

Statement of Accounts

2011/2012

Contents

Page

Cabinet 2011/2012	3
Introduction	4
Certification of the Statement of Accounts	5
Foreword by the Executive Director of Commercial and Corporate Services	6
Statement of Responsibilities for the Statement of Accounts	17
Certificate of the Executive Director of Commercial and Corporate Services	18
Independent Auditor's Report to the Members of Sunderland City Council	19
Annual Governance Statement	21
Financial Statements:	
Movement in Reserves Statement	28
Comprehensive Income and Expenditure Statement	30
Balance Sheet	32
Cash Flow Statement	33
Notes to the Accounts (including a summary of significant accounting policies and other explanatory information)	34
Supplementary Statement:	
Collection Fund Account	120
Notes to the Collection Fund Account	121
Glossary of Terms	124

Cabinet 2011/2012

Cabinet membership and responsibilities for the financial year are as set out below:

Member	Portfolio
P. Watson	Leader of the Council
Mrs F. Anderson – resigned 18 th May 2011 H. Trueman – appointed 18 th May 2011	Deputy Leader of the Council
D. Allan – resigned 18 th May 2011 (Portfolio subsumed within the Cabinet Secretary responsibilities)	Resources
M. Speding – appointed 18 th May 2011	Cabinet Secretary
Mrs P. Smith	Children and Learning City
M. Speding – resigned 18 th May 2011 D. Allan – appointed 18 th May 2011	Health and Wellbeing
J. Blackburn	Attractive and Inclusive City
H. Trueman – resigned 18 th May 2011 T. Wright – appointed 18 th May 2011	Sustainable Communities
Mrs C. Gofton	Responsive Services and Customer Care
B. Charlton	Prosperous City
D. Wilson – resigned 18 th May 2011 J.Kelly – appointed 18 th May 2011	Safer City and Culture

Introduction

A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers money. We recognise, however, that the Council's Accounts can only tell part of the story. The Council needs to continue to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place.

With regard to corporate governance, the Council considers an annual review of its Code of Corporate Governance, the 2011/2012 review was considered by the Audit and Governance Committee in June and will be reported to Cabinet in July and will then be reported to full Council. The Code follows the framework recommended by CIPFA / SOLACE. The review assesses the Council's arrangements for compliance with the Code, which identifies the underlying principles of corporate governance - openness and inclusivity; integrity; and accountability – across the various dimensions of the Council's business. The review found that the Council continues to have robust and comprehensive arrangements in place and has identified a small number of areas for improvement and development, which will be acted upon during 2012/2013.

In line with guidance issued by CIPFA, the Council has a well established Audit and Governance Committee which carries out the role of an Audit Committee. The role of this Committee involves not only approving the Statement of Accounts, but also reviewing arrangements for areas such as treasury management, risk management, the wider internal control environment and also consideration of internal and external audit plans, progress reports and annual reports.

Within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of Internal Control in place. We will however continue to ensure action is taken where necessary to maintain and develop the system of Internal Control in the future.

Councillor Paul Watson
Leader of the Council

Dave Smith
Chief Executive

Malcolm Page CPFA MBA
Executive Director of Commercial
and Corporate Services

Dated: 28th September 2012

Certification of the Statement of Accounts

Statement of Accounts 2011/2012 (Subject to Audit) Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2011 Regulation 8 (2) the Statement of Accounts for 2011/2012 (subject to audit) presents a true and fair view of the financial position of Sunderland City Council as at 31st March 2012 and its income and expenditure for the year then ended.

Mr M Page CPFA MBA
Executive Director of Commercial and Corporate Services

Dated: 29th June 2012

Audited Statement of Accounts 2011/2012 Certification on behalf of those charged with governance

As Chairman of the Audit and Governance Committee held on 28th September 2012, I hereby acknowledge receipt of the audited Statement of Accounts for 2011/2012 by this Committee, in accordance with the Accounts and Audit Regulations 2011 Regulation 8(3), and confirm that the Statement of Accounts was approved at the Audit and Governance Committee of 28th September 2012 in accordance with sub-paragraph 8 (3) (c) with regard to the aforementioned Regulations.

