ANNUAL GOVERNANCE REVIEW 2007/2008

Report of City Treasurer and City Solicitor

1.   Purpose of the Report

1.1   To provide details of the findings of the 2007/2008 Annual Governance Review and the draft Annual Governance Statement.

2.   Description of Decision (Recommendations)

2.1   The Audit and Governance Committee is asked to:

- consider the findings of the annual review;
- consider the draft Annual Governance Statement (Appendix 3); and
- note the updated Code of Corporate Governance which was reported to the Council's Cabinet on 26th June 2008 (Appendix 2).

3.   Background

3.1   In 2001 the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) jointly published *'Corporate Governance in Local Government: A Keystone for Community Governance Framework and Guidance Note'*. In line with the guidance contained in this document, the Council introduced its first local Code of Corporate Governance (the Sunderland Code), which was approved by Cabinet in March 2002.

3.2   Annual reviews of the Sunderland Code have taken place to ensure that it remains up to date and effective. Minor updates to the Code have been carried out to address any issues identified during the reviews, and the Code was last updated on 7th June 2006.

3.3   In recent years, reviews of the Sunderland Code have been combined with a review of the effectiveness of the Council's system of internal control, resulting in the publication of a Statement on Internal Control (SIC) each year with the authority's financial statements.

4.   The New Framework: Delivering Good Governance in Local Government

4.1   In 2004, the Independent Commission on Good Governance in Public Services (established by the Office for Public Management (OPM®) and the Chartered Institute of Public Finance and Accountancy (CIPFA), in partnership with the Joseph Rowntree Foundation) published a set of common principles that it wants all public sector organisations to adopt. The Commission recommended a common governance standard for public services similar to the private sector's Combined Code, the Good Governance Standard for Public Service. This builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that should underpin the governance arrangements of all bodies:

- a clear definition of the body's purpose and desired outcomes;
- well-defined functions and responsibilities;
- an appropriate corporate culture;
- transparent decision making;
- a strong governance team; and
- real accountability to stakeholders.

4.2 In June 2007 SOLACE/CIPFA issued a new framework and associated guidance on corporate governance, 'Delivering Good Governance in Local Government'. In the new framework, these six core principles have been adapted for the local authority context. The principle of leadership has been expanded to emphasise the role of authorities in 'leading' their communities and therefore that this concept 'overarches' the other principles.

4.3 The framework identifies four key roles of a local authority, as follows:

- To engage in effective partnerships and provide leadership for and with the community;

- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning;

- To perform a stewardship role which protects the interests of local people and makes the best use of resources; and

- To develop citizenship and local democracy.

4.4 These four roles are to be borne in mind when considering the six core principles of good governance, as defined in the framework:

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;

- Developing the capacity and capability of members and officers to be effective; and

- Engaging with local people and other stakeholders to ensure robust public accountability.

4.5   The framework advocates that, in order to review current arrangements, authorities should take the following steps:

- Consider the extent to which the authority complies with the principles and requirements;
- Identify systems, processes and documentation that provide evidence of compliance;
- Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- Identify the issues that have not been addressed adequately in the authority and consider how they should be addressed; and
- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

4.6   The framework document is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business through the publication of an Annual Governance Statement (AGS). The AGS subsumes the SIC referred to in paragraph 3.3 above, and the Council is now required to publish its first AGS with the 2007/2008 Statement of Accounts.

4.7   The CIPFA Finance Advisory Network has also issued detailed practical guidance on meeting the requirements of the AGS. The AGS must be supported by a comprehensive assurance gathering process. The methodology to gather the assurance and to prepare the AGS was agreed by the Council's Executive Management Team (EMT) in January 2008.

4.8   Audit and Governance Committee – Terms of Reference

The Terms of Reference of the Council's Audit and Governance Committee include the following:

- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk related issues identified by auditors and inspectors; and

- be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.

In light of the new requirement to report an Annual Governance Statement as opposed to a Statement of Internal Control, a minor change to the Terms of Reference of the Audit and Governance Committee will be necessary. This will be effected at the next formal review of the Council's Constitution.

5.   2007/2008 Annual Governance Review

5.1   The review was undertaken by the Corporate Governance Steering Group, whose membership is as follows:
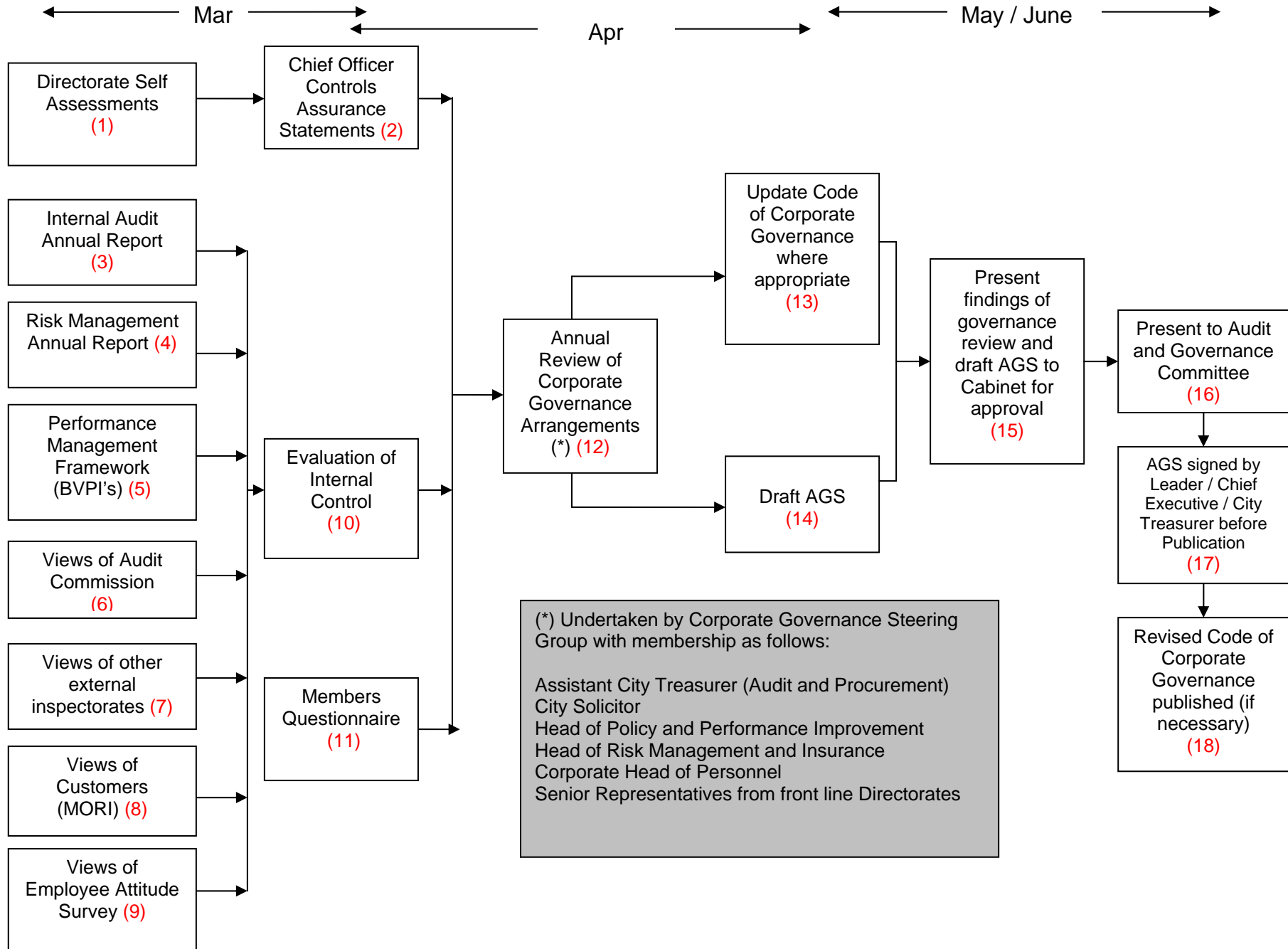
- Assistant City Treasurer (Audit and Procurement);
- City Solicitor;
- Head of Policy and Performance Improvement;
- Corporate Head of Personnel; and
- Head of Risk Management and Insurance.

