

## AUDIT AND GOVERNANCE COMMITTEE

### AGENDA

Meeting to be held in the Civic Centre (Committee Room No. 1) on Friday, 29<sup>th</sup> September, 2006 at 4.00 p.m.

ITEM		PAGE
1.	<b>Receipt of Declarations of Interest (if any)</b>	
2.	<b>Apologies for Absence</b>	
3.	<b>Minutes of the Meeting of the Committee held on 30<sup>th</sup> June, 2006</b>  (Copy herewith).	1
4.	<b>Statement of Accounts 2005/2006 – Audited Version</b>  Report of the City Treasurer (copy herewith and Statement of Accounts copy to follow).	7
5.	<b>Authorities Letter of Representation</b>  Report of the City Treasurer (copy herewith).	9
6.	<b>The Annual Governance Report</b>  Report of the Audit Commission (copy to follow).	

7. **Corporate Risk Profile**

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Report of the City Treasurer (copy herewith).

R.C. RAYNER,  
City Solicitor.

Civic Centre,  
SUNDERLAND.

21<sup>st</sup> September, 2006.

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on FRIDAY, 30<sup>TH</sup> JUNE, 2006 at 1.30 P.M.**

**Present:-**

Mr. G.N. Cook in the Chair.

Councillors D. Allan, C.R. Anderson, Mrs. M. Forbes, Mrs. J. Heron and L. Scott and Mr. J. Paterson.

**Declarations of Interest**

The following personal declarations of interest were made:-

Councillor Mrs. M. Forbes and Mr. G.N. Cook declared a personal interest as Members of the Tyne and Wear Fire and Rescue Authority.

Councillors D. Allan, C.R. Anderson and Councillor Mrs. J. Heron declared a personal interest as Members of the Local Government Pension Scheme.

**Apologies for Absence**

No apologies for absence were submitted.

**Corporate Governance Arrangements**

The City Treasurer submitted a report (copy circulated) regarding the Corporate Governance Arrangements which incorporated the following reports:-

- Risk Management Annual Report 2005/2006 and Policy Statement and Strategy – Review and Update;
- Internal Audit Annual Report for 2005/2006;
- Annual Review of Corporate Governance Arrangements and Statement on Internal Control 2005/2006.

The City Treasurer advised Members that the three reports provided information on

different aspects of internal control. The Committee were advised that each report would be introduced following which they would be afforded the opportunity to ask questions.

(For copy report – see original minutes).

### **Risk Management Annual Report 2005/2006 and Policy Statement and Strategy – Review and Update**

The City Treasurer stressed the importance of risk management being essential to achieve good management and brought Members' attention to the Risk Management Framework contained in the report. Members attention was drawn to the need to maintain and review the Corporate Risk Profile and to ensure that Managers throughout the Council were considering potential risks and managing them once identified. Members were also made aware of the need to embed Risk Management throughout the Council and thereby ensure that a pro-active risk management culture existed throughout the Council. This would continue to be addressed through in-house training, distribution of the Risk Watch magazine, through the preparation and review of the Corporate Risk Profile and Directorate Risk Management Action Plans, and through the provision of other related training e.g. project management.

Members were also informed that Sunderland City Council was one of only two Councils to score the highest marks possible for risk management under the Comprehensive Performance Assessment for the last four years. The City Treasurer stated that on the basis of the arrangements detailed and evidence of their effectiveness it could be concluded that arrangements for managing risk within the Council were sound.

Councillor Allan advised the Committee that he was the 'Members Champion' for risk management and stated that Members were enthusiastic about the performance of risk management including ensuring they were getting the lowest cost of insurance possible.

Councillor Anderson enquired as to how the risk management issues facing schools would be controlled due to the fact they were semi-detached from the Council. The City Treasurer advised that the Audit Commission had made it clear, from government dialogue and guidance, what the responsibilities of the LEA are in relation to schools. It was stated that all secondary schools had to meet the Schools Financial Management Standard set by the DfES from April 2007 and the Council, as the LEA, has to ensure schools will meet this standard and has therefore proposed and introduced measures for Schools to follow during 2006/2007 to achieve this standard.

Councillor Forbes requested further information relating to how Partnerships were to be monitored. The Committee were advised that as Partnerships covered a whole range of issues the precise relationship of all parties needed first to be made clear whether the partnership was under a statutory provision or was discretionary. It was stated that a key requirement was to ensure the purpose and proposed outcome of the Partnership was recorded and to ensure that any inherent risks were identified and managed. The City Treasurer advised that, as it was a developing area, a report was to be presented to Cabinet in September detailing all major partnership details, and this report would

become an annual report to assist Members. The City Solicitor interjected at this point that there was now a Partnership Code of Practice to ensure best practice was adopted in this area throughout the Council.

### **Internal Audit Annual Report for 2005/2006**

The City Treasurer made the Committee aware that, as the Internal Audit scrutinised the Treasurer's Department he would not seek to exercise any undue influence on the Internal Audit Plan or the findings. He then proceeded to outline the contents of the report to the Committee.

The Chairman highlighted that 27% of significant recommendations were not yet implemented. The City Treasurer advised that they had not been implemented on time and efforts were being made to still further improve this area of performance. The Committee were advised that this area of non-implementation was being addressed.

Following queries from Members regarding procurement issues, the City Treasurer informed the Committee that auditors were now given a wider remit due to the publication of revised professional guidance. He advised that where the areas to be audited were highly complex or specialist the Internal Audit Division had either developed specialist staff within the Division or else contracts in the necessary expertise. It was stated that new procurement models and methods were emerging and there was currently a review of the contract procedure rules to enable more control over these wider range of models.

### **Annual Review of Corporate Government Arrangements and Statements of Internal Control 2005/2006**

The City Treasurer outlined the report to the Committee advising that the report was positive on the whole but that there were areas for improvement which were being attended to.

The Committee were advised that since the statement was prepared a paragraph was missing due to an administrative error. The City Treasurer read out the paragraph which was to be inserted, relating to the De-Criminalised Parking Enforcement Regime. The Committee agreed that it was important this paragraph was also added to the Statement of Internal Control.

After consideration of the reports, it was:-

1. RESOLVED that the reports be received and noted and that the amendment to the report on the Annual Review of Corporate Government Arrangements and the Statement of Internal Control 2005/2006 be approved.

### **Statement of Accounts 2005/2006 (Subject to Audit)**

The City Treasurer submitted a report (copy circulated) presenting the Statement of Accounts (Subject to audit) for the financial year 2005/2006 for the Committee's consideration and approval.

(For copy report – see original minutes).

The City Treasurer proceeded to highlight the main areas of the report. Councillor Allan pointed out that the date for the Public Inspection Period on page 4 of the report should read 26<sup>th</sup> August, 2006.

Mr. D. Napier, Assistant Chief Accountant, Sunderland City Council tabled a summary of changes to the Statement of Accounts and outlined the changes to the Committee. Members accepted the summary of changes to the Statement of Accounts.

The Chairman suggested that the most appropriate way to deal with the Statement of Accounts was to consider the Consolidated Revenue Account and then the Consolidated Balance Sheet.

Councillor Anderson enquired as to the nature of the provision for Section 117 of the Mental Health Act detailed on page 36 of the accounts. The City Treasurer advised that following a court judgement care provided under s117 could not be charged for, therefore Local Authorities had to identify these charges and take steps to refund them.

Councillor Allan requested further information on the Non-Distributed Costs detailed on page 36. It was stated that this related mainly due to a one-off saving on the rates bill in relation to the Civic Centre.