Mr. G.N. Cook
Chairman of the Audit and Governance Committee

Dated: 28th September 2012

Audited Statement of Accounts 2011/2012 Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2011/2012 in accordance with Regulation 8 (2) of the Accounts and Audit Regulations 2011.

Mr M Page CPFA MBA
Executive Director of Commercial and Corporate Services

Dated: 28th September 2012

Foreword by the Executive Director of Commercial and Corporate Services

This Statement of Accounts shows, in the following pages, the Authority's final accounts for 2011/2012. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011 and the Local Government and Housing Act 1989.

Certain financial statements are required to be prepared under the Code and these are detailed below:

1. Statement of Responsibilities

This discloses the respective responsibilities of the Authority and the Chief Finance Officer.

2. Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.

3. Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority.

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

6. Notes (including a summary of significant accounting policies and other explanatory information)

The Notes to the financial statements have three significant roles, they:

- Present information about the basis of preparation of the financial statements and the specific accounting policies used.
- Disclose information that is required by the Code that is not presented elsewhere in the financial statements.
- Disclose information that is not presented elsewhere in the financial statements, but is relevant to their understanding.

7. Collection Fund Account

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2011/2012 to be met from Government Grants and local taxpayers was approved at £253.677m. This meant that the Band D Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates and including both the Police and Fire and Rescue Authority precepts, was set at £1,342.80 for 2011/2012. This represented no Council Tax increase from the 2010/2011 Band D Council Tax level as a Council Tax freeze was implemented in setting the 2011/2012 budget. The Council again set the lowest Council Tax level in the whole of the North East region for 2011/2012 for the fifth consecutive year and has continued to set the lowest Council Tax in Tyne and Wear since Council Tax was introduced in 1993/1994.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the Council's Cabinet. These detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items including Treasury Management and Prudential Indicators. Reporting during the financial year continues to reflect strong and robust financial management in 2011/2012 continuing the Council's strong track record in this regard.

The table on the next page summarises the financial position for the year 2011/2012 for General Fund Balances, which is made up of the Council's General Reserve and Balances held by Schools under the Local Management Scheme, in accordance with the Code and also shows the original budget and the revised budget positions for 2011/2012 as compared to the actual position for 2011/2012.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Financial position for the year 2011/2012 for General Fund Balances

	2011/2012 Original Estimate £'000	2011/2012 Revised Estimate £'000	2011/2012 Actual £'000	2010/2011 Actual £'000
Expenditure on Services*	242,286	242,286	225,738	263,696
Levies and Precepts	19,071	19,071	19,101	18,675
(Surplus) / Deficit from Trading Operations and Dividends	0	0	413	(112)
Transfers to / (from) Capital Reserves	0	0	(1,300)	(4,700)
Transfers to / (from) Revenue Reserves:				
PFI Smoothing Reserve	0	0	(404)	(317)
Insurance Reserve	0	0	(263)	(1,252)
Economic Development Reserve	0	0	0	(700)
Play Areas Reserve	0	0	0	(83)
WNF - Software City Reserve	0	0	(783)	0
WNF - Visible Workshop and Other Projects Reserve	0	0	(50)	0
House Sale Income Reserve	0	0	(272)	178
Modernisation Improvements	0	0	(196)	2,677
Utilities Reserve	0	0	0	1,043
Invest to save Commercial Opportunities	0	0	0	1,500
Strategic Investment Reserve	0	0	7,265	0
HCA Riverside Transfer	0	0	11,980	0
All Other revenue Reserves	0	0	(2,051)	10,481
Total Net Expenditure	261,357	261,357	259,178	291,086
Financed by:				
Revenue Support Grant and General Grants	40,109	40,109	40,481	55,904
National Non Domestic rates	120,771	120,771	120,771	137,496
Council Tax Collection Fund Receipts**	95,128	95,128	95,128	95,903
Council Tax Surplus	500	500	500	50
Total Net Budget Requirement	256,508	256,508	256,880	289,353
Addition / (Use):				
General Reserve (See Note 1)	(4,849)	(4,849)	(4,849)	(2,330)
Schools LMS Reserve (See Note 2)	0	0	2,550	597
General Fund Balance brought forward:				
General Reserve	12,419	12,419	12,419	14,749
School LMS Reserve	8,090	8,090	8,090	7,493
General Fund Balance carried forward:				
General Reserve	7,570	7,570	7,570	12,419
School LMS Reserve	8,090	8,090	10,640	8,090

* This excludes the effect of IAS19 pension fund adjustments.

