 22 per cent is now not expected until October 2011, with annual payments of 9 per cent in October each year until 2017, with the final payment of 19 per cent being made in October 2018. However, due to challenges being made by non priority creditors, there remains some uncertainty as to the exact timing and level of the repayments, which could reduce further.

Pensions liability

33 The pressures on maintaining the adequacy of the pension provision for local government employees continues to rise and the recent Hutton report indicates the need for future changes. At Shropshire Council, the Council had a funding level of 81 per cent at 31 March 2010, which has been benchmarked as one of the highest funding levels of local government pension schemes. Shropshire Council also has the second lowest employer contribution of 29 councils surveyed by the Society of Council Treasurers.

34 The liability at 31 March 2010 was £325 million which will place additional pressures on the Council's finances in the future. There were changes announced in the emergency budget in June 2010 which will reduce the liabilities by approximately 5 per cent and the outcome of the latest Actuarial review provides further information as to how the deficit can be addressed in the future. The good management of the scheme to date within the current statutory framework should put the Council in as good a position as any to meet the future challenges and any changes that will arise from the completion of Lord Hutton's report into public sector pensions.

35 Following a Cabinet decision on 22 December 2010 the Council will also extend the period over which it addresses the reduction of the liability, which is currently over 22 years, so that, the annual impact is contained to a small increase. This is within the periods identified by the Audit Commission

in its recent national report on pensions, which show that the recovery periods for English local government pension funds varied from 10 to 30 years, and the average is 20 years.

International Financial Reporting Standards in local government

36 The content and format of the financial statements will change next year with the implementation of new requirements for the accounting for local government bodies in accordance with International Financial Reporting Standards (IFRS). I am in an ongoing dialogue with Finance officers of the Council regarding progress in addressing these requirements and have no issues to report to you at this time. Given the significance of these changes this will bring to the content and format of the financial statements, the Audit Committee may wish to satisfy itself that it will have the necessary skills and knowledge to fulfil its duties when approving the accounts in June 2011. I would be happy to assist the Council with this if you believe it would be helpful.

Certification of grant claims and returns

37 I am in the process of finalising my audit of grant claims relating to the 2009/10 financial year. Claims were submitted for audit by the Council within the agreed deadlines. I have presently completed the audit of the following claims, which were unqualified and with limited amendments being made to the values recorded in the claims.

- Pooling of Housing Capital Receipts.
- NNDR3 Return.
- HRA Subsidy Base Data Return 2011/12.
- Disabled Facilities Grant.
- Sure Start Grant.

38 The other claims upon which the audit has yet to be completed are as follows.

- Housing Benefit and Council Tax Benefit.
- Teachers' Pensions return.
- HRA Subsidy.
- Advantage West Midlands (AWM) returns.
- At this stage of the audit, I do not anticipate any significant issues arising on the above claims.

Questions and objections from electors

39 I have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to my attention in order for it to be brought to the attention of the public. In addition, there I have other responsibilities under the 1998 Act, including investigating questions or objections from electors on the Council's accounts.

40 During the 2009/10 financial year, I have conducted investigations which have arisen from issues raised with me by local electors. These cover the following areas.

- The operation of two bus services (North Shropshire Link and 49 Link) in which it was claimed that the expenditure was unlawful.
- Expenses incurred by an ex Chief Executive whilst staying in a hotel whilst on official business.
- A claim that expenditure on the Prees Heath Lorry Park is unlawful.
- Validity of expenditure on the waste management contract

41 As a result of my work I have concluded, subject to any rights of appeal, that no further work is required under my powers or responsibilities as a District Auditor. The one exception is that relating to the waste contract as the legal case at a national level has recently concluded and I am awaiting advice on any possible implications in respect of my audit responsibilities.

National Fraud Initiative

42 The National Fraud Initiative data returns have been submitted in line with expected timescales. The Council has investigated the information provided by the exercise. As a result of this, the position at 14 October 2010 shows a total savings of £48,718 of which £6,259 relates to pension payments and £42,459 relates to housing benefit payments.

Value for money

I considered whether the Council 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

43 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 cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

44 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.

VFM conclusion

45 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.

46 This 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
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Strategic asset management	Yes
Workforce	Yes

47 On the basis of the above I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. I report the significant findings from the work I have carried out to support the vfm conclusion below.

Managing finances

48 The Council has processes for integrating financial planning with strategic and service planning. This helped you in the move to unitary status and in making savings of around £10.2 million – higher than your target of £7 million. These have worked well to date but you have recognised the need to revisit them given the unprecedented reductions in funding you are facing. As part of the move to unitary, the Council has a target of equalising performance in previous District Council services. You are making good progress in this area, although housing is proving to be more difficult due to the understating of the poor condition of the housing stock by the predecessor District Councils involved.