5.2   The review followed the agreed methodology, which comprises the following stages:

- Completion of Directorate Self Assessments (covering all areas);
- Completion of Chief Officer Controls Assurance Statements;
- Completion of a Members Questionnaire;
- Detailed analysis and evidencing of internal control arrangements;
- Undertaking a Corporate Governance Steering Group Review Workshop;
- Preparation of an Action Plan to address any issues identified, including revision of the local Code of Corporate Governance as required, and report to Cabinet;
- Drafting an Annual Governance Statement and Governance Review Report and presenting this to the Council's Cabinet;
- Presenting the Annual Governance Statement and Governance Review Report to the Audit and Governance Committee; and
- Council Leader, Chief Executive and City Treasurer to sign Annual Governance Statement.

The above stages are set out diagrammatically below.

Methodology for Annual Governance Review

← Mar →   ← Apr →   ← May / June →

Directorate Self Assessments (1) → **Chief Officer Controls Assurance Statements (2)**

Internal Audit Annual Report (3)

Risk Management Annual Report (4)

Performance Management Framework (BVPI's) (5)

Views of Audit Commission (6)

Views of other external inspectorates (7)

Views of Customers (MORI) (8)

Views of Employee Attitude Survey (9)

Evaluation of Internal Control (10)

Members Questionnaire (11)

Annual Review of Corporate Governance Arrangements (*) (12)

Update Code of Corporate Governance where appropriate (13)

Draft AGS (14)

Present findings of governance review and draft AGS to Cabinet for approval (15)

Present to Audit and Governance Committee (16)

AGS signed by Leader / Chief Executive / City Treasurer before Publication (17)

Revised Code of Corporate Governance published (if necessary) (18)

(*) Undertaken by Corporate Governance Steering Group with membership as follows:

Assistant City Treasurer (Audit and Procurement)
City Solicitor
Head of Policy and Performance Improvement
Head of Risk Management and Insurance
Corporate Head of Personnel
Senior Representatives from front line Directorates

5.3 Directorate Self Assessments (1)

5.3.1 Governance and control self-assessments were completed by all Heads of Service.

5.3.2 The self-assessments cover compliance with the existing Sunderland Code of Corporate Governance, as well as key internal control arrangements within each service, and require evidence to be cited in relation to each question, and any significant plans for improvement within their area to be recorded.

5.3.3 After completion by Heads of Service the self-assessments were submitted to the relevant Director / Chief Officer for review.

5.4 Chief Officer Controls Assurance Statements (2)

5.4.1 Each Director / Chief Officer personally signed a Controls Assurance Statement having reviewed the information and assurances compiled through the self assessment process to come to an opinion on the governance arrangements and internal control environment within their areas of responsibility.

5.4.2 The completed self-assessments and Controls Assurance Statements were then submitted to the Corporate Governance Steering Group (CGSG).

5.5 Evaluation of Internal Control Arrangements (10)

5.5.1 The Council's internal control arrangements were assessed in line with guidance from CIPFA's Financial Advisory Network, using the SICNote software. This software has been used since 2005/2006 to record and evidence the Council's internal control arrangements. The SICNote system has recently been developed to Version 2.0 by the software provider (Teignbridge Council) to cover all of the requirements of the Annual Governance Statement.

5.5.2 The database provides references and links to evidence supporting the arrangements in place and assists in showing how well the Council's arrangements meet the requirements set out in the guidance.

5.5.3 A summary report generated from the database was circulated to members of the CGSG and their agreement sought as to its content.

5.6 Views of Council Members (11)

5.6.1 The views of all Council Members were sought via a questionnaire. Responses were received from 10 Members (13% return) and these were summarised and presented to the CGSG for consideration.

5.7   Corporate Governance Steering Group Workshop (12)

5.7.1   The Corporate Governance Steering Group (CGSG) held a workshop which
        was also attended by senior representatives of each front line Directorate. The
        purpose of the workshop was to review and consider:

        - the Head of Service self-assessments and Chief Officer Controls
          Assurance Statements (1&2);
        - the findings of the Annual Internal Audit Report (3i);
        - the findings of the Audit Commission's annual review of the
          effectiveness of Internal Audit Services (3ii);
        - the findings of the Annual Risk Management Report (4);
        - the Council's performance management framework / data quality
          arrangements (5);
        - the views of the Audit Commission (6) and other inspectorates (7);
        - the views of customers (8) and staff (9);
        - SICNote assessment and supporting evidence (10i);
        - the Whistle Blowing Register (10ii);
        - the process for allocating the Dedicated Schools Grant (10iii);
        - Information Governance arrangements (10iv); and
        - the views of Council Members (11).

5.7.2   The CGSG also reviewed the existing Sunderland Code of Corporate
        Governance to identify the areas that need to be amended to bring the Code
        in line with the new framework.

5.7.3   The CGSG were then able to form a view on the adequacy of the Council's
        overall governance arrangements for incorporation in the Annual Governance
        Statement.

5.8   Review of 2006/2007 Corporate Governance Action Plan

5.8.1   A review was undertaken of the action plan agreed following the 2006/2007
        corporate governance review to assess progress.

6   **Findings of the Corporate Governance Steering Group** (12)

6.1   <u>Directorate Self Assessments and Chief Officer Controls Assurance Statements</u> (1 & 2)

6.1.1   The above documentation submitted to the CGSG was examined to ensure that all documents had been completed in full and to identify any issues of significance.

6.1.2   It was noted that most Heads of Service have identified some future plans for improvement to their governance and control arrangements. The future plans for improvement were summarised by Directorate and from this summary, issues were highlighted for discussion in detail at the CGSG to identify any which were significant in terms of the Council's overall governance and control environment.

6.1.3   It was noted that a large proportion of the future plans for improvement related to tasks which are already ongoing or which have already been included in existing action / service plans. In addition, a number of actions were included which were purely Directorate / Department based and not significant in terms of the Council's overall governance and control environment. The CGSG considered that none of the future plans for improvement are such that they would cause any concern regarding the adequacy of the current overall governance and control arrangements.

6.1.4   Notwithstanding the above, it is considered that some of the future plans for improvement are newly identified actions resulting directly from the annual governance review, which have corporate significance, and therefore require inclusion in a corporate governance action plan. In addition, the Action Plan also includes a small number of areas that the Council is already addressing but are considered worthy of inclusion as they relate to the Council's overall governance arrangements. Inclusion in the plan will facilitate monitoring by the CGSG to seek to ensure that the planned actions are delivered within a reasonable timeframe bearing in mind the importance / nature of the actions.