** This figure includes an adjustment for Council Tax debtors and creditors as required under the Code of practice on Local Authority Accounting in the United Kingdom 2011/2012.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Note 1 – General Reserve

The table shows a reduction in the general reserve balance of £4.849 million as forecast at the revised estimate stage and is after taking into account the creation of a limited number of reserves reported to Cabinet as part of the outturn report and second revenue review reports.

The movement in the general reserve balance takes account of the following additions to balances totalling £11.584 million:

- £6.714 million debt charge and interest on investment saving due to continued proactive Treasury Management;
- £2.308 million net under spend on salaries and other staff costs;
- Other net savings in contingencies and non delegated expenditure of £2.562 million.

and the following £16.433 million use of balances:

- Transfer to the Strategic Investment Reserve of £11.584 million to support one off transitional costs arising from the implementation of budget savings proposals in 2012/2013 and future years as approved as part of the outturn and second revenue review reports;
- Contribution of £4.849 million to the 2011/2012 Revenue Budget approved as part of the 2011/2012 budget setting process.

Note 2 - Movement on Locally Managed Schools Reserve

The Education Reform Act 1988 provides for the carry forward of individual school balances. These earmarked reserves are not for Council use and the level of the reserve, in accordance with the Code, forms part of the movement in General Fund Balances in the Movement in Reserves Statement. The movement in school balances during 2011/2012 amounted to a net return to balances of £2.551m (£0.597m net return to balances in 2010/2011), as a result of reduced spending by schools and is reflected in the Statement of Accounts within the Comprehensive Income and Expenditure Statement on the Education cost of service line. School balances are fully committed and are required to meet the challenges in respect of reduced funding in 2012/2013 and future years.

As a result, the balance of this reserve as at 31st March 2012 increased to £10.641m compared to £8.090m as at 31st March 2011. Further details are set out in [Note 8 on Page 60](#).

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Financial Planning and the Impact of Government Funding Reductions

The Comprehensive Spending Review 2010 announced in October 2010 set out the Government's national spending plans for the period 2011/2012 to 2014/2015. The funding cuts for local government required reductions of circa 27% over the four year period which were front loaded into 2011/2012 and 2012/2013.

This resulted in significant reductions in funding to the Council for 2011/2012 and beyond. For 2011/2012 this, combined with unavoidable cost pressures, resulted in the budget being set taking account of reductions totalling £57.8m:

- £38.7m in respect of reductions in formula grant and cost pressures. This was addressed through implementation of the Sunderland Way of Working including through business transformation savings, fundamental service reviews (see Council Improvement Programme [page 11](#) for further detail) and other Directorate savings activity. This has continued our aggressive approach to reducing back office costs as much as possible, working more smartly by rationalising the use of property and ICT, generating significant savings through procurement, and generating additional income while reviewing services to ensure resources are targeted to areas of highest need to protect front line services as much as possible;
- £19.1 million of specific grant reductions which were passported to the areas of relevant expenditure in accordance with the approach agreed as part of the Budget Planning Framework.

Further reductions in Government funding and cost pressures mean that the budget for 2012/2013 has been set taking account of a further £28.1m of reductions:

- £10.5m to be achieved from further reconfiguration of back office support to meet future business need, continued review of the asset portfolio together with savings in contingencies and third party spend;
- £15.4m to be achieved from continued implementation of service reviews to modernise and improve services;
- £2.2m use of temporary transitional funding earmarked to provide some flexibility to enable longer term savings to be realised.

Beyond 2012/2013 the position is very uncertain due to the potential significant impact of the Government's Local Government Resource Review, Schools Funding Review, Welfare Reform and Public Health Funding transfer. At this stage further significant reductions in funding are anticipated which the Council continues to plan for as set out in the Medium Term Financial Strategy. The identification of savings for the medium term will continue through a combined approach of:

- Implementing the Improvement Plan and Programmed Savings plan which aim to meet needs and achieve savings while protecting as far as possible frontline services and maximising non frontline savings including Strategic and Shared Services, ICT, Property Rationalisation and Smarter Working;
- Continuing the implementation of Three Year Improvement Plans to reshape services and target resources with the aim of protecting core services, modernising social care, ensuring customer service is at the heart of service delivery and ensuring services are responsive to local needs;
- Developing alternative methods of service delivery;
- Investing to support growth.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

The Council's Improvement Agenda

The Council developed the Sunderland Way of Working in 2009 in anticipation of the significant Government funding reductions which are now being felt following the Comprehensive Spending Review 2010 and subsequent local government finance settlements for 2011/2012 and 2012/2013. The Council has continued to drive change and deliver efficiencies totalling £57.8m through the Sunderland Way of Working in 2011/2012.

