

Annual Audit and Inspection Letter

Sunderland City Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1 Sunderland City Council is improving well, and we have assessed the Council as 'four star' in its current level of performance. The City has one of the highest employment growth rates in the country, despite the recent economic downturn. New jobs have been created at Rainton Bridge Business Park and through 'Digital Challenge' and 'Software City' initiatives. The City has enjoyed some recent successes on regeneration, but needs to complete its 'whole city' masterplan and develop a clearer focus on supporting local small businesses and re-invigorating the City centre area (paragraph 22).
- 2 Clearly the recent developments at Nissan are a significant disappointment, although the Council and partners have quickly begun a well rehearsed partnership response to the job losses, including close working with the companies involved. The priority has been to put into place as quickly as possible an advice and support service which will be accessible to those people likely to lose their jobs.
- 3 The Council and its partners are also making good progress on the theme of 'Healthy City'. Increasing numbers of older people are being helped to live at home, with improvements in preventative services and support for independent living. The newly opened Aquatic Centre is improving the Council's ability to deliver its wellness programmes linked to health and wellbeing. Although the Council and its partners are working hard to address health inequalities, much remains to be done. Sunderland, in common with most of the North East, has health outcomes amongst the worst in England in terms of life expectancy and sickness and disability rates (paragraph 25).
- 4 Other specific improvements this year have been:
 - a more focussed approach to equality, diversity, inclusion and fairness;
 - greater emphasis on sustainability and protecting the local environment;
 - developing the role of the Council's scrutiny function resulting in some useful contributions to policy development;
 - the development of asset management strategies; and
 - improved arrangements for performance management, with clearer information on performance against targets, IT-based arrangements and a more robust approach when things are not improving, or not improving fast enough.
- 5 The Council continues to deliver good value for money as a result of strong financial management, and once again has achieved the maximum overall score in our use of resources judgement. Notable practice has been identified in a number of areas (paragraph 71).
- 6 We issued unqualified opinions on the 2007/08 accounts and value for money arrangements, and on the Best Value Performance Plan.

Action needed by the Council

7 The Council needs to:

- complete its whole city regeneration masterplan, including a focus on small and medium sized businesses, reinvigorating the City centre and key sites, and addressing the impact of the recession;
- ensure the actions it, and its partners, are taking to reduce the health inequalities experienced by people in Sunderland are effective through regular updates and monitoring of progress;
- ensure the whole scrutiny function is making a clear contribution to performance management, and effectively challenging key Council and partner decisions; and
- further develop its asset management strategies to make clearer how assets are being used to deliver corporate priorities.

8 We have also identified a number of specific areas for improvement with respect to operational property management.

Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish on its own website.
- 12 Your appointed auditor (Steve Nicklin) is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, he reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Sunderland City Council performing?

15 The Audit Commission’s overall judgement is that Sunderland City Council is improving well, and we have classified the Council as four star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA¹



Source: Audit Commission

16 Sunderland City Council is improving well.

17 The Council continues to improve outcomes for local people. Prosperity is being enhanced through the development of most key regeneration sites. Services for children and young people are all good, with education attainment improving at most key stages. People are healthier, fewer people smoke, and the new Aquatic Centre is helping vulnerable groups become healthier. Services for adults are excellent with increasing numbers helped to live at home. Crime is reducing, less young people are re-offending, and domestic violence is being actively tackled. Streets are cleaner and the recycling and composting rates have improved, although remaining below average.

¹ Percentage figures may not add up to 100% due to rounding

How is Sunderland City Council performing?

- 18 The Council's strategies and objectives reflect those of the Local Area Agreement (LAA), with local partners positive about their interaction with the Council. The Council has good capacity to sustain improvement, delivers good value for money and has significant revenue and capital reserves allocated to improvement projects. It has invested in training for Councillors and staff to improve their ability to deliver change, with better project management skills in place, and a greater understanding of diversity, equality and community cohesion issues.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

(1 = lowest, 4 = highest)

Element	Assessment
Direction of Travel judgement	Improving well
Overall	Category
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	4 out of 4
Use of resources*	4 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)

The improvement since last year - our Direction of Travel report

19 Our overall assessment is that Sunderland City Council is improving well.

What evidence is there of the Council improving outcomes?