Following a query from Councillor L. Scott, Mr. Napier advised that the court costs had increased significantly due to one high profile case which the Authority had had to deal with in relation to the Coroners Service. The City Treasurer advised that Local Authorities were required to provide for the costs of the Coroners service which had grown significantly due to the higher profile of the service following recent court cases. It was stated that the additional funds to meet the increased cost had been provided from contingencies and not from the budget of Community and Cultural Services.

The Chairman enquired what the Strategic Investment Reserve consisted of. The City Treasurer advised that the reserve was established with the net proceeds from the transfer of the Council's housing stock to Sunderland Housing Group the sale of 49% of the Council's interest in Newcastle Airport to Copenhagen Airports. It was stated that the funds had been earmarked by Council for future developments and were being used for specific purposes.

Councillor Allan brought attention to the fact that National and Non-Domestic Rates (NNDR) were decreasing whilst the Revenue Support Grant (RSG) was increasing. It was stated that both elements formed part of the formula grant received by the Council and in the past both elements have been used to ensure the level of support to local government is at the level of support set by government. To make a more appropriate comparison both figures needed to be added together which shows that the Council received an increase of 5.5% over the previous years figure in the accounts. The City Treasurer advised that the valuation of the Rateable Value used in the NNDR calculations had increased due to a recent national revaluation of business rates with the effect that the rate poundage multiplier had been reduced accordingly. The level of

NNDR or business rates nationally would reflect the number of active businesses contributing.

Following a query from Councillor Forbes it was stated that the £12m difference in employee expenses related mainly to the impact of pay awards and also the FRS17 pension adjustments required in the accounts. The City Treasurer advised that the FRS17 adjustments had not impacted upon Council Tax payers.

Having no further queries, the Chairman requested questions relating to the Consolidated Balance Sheet.

Referring to a query from Councillor Allan regarding surplus assets, Mr. Napier stated that they were properties and land owned by the Council that were not currently being used to provide a service. He advised that there were intentions to review these assets to either provide services from in the future or where land and buildings could be disposed of should demand or market conditions allow.

The City Treasurer advised the Committee that the Private and Public Sector Housing expenditure detailed on page 54 of the report related to grants that were given to the Housing/Public Sector renewal, where the Council did not hold an asset. It was explained that the funds were provided to a third party to improve their asset subject to appropriate grant conditions.

Having considered the Statement of Accounts 2005/2006 (subject to audit) in detail it was:-

2. RESOLVED that the report be received and the Statement of Accounts 2005/2006 (Subject to Audit) be approved.

### **Audit Commission - Audit and Inspection Plan 2006/2007**

The City Council's Audit Manager introduced this report which set out the planned activity of the Audit Commission in undertaking audit and inspection activity during 2006/2007.

(For copy report – see original minutes).

Having given consideration to the report it was:-

3. RESOLVED that the report be received and noted.

### **Annual Internal Audit Plan 2006/2007**

The City Treasurer submitted a report (copy circulated) to enable the Audit and Governance Committee to consider and endorse the proposed Annual Internal Audit Plan for 2006/2007.

(For copy report – see original minutes).

The City Treasurer outlined the report to the Committee advising that lots of consultation was undertaken to ensure internal audit are aware of the issues and environment facing the Council.

Councillor Scott enquired as to what mechanisms were available to the Committee to influence direction for internal audit. The City Treasurer advised the plan would usually be brought to the Committee earlier but due to the timing of constitutional changes and the creation of the Audit and Governance Committee, it was not possible to do so on this occasion. It was stated that the plan was brought to the Committee to give an insight into the areas which it is proposed to be covered and provide the Committee with the opportunity to comment.

Following a query regarding outstanding audits, Mr. P. Davies, Assistant City Treasurer Audit and Procurement advised that there were a lot of requests for audit services that meant some could not be considered a priority at this time. He advised that nothing significant had ever been excluded and stated that if a Directorate or Department asked for a significant issue to be looked at they would be directed to who could be brought in to deal with it or who could be commissioned to undertake it.

Having given consideration to the report it was:-

4. RESOLVED that the report be received and noted.

(Signed) MR. G.N. COOK,  
Chairman.



## **Audit and Governance Committee – 29<sup>th</sup> September 2006**

### **Statement of Accounts 2005/2006 – Audited Version**

#### **1.0 PURPOSE OF REPORT**

- 1.1 To report the communications received from the Audit Commission concerning the financial statements for 2005/2006 and whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 1.2 To provide a revised Statement of Accounts for 2005/2006, which have been amended to take into account the auditors findings, for approval by members of the Committee.

#### **2.0 DESCRIPTION OF DECISION**

- 2.1 Members are recommended to:-
  - 2.1.1 Note the contents of the Audit Commission Communication.
  - 2.1.2 Approve the Statement of Accounts for the Financial year ended 31<sup>st</sup> March 2006.

#### **3.0 BACKGROUND**

- 3.1 Members will be aware that the Audit Commission, as the Authority's external auditors, are required to report on the final accounts, and report other certain matters to Members prior to an opinion being provided on the Authority's accounts.
- 3.2 The Audit Commission has audited the financial statements of the Authority under the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (ISA) issued by the Auditing Practices Board.
- 3.3 Once the Audit and Governance Committee has noted the contents of this communication, the Audit Commission can then formally provide an opinion on the Statement of Accounts for the year ended 31<sup>st</sup> March 2006.
- 3.4 In line with ISA 260, the Audit Commission has produced an Annual Governance Report, in which the auditor's opinion is that the financial statements present fairly the financial position of the Authority as at 31<sup>st</sup> March 2006 and its income and expenditure for the year then ended. The Annual Governance Report 2005/2006 is included on the Agenda.

3.5 The Statement of Accounts have been amended for what are considered to be adjusted mis-statements following the audit. These amendments are detailed in Appendix 1 for information and the revised Statement of Accounts are detailed in Appendix 2.

3.6 This communication is in addition to the Annual Audit and Inspection Letter, which will continue to be presented to the Cabinet and Council annually.

#### **4.0 KEY MESSAGES**

4.1 The full communication will be circulated separately but based on information available at the time of writing this report is likely to show that:

- the external auditors propose to issue an unqualified audit opinion.
- all non-trifling misstatements have been adjusted by management.
- the external auditors have not identified any material weaknesses in the accounting and internal control systems that Members were not already aware.
- the external auditors have not identified any issues in relation to the qualitative aspects of the Council's accounting practices and financial reporting.
- The external auditors have not identified any matters required by other auditing standards that should be communicated to Members.
- The external auditors have not identified any other relevant matters relating to the audit that need to be brought to Members attention.
- The external auditors have reported that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and propose to issue an unqualified value for money conclusion in respect of 2005/2006.

4.2 On the basis of the amendments agreed with the external auditors, the Audit Commission will formally provide an opinion on the amended Statement of Accounts, before the 30th September 2006, by which time the Council is required to publish its Statement of Accounts for 2005/2006.

Mrs Lynn Hunt  
Audit Commission  
Nickalls House  
Metro Centre  
Gateshead  
Tyne and Wear  
NE11 9NH

Date: 21<sup>st</sup> September 2006  
Our ref: CFA/DDN  
Your ref:

Dear Lynn,

## ANNUAL ACCOUNTS 2005/2006 – LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officials of Sunderland City Council (the Council), the following representations given to you in connection with your audit of our financial statements for the year ended 31 March 2006 are accurate and are as set out below.

### Statutory Responsibilities

We acknowledge, as the designated member and officers responsible for the Council's financial affairs, our responsibility for ensuring the preparation of financial statements which present fairly the position of the Council and for making accurate representations to you. To the best of our knowledge, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the financial records. To the best of our knowledge all other records and related information, including minutes of all committees and management meetings have been made available to you.