The operating model is now in place and encompasses all of the improvement activity across the Council. Each element that makes up this initiative is described as follows:

- The **Business Transformation Programme (BTP)** is the main programme delivering the new business operating model whilst ensuring improvement in front line services. The programme delivered £26.4m savings in 2011/2012 and in doing so, the Council has achieved the following outcomes:
 - Further re-engineering of the unified services: Strategy Policy and Performance; Strategic Asset Management; Assurance, Risk and Procurement; Legal and Democratic; Scrutiny and Area Arrangements; Transformation, Programmes and Projects; Strategic Finance; Strategic HR; Communications; and Transactional Services (HR, Finance and Administration) generating savings of £7.9m
 - 15 council buildings have closed and locality bases have been established in existing buildings to bring services closer to the customer and produce savings. Use and utilisation of space has improved and, alongside more flexible working practices, these measures have produced savings of £0.8m in 2011/2012.
 - Further restructuring of ICT has significantly reduced the size of the unit, saving £0.6m in 2011/2012.
 - The introduction of Workforce Development projects over the last three years has seen a reduction in staff numbers by 1,164. In addition, the introduction of SWITCH (Staff Working In Transition and Change) has allowed the council to reduce external recruitment and support the internal recruitment of staff to previously difficult to fill posts.
 - A range of other service improvement and review activity has generated £17.1m of savings in 2011/2012 including:
 - § Services for Over 65's (£5.0m)
 - § Review of 3rd Party Spend (£5.0m)
 - § Housing Related Support (£2.0)
 - § Facilities Management (£1.8m)
 - § Customer contact and the provision of Information, Advice and Guidance (£0.8m)
 - § Locality and Neighbourhood Management (£0.8m)
 - § Planning Services (£0.8m)
 - § Transport and Fleet Management (£0.5m)
 - § Other Reviews (£0.4m)
- The **Community Leadership Programme (CLP)** aims to strengthen the position of Councillors, residents and customers at the centre of decision making in the council and the city. This year has seen:
 - The introduction of Responsive Local Services across environmental services such as litter, graffiti removal, grass-cutting, minor repairs and dog-fouling. Action has resulted in more staff reporting of issues than public reporting, response times cut from days to hours in some cases and significant increases in overall customer satisfaction as measured by Ipsos MORI.
 - Rolling programme of support and development to elected members with the outcome being overall satisfaction of members increasing to a new high of 91% regarding Officer support and

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

advice as good or excellent compared to less than 65% when the Community Leadership Programme began.

- The **Economic Regeneration Programme** (ERP) focuses on the council's contribution to the delivery of those programmes and projects identified and prioritised as being important to achieving the aims of the Sunderland Economic Master Plan. The main objective is to improve Sunderland's economic prosperity. This will be achieved by increasing the city's attractiveness to investors; creating well paid sustainable jobs; developing a skilled workforce; attracting and retaining young people; developing the city in to a national hub of the low carbon economy and; making Sunderland attractive, aspirational, entrepreneurial and inclusive. The Economic Regeneration Programme is directed by an Economic Leadership Board comprising representatives of private sector, public sector and social enterprises, the Programme oversees the development, resourcing and delivery of those projects identified to deliver the benefits and outcomes of the Economic Master Plan and is overseen, within the council, by an Economic Regeneration Programme Board. Key successes for 2011/2012 are:
 - The £15m expansion of the Bridges shopping centre with Primark as the anchor tenant
 - Agreement to build the new Wear Crossing including the securing of grant funding of £82m. The project will support construction jobs and permanent jobs along the riverside corridor
 - The new Hotel complex to be built within the historic Sunnyside area of the city centre
 - Remediation of the Vaux site, including temporary site treatment and preparation for future developments
 - Establishment of a £60m capital programme within the council's budget to bring forward other major developments during 2012/2013
 - Announcement of up to 2,500 new jobs created by the investment in car manufacturing and associated sector development with support from the Regional Growth Fund