- 20 The Council is continuing to improve well in relation to Performance Indicators (PIs). It is meeting 64 per cent of its corporate PI targets, compared to 55 per cent in 2006/07. Performance against the Audit Commission's basket of PIs indicates that 62 per cent have improved, which is average when compared to other Councils, although the Council has a slightly above average number of within the best quartile. However, some corporate health indicators are only improving slowly and the speed of Housing Benefit (HB) processing deteriorated for part of the last 12 months due to the introduction of a new HB system. However processing times have now improved significantly and are currently 18 days per claim on average, this compares well with similar sized authorities.
- 21 The Sunderland LAA 2008-2011 lists three strategic themes: Prosperous and Learning City, Healthy City, and Developing High Quality Places to Live Theme. Good progress is being made against all of these.
- 22 The Council, together with partners, is making good progress on the 'Prosperous and Learning City' theme. The City has one of the highest employment growth rates in the country, with a number of the jobs being filled by people from the most deprived groups within the City, despite the recent impact of the economic downturn in late 2008. The City is raising its profile in IT and ICT industries, securing funding for Digital Challenge and with the Software City project recently securing £40 million to develop high-tech businesses and ICT-based employment opportunities. The Council has continued to provide effective support for the development of other key sites within the City: these include Turbine Park, the ex-Dunlop Factory site and the Rainton Bridge business park. However, the Council still has key strategic city centre sites that have remained un-developed for some time, although plans are nearing completion for the future of some of these sites.
- 23 Educational attainment continues to improve, at Key Stages (KS) 1 and 2, with a maintained performance at KS 3 for Maths and Science, though the achievement rate in English decreased slightly. GCSE performance improved by 4 per cent on the five 'A to C' measure and by 1.8 per cent in the A to G measure. Absence levels are falling, and options for young people at age 14 and above to pursue National Vocational Qualifications (NVQs) have been expanded. The first school has opened as part of the Building Schools for the Future (BSF) programme and is already showing a significant improvement in its educational attainment.

How is Sunderland City Council performing?

- 24** The Council and partners are making good progress on the theme of Healthy City'. The Council's adult services are judged to be excellent by the Commission for Social Care Inspection (CSCI). Increasing numbers of older people are being helped to live at home, and there are improvements in preventative services and services to support independent living (such as Telecare). Pooled budget arrangements are helping more children with learning difficulties and disability to access rehabilitation and recuperation services as an alternative to hospital admission. There are less open social care cases, and case reviews are being conducted more quickly. Less people with severe learning disabilities are admitted to hospital, and there are reduced numbers of children on child protection registers.
- 25** The newly opened Aquatic Centre, a good example of brown field regeneration, is improving the Council's ability to deliver its wellness programmes linked to community aspirations around health and wellbeing. Disadvantaged groups are using the Centre through targeted pricing policies, free swims for elderly people and children, access arrangements for disadvantaged people, and tailored transport arrangements. The number of people successfully quitting smoking has increased and death rates due to coronary heart disease have reduced by 35 per cent in the past five years. Cancer rates are reduced by 18 per cent, whilst teenage pregnancies have reduced by 12 per cent since 1989, though recent trend data shows some small increase.
- 26** The Council, together with partners, is making good progress in relation to the 'High Quality Place to Live' theme. Motor vehicle thefts, domestic burglaries, criminal damage, common assault and robbery have all reduced. The Council has supported these outcomes through initiatives such as drug treatment programmes, safer homes strategy, youth engagement projects and parenting initiatives. Fewer people now perceive young people hanging around as a serious problem. Targeted investment is reducing the average time homeless people are in bed and breakfast accommodation from five weeks to 3.7 weeks. The Council and partners are improving their approach to domestic violence where nine out of 11 indicators have been met. The Youth Offending Service is one of the top performers in the country, with less young people re-offending.
- 27** Street cleaning satisfaction levels have increased. Indicators for land that is heavily littered and graffiti have improved, and exceeded targets. Recycling rates and amounts to landfill have improved, but are still below the average. Waste disposal and recycling unit costs are high, and overall waste collection and recycling remain an area for focus for the Council. The Council, working with Gateshead and South Tyneside Councils, is involved in a major development of its waste disposal and recycling services via a PFI scheme. Planning performance continues to improve and remains within the best quartile.

