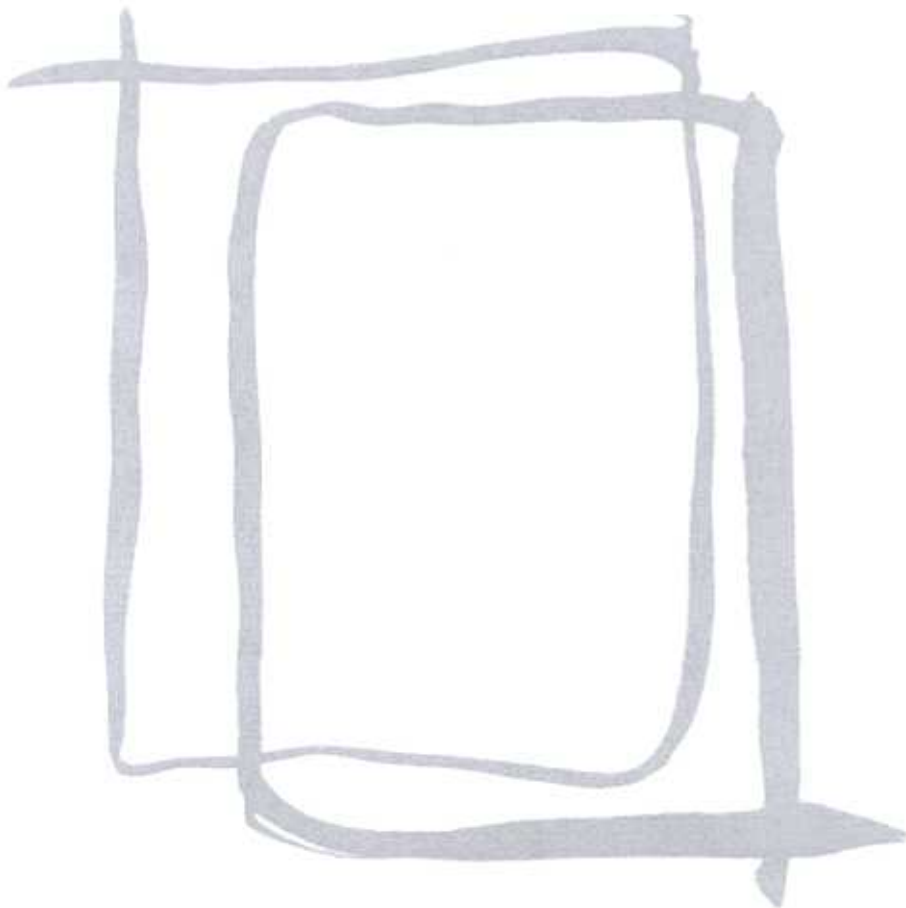


# Use of Resources

Sunderland City Council

Audit 2008/09

October 2009



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# Summary

**This report summarises the key findings from our assessment of how Sunderland City Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.**

- 1 The Audit Commission has assessed the Council's arrangements overall at level 3 (performing well).
- 2 There are elements of particularly strong performance across a number of the use of resources Key Lines of Enquiry (KLOE), in particular:
  - provision of value for money services, particularly adult social care;
  - risk management arrangements; and
  - partnership governance.
- 3 The Council successfully integrates service and financial planning and has secured significant efficiency savings in recent years while at the same time investing in corporate priorities and improvements for local people. Processes for good governance and internal control are well established and effective.
- 4 In setting the context for the scores this year it is important to highlight that the use of resources methodology has changed. Judgements are now much more strategic and less detailed, with a focus on outcomes rather than processes. The standard required to demonstrate level 3 performance has been raised, and level 4 scores reserved for genuinely exceptional performance.
- 5 Our detailed findings against each of the themes and KLOEs are set out below.