Economic downturn

The economic downturn has continued into 2011/2012 and the Council has again responded throughout the year by taking actions to ensure that resources have been directed to those service areas most affected reflecting the position taken at the time the 2011/2012 budget was set. The following factors that were taken into account included:

- The very low interest rates continued to have an impact on the financial return on the Council's deposits, leading to reduced levels of income available to support the Council's Revenue Budget
- The continuing reduction in the ability of the council to generate capital receipts from the sale of surplus assets continues to restrict the resources available for the Council's capital programme and this position is now expected to continue into 2012/2013 and future years. However alternative means of funding priority investment continue to be rigorously pursued with positive results in a number of areas
- The impact of the economic downturn continues to affect the level of income from fees and charges for Council services.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Capital Expenditure and Income

Capital Expenditure for the year totalled £56.847m. Expenditure on fixed assets for 2011/2012 was £39.289m (Note 12, page 64), whilst expenditure on intangible assets was £1.085m (Note 15, page 69). The remainder of £16.473m represents grants, advances to other organisations for capital purposes, de-minimis expenditure transferred to revenue and expenditure on property not owned by the Authority.

The above total capital expenditure was financed by Unsupported Borrowing of £6.486m, Capital Receipts of £0.819m, Government Grants of £24.451m, Other Grants and Contributions of £7.730m, Revenue Contributions of £1.589m and Use of Reserves of £15.772m.

Major Acquisitions, Capital Works and Disposals during 2011/2012

The Council spent £4.967m on the purchase of land and property during 2011/2012 and this was in respect of strategic land acquisitions that will be used to regenerate the city centre and surrounding areas.

The Council is involved in a number of major projects, known as capital works. The main schemes are listed below for information, and show the amounts of expenditure incurred during 2011/2012, the total estimated gross cost of each scheme, and the status of the project at the end of this financial year.

Scheme / Project	Expenditure during 2011/2012 £'000	Total Currently Estimated Gross Cost £'000	Physically Completed / In Progress as at 31 March 2012
Sunderland Software Centre	6,464	9,742	In Progress
Corporate Computing Model	4,759	5,901	In Progress
St Josephs Primary	3,435	6,000	In Progress
Maplewood School	3,521	5,800	In Progress
Houghton Primary Care Centre	2,313	2,400	In Progress
Strategic Economic Development Support	2,000	2,000	Complete
Sunderland Strategic Transport Corridor	1,404	117,642	In Progress

There was no major asset disposal resulting in a capital receipt in excess of £500,000. However, three schools did become academies as disclosed in Note 6 on page 56. In these cases, the assets transferred from the Council to the academies without a capital receipt in accordance with government regulations.

Authority's Current Borrowing and Capital Borrowing Position

The Capital Programme report incorporating Prudential Indicators and the Treasury Management Policy and Strategy submitted to Council on 2nd March 2011 detailed the 2011/2012 borrowing limits for the Council.

The specific borrowing limits set relate to two of the Prudential Indicators, which are required under the Prudential Code, which was introduced on 1st April 2004. The Authority is required to set borrowing limits for the following three financial years. The limits for 2011/2012 were as follows:

- Authorised Limit for External Debt for 2011/2012 of £382.399m.
- Operational Boundary for External Debt for 2011/2012 of £312.463m.

As part of the Authority's Treasury Management operation, these two Prudential Indicators are monitored on a daily basis. The Authorised Limit and Operational Boundary for the Council were not exceeded during 2011/2012. The highest level of borrowing incurred by the Council in respect of the above limits, during 2011/2012, was £219.424m.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Treasury Management

In line with best accounting practice, the Council must follow the Treasury Management Policy and Strategy agreed by full council each year. The Policy for 2011/2012 is included in detail within the Accounting policies, on [Pages 52 and 53](#) for information.