6.1.5   The proposed Action Plan is attached at Appendix 1.

6.2   <u>Annual Internal Audit Report</u> (3i)

6.2.1   The Annual Internal Audit Report which was considered by the CGSG noted that audit work undertaken during 2007/2008 did not identify any matters material to the overall control environment of the Council.

6.2.2   There is an agreed scheme in place for the audit of key financial and non-financial systems. Findings from audits of these systems this year were analysed together with findings from previous years to enable an opinion to be formed on these systems.

6.2.3 The annual audit report concludes that, based on Internal Audit Services' cumulative knowledge and experience of the systems and controls in place, previous audit work and the findings of audits in 2007/2008, overall throughout the Council there remains a sound internal control environment.

6.3 <u>Annual Review of the Effectiveness of Internal Audit</u> (3ii)

6.3.1 One of the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006 is for the Council to have an independent review of the effectiveness of its system of internal audit once a year, and for the findings of this review to be considered as part of the procedure for drafting the AGS.

6.3.2 The process for this, as agreed by the Council's Audit and Governance Committee, is as follows:

- Self assessment by the head of internal audit against the CIPFA Code of Practice for Internal Audit in Local Authorities;
- A detailed independent review of the self assessment by the Audit Commission; and
- Review of the Audit Commission's findings by the City Treasurer and City Solicitor who report their findings to the Audit and Governance Committee.

6.3.3 The Audit Commission's review for 2007/2008 concluded that *"We found that there are robust arrangements in place to comply with the Code's standards. Our detailed review of files did not highlight any significant non-compliance with IAS's Quality System or the Code".*

6.3.4 The City Treasurer and City Solicitor reported to the Audit and Governance Committee that *"Having considered the detailed self-assessment, the findings of the Audit Commission's independent review and our cumulative knowledge of the service provided by IAS we consider that it is an effective service that meets the required standards".*

6.4 <u>Risk Management Service Annual Report</u> (4)

6.4.1 The Annual Risk Management Report was considered by the CGSG and the following was noted:

- A consistent approach to producing directorate risk management plans is successfully embedded across the whole Council. Additional resources have been allocated to enable to the provision of dedicated support and advice to each directorate;

- During 2007/2008 the Risk Management Policy and Framework were reviewed and further improved to recognise best practice;

- The in-house risk management training package has continued to be rolled out to directorates and school governors, and four Member training sessions have taken place during the year;

- Developments have been made over 2007/2008 in the following specific areas:

  - Project risk management / Programme and Project Office;
  - Partnership risk management;
  - Risk management in schools.

- In the 'Risk Management' element of the Comprehensive Performance Assessment the Council was awarded the top score by the Audit Commission. The Council is now 1 of only 2 authorities to have continuously achieved the highest mark possible for Risk Management since the inception of CPA in 2002. In addition, the Audit Commission commented in the Corporate Assessment Report that *"Risk Management is exceptional and strongly embedded in the organisation"*.

6.5   <u>Performance Management Framework</u> (5)

6.5.1   The CGSG considered the following:

- Data Quality Arrangements – The assessment by the Audit Commission concludes that the Council has built on the standards it set last year by continuing to embed existing arrangements. Progress has been made in improving data quality through some significant system changes, for example in development control. Further work, and ICT investment, is planned to secure consistently high standards of data quality across all service areas.

- Performance Clinics, alongside the regular reporting of performance, including enhancements at Review Committees in relation to Value for Money reporting, are working effectively across the Council, helping to increase focus and provide further challenge and support to improvement activity.

- The main issues currently faced are:

  - Improving performance indicators in the bottom quartile through a range of improvement activity;
  - Strengthening and deepening understanding of performance and as a consequence continue to set realistic targets, strengthen accountability and meet the targets;
  - Improving more explicitly the linkages ("golden thread") between key objectives/key themes supported by new technology;
  - Reviewing and improving the Performance Management Framework for delivering Sunderland Strategy.

6.5.2   Plans are in place to address all of the above issues and none are considered of significance in terms of the Council's overall governance and control arrangements.

6.6 <u>Views of Audit Commission</u> (6)

6.6.1 The Audit Commission's Annual Audit and Inspection Letter was considered by the CGSG. This letter provides an overall evaluation of the Council's progress having regard to the Council's core performance assessment, its financial and service performance and a consideration of its strengths and areas for development.

6.6.2 In summary, the Annual Audit and Inspection Letter states:

➢ that the Council is performing and improving well and refers to the following strengths:

- Provides very good community leadership;
- Works well with Partners to achieve goals;
- Engages with local communities well, overall;
- Delivers good value for money as a result of strong financial management.

➢ that the Council is improving services in its priority areas, and specific improvements have been made in relation to:

- the local environment;
- the quality of planning services and speed of processing applications;
- ICT based projects are underway to improve performance management and customer focus.

However, the letter also identifies certain areas for development including:

- raising the profile of community cohesion and engaging better with minority groups;
- re-cycling;
- conducting staff appraisals more consistently;
- sickness levels;
- scrutiny.

6.6.3 The Council has also secured the highest rating (currently 4 Star) for each year of the Comprehensive Performance Assessment. In summary, the most recent corporate assessment states that:

- the Council is performing well;
- the Council has created an aspirational vision for Sunderland that has been shared and understood by partners, staff and the public;
- the Council provides very good community leadership;
- strong partnership working is enabling the Council and its partners to pursue their ambitions;
- the Council delivers good value for money as a result of very sound financial management;
- The Council has good performance management arrangements.

6.6.4 Within the Comprehensive Performance Assessment, the Council secured the highest rating (4 out of 4) for the Use of Resources element.

6.6.5 It is considered that the views of the Audit Commission provide reassurance that the Council's overall governance and control arrangements are satisfactory.

6.6.6 In the Annual Audit and Inspection Letter the Audit Commission also gave a 2007/2008 planning update which stated that their initial plan for the year identified the following key risks:

- Equality and diversity;
- Performance management.
- Statement of Recommended Practice (SORP) changes, including annual governance report;
- Equal pay and single status;
- Building Schools for the Future.

Having recently reviewed and updated their risk assessment the Audit Commission is satisfied that work in these areas remains appropriate, but they also identified new and emerging risks in respect of:

- statutory requirements for vulnerable children;
- PI performance on homelessness;
- changes to the Connexions service;
- proposed PFI for waste disposal;
- special purpose vehicle for asset management;
- accounting for provisions and reserves; and
- property services.

Reports on these areas will be considered by the Council's Executive Management Team throughout the year.

6.7   <u>Views of other external inspectorates</u> (7)

6.7.1 The CGSG considered the findings from external inspectorates in relation to inspections that had occurred during 2007/2008. These are detailed below:

- Joint Area Review

  The report of the joint area inspection of services for children and young people, lead by CSCI, included the following extract: *"The Council's performance in this area is good overall with individual services varying from adequate to good. Outcomes for children and young people are good overall. The capacity to improve is good".*

  However, the Joint Area Review also highlighted certain areas for development including ensuring that:

  ➢ the Council is working to the national guidance, *Working together to safeguard children*;
  ➢ the quality assurance of files and casework is effective;
  ➢ the key performance indicator data in children's social care is accurate and fit for purpose, and;
  ➢ workload management systems are effective.