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# Introduction

- 6 This report sets out my conclusions on how well Sunderland City Council (the Council) is managing and using its resources to deliver value for money and better and sustainable outcomes for local people and give scored use of resources theme judgements.
- 7 In forming my scored theme judgements, I have followed the methodology set out in the use of resources framework: overall approach and key lines of enquiry (KLOE) document and the use of resources auditor guidance. For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by the Council to mitigate the risk and planned our work accordingly.

## Use of resources framework

- 8 From 2008/09, the new use of resources assessment forms part of the Comprehensive Area Assessment (CAA) and comprises three themes that focus on:
  - sound and strategic financial management;
  - strategic commissioning and good governance; and
  - the management of natural resources, assets and people.
- 9 The scores for each theme are based on the scores assessed by me on underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards.
- 10 The Commission specifies in its annual work programme and fees document, which KLOE are assessed each year.
- 11 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see table one. Level 1 represents a failure to meet the minimum requirements at level 2. To ensure consistency, scores are subject to rigorous review at both regional and national level.

Table 1 Levels of performance

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meeting minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: use of resources framework: overall approach and KLOE document

# Use of resources judgements

## Scored judgements

- 12 The Council's use of resources theme scores are shown in table 2. In setting the context for the Council's scores this year it is important to highlight that the focus of use of resources is now more on outputs and outcomes rather than processes, and is more strategic than detailed. As a result:
- the standard required to demonstrate level three performance has been raised, and focuses on the outputs and outcomes that demonstrate effective arrangements which have the intended impact; and
  - assessments in relation to value for money and partnership working are embedded across all KLOE areas rather than considered separately in isolation.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
<b>Managing finances</b> How effectively does the organisation manage its finances to deliver value for money?	Level 3
<b>Governing the business</b> How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	Level 3
<b>Managing resources</b> How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	Level 2

## Managing finances

Table 3 Managing finances - KLOE scores

KLOE	Score	Overall theme score
1.1 Financial planning	4	Level 3
1.2 Understanding costs and performance	3	
1.3 Reporting financial performance	3	

## Financial planning

13. A comprehensive medium term financial plan is in place and the annual 'Corporate Improvement Plan' integrates service plans, corporate strategies and improvement targets with financial budgets and sets out the staffing resources required to deliver the Council's plans. Budget setting and the medium term financial plan are informed by public meetings and a high profile 'State of the City' debate each year. Area based committees have been developed in 2008/09 and ring fenced budgets allocated accordingly. No significant overspends have occurred in recent years despite high levels of delegated budget management, and the Council is well placed in terms of balances and reserves.
14. There has been a sustained focus on achieving priorities by shifting resources from low-to high-priority areas, for example through investment in planning services, libraries, streetscape and recycling. Virements are used proactively throughout the year to reinvest savings in priority areas. This has been reflected in improved BVPI performance, for example on planning where the service leapt from bottom to top quartile within two years.
15. Good financial planning has contributed to improved outcomes on priorities such as the wellness agenda, adult social care and safeguarding children. The review of adult social care provision this year has been identified as a notable practice example of how a local authority can challenge and change established patterns of resource use in consultation with partners. The review has led to a move away from residential provision and greater investment in preventative measures and home based support.
16. The capital programme is well managed, and the Council is successful at securing external sources of finance. Developing the 'Sunderland Model' for BSF schools has led to new schools and refurbishments being financed from DCFS grant rather than loans or PFI credits, and the PFI scheme and joint waste strategy being delivered in partnership with Gateshead and South Tyneside MBCs is another example of the Council exploring new ways to deliver priorities and improve value for money.

- 17 Charges for services are reviewed each year to ensure they help to deliver financial and social priorities in a strategic way' - for example, fees and charges for sports facilities have been reduced for target groups through the exercise on prescription scheme and a rent concessions policy is in place to attract local businesses to deprived areas of the city.
- 18 The Council makes extensive use of financial modelling, activity analysis and unit costing, this has been done particularly in 2008/9 to challenge the use of resources in relation to looked after children, leading to a significant reduction in residential provision. Equality impact assessments have been carried out for all key service areas and major projects, and are a compulsory component of the business improvement programme. Financial resources have been allocated to address weaknesses highlighted eg in respect of access to buildings and to improve translation/interpreter services.