Actual interest rates in 2011/2012 did not increase to the levels anticipated as global and national economic growth remained low. This, alongside sovereign debt concerns in the Euro Zone and a £50bn expansion of the Bank of England Quantitative Easing programme in the UK led to a fall in gilt yields despite higher than anticipated levels of inflation and the UK moving into a double-dip recession. The Bank Rate is now not expected to increase until the first quarter of 2014. There remains a divergence of opinion on the timing and extent of increases anticipated in the Bank Rate and economic forecasts will continue to be closely monitored.

The Council has had to operate its Treasury Management function within these very challenging and uncertain times by carefully managing the Council's cash resources and the Council continues to operate a prudent and cautious approach to Treasury Management. The Council follows professional standards and best practice in this specialist area and continues to develop its Treasury Management expertise and knowledge in order to safeguard the Council resources and thereby reducing the risks that inevitably exist in this complex area.

As part of the Government's Spending Review 2010 in October 2010 the PWLB was instructed to increase the interest rate on all new loans by an average of 1.00% above the Government's cost of borrowing. This increase across all PWLB rates made borrowing from this source more expensive and also made debt rescheduling opportunities less likely.

The performance of the Council's Treasury Management function continues to contribute significant financial savings that are used to provide funding for future years capital programmes and to help support the Council's revenue budget. New loans of £10m were taken out in 2011/2012, the interest rate payable on the new loan was 3.99% and well below the 5.50% target rate set for long-term borrowing, representing an ongoing lower cost of borrowing to the Council. The average rate of the Council's borrowing at 3.46% is in the top quartile when benchmarked against other authorities as is the 1.62% rate of return achieved on investments. The high rate of return achieved on investments in 2011/2012 has meant a further saving of almost £1.9m to the original 2011/2012 budget and helps to show how proactive Treasury Management can have significant positive effects on the Council's resources. This action was in line with the Councils' agreed Treasury Management Policy and Strategy for 2011/2012.

Accounting for Pensions

The accounts continue to be fully compliant with International Accounting Standard 19 (IAS19). Although IAS19 is regarded as a complex accounting standard it is based on a simple principle, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of the pension fund assets and liabilities in the accounts does not mean that the legal title or obligation has passed from the Pension Fund Administrator to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (through reduced contributions) from a surplus in the Pension Fund.

The last full actuarial valuation of the Pension Fund was carried out as at 31st March 2010 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2012. The Council as such continues to comply fully with this Standard and the Accounting Policy on [Pages 39 to 40](#) and the Notes to Core Financial Statements provide details of the necessary disclosures required.

The net overall impact of IAS19 accounting entries is neutral in the accounts, and, in reality, as the Council is making the necessary pension deficiency payments to address any assessed shortfall in the pension fund by the Actuary over time, then the Balance Sheet net worth is in effect reporting future years' deficits, which are being addressed.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

The financial health of the Council is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit reflected in (Note 23d, Page 79), as assessed by the Actuary, as at 31st March 2012, is being addressed by the Council in line with government regulations whereby a period of 22 years to correct the deficit position has been agreed. The Council can meet the assessed deficit with planned and agreed future years contributions based on independent actuarial advice.

Cost of Pensions

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure the Council has to meet each year. The previous Government completed a review of the public sector pension arrangements and implemented changes in light of that review designed to modernise the arrangements whilst seeking to ensure that they are more affordable. The new Government more recently through the Hutton Review has indicated that it is to implement the recommendations from this Review and is currently still in negotiations with the relevant public sector unions to agree measures to reduce the employer's costs of funding pensions for public sector workers and to make them more affordable. The Council is awaiting the final details of the proposed revised pension schemes.

Equal Pay claims

Both prior to and during 2011/2012, the Council has received a number of equal pay claims which are seeking financial redress in respect of periods when unequal pay is alleged to have been paid by the Council. Whilst a large number of claims have been settled, a large number of other claims remain outstanding where the legal advice is that offers of settlement should not be made. These claims will be defended and periodically reviewed to ensure the Council takes timely and appropriate action where necessary.

Insurance Provision

The Council has an excellent track record in managing the many risks it faces and also continues to win national recognition for the achievements of its successful risk management arrangements. The impact of this success means that the Council continues to benefit from reduced insurance premia by successfully managing some risks itself.

As part of the prudent approach to the management of the financial affairs of the Council, some of these savings have been prudently earmarked against future known and unknown claims following an actuarial review, and are held in an Insurance Reserve.