### Accounting estimates

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are based on our assumptions about conditions that we expect to exist and courses of action we expect to take. In that regard, the financial statements present fairly the financial position of the Council. We have complied with all aspects of contractual agreements that would require adjustments to, or disclosure in, the financial statements.

## ASSETS

### Fixed Assets

1. The net book values at which the fixed assets are stated in the balance sheet are arrived at:
  - (a) after providing for depreciation on bases and at rates calculated to reduce the cost of each asset to its estimated residual value by the end of its estimated useful life, the Council has fully depreciated all assets in accordance with the SORP;
  - (b) after taking into account all capital expenditure on additions thereto, but no expenditure properly chargeable to revenue.

All assets continue to be re-valued under our five year rolling programme.

### Capital Expenditure

2. At 31 March 2006 there were no outstanding authorisations for the purchase of fixed assets.

### Long Term Investments

3. We confirm that all long term investments disclosed in the balance sheet have been correctly valued with regards to market quotations and other information. We confirm that we have no plans to dispose of these assets in the foreseeable future.

### Current Assets

4. Current assets in the balance sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Authority, which are known to be irrecoverable.

### General

5. All liabilities have been taken up in the accounting records, including the liability for the purchases to which title had passed prior to the stated date, and for all items included in stocks.

### Commitments

6. Other than already disclosed in the financial statements and set out below, we are not aware of any pending or threatened claims or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements.

There were no purchase commitments in excess of normal requirements with the exception of the impact of two PFI schemes one of which commenced in 2002/2003 (Sandhill View School) and the other (Street Lighting and Highway Signs) which commenced in 2003/2004, which I detail below:

- The Council entered into a contract on 17<sup>th</sup> August 2001 for the replacement of Sandhill View School plus a range of community and educational support facilities. The impact of this scheme is included in the accounts in Note 14 to the Consolidated Revenue Account (CRA) which provides the necessary details of the contract and the extent of the commitments for the Authority into future years.
- The Council also entered into a PFI contract with Balfour Beatty Power Networks Ltd on 12<sup>th</sup> August 2003 for the replacement and provision of Street Lighting and Highway Signs which commenced on 1<sup>st</sup> September 2003. The accounting entries have been fully incorporated into the accounts within Note 14 to the Consolidated Revenue Account (CRA) which gives provides details of the contract and the extent of the commitments for the Authority into future years.

It should be noted that PFI credits were originally ongoing and were to be received after the duration of the contract, which meant that Revenue Support Grant would continue to be received after the life of the contract although this benefit could not be quantified. This position has, however, been reviewed by the government and a revised allocation of PFI credits was introduced from 1<sup>st</sup> April 2005 which has impacted upon the PFI schemes of the Council.

It is thus important to note that the Authority took this opportunity offered as part of these reforms of the Local Authority PFI Grant announced by ODPM to move to the annuity method of calculation of grant entitlement. This change is fully reflected within Note 14 to the Consolidated Revenue Account.

#### Contingent Liabilities

7. Other than already disclosed in the financial statements and set out below, we are not aware of any material commitments or contractual issues which require contingent gains/losses to be disclosed or accrued in the accounts.

Like most other local authorities there are a number of part-time pension cases which have been pending for some time. Although a number of test cases have now been decided, potential payments are anticipated not to exceed £0.250 million however this is only an estimate at this stage because of the remaining complexities and uncertainties involved. It will be necessary for further test cases to be determined before the position can be clarified.

During 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. The Council has a number of outstanding claims with MMI and arrangements are in place to try and ensure an orderly settlement of the sums due. Potential losses on insurance settlements, are estimated at £0.637m.

The City Council, together with the other Tyne and Wear Districts, are guarantors to the Tyne and Wear Pension Fund in respect of employees of Northern Informatics Applications Agency Limited.

The City Council acts as a guarantor to Back On The Map Limited to the Tyne and Wear Pension Fund in respect of pensions for transferring employees.

Future possible payments may be required to the Sunderland Housing Group under the terms of the Transfer Agreement established between the Council and the Housing Group for claims relating to environmental pollution. This agreement was drawn up as part of the Large Scale Voluntary Transfer which took place on 26th March 2001 which transferred all Council Housing and related assets to Sunderland Housing Group. The amount included in the Agreement under Warranty 13 stipulates that the Council's maximum liability to the Group under this deed in respect of all claims howsoever made shall not exceed in aggregate the sum of £240,000,000 and as yet no claims have been made.

A revised claim was received from Pyeroy of approximately £395,000, (previously £260,000), in respect of the Wearmouth Bridge Works. The dispute has already been considered by an Adjudicator who dismissed Pyeroy's claim, however they have referred the dispute to formal arbitration. In the light of these developments the Council intends to continue to resist Pyeroy's claim and has already sought advice from Queen's Counsel on this matter. The Council is reasonably confident Pyeroy will not succeed but it is still however considered prudent to disclose a contingent liability in the accounts in case the Council loses the action.

The Council has a number of outstanding equal pay claims which are seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Council. The Council has settled a large number of claims by making compensation payments, and has also made compensation payments to non claimants who have the same circumstances as those claimants to whom compensation payments have been made. There is the possibility that the Council will have to meet other claims already made but not yet settled. The Council has very prudently set up a provision and a reserve to meet these future potential liabilities. The Council continues to mount a strenuous defence of the claims made and has taken advice from leading Counsel. However, if the Council were to lose future claims from workers not already included then there could still be scope for these future cases having a significant financial impact on the Council. These claims can not be assessed or quantified at this time.

The Council are guarantors to the No Limits Theatre Company to guarantee the payment of standard pension benefit for the employees of the Company.

A claim has been received from Mowlem PLC of approximately £1million in respect of the Queen Alexandria Bridge works. This dispute has been considered and rejected by an adjudicator and referred to arbitration. The Council has rejected the claim in respect of payment on the basis of the works being required to meet the contracted standard but has made provision in respect of the increase in steel work.

The Council's best estimate of the assessed liability should the Council lose the action is £0.875m plus potential costs.

In June 2005, the Council via Government Office North East (GONE) received a European Court of Auditors (ECA) report which indicated some technical issues had been found in respect of the Sunderland ARC feasibility study project grant claim. The Council is still in discussions with GONE about the possible financial implications but as yet no firm decision has been made and, as a result, the Council can only speculate on the likely costs to the Council in these matters. The Council has put in place corrective action to prevent a reoccurrence of the issues raised by the ECA and is currently awaiting a decision from GONE.

One North East and the Council are currently in negotiations over grant funding awarded to the Council. There are a number of issues under discussion of which the outcome is currently uncertain. The Council continues to pursue full settlement of its grant award entitlement.

#### GENERAL

8. We consider that there is adequate insurance cover for all major risks, this is further supported by the recent independent actuarial review of the insurance provision as at 31<sup>st</sup> March 2006.
9. We consider that the Authority will have sufficient cash resources available to finance its operation at least for the following twelve months.
10. Authority Members interests, present or future, in any contract with the Authority during the year ended 31 March 2006.

In respect of the 2005/2006 financial year a number of Council Members had a controlling interest in a company, partnership, trust or entity which generated a related party transaction with the Authority. The controlling interest was by way of ownership, or as a director, trustee, or partner. These transactions amounted to payments of £7.290 million made by the Authority in 2005/2006 (£6.297 million for 2004/2005), of which £0.397 million (£0.489 million for 2004/2005) relates to Cabinet Delegation Scheme approved grants in support of the arts, sport, promotions and tourism, £2.842 million (£1.904 million for 2004/2005) payments to companies and £4.051 million (£3.904 million for 2004/2005) to voluntary organisations.