#### Understanding costs and performance and achieving efficiencies

- 19 The Council has a good understanding of costs, cost drivers, and the relationship between cost and quality of service. There is a significant redirection of financial resources each year - the 2009/10 budget identified £11.67m efficiency savings but also £9.24m improvement funding. All new projects, capital or revenue, are subject to appraisal or a detailed business case for funding. Each policy change is informed by a summary of the financial implications in both revenue and capital terms, then fed into the medium term financial plan, which is regularly updated.
- 20 The Council prepares an annual value for money self assessment which considers a range of information including spend, investment, improvements to date, residents perception and both national and local indicators, including those within the Local Area Agreement. The Significant Partnership Annual Report sets out both financial and performance information for each significant partnership for both the current and previous years. This report also indicates how the partnership is providing value for money and additional benefits.
- 21 Costs for key services are benchmarked and demonstrate good value. At an overall level the Council has all CPA assessed services performing well or strongly, with lower median quartile expenditure for above median levels of deprivation. Significant redirection of resources has enabled priority areas to be addressed - the 2009/10 budget process identified £11.670m efficiency savings but also £9.235m improvement funding.
- 22 Efficiency saving targets are being achieved. £33.12m between 2005/06 and 2007/08 represented 13.2 per cent of spending against a target of 7.5 per cent for the period. The cumulative cash releasing efficiency savings to 31 March 2009 were £13.2m which equates to 4.4 per cent of spending.



Reporting financial information

- 23 The Council has used citizens' panel and MORI polls to seek the views of stakeholders about what information is required in its external reporting and has tailored its approach accordingly. Council tax leaflets and the annual report are concise, user friendly documents which include glossaries of technical terms and the use of charts to highlight key figures from the accounts.
- 24 The most recent published accounts and annual audit letter are available to the public and appear on the Council's website together with equalities information. Information is available in a wide range of formats including foreign languages, braille and voicetape. External reporting includes environmental and sustainability information with an analysis of the Council's environmental footprint.
- 25 Budget monitoring and forecasting information is reliable and up to date, although reports to members could be streamlined. The council regularly reviews financial performance of significant partnerships, and it shares and acts on these results with partners. All finance reports include forecast information which is subject to risk and sensitivity analysis. The Council's 2008/09 accounts were prepared to a high standard, and officers have responded to challenges such as the drive for faster accounts closure, and improved standards of working papers.

Table 4 Governing the business - KLOE scores

KLOE	Score	Overall theme score
2.1 Commissioning and procurement	3	Level 3
2.2 Data quality	3	
2.3 Good governance	3	
2.4 Risk management and internal control	4	

Commissioning and procurement

- 26 There is a good understanding of local communities and their needs for services through regular consultation with relevant groups. Many services are commissioned jointly with partner agencies and voluntary sector assistance and guidance is being improved. A Joint Needs Self Assessment analysis of Public Health / Adult Services and Children's Services information has been undertaken and informs future commissioning intentions.
- 27 Actively identifying and implementing new ways of delivering services and working with others is resulting in more efficient working. The South Tyne and Wear Waste Management Partnership and membership of the North Eastern Purchasing Organisation (NEPO) are examples which have realised measurable financial benefits. The Council has also implemented a category management approach to procurement across specific areas of spend. Scoping reports consider alternative procurement options, analysing the current market and soft market testing.