- Adult Social Care Performance Judgements for 2006/2007

Areas for judgement	Grade awarded
Delivering Outcomes	Excellent
Improved health and emotional well–being	Excellent
Improved quality of life	Excellent
Making a positive contribution	Good
Increased choice and control	Excellent
Freedom from discrimination or harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Excellent
Capacity to Improve (Combined judgement)	Excellent
Leadership	
Commissioning and use of resources	
Star Rating	3 stars

A recent report by the Commission for Social Care Inspection (CSCI) has described Sunderland City Council as bucking the trend amongst other local authorities in care provision, after research found that some councils across the country are not able to help all older people in certain category 'needs' bands.

Sunderland is amongst a handful of local authorities nationally that offer support to people who fall into the 'low needs' banding of the Government's Fair Access to Care Services Guidance which categorises need as critical, substantial, moderate and low.

6.7.2 It is considered that the overall findings of external inspectorates are positive and did not raise any issues which are significant in terms of the Council's governance and control environment.

6.8 <u>Views of Customers</u> (8)

6.8.1 The Council commissions an annual survey of Sunderland residents. In 2007 the survey was undertaken by Ipsos MORI and involved 1,233 residents. The 2007 survey covered:

- the City of Sunderland as a place to live;
- satisfaction with service provision;
- the image of the Council;
- community cohesion;
- voluntary work;
- healthy living;
- communications and information;
- new media access;
- recycling; and
- contact with Council staff.

6.8.2 The survey showed that:

- Satisfaction with the Council has improved from an already strong position relative to similar authorities across the country, rising from 62% to 66% of residents;
- This positive trend is complemented by the higher proportion this year who think the quality of Council services is good overall and that the authority provides good value for money;
- Also highly encouraging are the rises seen in the proportions believing the authority asks for and listens to the views of local people.

6.8.3 The Community Spirit citizens' panel continues to be used for consultation purposes and every three years a Best Value Performance Indicator Survey is undertaken. In the latest BVPI Survey, which was reported upon in June 2007, 51% of local residents rate themselves as satisfied with the way the Council performs. This is in line with both previous findings, and with scores achieved by upper and single tier authorities across the country.

6.8.4 The CGSG considers that the Council's consultation arrangements are adequate and the findings from consultation carried out during the year have not revealed any issues of significance with regard to governance and control within the Council.

6.9 <u>Views of Employees</u> (9)

6.9.1 The Council undertakes a survey of the views of employees in relation to a range of issues on a regular basis The 2007 employee survey incorporated the HSE stress indicator tool, which helped in identifying potential work related stress 'hot spots'. The survey received a positive response with 46% of forms being returned. Of those who responded 86% said that they believed that "taking everything into account the City Council was a good employer". Whilst it did identify some 'hot spots' and areas for improvement, it did not reveal any concerns which have an impact on the Council's overall governance and control arrangements.

6.10 <u>Documentation and evaluation of Internal Control Arrangements</u> (10i)

6.10.1 The Council's key governance and control arrangements were documented in the SICNote software, together with references and links to evidence supporting the arrangements in place.

6.10.2 In most areas, the arrangements in place are good, but it was identified that further development would seem beneficial in relation to the following:

- Business continuity planning in order to comply with the new British Standard BS25999;
- Directorate delegation schemes.

These areas have been included within the Action Plan.

6.10.3 Based on the above it is considered that the Council has robust internal control arrangements in place.

6.11   Whistle Blowing Register (10ii)

6.11.1 Revised Whistle Blowing and Anti-Fraud and Corruption policies were introduced in 2006 and a programmed cascading of information regarding the policies took place. Both policies were reviewed within 2007/2008 and were considered still fit for purpose with a further awareness campaign to be undertaken in early 2008/2009. The CGSG considered that it would be good practice to re-publicise the policy on an annual basis. This has been included in the Corporate Governance Action Plan.

6.11.2 A register of whistle blowing cases is maintained by the City Solicitor who makes referrals as appropriate for investigation by the City Treasurer and both officers report periodically to the Chief Executive on the status of whistle blowing cases.

6.11.3 None of the recorded cases are considered by the Council's Corporate Management Team to be significant in a corporate context.

6.12   Dedicated Schools Grant (DSG) (10iii)

6.12.1 The Accounts and Audit Regulations 2003 add a requirement to prepare a note in the Statement of Accounts to show whether the Dedicated Schools Grant has been spent in accordance with regulations made under the School Standards and Framework Act 1998. This requirement has been included because of the significance of the Dedicated Schools Grant in the financing of schools.

6.12.2 The Children's Services Finance Manager attended the workshop and gave a presentation on the method by which the DSG is allocated to schools.

6.12.3 The controls over the process appear adequate and no concerns were identified by the CGSG.

6.13   Information Governance (10iv)

6.13.1 The Information Governance Team has continued its programme of awareness training for staff across the authority. This consists of Information Management, Information Security, Data Protection and Freedom of Information.

6.13.2 Progress has continued Council-wide during 2007/2008 with the preparation of corporate retention schedules. These are available on the Intranet for staff to use and apply to records. Further work on file plan structures and retention of electronic records is ongoing.

6.13.3 A programme of data protection audits has again been maintained and reports issued to service areas on issues identified and lessons learned.

6.13.4 A programme of audits of data transfer arrangements has been co-ordinated, prioritised according to risk, and findings fed back to the Directorates.

6.13.5 Member and Council Annual Data Protection Registrations have been kept updated. Registrations of all schools in the City have now been achieved.

6.13.6 A series of advice notes have been issued corporately to assist staff in ensuring correct and secure handling of information.

6.14 <u>Views of Council Members</u> (11)

6.14.1 The questionnaire issued to Members asked whether they felt that statements made in the existing Sunderland Code of Corporate Governance were being met.

6.14.2 All of the respondents were in full agreement that the statements in the Sunderland Code were being met.

7 Updates to the Sunderland Code of Corporate Governance (13)

7.1 The CGSG considered whether any updates or revisions to the Code of Corporate Governance are required.

7.2 It was agreed that the Code should be revised based upon the new SOLACE/CIPFA framework and guidance, "Delivering Good Governance in Local Government". An updated Code based upon the new guidance is attached at Appendix 2.

8 Draft Annual Governance Statement (14)

8.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review.

8.2 The review has found that only minor improvements are needed to the control environment in a small number of areas.

8.3 The draft Annual Governance Statement is attached at Appendix 3.

9 Review of Progress in relation to the 2006/2007 Corporate Governance Action Plan

9.1 The action plan agreed following the 2006/2007 Corporate Governance Review included 13 actions. The CGSG reviewed progress on these actions and found that all were either complete or well progressed.

9.2 A copy of the agreed action plan, showing progress to date, is attached at Appendix 4.

10.   Conclusion

10.1   The Council has robust and effective governance and control arrangements in place. The views elicited during the review from Members, senior managers across the Council, and all Chief Officers, demonstrate that the principles of good governance are embedded Council-wide.

10.2   The review has not identified any weaknesses that would need to be highlighted in the Council's Annual Governance Statement.

10.3   A small number of actions have been identified to further develop governance and control arrangements, as detailed in the Action Plan at Appendix 1.