It should be noted that all Council members pecuniary and non financial interests which could conflict with those of the Council are open to public inspection as required by the Local Authority (Members Interests) Regulations (SI 1992/618) laid under section 19 of the Local Government and Housing Act 1989. In addition, the awarding of any contracts by the Authority to individual companies is governed by the Authority's Contract Procedure Rules as approved by the Council. The relevant members must therefore declare an interest (which is minuted) and they do not take part in any discussion or decision relating to the transactions concerned.

Save as disclosed to you above, the Council has not had, or entered into, at any time during the period, any arrangement transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for councillors and officers or any person connected to them, to guarantee or provide security for such matters. To the best of our knowledge there are no other material transactions between related parties other than those which have been properly recorded and disclosed in line with FRS 8 above. We therefore confirm that we have disclosed to you all the information of which we are aware.

#### 11. Airport Loan Notes

The third and final tranche of receipts relating to the sale of 49% of the shares in Newcastle Airport took the form of a repayment of £25 million worth of loan notes over a 10 year period. As agreed with Copenhagen Airports Limited the repayment of these loan notes, to the constituent authorities, commenced in 2003/2004 and the amount of principal repaid to date totals £1,365,534 for this Authority. This amount is included in Capital Receipts. The interest earned on the remaining loans outstanding was accounted for in the Consolidated Revenue Account. This accounting treatment will continue until the loan notes have been fully repaid. See note 6 to the Consolidated Balance Sheet.

#### 12. FRS17

The Council continues to fully comply with the requirements of Financial Reporting Standard 17 (Accounting for Retirement Benefits) and the Statement of Accounts fully discloses all of the necessary accounting entries required. The accounting policies reflect the necessary details and disclosure notes to the Statement of Accounts for 2005/2006. The Accounting Policies are set out in Section 13, pages 27 and 28 of the Statement of Accounts and Notes 7c to the CRA and Note 17a to the Consolidated Balance Sheet show disclosures in compliance with the SORP. The CRA fully incorporates the FRS17 accounting entry requirements.

It must be stressed, however, that the figures included within the accounts for pensions assets and liabilities have been provided by Hewitt, Bacon and Woodrow Limited, actuaries to the Local Government Pension Fund (administered by South Tyneside Council) using information provided by the scheme and assumptions determined by the Council in conjunction with the Actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

#### 13. Pooled Budgets

The Statement of Accounts incorporated the accounting requirements in respect of Pooled budget arrangements for the first time in 2003/2004. Section 31 of the Health Act 1999 allows partnership arrangements between National Health Service (NHS) bodies, local authorities and other agencies in order to improve and co-



ordinate services. The aim of the partnerships is to provide a service to a target client group and allow organisations to work in a more unified way. Included within the Council's consolidated accounts are now three such partnership schemes, as the Intermediate Care Pooled arrangements commenced from 1<sup>st</sup> April 2004, with the Sunderland Teaching Primary Care Trust (STPCT). Note 15 to the Consolidated Revenue Account provides further details of the three pooled arrangements the Council is involved with the STPCT.

14. Audit Costs

The Council continues to include a note to the Consolidated Revenue Account which provides details of the Audit fees incurred in respect of the various professional audit activities carried out on behalf of the Council. Note 16 to the CRA gives more details of the costs involved in accordance with the SORP.

15. The Housing Revenue Account – closure

The Council received the consent from the Secretary of State to close the Housing Revenue Account because of our Large Scale Voluntary Transfer which took place on 26<sup>th</sup> March 2001 which meant that Council Housing is no longer provided by the Council. This is the reason the Housing Revenue Account is not included in the financial statements.

16. SORP 2005 and the Requirements for the 2005/2006 Accounts

The Council's financial statements have been provided in accordance with all applicable accounting standards and CIPFA's Code of Audit Practice on Local Authority Accounting (Statement of Recommended Practice).

The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice 2005(SORP) introduced the following main changes to the Statement of Accounts for 2005/2006:

Revision to Pension Fund Accounts in accordance with the updated Pension SORP;

A requirement to publish a Statement on Internal Control (SIC) in accordance with Regulation 4(2) of the Accounts and Audit Regulations 2003;

An amendment to guidance on the recognition of dividend income;

Updating the Statement of Accounts for the impact of the Business Improvement District Scheme (BIDS);

Clarification of the meaning of 'Benefits' and 'Substance over form' in relation to the flow chart for determining whether the reporting authority has interest(s) in subsidiaries, associates and joint ventures for the purpose of determining whether financial reporting is required in respect of Group Accounts;

Other minor accounting changes in line with Financial Reporting Standards and Urgent Issues Taskforce Abstracts (UITA's) issued up to 30<sup>th</sup> September 2004.

The Statement of Accounts and Accounting Policies of the Authority for 2005/2006 fully complies with the Statement of Recommended Practice 2005 and any departures from the SORP are fully documented with reasons for the departure where appropriate, the position regarding Group Accounts is set out below.

#### Group Accounts

The Council has carried out fully the processes as recommended by the SORP in determining whether group accounts needed to be prepared and the Council has found that it does not have any material financial relationships where the requirements of Group Accounts applies. Group Accounts have therefore not been produced for 2005/2006.

#### INCOME AND EXPENDITURE ACCOUNT

17. Except as disclosed in the accounts, the results for the period were not materially affected by:
- (a) any change in the basis of accounting;
  - (b) circumstances of an exceptional or non-recurrent nature;
  - (c) charges or credits relating to prior years.

#### EVENTS SUBSEQUENT TO THE DATE OF THE BALANCE SHEET

18. All events taking place between 22 June 2006 (the issuing date) and the date of this letter which has assisted in accurately determining the Authority's position at 31 March 2006, and its results for the year ended on that date, have been duly taken into account. Since the date of the balance sheet, the following post balance sheet event was reported:

The Local Government Pension Scheme (Amendment) Regulations 2006, (SI 2006/96), which took effect from 1st April 2006 made a number of changes to Local Government Pension Scheme (LGPS) benefits including the right of scheme members to elect to take an enhanced tax free lump sum in return for a reduced annual pension. The terms on which the scheme allows for commutation are not actuarially neutral and there is a net benefit to employers of scheme members electing to take enhanced lump sums.

There have been no further material events since the balance sheet date which would require revision of the amounts included in the financial statements or disclosure in a note thereto. In particular, we have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, other than those already disclosed in the financial statements.

Should you have any queries about anything contained in this letter, please do not hesitate to contact Dennis Napier on 0191 553 1841 or email [dennis.napier@sunderland.gov.uk](mailto:dennis.napier@sunderland.gov.uk)

Yours sincerely,  
Signed on behalf of Sunderland City Council

Councillor Bob Symonds, Leader of the council

Ged Fitzgerald, Chief Executive

Bob Rayner, City Solicitor

Keith Beardmore, City Treasurer



Audit and Governance Committee

29 September 2006

**Corporate Risk Profile**

**Report of the City Treasurer**

**1. Purpose of Report**

- 1.1 To note the updated Corporate Risk Profile and amendments outlined in the report.
- 1.2 This report was considered by Cabinet on 13 September 2006 and the minute is detailed below.

**Corporate Risk Profile**

The City Treasurer submitted a report (copy circulated) to inform Cabinet Members of the updated Corporate Risk Profile and amendments that had taken place and to seek endorsement to the recommendations set out in the Profile.

(For copy report – see original minutes)

Cabinet Members having been advised that the updated Profile would ensure that the major risk issues the Council faced were being actively managed, it was:-

RESOLVED that :-

- (i) the updated Corporate Risk Profile and amendments outlined in the report be noted, and
- (ii) the recommendations set out in the Profile be endorsed.