49 Your processes for engaging with local people over resource allocation are strong. The network of Local Joint Committees and a web-based tool have been used to obtain feedback on budget proposals. As a result, a number of key issues were raised, such as improvements in transport for children and adults with learning difficulties. The Council is good at operating within its overall budget and maintaining levels of performance. For example, education performance is better with 72.4 per cent of students

achieving five or more A* to C grades at GCSE compared to 68 per cent in the previous year.

50 During December 2009 the Care Quality Commission carried out an inspection into how well the Council was performing in safeguarding adults whose circumstances made them vulnerable and how well the Council was performing in increasing choice and control for adults with learning disabilities. In both areas CQC found the Council was performing well.

51 The Council has a strong, overall financial culture with a good structured approach to developing financial skills for officers and elected members. The Council has a very good understanding of its costs and carries out extensive benchmarking which leads to savings targets in higher cost areas. There is a strong approach to making efficiencies, assisted by a comprehensive programme of lean service reviews in such areas as Housing, Pest Control, Shire Services and children's placement services. Excellent value for money has been obtained through the use of e-auctions for the provision of school transport services with projected savings of £900,000 over the next five years. Also, savings of around £600,000 in insurance premiums have been achieved following the move to unitary.

52 The Council consistently produces its financial statements within deadlines with detailed working papers. Finally, external reporting arrangements are good with summary financial information provided to a range of stakeholders in a variety of formats.

Governing the business

53 The Council has developed a good understanding of local needs. You use this to commission and procure services and goods, working with your partners to focus resources on prevention. You have engaged well with local people in developing commissioning models for services and, via the allocation of budgets to the Local Joint Committees, local people are able to influence local spending decisions.

54 You use your good understanding of the local supply market to improve procurement – for example, in the areas of school transport and early year's provision. The Council has a good approach to evaluating the potential advantages of specific procurement options. Good quality data is provided to decision-makers and this has helped the Council to improve outcomes – examples include the reporting of road traffic accidents which has led to targeted education programmes with consequent reductions in accident numbers. This links well with your strong performance management approach which has helped to tackle areas of weaker performance including long-term sickness absence, pockets of poor recycling across the county and high levels of rent arrears in Oswestry.

55 The Council has a good approach to ensuring the security of its data. It has a range of policies which have been updated since the move to unitary and training has been delivered for all new elected members. The Council had one security breach in 2009/10, but swift action was taken preventing any negative impact on individuals.

56 Robust governance arrangements were put in place following the move to unitary including the cabinet, the Local Joint Committees, a new code of corporate governance, an improving scrutiny function and the appointment of member champions. You worked well with your partners to strengthen partnership arrangements in the LSP. You are now working, through the 'Join the Conversation' initiative, to ensure that all local public service arrangements meet the new challenges place upon them.

57 The Council has a strong ethical framework including training for members. This has resulted in a low number of complaints against elected members. Risk management is robust, both within the Council and in partnership, and helps to deliver improved outcomes. The Council has good processes in place to counter fraud and corruption, including a strong internal audit function and a well-run and effective Audit Committee.

Managing resources

58 The Council has a good strategic approach to managing its assets ensuring that they are used to help deliver the Council's priorities. Every main service area and school has its own asset management plan and there are good links between these plans and issues of sustainability. There is active elected member involvement in the management of your assets and a robust and effective approach to asset disposal which, in 2009/10 exceeded the target of £3 million, although this will be more challenging in future years, given the decline in property values in the current economic recession,.

59 In addition, the Council has a good operational approach to managing its assets. All ex-district Council assets have been mapped and logged, resulting in a comprehensive database of assets being in place by April 2009. Condition surveys on all buildings have been carried out and programmes of planned maintenance are in place. You also have a good approach to measuring the performance of assets in terms of energy and cost, leading to targets to cut both costs and CO2 emissions.

60 Working with your partners across the county, the Council has a good approach to making best use of its assets to improve the service offer to local people. Ex-district Council headquarters buildings have been used to house ex-County Council services such as children's and adults' social care provision. In addition, there are a number of examples of statutory and voluntary sector partners making use of freed-up space in ex-district Council buildings. These moves have meant that the public have better access to services locally including sure start and substance misuse teams.

61 The Council has a good approach to training and developing its staff so that individuals and teams are better placed to deliver corporate priorities. Examples of this include work with housing and street scene staff to develop a more consistent and higher quality service offer. You are working well towards developing a single workforce strategy document and have a good approach to succession planning. You understand the specific recruitment difficulties you face in areas such as children's social work and have worked

well to address these problems. You are also working with the local PCT to deliver a talent management strategy, aimed at strengthening both organisations' senior management.