**2007/2008 Annual Review of Corporate Governance and Internal Control arrangements
Action Plan for 2008/2009**

Ref	Action	Corporate Improvement Objective Reference(s)	Source(s) of recommendation	Lead / Responsible Officer
1.	Revise Directorate (Head of Service) Self-assessments used in Annual Governance Review to incorporate the following: - Use of Resources - Issues arising from the change from CPA to the new Comprehensive Area Assessment (CAA) Review challenge process in relation to the self-assessments.	CIO1/3	CGSG	City Treasurer / Assistant City Treasurer (Audit and Procurement)
2.	Finalise Community Cohesion Strategy	CIO4/1	CGSG	Director of Development and Regeneration
3.	Agree an Economic Development Masterplan including an initial economic assessment.	CIO4/1	Business and Investment / Strategic Programmes and Europe	Deputy Chief Executive
4.	Review communications and marketing strategy. Review to cover internet/intranet accessibility and possible A to Z of services.	CIO2/4	Corporate Communications / Corporate Personnel / CGSG	Deputy Chief Executive

**2007/2008 Annual Review of Corporate Governance and Internal Control arrangements
Action Plan for 2008/2009**

Ref	Action	Corporate Improvement Objective Reference(s)	Source(s) of recommendation	Lead / Responsible Officer
5.	Implement Customer Service and Access Strategy and raise awareness at a future SMT event.	CIO1/1	CGSG	Director of Community and Cultural Services
6.	Review area committee arrangements in light of White Paper proposals for community engagement.	CIO1/1	Chief Executive and City Solicitor	Deputy Chief Executive / City Solicitor
7.	Procure and implement a Council ICT based Performance Management System	CIO3/1	Policy and Performance Improvement	Deputy Chief Executive / Head of Policy and Performance
8.	Further develop joint commissioning role in relation to partnerships, via work of Children's Trust	CIO3/3	Children's Services	Director of Children's' Services
9.	Review the Major Emergency Plan and progress Business Continuity Management Plans in line with BS25999.	CIO3/7	CGSG	Director of Development and Regeneration / All Directors and Chief Officers

2007/2008 Annual Review of Corporate Governance and Internal Control arrangements
Action Plan for 2008/2009

Ref	Action	Corporate Improvement Objective Reference(s)	Source(s) of recommendation	Lead / Responsible Officer
10.	Review schools' Crisis Response Plans	CIO3/7	CGSG	Director of Children's' Services
11.	Review effectiveness of new induction and appraisal schemes.	CIO2/1	Corporate Personnel / Culture & Tourism / CGSG	Deputy Chief Executive / Corporate Head of Personnel
12.	Directorate Delegation Schemes to be reviewed and updated where appropriate, and on an annual basis thereafter.	CIO3/2	CGSG	All Directors / Chief Officers
13.	Review and update Employee Code of Conduct, where appropriate.	CIO3/1	CGSG	Corporate Head of Personnel / City Treasurer / City Solicitor
14.	Directors and Chief Officers to provide regular updates to EMT on progress on managing the issues outlined in the Corporate Risk Profile.	CIO3/6	CGSG	Relevant Director / Chief Officer
15.	Review the Local Code of Corporate Governance in light of new guidance and raise awareness with staff.	All	CGSG	City Treasurer / Assistant City Treasurer (Audit and Procurement)

2007/2008 Annual Review of Corporate Governance and Internal Control arrangements
Action Plan for 2008/2009

Ref	Action	Corporate Improvement Objective Reference(s)	Source(s) of recommendation	Lead / Responsible Officer
16.	Re-publicise Whistle-Blowing Policy	CIO3/1	CGSG	City Treasurer / Assistant City Treasurer (Audit and Procurement)
17.	Continue work on Records and Information Management: – retain no longer than needed; – encryption of high risk / sensitive data	CIO3/2	CGSG	City Solicitor / Deputy Chief Executive
18.	Corporate and Directorate Action Plans to be developed in response to the issues arising from the Employee Well-Being Survey	CIO2/1	CGSG	All Directors / Chief Officers
19.	Reports on those areas highlighted within the External Audit Plan as new and emerging risks (see paragraph 6.6.6 of report) should be presented and considered by the Council's Executive Management Team throughout the year.	CIO3/2	CGSG	Relevant Director / Chief Officer

DRAFT SUNDERLAND CODE OF CORPORATE GOVERNANCE

Introduction

The Council has a corporate governance framework in place which is aimed at ensuring that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The corporate governance framework comprises the systems, processes, cultures and values through which the Council directs and controls its functions, and through which it accounts to, engages with and, where appropriate leads communities.

The Council's corporate governance framework is based upon guidance jointly issued by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) and recommended as best practice.

The framework is based upon the following six core principles:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- Developing the capacity and capability of members and officers to be effective;

- Engaging with local people and other stakeholders to ensure robust public accountability.

Each of these six core principles have supporting principles with associated requirements and the following table sets out how the Council aims to meet these requirements.

Annual Governance Review

The Council will conduct, at least annually, a review of the effectiveness of the corporate governance framework including the system of internal control.

A Corporate Governance Steering Group (CGSG) has been established to lead this review. Membership of the CGSG is as follows:

• Assistant City Treasurer (Audit and Procurement)
• City Solicitor
• Head of Policy and Performance Improvement
• Corporate Head of Personnel
• Head of Risk Management and Insurance
• Senior Representatives from all Directorates

A report on the findings and recommendations arising from the review will be presented to the Council's Executive Management Team, Cabinet and Audit and Governance Committee.

June 2008

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Core Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

As part of the Sunderland Partnership the Council has produced the Sunderland Strategy (2008-2025) – the sustainable community strategy which draws together a shared vision, principles for action and priorities for the City. Linked with this the Council's own overarching plan, the Corporate Improvement Plan, sets out explicitly the Council's planned key actions and performance targets for the future.

Supporting Principle:	The Council will:	Source documents or good practice which show compliance
1. Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and services users	1. develop and promote the Council's purpose and vision	Sunderland Strategy Corporate Improvement Plan Strategic Investment Plan Multi Area Agreement Local Area Agreement Area Committees / Frameworks Local Strategic Partnership (Sunderland Partnership) and Thematic Groups Community Development Plan Directorate Service Plans
	2. review on a regular basis the Council's vision for the local area and its impact on the Council's governance arrangements	Annual Corporate Governance Review Audit Commission Reviews Reviews by Other Inspectorates

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
	3. ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties	Partnership Agreements Partnerships Code of Practice Sunderland Strategy
	4. publish an annual report on a timely basis to communicate the Council's activities, achievements, financial position and performance	Annual Report Annual Statement of Accounts Corporate Community Plan Summary
2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	1. decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Corporate Improvement Plan Resident's Survey Corporate Consultation Strategy Corporate Consultation Database Customer Service and Access Strategy Business Improvement Programme Evaluation of performance against the National Indicator Set
	2. put in place effective arrangements to identify and deal with failure in service delivery	Customer Services Procedure

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
3. Ensuring that the authority makes the best use of resources and that tax payers and service users receive excellent value for money	1. decide how value for money is to be measured and make sure that it has the information needed to review value for money and performance effectively. The Council will also measure the environmental impact of policies, plans and decisions	Value for Money Framework Annual Use of Resources Return Use of Resources Scorecard (4 out of 4) Quarterly performance reports outlining value for money impact Annual Report and local annual report for residents Council tax leaflet Efficiency strategy Sunderland Strategy and sustainability appraisal Sustainability appraisals relating to the Local Development Framework, and Local Transport Plan

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Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles

All Council members and key officer roles and functions are set out in the Council's Constitution, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Council's work.