**2. Recommendation**

- 2.1 The Committee is invited to consider the report.

**3 Background Papers**

- 3.1 Cabinet Report July 2005 Risk Management Policy Statement and Strategy Report.

## CORPORATE RISK PROFILE

### Report of the City Treasurer

#### 1. Purpose of the Report

- 1.1 The purpose of the report is to inform Cabinet of the current position of the Corporate Risk Profile and amendments that have taken place.

#### 2. Description of Decision

- 2.1 Cabinet is recommended to:

➤ Note the updated Corporate Risk Profile and amendments outlined in the report.

#### 3. Background

- 3.1 Risk Profiling is systematic risk identification and evaluation process designed to provide an organisation with a clear focus on the major risk issues it faces. The Profile will identify measures to assist in ensuring those risks are managed; appropriate opportunities are taken advantage of; targets are achieved and service delivery improved.
- 3.2 The outline risk issues contained within the latest Corporate Risk Profile were presented as part of the Risk Management Policy Statement and Strategy Report to Cabinet in July 2005. The Profile reflected the substantial changes and challenges the Council faces in its ambitious agenda for the future. The Corporate Risk Management Group has since carried out two major reviews of the Corporate Risk Profile and the outcomes are contained in this report. A copy of the revised Corporate Risk Profile is attached as Appendix 1.

#### 4. Current Position

- 4.1 The Corporate Risk Management Group has carried out 2 major reviews of the Risk Profile in October 2005 and March 2006, the latter review having been ratified at the Corporate Risk Management Group meeting in July 2006.
- 4.2 The robust reviews again confirmed that the Corporate Risk Profile represented the major risks facing the Council. However within individual areas issues evolve and develop and new or amended actions have been recommended to ensure successful management of these issues. A number of relatively minor changes have been made to the original profile reported in July 2005 to more closely reflect

the outline nature of the risk and to combine issues that are more closely linked. These are individually highlighted below

Additionally there were no new 'risks' individually identified to add to the Profile.

#### 4.3 Summary of Major Changes to the Profile

##### 4.3.1 Risk Issues Combined and Re-titled

a) Risk ID 4 Scoping the Service Provision and Selecting a Strategic Partner.

Risk ID 7 Peoplefirst – determination and delivery of the Programme.

Risk ID 8 Capacity to successfully deliver a diverse portfolio of a projects/programmes to meet strategic objectives.

Risk ID 18 Management of major projects/programmes.

The above risks have been combined to form a consolidated risk issue;

Risk ID 4 Delivery of the Transformation Agenda

b) Risk ID 3 Effectiveness of the ARC Delivery Plan

Risk ID 16 Future of the Port of Sunderland

The above risks have been combined to form a consolidated risk issue;

Risk ID 3 Effective Delivery and Promotion of Regeneration Activity

c) Risk ID 10 Implementation of the Community Cohesion Strategy

Risk ID 11 Achievement of the Equality Standard for Local Government.

To more closely reflect the linked nature of these risks this has been further developed into;

Risk ID 10 a) Creating Inclusive Communities

b) Achieving Diversity within Council Services

##### 4.3.2 Risks Re-titled

a) Risk ID 15 Adult Services – Delivery Standards

To more closely reflect the nature of the risk this has been re-titled;

Risk ID 15 Adult Services – Transformation Agenda

- c) Risk ID 20 Strategic Asset Management linked to efficient services and delivery mechanisms

To more closely reflect the nature of this risk it has been re-titled;

Risk ID 20 Capital Strategy, linked to efficient service and delivery mechanisms

#### 4.3.3 Risks Extended and Re-titled

- a) Risk ID 12 Single Status / Equal Pay – management of claims, costs and job evaluations.

This risk has been extended to take into account related and developing issues e.g. pensions and now is titled;

Risk ID 12 Pay and Conditions – Single Status / Equal Pay / Pensions etc.

- b) Risk ID 28 Successful implementation of the Financial Management System to deliver business benefits.

This risk has been extended to recognise the increasing financial pressures and issues the Council and Directorates will have to face in the short, medium and long term and is now titled;

Risk ID 28 Financial Pressures

#### 4.3.4 Risks Removed from the Profile

- a) Risk ID 5 Education Services – Delivery Standards Ofsted Inspection.

Given the successful management of the risk, this has been transferred to Children's Services Directorate Register for future managing and monitoring.

The updated Corporate Risk Profile is attached to this report



## **5. Reason for the decision**

5.1 To ensure that the major risk issues the Council faces are being actively managed.

## **6. Alternative Options**

6.1 There are no alternative options to this report.

## **7. Background Papers**

7.1 Cabinet Report July 2005 Risk Management Policy Statement and Strategy Report.

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## CORPORATE RISK PROFILE

REVIEW AND RECOMMENDATION OF CORPORATE RISK MANAGEMENT GROUP MARCH 2006

**Risk ID:** 1. Effective Delivery of the Sunderland Strategy  
**Risk Issue:** Failure to deliver the Sunderland Strategy

**Relative  
Priority:**

**HIGH**

Controls	Recommendations	Timescale	Responsibility
CPA assessment of targets within the LAA as priorities of the community strategy.	<ul style="list-style-type: none"> <li>i) All targets within LAA should be included in corporate improvement plan and monitored by the Performance team</li> <li>ii) Above targets to include Local Public Service Agreements. There are 12 key targets with £8 million performance grants attached (3 year agreement 08\09 before receive money)</li> </ul>	Apr 06 ongoing Apr 05 – Apr 08	Head of Corporate Policy & Performance / Improvement / All Directors
The role of Children and Young People to be developed in the Sunderland Strategy	<ul style="list-style-type: none"> <li>iii) Community Strategy to be refreshed for 2007 (to include increased focus on Children and Young People agenda).</li> </ul>	2007	Head of Corporate Policy / LSP Coordinator / Head of Children's Services.
Neighbourhood management arrangements to be in line with Local Government White Paper	<ul style="list-style-type: none"> <li>iv) Address issues surrounding governance and service arrangements, teams, performance targets, and funding.</li> </ul>	Sep 2006 ongoing	CX / Head of Corporate Policy / All Directors
Comply with government requirements for the involvement of the community and voluntary sector	<ul style="list-style-type: none"> <li>v) Develop relations with community and voluntary sector through the Community Strategy and the Community Development Network.</li> <li>vi) Develop Community Developments Strategy and implement recommendations.</li> </ul>	Apr 06 ongoing Dec 06	Head of Corporate Policy / LSP Coordinator/ All Directors / LSP Board / Director CCS
LSP identified nationally as good working practice (it is not a constituted Body).	<ul style="list-style-type: none"> <li>vii) LSP and Thematic Groups to develop Risk Registers</li> <li>viii) Continue to liaise closely with public sector partners to ensure the erosion of co-terminus boundaries, their internal restructuring and</li> </ul>	Dec 06 ongoing	Head of Corporate Policy / LSP

**CORPORATE RISK PROFILE**

	<p>possible regionalisation does not have a detrimental effect on the services provided, including standards, and any targets / initiatives that have been set</p> <ul style="list-style-type: none"> <li>ix) Continue to identify any capacity issues that may arise when moving forward</li> <li>x) Local Economic Growth Initiative to be developed. Phase 1 LEGI Bid failed - new submission in September 06</li> </ul>	<p>Sep 06</p>	<p>Coordinator / 'Thematic Leads</p> <p>Assist CX (Policy) / Head of Business Investment</p>
<p><b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8 (See Appendix 1 for details)</b></p> <p><b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b></p>			

## CORPORATE RISK PROFILE

**Risk ID:** 2. To achieve higher performance across the Council judged by CPA and JAR  
**Risk Issue:** Failure to achieve and maintain higher performance