62 During the transition to unitary status, the Council demonstrated a strong approach to supporting staff. The transition was relatively smooth with limited disruption for staff and service delivery, and was supported by a good communication strategy. As a result of the merger of the six previous authorities, substantial savings were made with no compulsory redundancies.

63 The Council has a good and improving approach to equalities. Together with its partners it has developed a single equality scheme for Shropshire while, in the meantime, it is delivering on its own programme of equality impact assessments. Examples of improved outcomes as a result of this approach include work with the Police around hate-crime and increased employment for people with disabilities.

Risk based review of Joint working arrangements to improve public health

64 I undertook a review of joint working arrangements that exist between the Council and Shropshire Primary Care Trust (SPCT) which assist in the improvement of public health in Shropshire.

65 The Council and the PCT have had extensive joint commissioning arrangements with each other over recent years, including some £80 million of jointly commissioned healthcare. The creation of a new Unitary Council in Shropshire presented a risk that poor VFM could result from new and weaker joint commissioning structures. My review has not yet been formally reported, but has been agreed by senior officers in both organisations.

66 I found that the two organisations have good arrangements to understand local public health issues, although there is a need for a clearer set of priorities. Joined-up financial planning is underdeveloped, but joint budgets are used on specific projects. Commissioning and procurement arrangements are generally ad hoc but effective. Action Plans are in place for some key issues and risk management is improving, although it needs to be better linked to agreed priorities.

67 There are good performance management arrangements in place, although measuring value for money is less developed and there is no structured approach to learning. Governance arrangements for public health work are adequate, but a sharper focus for elected members and Non Executive Directors (NEDs) is needed.

68 There are good examples of joint operational use of assets in delivering projects, but this needs to be more strategic. There is an emerging approach to assessing the environmental impact of public health initiatives. Finally, workforce planning is becoming more joined-up, with some good examples of staff from each organisation being used to deliver projects.

69 Considerable challenges and risks remain during the next two years as GPs gradually assume responsibility for commissioning. The Council and the PCT will need to ensure that the issues identified are addressed in the transition to the Council taking on the public health responsibilities in 2013.

Approach to local value for money work from 2010/11

70 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 has introduced a new, more targeted and better value approach to our local VFM audit work.

71 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.

72 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 Council in my annual report to those charged with governance and in my annual audit letter.

Inspections

The Audit Commission conducted an inspection under section 10 of the Local Government Act 1999 which is in line with the Audit Commission's strategic regulation principles.

It assessed your performance against the criteria specified by the Audit Commission and the outcomes have been reported separately.

Benefits inspection

73 All of the new unitary councils that came into being on 1 April 2009 are subject to an Audit Commission inspection of their housing benefits service. You were assessed as providing a 'fair', one-star service that, because of the approach you have adopted, has promising prospects for improvement.

74 The transition to a unitary council has been managed well both corporately and at a service level. The Service is making good progress in providing value for money to its customers. The new service delivery arrangements have saved £781,000 in the first year. The Council has done well on delivering the promises made in the first year of the new council – improved advice and take up. But the service is only now developing a track record of delivering improvement in processing times. Five different services have been merged into one successfully. The speed of processing new claims and reported changes has improved in 2010/11 and is now consistent across the County.

75 Benefit IT systems are now integrated in the Benefits Service (the Service) and procedures have been standardised. There have been some work backlogs particularly around claim processing. Dealing with these challenges has dominated the first year of the new combined service. The Service has delivered on most of its promises in the first year of being a unitary council – particularly in terms of consistent service quality, improved advice and successfully promoting the take up of benefits for older people.

76 During the period of transition the Service has been successful in avoiding causing hardship or eviction for residents and has received good feedback from customers. But, its focus on the advantages of redesigning the service for long term good has meant that it has taken too long to pay people benefits – on average 46 days for new claims in 2009/10. Early signs suggest the Service has turned the corner on this key issue and is processing new claims in 27 days in June 2010. For changes in customer's circumstances, in 2009/10 it took an average of 12 days to process the amendment, well below the Service's challenging target of five days. It also takes too long to deal with appeals.

77 The Council is proactive and successful in promoting take-up of welfare benefits. To increase take-up, the benefits visiting team merged with the corporate welfare and income team to create a visiting service that gives customers a full range of advice and support on getting the benefits they are entitled to. The Service works well with its partners and stakeholders to help vulnerable people to get money advice and information on other benefits, providing an excellent service particularly for older people. The goal is to give a full benefits check for all customers. In 2009/10 the team brought in £2.4 million extra benefit to residents of Shropshire. However, it has not been helping as many vulnerable people as it could through the discretionary Housing Payments scheme (DHP).