South Tyne and Wear Waste Management Partnership PFI Scheme

The South Tyne and Wear Waste Management Partnership was established to enable the three partner authorities (Sunderland, Gateshead and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste. The Partnership has been awarded £73.5m of PFI Credits by the Department for Environment, Food and Rural Affairs (Defra). The Partnership, led by Gateshead Council, entered into a contract on 20th April 2011 with a consortium led by Sita UK Ltd. The waste treatment facility is anticipated to become operational in April 2014 following which there will be an operating period of twenty five years.

Euro

The adaptation of operational and information systems to accommodate the Euro would become a priority for local authorities at some stage in the future if a decision were made by the UK Government to join the Euro. The Council continues to monitor the Euro's impact on its business affairs. The council's Financial Management System is Euro compliant.

Foreword by the Executive Director of Commercial and Corporate Services (Continued)

Changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012

The Code of Practice on Local Authority Accounting in the UK 2011/2012 introduced some changes to the Statement of Accounts for 2011/2012. The main changes and their impact on the financial statements are set out in Note 1 for information.

Malcolm Page CPFA MBA
Executive Director of Commercial and Corporate Services
28th September 2012

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

1. To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Commercial and Corporate Services.
2. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Executive Director of Commercial and Corporate Services' Responsibilities

The Executive Director of Commercial and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 ("the Code"), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

Authorised for Issue Date

The unaudited accounts were issued on 29th June 2012 and the audited accounts were authorised for issue on 28th September 2012.

**Certificate of the
Executive Director of Commercial and Corporate
Services**

I certify that in preparing this statement of accounts I have:

Selected suitable accounting policies and then applied them consistently;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code, except where disclosed.

I have also:

Kept proper accounting records which were up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Malcolm Page CPFA MBA
Executive Director of Commercial and Corporate Services**

28th September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNDERLAND CITY COUNCIL

Opinion on the Council's financial statements

I have audited the financial statements of Sunderland City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Sunderland City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Commercial and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Commercial and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Commercial and Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Sunderland City Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Sunderland City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Sunderland City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed

Date: 28 September 2012

Steve Nicklin
District Auditor

Nickalls House
The Metrocentre
Gateshead
Tyne and Wear
NE11 9NH

Annual Governance Statement

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 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a local Code of Corporate Governance in line with good practice. The Code is on the Council's website '<http://www.sunderland.gov.uk/index.aspx?articleid=1470>' or can be obtained from the Executive Director of Commercial and Corporate Services. This Statement explains how the Council has complied with its Code in 2011/12.

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.

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 and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework has been in place at the Council for the year ended 31st March 2012 and up to the date of approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

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 [Sunderland Strategy 2008-2025](#) provides the framework for members of the [Sunderland Partnership](#), organisations, groups of people and individuals, to work together to improve the quality of life in Sunderland by 2025. It sets out a Vision for the city and its people and how everyone will work together to achieve that Vision:

"Creating a better future for everyone in Sunderland - Sunderland will be a welcoming, internationally recognised city where people have the opportunity to fulfil their aspirations for a healthy, safe and prosperous future."

Underpinning the Sunderland Strategy are a number of groups, including:

- Non Executive Board
- Sunderland Innovation and Improvement Group
- Education Leadership Board.
- Economic Leadership Board
- Health and Wellbeing Board

In 2011 it was considered appropriate that the Sunderland Strategy be refreshed in the light of the new and emerging policy and performance management context being developed by the coalition Government.

The Corporate Improvement Plan (CIP) for 2009/10 to 2011/12 is the Council's overarching Service Plan containing the plans of all of the Council's Portfolios. A range of service specific plans were in place during the year.

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

The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities

Annual Governance Statement (continued)

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

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.

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

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.

During the year a system of scrutiny was in place allowing the scrutiny function 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; and
- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.

Directorates have established delegation schemes, although these will require updating in some areas to reflect recent and ongoing organisational changes.