Supporting Principle:	The Council will:	Source documents or good practice which show compliance
1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	1. set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and its approach towards putting this into practice	Constitution
	2. set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	Constitution Role profiles Job descriptions Performance Management Framework
2. Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard	1. determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council taking account of relevant legislation and ensure that it is monitored and updated when required	Constitution Directorate Delegation Schemes
	2. make the Chief Executive responsible and accountable to the Council for all aspects of operational management	Role profile Performance Management Framework
	3. develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Constitution / Delegation Scheme Role profile

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
	4. make a senior officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	The City Treasurer is the Council's Section 151 Officer. The Constitution sets out functions as follows: • Ensuring lawfulness and financial prudence of decision making • Administration of financial affairs • Contributing to corporate management • Providing advice • Giving financial information
	5. make a different senior officer responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with	The City Solicitor is the Council's Monitoring Officer. The Constitution sets out functions of Monitoring Officer as follows: • Maintaining the Constitution • Ensuring lawfulness and fairness of decision making • Supporting the Standards Committee • Receiving reports • Conducting investigations • Proper officer for access to information • Advising whether executive decisions are within the budget and policy framework • Providing advice Monitoring Officer Protocol

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
3. Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	1. develop protocols to ensure effective communication between members and officers in their respective roles	Protocol on Member / Employee Relations
	2. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel	Members Allowances Scheme National Joint Council for Local Government Services National Agreement On Pay And Conditions Of Service Personnel Committee
	3. ensure that effective mechanisms exist to monitor service delivery	Performance Management Framework Customer Services Procedure
	4. ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Sunderland Strategy Corporate Improvement Plan Strategic Planning Guidance Consultation Framework Budget Framework Directorate Service Plans Residents' magazines (Sunrise, Switched On) Communications Guidelines and Plain English Style Guide Corporate Communications Group

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
	5. when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council	Partnership Agreements Partnerships Code of Practice
	6. when working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	

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Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

All Council Members and staff are required to act in accordance with codes of conduct and high standards are promoted across the Council and with its partners.

Supporting Principle:	The Council will:	Source documents or good practice which show compliance
1. Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	1. ensure that its leadership sets a tone for the organisation by creating a climate of openness, support and respect 2. ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols	Members' Code of Conduct Employees' Code of Conduct Performance Management Framework Employee Appraisal System Anti Fraud and Corruption Policy Whistle Blowing Policy Protocol on Member / Employee Relations
	3. put in place arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. The Council will put in place appropriate processes to ensure that they continue to operate in practice	Members' Code of Conduct Employees' Code of Conduct Financial Procedure Rules Procurement Procedure Rules Declarations of Interest; Protocol for Members in Relation to Development Control Matters

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
2. Ensuring that organisational values are put into practice and are effective	1. develop and maintain shared values including leadership values both for the Council and staff reflecting public expectations, and communicate these with members, staff, the community and partners	Members' Code of Conduct Employees' Code of Conduct Vision and Values Sunderland Leadership Programme Management Behaviours Booklet
	2. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Members' Code of Conduct Employees' Code of Conduct Ethical Audit
	3. develop and maintain an effective standards committee	Constitution sets out role and functions of Standards Committee Committee Management and Information System
	4. use its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council	Protocol on Member / Employee Relations Members' Code of Conduct Employees' Code of Conduct Corporate Appraisal Process
	5. in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Partnership Agreements Partnerships Code of Practice

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Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks.

Supporting Principle	The Council will:	Source documents or good practice which show compliance
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	1. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and of any organisation for which it is responsible	A range of scrutiny committees are in place covering: • Policy and Co-ordination Review Committee • Children's Services Review Committee • Health & Well-Being Review Committee • Environmental & Planning Review Committee • Regeneration & Community Review Committee • Culture & Leisure Review Committee Terms of Reference for Review Committees are set out in Constitution
	2. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Decision making protocols as set out in Constitution Directorate Delegation Schemes Committee Management and Information System
	3. put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Members' Code of Conduct Employees' Code of Conduct Register of Member's Interests

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Supporting Principle	The Council will:	Source documents or good practice which show compliance
	4. develop and maintain an effective audit committee which is independent	Audit and Governance Committee - Terms of Reference Independent Chair of the Committee Training for committee members
	5. put in place effective transparent and accessible arrangements for dealing with complaints	Customer Services Procedure
2. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	1. ensure that those making decisions, whether for the Council or a partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	Member Induction, Training and Development Programme Constitution – Delegations to Chief Officers Results of consultation exercises Role of City Treasurer and City Solicitor Delegated Decision Forms
	2. ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Role of City Treasurer and City Solicitor as set out in the Constitution

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Supporting Principle	The Council will:	Source documents or good practice which show compliance
3. Ensuring that an effective risk management system is in place	1. ensure that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job	Risk Management Policy Statement and Strategy Risk Management Framework Risk Management Training for Members and Officers Corporate Improvement Plan Internal Audit and Risk Management Protocol Financial Procedure Rules Use of Resources Scorecard (4 out of 4 for Internal Control and Risk Management)
	2. ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Council have access	Whistle Blowing Policy Statement Whistle Blowing Policy – Arrangements for Workers Whistle Blowing Policy – Arrangements for the Public
4. Using their legal powers to the full benefit of the citizens and communities in their area	1. actively recognise the limits of lawful activity placed on the Council by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Constitution Monitoring Officer Protocol Audit and Inspection Letter
	2. recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the Council by public law	Constitution Monitoring Officer Protocol Audit and Inspection Letter
	3. observe all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes	Constitution Monitoring Officer Protocol

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Core Principle 5: Developing the capacity and capability of members and officers to be effective

The Council recognises the importance of having highly skilled and motivated Members and staff to deliver its priorities and to sustain public confidence in its services. The Council is committed to the development of Members and staff skills, knowledge and performance through programmes of induction, training and development.

Supporting Principle:	The Council will:	Source documents or good practice which show compliance
1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	1. provide induction and training programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Corporate Induction Programme New Members Induction Managers Induction Programme Employee Development Programme Sunderland Leadership Programme Member Development Programme Directorate Training Plans
	2. ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation	Constitution Both the City Treasurer and City Solicitor are members of the Executive Management Team
2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	1. assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	New Members Induction Members Development Policy and Strategy Member Personal Development Plan Guidelines Workforce Development Plan Corporate Induction Programme Managers Induction Programme Employee Development Programme Sunderland Leadership Programme Corporate Appraisal Scheme Directorate Training Plans Investors in People Accreditation

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
	2. develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Member Training and Development plan reflects requirements of a modern councillor including: • the ability to scrutinise and challenge • the ability to recognise when outside advice is required • advice on how to act as an ambassador for the community • leadership and influencing skills Employee Development Programme Sunderland Leadership Programme Directorate Training Plans
	3. ensure that effective arrangements are in place for reviewing the performance of the Council as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs	Performance Management Framework External Inspectorate Reports

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Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

The Council has a consultation framework aimed at ensuring the community is given the opportunity to be involved in, and influence, policy-making, service delivery and evaluation in order to continually improve services.