- 28 The Council's Procurement Strategy includes a requirement to periodically explore alternative methods of service delivery across the whole range of services, and the Annual Procurement Plan provides a forward plan of categories of spend and procurement opportunities which are programmed to be reviewed. Procurement strategies require officers to consider equality and diversity issues when awarding contracts and procurement pages on the Council's website provide information for suppliers and tenderers.
- 29 There is good use of e-procurement techniques, such as online catalogues and particularly e-auctions. E-auction success through use of OGC (20 organisations) for computers yielded a 50 per cent saving on a £15m joint bid. The Council is developing a Supplier Relationship Management (SRM) tool, incorporating electronic catalogues and on-line approvals which has introduced an improved element of control and evaluation.

### Data quality

- 30 The Council produces relevant and reliable data and works with partners on the quality of data which is relevant to shared priorities. There is a clear corporate statement on the importance of high data quality standards and guidance on the Council's approach to achieving them, against which directorates are required to demonstrate progress. Members recognise the importance of good data quality and a Cabinet member acts as data quality 'champion'.
- 31 Responsibility for data quality is defined in strategies and the Council has taken steps to embed these through training and QA by both the corporate improvement team and Internal Audit. The Council is ensuring that appropriate arrangements are in place for the new national data set, including developing a data quality checklist for inclusion into partnership performance arrangements and mapping datasets to the national framework.
- 32 The Council ensures that decision making is based on robust data. Trend data, performance against target and benchmarking with other authorities are used to support the corporate Value for Money framework and specific resourcing decisions. A robust reporting timetable is in place. Performance management reports have been reviewed during 2008/9 and now show a much clearer link between financial allocations, performance against target, and remedial action required. An IT-based performance management system (performance plus) is now in place. The scrutiny function in the Council is improving in terms of both critical challenge to the Cabinet and review of performance information.
- 33 The Council ensures data security and compliance with relevant statutory requirements. There are adequate business continuity and disaster recovery arrangements in place for financial systems, but not for all non-financial data collection systems.

## Use of resources judgements

### Data quality - audit spot checks

- 34 We have undertaken spot checks on the following:
- NI 132 - Timeliness of social care assessment (adult services).
  - NI 59 - Initial assessments for children's social care carried out within seven working days of referral.
  - NI 173 - people falling out of work and on to incapacity benefits.
  - Local PIs on provision of community disability equipment.
- 35 In all cases we established and evaluated the systems in place to capture the data, checked the basis of calculations and sample tested source data. No errors were identified from this sample testing, therefore at this stage we have no concerns over the quality of data used to measure the Council's performance. We will undertake detailed testing on housing benefits NIs as part of our grant claims work later in the year.

### Good governance

- 36 The Council's constitution clearly describes roles and responsibilities for members and officers. The Constitution is underpinned by a wide range of other supporting guidance, including schemes of delegation, guidance on the discharge of statutory functions and protocols on officer and member relations. The scrutiny function has made some useful contributions to policy development but it does not, as a general rule, challenge cabinet decisions. A working group has been established to address this and all other Council committees appear to be working well. There are constructive working relationships between members, management and staff. The Council provides a wide range of training and development opportunities for members and staff, which balance the needs of the organisation with personal development.
- 37 The Sunderland Community Strategy, and the local area agreement, demonstrate a good understanding of the local area. A multi area agreement is also in place. The Corporate Improvement Plan is focussed on the actions the Council needs to take to contribute towards shared partnership outcomes as well as internal improvement actions. Officers have identified a number of instances where consultation outcomes have influenced important decisions on school meals, school admissions policies and special needs provision.
- 38 A corporate consultation strategy is in place and the Council engages with local people in a variety of ways, including:
- area committees, public meetings and the 'State of the City' debate;
  - an interactive website;
  - citizens panel and MORI polls; and
  - independent advisory groups representing all identified communities of interest.