78 The Council offers a wide range of face to face offices with flexible opening times. A new office has been opened to respond to need in the relatively deprived town of Market Drayton. The quality of benefit advice is now consistent across the county. The Service has a good range of leaflets and information available to customers. Its website is clear and easy to use. Access to the Service for people with specific needs, for instance the hard of hearing, is satisfactory. The quality of customer care for visitors to the offices is satisfactory, but the Service has only limited customer service standards in place. The visiting service on offer is very good.

79 However, for telephone callers the service quality is inconsistent. Telephone access is variable. There is a high rate of abandoned calls. Benefit award letters, while legally correct, use too much jargon and are difficult to understand, resulting in unnecessary contact from customers. The Council recognises there is more to do to improve customer service overall and the Benefits Service. Investment in information technology is improving how the Service is delivered.

80 Staff have a positive approach to customer care and are knowledgeable about benefits. The Service has a strongly motivated and committed group of managers and staff focused on providing a good service to customers. There has been a positive change in performance culture with improved target setting and an emphasis on individual targets.

81 There has been some good focus on equality and diversity issues within the Service. Staff are well trained to deal with equality and diversity issues, though there have been no equality impact assessments (EIA) carried out on the benefits service. The Service has satisfactory, risk based arrangements in place for managing and dealing with benefit fraud. There are satisfactory arrangements in place for increasing the awareness of benefit fraud and helping people to report suspected fraud. Performance in achieving sanctions and prosecutions of those suspected of fraud, has been effective, following a slow start on the move to the new council.

82 Performance is managed well at individual, team and service level. Service objectives are clear and link in well with other corporate and partnership plans. The Service has a clear view on its priorities and is planning for future changes. Improved information is available on customer needs and the Service is investing successfully in ways to improve.

83 Political and managerial leadership is good. There is effective leadership at both service and corporate level which is prepared to take difficult decisions. Senior managers have had a positive impact on the Service, both in raising expectations, improving performance and in starting to change the organisational culture of benefits. This is recognised by councillors, staff and partners. Councillor and staff training is good.

Current and future challenges

Public sector finances

84 As a result of the October 2010 Comprehensive Spending Review (CSR), it is now clear that local government is facing significant cuts in its financing from central government. The review has stated that local government will face average annual cuts of 7.1 per cent to its funding over the CSR period, with the front-loading of these in 2011/12. The provisional financial settlement announced in December, and the frontloading of cuts, indicates that your anticipated reduction is £66 million over a four-year period. Additional savings have been identified as necessary in 2011/12 to meet known pressures on growth requirements.

85 Progress has been made to ensure the revised savings target of £9.7 million in 2010/11 of which revenue spend is £6.9m was met. The latest budget monitoring report to month 7 (end – October) shows that there is a forecast overspend of £244,000, the majority of which relates to Children and Young People's services and Community Services. In light of the pressures on the Council's reserves, with balances at minimum desirable levels, there is going to be a need for effective financial management and planning if the Council is to maintain a sound financial position. It is important that Members determine a level of reserves which is more appropriate to these new circumstances and, as a start, built into the planning for the 2011/12 budget is a contribution to reserves of £965,000 and the draft MTFP makes reference to the need to bring reserves closer to £10 million over the next three years.

Future developments

86 As a result of the Council's preparedness for the reductions in funding, it has recognised that there is a need to carry out a restructuring of roles and responsibilities across the organisation and has outlined plans as to how the Council will provide its services in future. The key aim of this is to protect resources for frontline services and make these services more accessible to users. There is expected to be a key emphasis on the provision of such services in the market towns of Shropshire as local 'hubs'. There will undoubtedly be uncertainties for staff during this period and senior management will play a key role in managing its impact on staff and in ensuring high quality services are maintained during a period of unavoidable turbulence over the next few years.

87 The impact of the pressures on public sector finances will continue to present the Council with significant challenges. I will continue to monitor the Council's response and actions in this key area.

Closing remarks

88 I have discussed and agreed this letter with the Chief Executive. I will present this letter at the Audit Committee and will ensure copies are available to all members.

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

Report	Date issued
Audit Plan	April 2009
Joint working arrangements to improve public health	August 2010
Annual Governance Report	September 2010
Opinion on financial statements	September 2010
Value for money conclusion	September 2010
Benefits Inspection	October 2010
Annual Audit Letter	November 2010 with Update in December 2010 for CSR announcement

90 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council's staff for their support and cooperation during the audit.

Grant Patterson
District Auditor
December 2010

Appendix 1 Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	244,748	244,748	nil
Value for money	80,190	80,190	nil
Total audit fees	324,938	324,938	nil
Inspection fees	16,630	16,630	nil
Total	341,568	341,588	nil

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 Council 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.

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- any third party.



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