Supporting Principle:	The Council will:	Source documents or good practice which show compliance
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	1. make clear its role and responsibilities to Members, staff and the community	Sunderland Strategy Corporate Improvement Plan
	2. consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required	Local Strategic Partnership (LSP) Board LSP Thematic Partnerships Peer Review of LSP Government Office for the North East assessments of LSP Local Area Agreement Joint Statement of Intent (with trade unions) Small and Medium Enterprise Business Friendly Concordat Regular Residents Survey
	3. produce an annual report on scrutiny function activity	The Council receives a report from each Review Committee summarising its activity over the last year every June

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	1. ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	Residents' magazines (Sunrise, Switched On) Communications Guidelines and Plain English Style Guide Corporate Communications Group
	2. hold meetings in public unless there are good reasons for confidentiality	Members of the public may attend all meetings subject to exceptions set out in the Constitution
	3. ensure arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Community Consultation Strategy Hard to Reach Framework Citizens Panel
	4. establish a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result	Community Consultation Strategy Consultation Manual Community Spirit *Listening to You* Newsletter Corporate Consultation Database

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Supporting Principle:	The Council will:	Source documents or good practice which show compliance
	5. on an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	Local Area Agreements Corporate Improvement Plan and Summary Annual Report Annual Statement of Accounts
	6. ensure that it is open and accessible to the community, service users and its staff. It will also ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	Constitution Code of Corporate Governance Area Committees Customer Service Procedure Partnerships Code of Practice
3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff	1. develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Joint Statement of Intent (with trade unions) Joint Consultative Arrangements Employee Representative Groups Investors in People

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1. **SCOPE OF RESPONSIBILITY**

   Sunderland City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

   In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

   The Council has had a Code of Corporate Governance in place since 2002. The Code now requires revision so that it is consistent with the principles of the SOLACE/CIPFA Framework, Delivering Good Governance in Local Government. The new Code has been drafted alongside the annual governance review required for the production of this Statement and will be submitted to Cabinet in June 2008 for approval and adoption. The new Code will then be made available on the Council's website (www.sunderland.gov.uk) or can be obtained from the City Treasurer or the City Solicitor.

   This Statement explains how the Council has complied with the SOLACE/CIPFA Framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

   The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2008 and up to the date of approval of the Annual Report and Statement of Accounts.

3. **THE GOVERNANCE FRAMEWORK**

3.1 **There is a clear vision of the authority's purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders:**

- The City of Sunderland Local Strategic Partnership (the Sunderland Partnership) has produced a Community Strategy which draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified.

- The Council's Corporate Improvement Plan (CIP) 2007/08 is the Council's own overarching Service Plan containing the plans of all of the Council's Portfolios (including the estimated Revenue Budgets for the financial year) and the Capital Programme for 2007/08 to 2010/11. The Corporate Improvement Plan sets out explicitly the planned key actions and performance targets for the future, and these are clearly linked with Directorate / service plans and resources. The Plan outlines the Council's roles and responsibilities, the context in which it operates, what the Strategic Priorities and Corporate Improvement Objectives are, how the Council will realise its vision, what its performance improvement and monitoring arrangements are, corporate health performance indicators, CPA framework and a financial overview. The financial overview section provides background commentary to the issues the Council has considered in setting the Budget and in preparing the Medium Term Financial Strategy.

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- Communication of objectives to staff and stakeholders takes place through the following means:

  - ➢ Wide distribution of the Corporate Improvement Plan, as well as a summary version, including on the Council's website and intranet;

  - ➢ Issuing of an Annual Report setting out the Council's priorities, how the Council spent money on achieving these during the last financial year, and how successful the Council has been;

  - ➢ Through the Council's corporate Investors in People (IIP) processes;

  - ➢ Sunrise magazine, issued to all residents.

3.2 Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements:

During 2007/08, the Sunderland Strategy and its priorities were reviewed to provide a refined, longer-term focus for the Sunderland Partnership and the city.

- Through reviews by the Audit Commission and other external inspectorates the Council constantly seeks ways of securing continuous improvement. The Council has professional and objective relationships with these external inspectorates.

- There are comprehensive annual reviews of the local Sunderland Code of Corporate Governance to ensure that it is up to date and effective.

3.3 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements including staff appraisals for Directors and key staff, which address financial responsibilities.

- There is regular reporting of performance against key targets and priorities to the Council's Executive Management Team, Cabinet and Review Committees.

- Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

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3.4 **The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:**

- A Constitution has been adopted which sets out how the Council operates and how decisions are made, and incorporates a clear delegation scheme.

- The Constitution indicates responsibilities for functions and sets out how decisions are made.

- A system of scrutiny is in place which allows Review Committees to:

  - review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
  - make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
  - consider any matter affecting the area or its inhabitants; and
  - exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees.

- Directorates have established delegation schemes, although these may require updating in some areas to reflect recent organisational changes.

3.5 **Codes of Conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:**

- The following are in place:

  - Members' Codes of Conduct;
  - Employees' Code of Conduct;
  - Registers of Interests, Gifts and Hospitality.

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3.6 **Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:**

- The City Treasurer is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Council's financial affairs.

- The City Solicitor is the Council's Monitoring Officer who has maintained an up-to-date version of the Constitution and has endeavoured to ensure lawfulness and fairness of decision making.

- The Council has in place up to date Procurement Procedure Rules and Financial Procedure Rules, which are subject to regular review.

- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:

  - Whistle Blowing Policy;
  - Anti Fraud and Corruption Policy;
  - Codes of Conduct;
  - Corporate Health and Safety Policy;
  - Corporate Complaints Policy;
  - Corporate Procurement Strategy;
  - Procurement Codes of Practice;
  - Partnerships Code of Practice;
  - Treasury Management Strategy based upon CIPFA's Treasury Management Codes;
  - Directorate / department budget management schemes.

- There are robust and well embedded risk management processes in place, including;

  - Risk Management Strategy and Policy Statement;
  - Corporate Risk Profile;
  - Risk Management Manual;
  - Nominated Head of Risk Management;
  - Corporate and Directorate Risk Management Staff and Groups;
  - Risk Management Training Programme;
  - Discrete Risk Profiles produced for certain major initiatives/projects and significant partnerships;
  - Partnerships Risk Register;
  - Establishment and operation of a risk management fund;
  - Nominated Directorate risk management champions;

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- Risk Management Annual Report;
- Member Risk Champion;
- Risk Management Advisors for each Directorate.

- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.

- Business Continuity Plans are in place, which are subject to ongoing review and development. The arrangements in place in relation to ICT hardware disaster recovery need further enhancement and significant investment is taking place in this regard.

- There are clearly defined capital expenditure guidelines in place.

- Appropriate project management disciplines are utilised.

- The Council participates in the National Fraud Initiative and subsequent investigations.

- The Council has adopted and implemented the requirements of the Department for Work and Pensions Security Manual for the administration of Council Tax and Housing Benefit.

- Procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

3.7 **The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities,* are undertaken by members.**

The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;

- be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;

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- to receive and consider (but not direct) internal audit's strategy, plan and monitor performance;

- receive and consider the external audit plan;

- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;

- receive and consider the annual report of internal audit;

- consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter;

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit; and

- make recommendations or comments to Cabinet or Council as appropriate.