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;
- Protocol on Member/Employee Relations;
- Protocol for Members in Relation to Development Control Matters;
- Whistleblowing Policy;
- Protocol for the use of Civic Cars;
- Protocol for Members in Relation to Licensing Matters;
- Protocol for Members and Voting Co-opted Members – Use of Council Resources and Equipment;
- Guidance for Members in Relation to the Use of Council ICT Facilities;
- Protocol for Use of Member Website;
- Data Protection: Guidance for Councillors;
- Remote Intranet/Internet Access for Members;
- Protocol in Relation to Members' Dealings with the Council;
- Registers of Interests, Gifts and Hospitality.

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 Executive Director of Commercial and Corporate Services is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 and is responsible for ensuring lawfulness

Annual Governance Statement (continued)

and financial prudence of decision making, and for the proper administration of the Council's financial affairs.

The Head of Law and Governance is the Council's Monitoring Officer who has maintained an up to date version of the Constitution and has ensured lawfulness 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;
- Code of Practice for Partnerships;
- Treasury Management Strategy;
- Directorate / department budget management schemes.

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

- Member Risk Champion;
- Risk Management Policy and Strategy;
- Nominated Head of Service lead for Risk Management;
- Corporate Risk Profile;
- Corporate Risk and Assurance Group;
- Risk Profiles for major projects and significant partnerships.

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.

There are clearly defined capital expenditure guidelines in place.

Appropriate project management disciplines are utilised.

The Council participates in the National Fraud Initiative.

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.

The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Executive Director of Commercial and Corporate Services fulfils this role through the following:

Attendance at meetings of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;

Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;

Alignment of medium term business and financial planning processes;

Annual Governance Statement (continued)

Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively;

Ensuring that the finance function is resourced to be fit for purpose.

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 corruption 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 Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- 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 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 to Cabinet or Council as appropriate.

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

The Head of Law and Governance 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 review of its effectiveness has been undertaken which concluded that the service operates in accordance with professional standards.

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 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.

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.

Annual Governance Statement (continued)

Monitoring records held by the Head of Law and Governance 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.

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

The Community Leadership Programme has continued to support elected Members to fulfil their community leadership role, including the introduction of Account Managers for all Members.

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.

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.

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 range of checklists to ensure key risk areas are considered and addressed. 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. The significance of partnerships is identified using an assessment scorecard recommended by CIPFA.

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 Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit 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:

- Members have participated in the annual review of the Council's Corporate Governance arrangements;
- The Leader of the Council, the Chief Executive and the Executive Director of Commercial and Corporate Services 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.

Annual Governance Statement (continued)

The role of the Audit and Governance Committee:

- The findings of the Annual Governance Review have been reported to the Audit and Governance Committee. Under their Terms of Reference the Audit and Governance Committee have satisfied themselves that the Annual Governance Statement properly reflects 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.

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 her role.

The Executive Director of Commercial and Corporate Services (the Chief Financial Officer) has directed, co-ordinated and overseen the review.

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 their Heads of Service.

Controls Assurance Statements have also been provided by senior officers responsible for relevant specialist areas.

Internal audit planning processes include consultation with all Chief Officers and reviews of the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of service objectives. 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 Audit Commission's Annual Audit Letter for 2010/11 provides an unqualified opinion on the financial statements and an unqualified VFM conclusion. The report confirms that the Council:

- Has proper arrangements in place to ensure its financial resilience.
- Has a history of good financial management, robust systems of corporate governance and internal control, and a strong record in the delivery of budgets.
- Had prepared for the economic challenges facing public services through the Sunderland Way of Working.
- Is committed to improvements in service delivery and outcomes, and has also identified significant savings.

Findings of external inspectorates are used to support continuous service improvement.

The Council was awarded a 'Good' rating (for both quality of service and capacity for improvement) in the 2011/12 Ofsted Inspection of Safeguarding and Looked After Children services. A multi agency action plan has been developed to address the formal and informal areas for improvement.

Annual Governance Statement (continued)

In summary, the Council has robust and effective corporate governance 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. The review has not identified any significant weaknesses, although an improvement plan has been developed with the aim of continuously improving the arrangements we have in place.

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 improvement plan has been agreed.

We propose over the coming year to take steps to implement the improvement 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 and will monitor their implementation and operation as part of the next annual review.

Paul Watson
Leader of the Council

Dave Smith
Chief Executive

Malcolm Page CPFA MBA
Executive Director of Commercial and
Corporate Services

Dated 28th September 2012