**Relative Priority:**

**HIGH**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
CPA & JAR Inspection process	<ul style="list-style-type: none"> <li>i) Prepare and plan for corporate assessment &amp; JAR</li> <li>ii) Ensure actions in CPA road map are delivered to appropriate timescales</li> </ul>	Apr 06 (and ongoing) Jan 07	Head of Performance Improvement, Children's Services / EMT
Assessment to include local perception of services	<ul style="list-style-type: none"> <li>iii) Measure local perception of services, success and improvements via BVPI user satisfaction surveys alongside Mori and Community Spirit</li> <li>iv) Introduce new performance management system with consideration to the issues surrounding the proposal of data warehousing (i.e. conform to SAP model or install stand alone system?)</li> </ul>	Dec 07 (initial results)	Head of Performance Improvement
Engagement of performance management across the organisation	<ul style="list-style-type: none"> <li>v) Assess cultural readiness of council to enable performance improvement interviews to be undertaken</li> <li>vi) Continue to develop and improve the performance reporting structure</li> <li>vii) Develop Performance Management capacity and ensure it adds value to the LSP and thematic partnerships</li> </ul>	Mar 07	Head of Performance Improvement
Gershon efficiency targets are set and council continues to explore new gains	<ul style="list-style-type: none"> <li>viii) Gershon has to be linked to transformation agenda to improve value for money in service delivery</li> <li>ix) Communication strategy to bring CPA/JAR awareness to 14,500 staff</li> </ul>	Sep 07 Jul 07 Jun 07	Deputy CX Head of Performance Improvement Head of Performance Improvement
		Jun 06 Sep 06 Jul 07	DCX Head of Performance Improvement/Children Services/EMT City Treasurer
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b>			

## CORPORATE RISK PROFILE

**Risk ID:** 3. Effective Delivery and Promotion of Regeneration Activity  
**Risk Issue:** Ineffective delivery or promotion of regeneration activity

**Relative Priority:**

**HIGH**

Controls	Recommendations	Timescale	Responsibility
Delivery of Community Strategy is dependent upon ARC achieving its objectives	i) Monitor ARC Delivery Plan ii) Planning Standards Authority BV109C. Position to be monitored iii) Port: - Ensure timescales for appointment of consultants are adhered to regarding delivery of Port services and use of estate - Ensure role of the Port and its estate is taken into account in regional strategy and any other appropriate policies - Due diligence programme successfully completed	Ongoing Review Oct 06	Chief Executive / Director of Development & Regeneration Head of Corporate Communications
<b>Strategic Priority Links: SP1; SP3; SP4; SP5; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI03; CI04</b>			

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**CORPORATE RISK PROFILE**

**Risk ID:** 4. Delivery of Transformation Agenda  
**Risk Issue:** Unsuccessful delivery of Transformation Programme

**Relative Priority:** **HIGH**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Production of a scoped and agreed business transformation programme	i) Ensure it is reflective of the Council's needs now and in the future	Ongoing Review Oct 06	Chief Executive/ EMT
Four key strategies required to deliver transformation agenda	ii) Ensure all four strategies are completed (* not currently in place) - Customer Service Strategy * - Social Inclusion Strategy * - Neighbourhood management strategy - Community Development Strategy	Ongoing Review Oct 06	Chief Executive/ Deputy Chief Executive/ All Directors/ Head of Corporate Policy
Scoping the service provision and selecting a Transformation Partner	iii) Issues to consider: - Failure to appoint - Wrong brief - Failure to successfully utilise and promote a full understanding of the role of the Transformation Support Partner in delivering best customer service practice	May 06	Deputy Chief Executive
Management of major projects or programmes	iv) Issues to consider: - Establish scope of the 'Programme Office' - Capacity to successfully deliver a diverse portfolio of projects - Successful introduction and full understanding of the role of the Programme office - Effective implementation of Prince 2 Project Methodology for all relevant projects v) Peoplefirst Risk Profile to be reviewed in light of the transformation agenda.	Ongoing Review Oct 06  Dec 06	Deputy Chief Executive/ All Directors

**Strategic Priority Links: SP2; SP4; SP5; SP6; SP7; SP8**

**Corporate Improvement Objective Links: CI01; CI02; CI03; CI04**

## CORPORATE RISK PROFILE

**Risk ID:** 6. Determining and establishing the organisational structure to ensure successful delivery of Children's Services

**Risk Issue:** Delays over proposed structure

**Relative Priority:**

**HIGH**

Controls	Recommendations	Timescale	Responsibility
Children's and Young Persons Plan	<ul style="list-style-type: none"> <li>i) Children's and Young Persons Integrated Plan to be completed by December 05, -new Director in place from November 05 Structure in place by Sept 2006</li> <li>ii) Ensure budgetary issues are addressed, including funding possible ICT requirements</li> <li>iii) Ensure schools are fully engaged to achieve outcomes of the Children's Service</li> </ul>	Sep 06	Director of Children's Services/ City Treasurer/ Head of ICT
Joint Area Review	<ul style="list-style-type: none"> <li>iv) Prepare for Joint Area Review – (January to May 2007)</li> </ul>	Ongoing Review Oct 06	Director of Children's Services
Sunderland Strategy	<ul style="list-style-type: none"> <li>v) Ensure transparent links exist between Children's Trust and Sunderland Strategy - Addressed through Local Area Agreements</li> <li>vi) Ensure the Children's Services Board actively involved in the delivery of the Strategy</li> </ul>	Dec 06	Director of Children's Services/ Head of Corporate Policy
Change Management	<ul style="list-style-type: none"> <li>vii) Ensure change management processes are in place to integrate staff and systems successfully, including external partners</li> </ul>	Sep 06	Director of Children's Services/ Corporate Head of Personnel

**CORPORATE RISK PROFILE**

<p>Connexions Service provision</p>	<p>viii) Model of future provision to be agreed between Chief Executive of Connexions and Director of Children Services</p>	<p>Ongoing Review Oct 06</p>	<p>Director of Children's Services/ Connexions Chief Executive</p>
<p><b>Strategic Priority Links: SP1; SP2; SP4; SP6; SP7; SP8</b></p>			
<p><b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b></p>			



## CORPORATE RISK PROFILE

**Risk ID:** 9. Adequacy and security of ICT infrastructure  
**Risk Issue:** Inadequate ICT infrastructure and security

**Relative Priority:** **MEDIUM**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Network Replacement Plan	i) Network Replacement Plan progress to be regularly reviewed and relevant issues communicated to stakeholders	Ongoing Review Oct 06	Corporate Head of ICT / All Directors
Corporate Improvement Plan	ii) Issues to be identified in Corporate Improvement Plan	Dec 06	Head of ICT/ All Directors
BS ISO/IEC 27001:2005	iii) BS ISO/IEC 27001:2005 or it's principles to be considered for adoption by all Directorates / Council iv) Greater communication to directorates of the risks to Information Security through constant developments in computer viruses, spyware etc	Mar 07	EMT
Business continuity planning	v) Continue to improve quality of Business Continuity Management planning at Corporate / Directorate level to lessen impact of ICT service interruption vi) Ensure procurement process takes into account BCM vii) Review BCM for SAP	Ongoing	Corporate Head of ICT
Partnership Working Arrangements	viii) Ensure use of RM template to take account of the ICT risks in Partnership Working	Jul 06	Directorate Development & Regeneration/ All Directors/ Corporate Procurement Manager
<b>Strategic Priority Links: SP6; SP7</b>		Ongoing Review Oct 06	Corporate Procurement Manager
<b>Corporate Improvement Objective Links: CI01; CI02; CI04</b>		May 06 Ongoing	Corporate Head of ICT