- 39 The Council has adopted codes of conduct for its members and staff, and these are widely publicised. All council members are required to make a declaration that they agree to abide by the code of conduct, and all staff are bound by the Employees' Code. Policies for whistleblowing and 'comments, compliments and complaints' are well publicised and prompt action is taken in response to any allegations made. The Chief Executive has set out clearly, in public documents, its expectation that all elected members will provide visible and credible local community leadership. Registers of interests, gifts and hospitality can be viewed on the Council website.
- 40 The Council has a comprehensive code of practice for partnerships which has been identified as notable practice. It can evidence examples of this code improving outcomes eg on CRDP and Tyne Wear Sport. There are constructive working relationships between the Council and its partnerships, with data sharing protocols in place to ensure appropriate information is shared in a timely manner. The LSP has been awarded a 'green' rating from GONE. The council regularly reviews the effectiveness of its partnership working using a scorecard approach, and an annual report to Cabinet assesses each key partnership in terms of the outcomes achieved and value for money. A voluntary compact is in place with the third sector, underpinned by codes of practice.

#### Risk management and internal control

- 41 Risk Management is fully integrated into all corporate processes and has been used to especially good effect on BSF delivery and in formulating the medium term financial plan. All schools and significant partnerships have their own risk registers. Demonstrating effective risk management has enabled the Council to reduce insurance premiums, increase insurance cover at no extra cost and extend self insurance schemes.
- 42 A comprehensive code of practice for partnerships sets out expected arrangements for risk and performance management, procurement and value for money and includes template agreements for different forms of partnerships. This is reinforced through training and Internal Audit coverage. Adopting the code has enabled partnerships to improve outcomes and access additional sources of finance. The Council regularly reviews the effectiveness of its partnership working using a scorecard approach, and an annual report to Cabinet assesses each key partnership in terms of the outcomes achieved and value for money.
- 43 Arrangements for producing the annual governance statement are robust. The statement is underpinned by an annual report from Internal Audit, a detailed risk assessment and an annual review setting out the sources of assurance examined. Any issues arising are incorporated into a corporate action plan but no significant internal control failures have been identified in recent years. The quality and scope of Internal Audit coverage is good. Anti Fraud and Corruption Policy and Whistleblowing Policies are published on the Council's website and intranet. A Money Laundering Policy is also in place and training for staff and members has taken place to reinforce the importance of probity and good governance.

## Use of resources judgements

- 44 There have been no cases of proven fraud or corruption in recent years, except for Benefits claims. The Benefits Investigation Unit has consistently met its targets for successful prosecutions, with 164 cases in 2008. Counter fraud arrangements have been assessed against the newly issued 'red book' from CIPFA, and appear to be meeting all identified criteria. The Council can demonstrate it is creating a strong deterrent effect, by poster campaigns and local press coverage of successful cases of proven benefit fraud.
- 45 Business Continuity Plans are in place which comply with Civil Contingencies Act 2004 requirements. Corporate arrangements currently being reviewed in line with the new British Standard. A review in March 2008 considered the business continuity of significant contractors and put an assessment matrix, register and additional support in place. Procurement process ensures that potential contractors have adequate insurance and contingency plans to ensure continuous service delivery.

## Managing resources

Table 5 Managing resources - KLOE scores

KLOE	Score	Overall theme score
3.1 Natural resources	2	Level 2
3.2 Asset management	2	

### Natural resources

- 46 Sunderland has the eighth lowest per capita consumption of natural resources of all UK cities, is recognised by the Carbon Trust as a national leader in managing carbon emissions, and recently won the LGC and HSJ Sustainable Communities Award 2009 for Tackling Climate Change. The city has had a 'Sustainable Development Strategy' since 2001, and the Council benefits from a dedicated and enthusiastic sustainability team. The need to make effective use of natural resources is clear in corporate strategies and plans, and Sunderland was one of the first local authorities to develop its Ecological Footprint. But this level of awareness is not yet fully embedded across all of the Council's activities, and not always evidenced in departmental service plans.
- 47 Over the past 4 years the Council has made significant steps in understanding and starting to manage its use of key natural resources. Sustainability impact assessments and baselines exist for waste, water, energy, road fuels, carbon emissions and travel. Assessments are now part of all major project development and procurement decisions, but have not yet been undertaken across all service areas. To improve further, the baseline of services with indirect impacts such as impact of procured goods and services is to be assessed through the creation of a natural resources register. This aims to help all service areas, understand and contribute more to better use of natural resource.