How is Sunderland City Council performing?

- 28** The Council is contributing to wider community outcomes. While only 26 per cent of residents feel the Council listens to them (though this is a 4 per cent improvement on last year), a high proportion of residents believe the Council delivers good value for money (42 per cent), which is a significant increase on the previous year's 33 per cent. Figures suggest that BME communities (those with one of the greatest chances of feeling excluded) feel the same about the services they receive as do other groups. The Council continues to act on all racial incidents reported to them, and works with an increasing number of partners to ensure that victims are supported and action is taken against the perpetrators. It is planned that processes will be expanded to include reporting of other forms of incident in the future.
- 29** The Council has a clear focus on the needs of hard to reach and excluded groups. A network of customer service centres promotes ease of access to co-located services. Older people and faith groups have traditionally been well engaged with, though other groups such as Lesbian Gay Bisexual and Transgender have been harder to reach. Independent Advisory Groups have been set up to promote engagement with these groups. Strategies to promote this inclusion are now in place, and a successful pilot project in Hendon to reduce racial tensions and promote community cohesion is being rolled out across the City during 2008/09. The Council has achieved level three of the Equality Standard for Local Government.
- 30** The Council also has a clear focus on value for money. Benchmarking of costs and performance is widely used within the Council, with a rolling series of service reviews driving service improvement (see leisure in 2008 and changes to pricing policies). The Council is not high cost, and there is a good correlation between cost and quality of service. Arrangements for securing value for money have been highlighted as 'notable practice', and annual efficiency savings delivered to date have exceeded Government targets.

How much progress is being made to implement improvement plans to sustain improvement?

- 31** Council strategies and objectives are well aligned to those of the Local Strategic partnership (LSP), and reflect the LAA and Multi Area Agreement (MAA). Partners such as the Primary Care Trust and the Foundation Trust are positive about their interaction with the Council. The Sunderland Community Strategy sets out a clear vision for the City for 2025. The LAA shows a good understanding of the local area and the key issues which need to be addressed. More work remains to be done to underpin the LAA with clear and costed delivery plans and additional local indicators of progress towards LAA milestones, and this work awaits guidance nationally on indicators and baselines to be used.
- 32** The future success of the Council in delivering its ambitions depends in part on the ability of Tyne and Wear organisations to work collectively, through the MAA, to deliver their joint targets around skills and transport. Some of the MAA targets are still to be clarified, and there is more to do to clarify who is responsible for delivering various elements of each MAA target.

How is Sunderland City Council performing?

- 33 The Council's Corporate Improvement Plan is focussed on the actions the Council needs to take to contribute towards shared Partnership outcomes such as Rainton Bridge, Building Schools for the Future, and the new Wear Bridge. It details internal improvement actions, and is clear about the key tasks (such as more visible community leadership) facing the Council.
- 34 The Council has good capacity to sustain improvement. The Council is financially secure, with significant revenue and capital reserves allocated to medium term improvement projects. The Council has invested in both Councillors and staff to improve their capacity to deliver change, for example through project management skills; and greater understanding of diversity, equality and community cohesion. There are no apparent governance weaknesses, although the Scrutiny process within the Council needs to improve.