3.8 **Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:**

- The City Solicitor is the Council's designated Monitoring Officer and a protocol is in place with all Chief Officers, to safeguard the legality of all Council activities.

- The Council maintains an Internal Audit Service. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

3.9 **Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:**

- The Council is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Council, a Councillor, or any member of the public, has serious concerns regarding the conduct of any aspect of the Council's business, they can do so through a variety of avenues, promptly and in a straight forward way.

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- The framework in place to ensure the aims of this Policy are met are set out in two 'Whistle Blowing Policy Arrangements' documents, one for Council workers and one for members of the public.

- Monitoring records held by the City Solicitor reveal that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.10 Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles:

- The Council has a Members Training and Development Policy and Programme in place which sets out a clear commitment to Members to provide a range of training and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Council strategic objectives. In addition Members have access to a Personal Development Plan, which sets out the skills, knowledge, expertise and competence required to carry out the role as an Elected Member and confirms their personal responsibility for continuous professional development.

- The Elected Member Training and Development Strategy aims:

  - To provide a comprehensive Member Development programme;
  - To ensure that all newly Elected Members are properly inducted into the Council;
  - To encourage all Members to undertake a personal development plan to identify their individual needs and learning styles;
  - To ensure that all emerging needs for both individuals and across the board are identified and addressed;
  - To ensure that resources available for Member Development are effectively used.

- The Council has a HR Strategy that identifies that the need to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual appraisal focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Council.

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3.11 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- The Council has a Community Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Council and with partner agencies, impacts on service delivery, and is delivered to a high standard.

- The strategy is complemented by the Hard to Reach Framework which outlines the council's approach to consulting with minority and vulnerable sectors of society.

3.12 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the authority's overall governance arrangements:

- The Council has published a Code of Practice for Partnerships which includes a template for Partnership Agreements and a Partnerships Toolkit. The Code is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and officers to review existing arrangements.

- A Register of Partnerships is maintained. Significance of partnerships is measured using the Partnerships Significance Assessment Scorecard recommended by CIPFA.

- An annual report of those partnerships classified as significant is presented to Cabinet.

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4.   REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Councillors and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit Services' Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The role of the Council:

  - Councillors have participated in the annual review of the Council's Corporate Governance arrangements;
  - The Leader of the Council, the Chief Executive and the City Treasurer have overseen the review and signed the Annual Governance Statement.

- The role of the executive:

  - The findings of the Annual Governance Review have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.

- The role of the Audit and Governance Committee:

  - The findings of the Annual Governance Review have been reported to Audit and Governance Committee. Under their Terms of Reference the Audit and Governance Committee have satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

- There is a system of scrutiny which allows Review Committees to:

  - review decisions made or actions taken in connection with the discharge of any of the Council's functions;
  - make reports and recommendations to the full Council, the executive, or any joint or area committee in connection with the discharge of any functions;
  - consider any matter affecting the area or its inhabitants; and
  - exercise the right to call-in, for reconsideration, decisions made but not yet implemented.

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- The role of the Council's Standards Committee includes the following:

  - promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent governor representatives;
  - monitoring the operation of the Members' Code of Conduct;
  - monitoring the operation of the Council's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Council;
  - considering reports and complaints relating to the conduct of Members of the Council;
  - supporting the Monitoring Officer in his role.

- All Heads of Service have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility.

- All Chief Officers have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments from all Heads of Service.

- Internal audit planning processes include consultation with all Chief Officers, reviews of the Corporate Improvement Plan and the Corporate Risk Profile. Audit work is risk based audit work and includes risks in relation to the achievement of service objectives, and Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The Audit Commission have conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.

- The Council has secured the highest rating (currently 4 Star) for each year of the Comprehensive Performance Assessment. The most recent corporate assessment states that:

  - the Council is performing well;
  - the Council has created an aspirational vision for Sunderland that has been shared and understood by partners, staff and the public;
  - the Council provides very good community leadership;
  - strong partnership working is enabling the Council and its partners to pursue their ambitions;
  - the Council delivers good value for money as a result of very sound financial management;
  - The Council has good performance management arrangements.

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- The Council has secured the highest rating (4 out of 4) for the Use of Resources assessment, an element of the Comprehensive Performance Assessment.

- The Joint Area Review (JAR) of services for children and young people in January 2007 found that the impact of local services in improving outcomes for children and young people is good overall.

- An annual assessment of service for adults was undertaken in the summer of 2007 by the Commission for Social Care Inspection. This continued to judge Adult Service as a three star social care function with excellent outcomes for customers' and excellent capacity for improvement.

- Findings of external inspectorates are collated / monitored by the Performance Improvement Team.

Cabinet and the Audit and Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Council's Corporate Governance and Internal Control Arrangements.

We propose over the coming year to take steps to implement the action plan to further enhance the Council's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Paul Watson   Dave Smith   Keith Beardmore
Leader of the Council   Acting Chief Executive   City Treasurer

Dated 26th June 2008

Progress regarding Corporate Governance Action Plan - 2007/2008

Ref	Action	Lead / Responsible Officer	Progress
Dimension 1: Community Focus			
1	Development of Customer Segmentation model for Sunderland.	Head of Performance Improvement	Complete
2	Preparation of new sustainable Community Strategy and Local Area Agreement.	Head of Corporate Policy	Complete
3	Completion of the Community Development Plan.	Director of Community and Cultural Services	Complete
4	Completion of the Customer Service and Access Strategy to inform the development and delivery of the Councils, and where appropriate partners, approach to the delivery of customer services.	Director of Community and Cultural Services	Complete
5	Undertake a sustainability audit and from this develop a Carbon Management Programme and Climate Change Action Plan.	Head of Planning and Environment	Complete
Dimension 2: Services Delivery Arrangements			
6	Achieve Equalities Level 3 standard and prepare Community Cohesion Strategy.	Assistant Chief Executive / Director of Development and Regeneration	Re Equalities: Level 3 self declared in October 2007 with an External Assessment to report by August 2008. Community Cohesion Strategy being prepared.

Progress regarding Corporate Governance Action Plan - 2007/2008

Ref	Action	Lead / Responsible Officer	Progress
7	Implement a single corporate IT based performance management system.	Head of Performance Improvement	Ongoing (Procurement exercise has started)
8	Ensure that all key ICT systems have been identified, and a process has been worked through to ensure that the service continuity impact has been assessed and, where necessary, funded for each.	All Chief Officers supported by Corporate Head of ICT	Ongoing
9	Update major incident plan using lessons learned from the recent exercise - Black Cat.	Head of Land and Property	Complete
Dimension 3: Structures and Processes			
10	Review framework for the sourcing and management of external funds.	Assistant Chief Executive	Ongoing (new Head of Service to complete the review)
11	Directorate Delegation Schemes to be reviewed and updated as appropriate to reflect changes to structures.	All Chief Officers	Complete
12	The good progress in relation to developing the Council's overall Information Governance arrangements should be continued.	City Solicitor	Ongoing
Dimension 4: Risk Management & Internal Control			
13	All Directorates are to be reminded of the requirement for an appropriate risk analysis to be included in Cabinet reports.	City Solicitor	Complete