- 48 Strategies and programmes are in place to manage and reduce the most significant natural resources and the Council is in the process of consolidating these programmes within an overarching Sustainability Policy which is scheduled to be adopted in November 2009. Management of energy and water consumption is improving through automatic meters, other initiatives such as vehicle tracking are reducing fuel demand, and the Council's biggest waste stream, road planings, are 100 per cent recycled.
- 49 The Council's is aiming to cut its annual carbon emissions by 10 per cent and business miles by 10 per cent between 2007 and 2012. In the first two years, at the end of 2008/09, the Council has cut carbon emissions by 4 per cent, reduced business travel miles by 3.5 per cent and achieved an 8 per cent drop in lease car CO2 emissions. It appears to be on track to meet its 2012 targets.
- 50 Sunderland's 10 per cent carbon reduction target allows for an expected 10 per cent increase in carbon emissions during the five years from service expansion such as leisure centre and street lighting provision. Therefore the 10 per cent target, is in reality a 20 per cent cut. But neighbouring councils have set, and appear to be delivering, more challenging targets.
- 51 Additional dedicated resources have been provided to implement plans for continued improvement during 2009/10. These include:
- the development of a Waste Plan to set targets for recycling of office and service waste;
  - creation of a natural resources register to capture key resource consumption areas; and
  - a joint strategic waste plan in partnership with Gateshead and South Tyneside MBCs.

#### Asset management

- 52 The Council displays a number of strengths in respect of asset management, for example:
- excellent examples of outcomes from partnership working, most notably the Primary Care centres at Washington and Bunny Hill;
  - purpose built one stop shops across the City; and
  - successful delivery of major projects such as the Aquatic Centre and the first wave of (predominantly new build) BSF schools.
- 53 Appraisal processes to prioritise capital investment are good, and the Council is successful at securing external sources of capital funding. There is good consultation with users and stakeholders on new projects, less so in relation to existing facilities.
- 54 The Council has considered the use of a Local Asset Based Vehicle to promote economic regeneration, and can point to a number of successful regeneration initiatives, for example at Doxford Park, Sunnyside and Rainton Bridge. Alongside partners, a City-wide regeneration strategy is now being developed to better target outward focused asset management and capital investment.

## Use of resources judgements

- 55 Council property is used to support wider corporate and partnership objectives, for example the use of swimming pools and leisure centres to support the 'Wellness' agenda. There is scope to improve the ways in which Council owned commercial property and industrial units are being used to support wider corporate objectives, especially in respect of regeneration and combating the recession.
- 56 Comparative data and benchmarking are used to assess and help improve value for money. The depot rationalisation programme has been recognised as an example of good practice nationally, and GIS mapping data, shared with partners, has also been used to help rationalise the property portfolio.
- 57 The estate is fit for purpose in that it meets relevant health and safety standards. The Council has not significantly reduced backlog maintenance on buildings over the past 4 years, but £1m of additional finance has been allocated to address this, and overall backlog levels compare well with similar authorities. Officers accept there are issues to address in respect of operational property management, for example on the timeliness of rent reviews and tenancy enforcement.

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## Use of resources 2009/10

- 58 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In my letter of 30 April 2009 about the audit fee for 2009/10, I outlined that there were no significant risks I was aware of in relation to my value for money conclusion. This is still the case.
- 59 In assessing the 'managing resources' theme my work next year will focus on KLOE 3.2 - Asset Management, and KLOE 3.3 - Workforce planning. I have also considered whether there are any additional risks arising from my 2008/09 value for money conclusion and reported that there are none.



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