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**CORPORATE RISK PROFILE**

**Risk ID:** 10a. Creating Inclusive Communities  
**Risk Issue:** Failure to create inclusive communities

**Relative Priority:**

**MEDIUM**

Controls	Recommendations	Timescale	Responsibility
<p>Progressing to creating Inclusive Communities:</p> <ul style="list-style-type: none"> <li>- Knowledge and understanding of other cultures, racist attitudes and a resentment of asylum seekers and refugees</li> <li>- Engagement of young people from all communities/ identified causes of conflict</li> <li>- Promote inclusion by challenging existing structures, policies and practice by encouraging the engagement of all communities</li> <li>- Knowledge and understanding of major agencies, community organisations and businesses in the City who build successful communities and work together to promote community cohesion</li> </ul>	<ul style="list-style-type: none"> <li>i) Develop a Community Intelligence model to collate information on Diversity held by different Organisations</li> <li>ii) Develop a City wide Racist incident reporting system ( wider than the Council scheme)</li> <li>iii) Develop a Refugee Integration programme</li> <li>iv) Raise race and cultural awareness</li> <li>v) Address staffing matters and manage issues around final NRF funding</li> <li>vi) Ensure roles and responsibilities are agreed between the Director of Development and Regeneration and Assistant Chief Executive</li> </ul>	<p>Ongoing Review            Oct 06</p>	<p>Director of Development &amp; Regeneration/            All Directors/            Asst Chief Executive</p>
<p><b>Strategic Priority Links: SP1; SP2; SP4; SP5; SP6; SP7; SP8</b></p> <p><b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b></p>			

## CORPORATE RISK PROFILE

**Risk ID:** 10b. Creating Inclusive Communities  
**Risk Issue:** Failure to achieve Diversity within Council Services

**Relative Priority:**  
**MEDIUM**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Mainstream equality within the Council	<ul style="list-style-type: none"> <li>i) Adhere to changing Equality Law:               <ul style="list-style-type: none"> <li>- Existing laws such as Race Equality</li> <li>- Changing laws such as disability and gender</li> <li>- Future laws such as age, sexual orientation and religion</li> </ul> </li> <li>ii) Ensure that Equality issues are covered in the following               <ul style="list-style-type: none"> <li>- INRA's</li> <li>- Consultation</li> <li>- Monitoring</li> <li>- Procurement</li> <li>- Contract Management</li> <li>- Service planning</li> <li>- Personnel</li> </ul> </li> <li>ii) Ensure Level 3 of the Equality Standard is achieved                Ensure we are able to respond to validation systems as they are developed</li> </ul>	Mar 07 Review Oct 06  Mar 07 Review Oct 06  Currently under review Review Oct 06	Asst Chief Executive / All Directors  Asst Chief Executive / All Directors/ Corporate Procurement Manager  Asst Chief Executive / All Directors

**Strategic Priority Links: SP1; SP2; SP4; SP5; SP6; SP7; SP8**

**Corporate Improvement Objective Links: CI01; CI02; CI03; CI04**

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**CORPORATE RISK PROFILE**

**Risk ID:** 12. Pay and Conditions - Single Status / Equal Pay/ Pensions etc  
**Risk Issue:** Unsuccessful management of pay and conditions

**Relative Priority:**

**HIGH**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Single Status Programme – Phase 1	i) Ensure all issues relating to phase 1 of single status are identified and managed	Ongoing Review Oct 06	Corporate Head of Personnel/ All Directors
Single Status Programme – Phase 2	ii) Ensure a full understanding and a fluid action plan is developed to meet the current and future implications of the implementation of Phase 2 of Single Status. iii) Develop the service redesign project to meet the needs of customers as changes may provide opportunities to move staff out of protected posts	Ongoing Review Oct 06	Corporate Head of Personnel/ All Directors
Single Status Programme – Phase 3	iv) Revisit the 'parked' part 3 changes for all GB staff	Ongoing Review Oct 06	Corporate Head of Personnel/ All Directors
<b>Strategic Priority Links: SP1</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03</b>			

## CORPORATE RISK PROFILE

**Risk ID:** 13. Management of unplanned absence

**Risk Issue:** Increase in unplanned absence

**Relative Priority:**

**MEDIUM**

<b>Controls</b>		<b>Recommendations</b>		<b>Timescale</b>	<b>Responsibility</b>
Targets to reduce the rate of unplanned absence		<ul style="list-style-type: none"> <li>i) Continue to reduce the rate of unplanned absence by a variety of approaches and ensure successful initiatives are highlighted</li> <li>ii) Ensure employees understand the importance of a work/life balance, incentives and the management approach</li> <li>iii) Ensure all managers are given appropriate skills and training to manage this risk issue and the position is monitored</li> </ul>		Ongoing Review Oct 06	Corporate Head of Personnel/ All Directors
New HR/ Payroll System		<ul style="list-style-type: none"> <li>iv) Ensure appropriate training/ guidance is undertaken for the introduction of the new HR/Payroll system to produce accurate information to extract all possible business benefits, including contribution to efficiency savings</li> <li>v) Risk register to be reviewed for HR/ Payroll project</li> </ul>		Jul 07 and ongoing Review Dec 06 Review Oct 06	Corporate Head of Personnel/ All Directors
Occupational Health Unit		<ul style="list-style-type: none"> <li>vi) Failure to appoint Occupational Health Doctor. Alternative solutions being considered e.g. collaboration with other Councils</li> </ul>		Ongoing Review Oct 06	Corporate Head of Personnel
Stress Management Standard		<ul style="list-style-type: none"> <li>vii) HSE Stress Management standard to be implemented. Report sent to EMT</li> </ul>		To be reviewed Mar 07	Corporate Head of Personnel/ Health and Safety Manager
Employee Survey		<ul style="list-style-type: none"> <li>viii) Directorates to analyse employee satisfaction survey and respond accordingly</li> </ul>		Jul 06	All Directors

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### CORPORATE RISK PROFILE

Business Continuity Plans	ix) Ensure Business Continuity Management plans in place at Corporate/ Directorate level	Jul 06 Aug 06	All Directors/ Director of Development & Regeneration
<b>Strategic Priority Links: SP1; SP2; SP3; SP5</b> <b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b>			

## CORPORATE RISK PROFILE

**Risk ID:** 14. Effectiveness/ delivery of the Housing Development Strategy  
**Risk Issue:** Failure to deliver Housing Development Strategy

**Relative Priority:**  
**MEDIUM**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Regional Spatial Strategy	i) Continue to influence Regional Spatial Strategy	Ongoing Review Oct 06	Director of Development & Regeneration/ Acting Head of Housing
Housing Strategy	ii) Strategic Housing Forum to be set up iii) Housing Strategy continues to be developed iv) Ensure SHG are delivering in line with Council plans and relationship and continues to be productive v) Continue to monitor position re homelessness and take appropriate action. B&B action plan to be implemented vi) Ensure capacity to deliver service	Ongoing Review Oct 06	Director of Development & Regeneration/ Acting Head of Housing
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI03; CI04</b>			