Other Inspectorates

- 35 An important aspect of the role of the Comprehensive Area Assessment Lead (David Jennings) is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 36 The annual performance assessment by the Commission for Social Care Inspection (CSCI) judged the Council's adult services to be delivering excellent outcomes, with excellent prospects for improvement. Together, this gave an overall 3 star rating (the highest rating). Of seven outcomes categories for adult social care, five were assessed as excellent, the other two being judged good.
- 37 The annual performance assessment by the Office for Standards in Education (OFSTED) shows that the Council is delivering a service for children and young people which gives good outcomes, with a good capacity to improve. Standards are consistently above minimum requirements. Of the five outcomes areas assessed by OFSTED (safeguarding, being healthy, enjoying and achieving, making a positive contribution; and achieving economic wellbeing) all are rated as good.

Local risk based work

- 38** The appointed auditor undertakes local risk based work each year to inform our audit assessments. During 2007/08 we carried out local risk based work on:
- performance management;
 - asset management; and
 - the Council's approach to promoting equalities, diversity, and inclusion.

Performance management

- 39** During the early part of 2008, we reviewed and provided comments on the Council's overall performance management framework. Two areas were then selected as 'probes' to examine performance management in more depth, one service specific (looked after children) and one corporate (managing sickness absence).
- 40** Our main suggestions for improvement are that:
- monitoring reports should contain clearer information on action being taken in response to red risks;
 - the Council needed to become more open to external challenge, and develop a more imaginative/robust approach to change when things were not improving, or not improving fast enough;
 - the quality of Council strategies and plans was variable, with scope to develop a more joined up approach with more effective longer-term objective/target setting; and
 - the contribution made by scrutiny to performance management was variable.
- 41** We are pleased to note that officers have responded positively to these suggestions. Quarterly monitoring reports now gives a good overview of performance to date, risk areas and remedial action being taken, and the new 2009/10 performance management framework would appear to provide the basis for sound and integrated performance management arrangements, if implemented effectively. A working group has been established to review and where necessary improve scrutiny arrangements.
- 42** Phase 2 of the audit work is planned to take place over the next six months. This will include:
- a review of the Council's corporate approach to target and objective setting, especially longer term (three to five-year) targets;
 - follow up of improvements made to scrutiny; and
 - an assessment of how the Council has implemented the new performance management framework, and IT-based performance management system.

How is Sunderland City Council performing?

Asset Management

- 43 Corporate asset management is a key area in relation to ensuring efficiency and value for money in local authorities. It covers how the Council manages its assets to support service delivery as well as how it manages its property portfolio to achieve wider objectives such as regeneration.
- 44 Audit work this year confirmed that the Council's estate is in generally good condition. We identified an effective corporate approach to asset management, with good political and managerial leadership, and:
- robust property maintenance strategies;
 - examples of strong partnership working and innovation;
 - well targeted capital investment; and
 - a clear commitment to efficiency and value for money.
- 45 The Council has recognised that it needs to develop its asset management strategies further, to make clear how assets are being used to deliver corporate priorities. The next phase of this work will also consider:
- overall assessment of accommodation requirements arising from key service requirements; and
 - overall area delivery strategy developed in conjunction with partners.
- 46 An action plan is currently being agreed with officers, this will be followed up as part of our 2009/10 work.

Promoting equalities, diversity and inclusion

- 47 Promoting equality and diversity is one of the Audit Commission's key strategic priorities. It is an important component of direction of travel (organisational) assessments, and Comprehensive Area Assessments.
- 48 The Council has significantly increased its capacity in this area over the past 18 months, with a dedicated diversity and inclusion team now in place. This has enabled the organisation to take significant steps forward in terms of:
- developing internal structures, in particular the role of the equalities steering group and equality champions within each service area;
 - achieving level 3 of the local government equalities standard, with plans in place to achieve level 4 by mid 2009;
 - undertaking equality impact assessments for all Council services, policies and procedures; and
 - establishing Independent Advisory Groups across the City to cover all identified communities of interest including ethnic minorities, faith groups, those with disabilities and lesbian, gay, bisexual and transgender communities.

- 49 Leading members can now articulate a clear vision for promoting equality, diversity and fairness and this is reflected in the Sunderland Strategy. Reference to equality and diversity within other corporate plans and partnership arrangements is variable, but improving, and a large percentage of staff have received equality and diversity awareness training.
- 50 Nevertheless, much remains to be done:
- the Council's workforce is not yet representative of the community it serves, and workforce monitoring tends to focus on national BVPIs rather than locally identified priorities for improvement;
 - the corporate system for capturing 'Comments, compliments and complaints' is not yet analysed in terms of the person making the complaint (in addition to the nature of the complaint itself), potentially a very useful source of information; and
 - although the Council has a number of actions and commitments in place to promote equality, most of these relate to internal processes. No local performance indicators, and few outcome targets, have been developed to date with specific commitments to improve services for local people.
- 51 An action plan has been agreed with officers and phase 2 of this work will be carried out between April and July 2009. This will follow up progress made in response to phase 1, with a more specific focus on partnership arrangements and outcomes achieved for local people.

Health inequalities in the North East

- 52 Partnership working is helping to improve the North East's health outcomes but more needs to be done to close the gap between the North East and the rest of England.
- 53 Most of the North East areas have health outcomes which place them among the worst in England. Life expectancy is lower, rates for sickness and disability are significantly above the national average, and smoking mortality rates are among the highest in England. There is also a high prevalence of obesity, increasing sexual health infection rates and serious alcohol and substance misuse issues.
- 54 Tackling health inequalities is a high priority for the Government, which has been increasingly encouraging health trusts to work in partnership with local public bodies and the voluntary sector to improve health and reduce inequalities through a number of initiatives, targets and legislation. The factors causing health inequalities are complex and can best be addressed through agencies working together.
- 55 The Audit Commission has reviewed how organisations across the North East are working together to address health inequalities, culminating in a workshop in October 2007 for 200 representatives from the NHS, local government and the many voluntary sector agencies involved in tackling health inequalities.

How is Sunderland City Council performing?

- 56 The workshop explored the results of the work so far, including a survey of how partners feel they are tackling health inequalities, looking at:
- the big issues for the North East;
 - local barriers to improvement in reducing inequalities; and
 - focussed discussion in area groups on challenges and future action.
- 57 The main messages from the survey of partners include:
- most partners think that progress is being made and arrangements are improving. They have identified where the health inequalities exist and key agencies are working together to decide on priorities and action for those communities or groups of people;
 - despite this, many people don't believe they will meet all their targets for health inequalities. Their plans will not tackle all the blockages or fill gaps in services to achieve the results needed to reduce the gaps between health outcomes in the North East and the rest of the country; and
 - the barriers they say prevent them from improving outcomes are funding and resources; lifestyle and attitudes; poverty; deprivation and income; geography and transport.
- 58 Discussions on the issues identified in the workshop area groups were very productive and a report summarising the work to date was distributed to all delegates and key partners to inform future development and improvement. This identified seven key challenges for reducing health inequalities in the North East.

Table 2 Seven key challenges

Phases and two identified seven key challenges for organisations responsible for addressing health inequalities in the North East.

Funding based on effectiveness

Funding arrangements can be complex. Many initiatives that target health inequalities are based on short term funding and valuable experience and expertise are lost when initiatives cease.

Challenge 1 - To ensure effective evaluation of projects and the continued funding of those that deliver tangible improvements. To use this learning in financial and project planning and performance management systems.

Targeting services

Services are not always targeted at those who need them most. This is caused by a combination of factors, including the availability of ringfenced funds for some initiatives but not others. The people that ask for help and access services are not always those who need them most.

Challenge 2 - To gather intelligence on where gaps in services exist and a profile of those accessing services. To use this to target services at those areas and individuals where there is unmet need and bring about improvements in health.

Accountability for performance

Partnerships are not always successful in holding to account those responsible for delivery.

Challenge 3 - To ensure health and wellbeing strategies are translated into local plans (eg Local Area Agreement) that contain sufficient detail and relevant targets to monitor progress on improved health and reduced inequalities.

Joint working, networking and awareness

Sometimes silo working reduces effectiveness - the same people have a range of problems which can only be addressed by the joined-up delivery of a variety of services.

Challenge 4 - To spread awareness of priorities and services on offer and provide networking opportunities and information sharing systems to improve the links between service planners and service providers. Cascade messages and targets down to front line workers like teachers, health professionals and social workers.

Leadership from regional agencies

Our survey reflected a perception amongst respondents that leadership from the Strategic Health Authority and Government Office North East has not been particularly visible in the past and that local agencies would welcome more support to develop strategies.

Challenge 5 - To transform the North East into the healthiest region in the country within a generation.

To use the Regional Health and Wellbeing Strategy to provide direction for the North East and link national, regional and local policies. Develop networking opportunities and support to share good practice to achieve this aim.

Getting the best from the third sector

Agencies need to look for ways to better support and use the resources available in the community and voluntary sector.

Challenge 6 - To give community and voluntary sector organisations increased certainty over funding with agreed targets and simplify commissioning arrangements to make it easier for them to bid for the provision of services.

Using community views

Community views are important in developing strategies and services.

Challenge 7 - To ensure community views influence how and where services are provided.

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- 59** Building on this work in 2008/09, Phase 3 will focus how different areas are addressing the challenges in tackling two key issues, alcohol and teenage pregnancy, which have a significant impact on regional health inequalities. Arrangements and outcomes in four geographical areas, to compare and contrast approaches will be examined and messages that can be shared more widely across the North East will be identified.

How is Sunderland City Council performing?

Service inspections

- 60 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council.
- 61 Assessments from other regulators and inspectors have been incorporated into the Council's CPA scorecard and Direction of Travel judgements as shown above. There has been no other specific inspection activity at Sunderland this year.

The audit of the accounts and value for money

- 62 Your appointed auditor has reported separately to the Council's Audit and Governance Committee on the issues arising from his 2007/08 audit. On 30 September 2008 he issued his audit report, including:
- an unqualified opinion on the statement of accounts;
 - an unqualified conclusion on the Council's value for money arrangements to confirm that these were adequate; and
 - an unqualified report on the 2007/08 Best Value Performance Plan.
- 63 There were no significant issues arising from this work to report to members.

Issues raised by local electors

- 64 The 2007/08 audit certificate has not yet been issued because in September 2008 the appointed auditor has received a formal objection to the accounts in relation to car parking issues. Similar objections have been received at local authorities elsewhere in the country, and he is co-ordinating his work with others to ensure consistency. As the objections raise a number of specific legal issues, he has also requested Counsel's opinion on this matter.
- 65 Until this matter has been resolved he cannot issue his formal certificate to confirm that the audit has been completed. However, he is satisfied that the issues raised do not have a significant impact, in financial terms, on the financial statements already presented to you.
- 66 A number of issues have also been raised with the appointed auditor during the year in respect of the proposed sale of Ford and Hylton Club. The auditor has:
- reported findings to the Audit and Governance Committee; and
 - carried out follow-up work on the Council's general approach to property management.
- 67 Many of the weaknesses identified have now been addressed, but the appointed auditor recommended that a formal policy, approved by members, would ensure a consistent approach when granting rent concessions. This matter has now been addressed, with a policy approved by Cabinet in October 2008.
- 68 The Council should also make better use of comparative data, and improve project management, when undertaking rent reviews.

The audit of the accounts and value for money

Use of Resources

- 69 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 70 For the purposes of the CPA the auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3 Use of Resources 2008

Element	Assessment
Financial reporting	4 out of 4
Financial management	4 out of 4
Financial standing	4 out of 4
Internal control	4 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	4 out of 4

Note: 1 – lowest, 4 = highest

- 71 The Council is well placed financially and demonstrates a clear commitment to delivering value for money and using resources effectively. Numerous examples of notable practice have been identified and these include:
- the quality of medium term financial planning;
 - budgetary control and financial reporting;
 - risk management;
 - arrangements to promote probity and prevent fraud and corruption; and
 - the corporate value for money framework.

72 Key improvement areas have been agreed as follows.

- The Council's scrutiny function meets Local Government Act requirements and has made some useful contributions to policy development in recent years. However in addition to this, the scrutiny function needs to be able to demonstrate a more consistent culture of constructive and effective challenge to key decisions;
- There is scope to develop business continuity plans, through improving ICT disaster recovery arrangements. We are currently working with Internal Audit to follow up progress made by the Council in response to this issue;
- User satisfaction rates are lower than some neighbouring authorities, and BVPI performance in some service areas continues to be mixed, particularly on highways, waste and recycling; and
- Asset management strategies are in place but could be further developed to help deliver corporate priorities, and to support area-based objectives on regeneration.

Data quality

73 The appointed auditor has followed the Audit Commission's national approach to the review of data quality. In terms of overall arrangements, the Council has consolidated and built upon existing processes put in place in previous years. There is now a clear corporate steer on data quality standards and the actions necessary to achieve them, against which directorates are required to demonstrate progress. Officers have also started to implement data collection arrangements for the new national datasets next year.

74 As highlighted in the use of resources work above, the Council recognises that it still has weaknesses in terms of business continuity and disaster recovery arrangements in respect of some data collection systems, and this is being addressed.

75 A sample of PIs was reviewed using a combination of analytical procedures and detailed audit tests. No significant errors were identified as a result of this work.

Advice and assistance work

76 We have not carried out any such work at Sunderland City Council during 2007/08.

Looking ahead

Comprehensive area assessments

- 77** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 78** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 79** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Use of resources

- 80** The auditors' use of resources judgements will therefore continue, but their scope will be widened to include a clearer focus on value for money, outcomes and achievements, with greater emphasis on commissioning of services, use of natural and human resources, and partnership working.
- 81** From 2009 the use of resources assessment will be structured into three themes.
- Managing finances - sound and strategic financial management.
 - Governing the business - strategic commissioning and good governance.
 - Managing resources - effective management of natural resources, assets and people.

Local risk based work

- 82** During the first half of 2009 the appointed auditor will carry out phase 2 of work on performance management and promoting equality, diversity and inclusion. He will undertake other local risk based work as follows.
- A detailed review of workforce planning and workforce management.
 - Assess the Council's progress to date in implementing a joint waste strategy with neighbouring local authorities, and developing a related PFI scheme.
- 83** Sunderland has also been selected as one of the 'tracer' areas for phase 3 of our regional cross cutting audit project on health inequalities, where we will receive the multi-agency approach to tackling alcohol misuse.

Closing remarks

- 84 This letter has been discussed and agreed with the Council's Chief Executive and City Treasurer. The letter will be presented to the Cabinet in April 2009, and copies have been provided to all elected members.
- 85 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 4 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Report on Ford and Hylton Club	July 2008
Annual Governance Report Opinion on financial statements and value for money conclusion	September 2008
Review of property management	October 2008
Data Quality report Use of Resources Judgements	December 2008
Review of Performance Management Framework	Ongoing during 2007/08
Promoting equality and diversity	January 2009
Review of asset management Annual audit and inspection letter	February 2009

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- 86 The Council has taken a positive and constructive approach to audit and inspection work, and we would like to take this opportunity to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

87 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

David Jennings
Comprehensive Area Assessment Lead

Steve Nicklin
District Auditor

February 2009

The Audit Commission

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

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

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

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