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## CORPORATE RISK PROFILE

**Risk ID:** 15. Adult Services – Modernisation agenda  
**Risk Issue:** Failure to manage Modernisation Agenda

**Relative Priority:**

**HIGH**

Controls	Recommendations	Timescale	Responsibility
Implementation of Modernisation of Services for Older People Programme	<ul style="list-style-type: none"> <li>i) Determine the future of Adult Services as a Directorate</li> <li>ii) Manage implications of the modernisation agenda</li> <li>iii) Continue to develop Risk Registers for the Adult Services</li> <li>iv) Continue to develop Risk Registers for major partnerships</li> <li>v) Identify and manage the issues stemming from any restructures amongst Partners e.g. Health Service in terms of boundary changes and priorities</li> <li>vi) Manage future demands on Adult Care Budget issues include increased demand, modernisation agenda, Extra Care Schemes</li> <li>vii) Manage capacity issues in the private sector</li> <li>viii) Fair access to care issues</li> </ul>	<p>Ongoing</p> <p>Ongoing Jul 06</p> <p>Jul 06 and ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Above to be reviewed Oct 06</p>	<p>Deputy Chief Exec\ Head of Adult Services/ City Treasurer</p>
<p><b>Strategic Priority Links: SP2; SP3; SP4; SP6; SP8</b></p> <p><b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b></p>			



## CORPORATE RISK PROFILE

**Risk ID:** 17. BSF - funding, project management and development  
**Risk Issue:** Inadequate project/ programme management

**Relative Priority:**

**HIGH**

Controls	Recommendations	Timescale	Responsibility
Monitoring of Project Plan	<p><i>Work to be progressed relating to:</i></p> <ul style="list-style-type: none"> <li>i) Prepare expressions of Interest applications to DfES re Academies</li> <li>ii) Procurement options paper to be produced for consideration by the project board</li> <li>iii) Shadow Education Leadership Board (ELB) to be established</li> <li>iv) Terms of Reference and Constitution paper for ELB to be drafted in conjunction with legal advisors for consideration</li> <li>v) Redraft Strategic Business Case to reflect Academies and other developments since its original submission to DfES in July 2005</li> <li>vi) Progress production of Outline Business Case (including procurement strategy)</li> <li>vii) Develop proposals for an Open Day (provisionally June 2006) to re-engage with private sector potential partners and communicate BSF Education Vision to a wider audience</li> <li>viii) Revise Project Resource Plan</li> <li>ix) Agree funding with following meeting with Steve Avis DfES Finance Manager and continue to consider affordability of the proposed programme</li> <li>x) Review timetable for delivery</li> </ul>	<p>Mar 06 Jun 06</p> <p>Jul 06 Jun 06</p> <p>Jul 06</p> <p>Oct 06</p> <p>To be determined</p> <p>Jun 06 Oct 06</p> <p>Ongoing</p>	Director of Children's Services
<b>Strategic Priority Links: SP1; SP2; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI03; CI04</b>			

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**CORPORATE RISK PROFILE**

**Risk ID:** 19. Management of external funding  
**Risk Issue:** Inadequate management of external funding

**Relative Priority:**  
**MEDIUM**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Guidance already issued by City Treasurer	<ul style="list-style-type: none"> <li>i) Ensure appropriate exit strategies are in place for funding streams that are coming to an end including expectations of continuing service delivery</li> <li>ii) Management of external funding with Partners - adherence to the Code of Practice on Partnerships.</li> </ul>	As appropriate May 06	All Directors/ Corporate Procurement Manager
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b>			

**Risk ID:** 20. Capital Strategy, linked to efficient service and delivery mechanisms  
**Risk Issue:** Failure to link capital strategy to service delivery

**Relative Priority:**  
**HIGH**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Integration of Property Review with Service Delivery Mechanisms	<ul style="list-style-type: none"> <li>i) Greater focus on Strategic Asset Management to be continued including               <ul style="list-style-type: none"> <li>- Capital Strategy Group</li> <li>- Strategic Property Review</li> <li>- Asset Management Plan</li> </ul> </li> <li>ii) Ensure communication between responsible parties for above</li> <li>iii) Ensure continued communication with other local Public Sector partners and others re efficient use of assets</li> <li>iv) Ensure successful utilisation of Transformation Support Partner</li> <li>v) Ensure appropriate contribution to achievement of Gershon efficiency savings</li> <li>vi) Continue to emphasise, recognise and drive the direct link between this issue and delivering Strategic Change and Business Transformation agenda</li> </ul>	Apr 06 and Ongoing Review Oct 06	Deputy Chief Exec / Director of Development & Regeneration Head of Land & Property
<b>Strategic Priority Links: SP1; SP3; SP4; SP7</b>			
<b>Corporate Improvement Objective Links: CI01; CI03; CI04</b>			

## CORPORATE RISK PROFILE

**Risk ID:** 21. Implementation of a strategic approach to procurement to provide economies and efficiencies

**Relative Priority:**

**MEDIUM**

**Risk Issue:** Inappropriate strategic approach

Controls	Recommendations	Timescale	Responsibility
Procurement Strategy/ process Contract Procedure rules	<ul style="list-style-type: none"> <li>i) Ensure implementation of Procurement Strategy – ongoing / good progress</li> <li>ii) Identify and manage risks re Procurement Partnerships – new Code of Practice now issued</li> <li>iii) Review process to ensure Procurement timescales are responsive to requirements - ongoing</li> <li>iv) Ensure system is flexible to allow Council to take advantage of time limited economies - ongoing</li> <li>v) Ensure staff are aware of pre-selected tendering via G Cat – to be added to new CPRs – which are in draft</li> <li>vi) Ensure Gershon efficiencies targets are achieved - ongoing</li> </ul>	Apr 06 and Ongoing Review Oct 06	City Treasurer/ Corporate Procurement Manager/ All Directors
<b>Strategic Priority Links: SP1; SP2; SP5; SP7</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03</b>			

**Risk ID:** 22. Implementation of Partnership Code of Practice

**Relative Priority:**

**MEDIUM**

**Risk Issue:** Unsuccessful implementation

Controls	Recommendations	Timescale	Responsibility
Code of practice	<ul style="list-style-type: none"> <li>i) Adoption of Code of Practice on Partnerships - complete</li> <li>ii) Directorates to identify major partnerships - Partnership register being finalised</li> <li>iii) Continue programme of developing Risk Register for partnerships - ongoing</li> </ul>	Apr 06 May 06  Apr 06 and Ongoing	City Treasure / Corporate Procurement Manager/ All Directors
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b>			

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**CORPORATE RISK PROFILE**

**Risk ID:** 23. Secure management of information/ data and legislative compliance  
**Risk Issue:** Breach of legislation

**Relative Priority:** MEDIUM

Controls	Recommendations	Timescale	Responsibility
Information Governance Policy and Strategy	i) Information Governance Policy and Strategy roles to be implemented	Apr 06 and Ongoing	City Solicitor/ All Directors
Directorate Groups have been established to implement the principal strands of Information Governance, i.e. Information Management Freedom of Information Data Protection Data Quality	ii) Retention schedules to be agreed and implemented by Directorates iii) Data quality to be reviewed and improved where appropriate	Ongoing Review Oct 06	All Directors

**Strategic Priority Links: SP4: SP5**

**Corporate Improvement Objective Links: CI03**

**Risk ID:** 25. Governance arrangements  
**Risk Issue:** Failure of governance arrangements

**Relative Priority:** LOW

Controls	Recommendations	Timescale	Responsibility
Corporate Governance and Internal Control  <i>Review of the above is carried out annually</i>	i) Corporate Governance and Internal Control to be integrated in Corporate Improvement Plan and reported quarterly – progress re Governance Action Plan is covered in this way. ii) Directors to ensure that performance reporting measures are in place, and are relevant and effective within their own Directorates to allow monitoring of their own governance arrangements. – no particular concerns across the Council iii) Directorate Annual returns to be simplified – To be introduced for 2006/2007 review.	Mar 07  Apr 06  Mar 07	Chief Executive/ Corporate Governance Steering Group

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**CORPORATE RISK PROFILE**

Corporate Governance and Internal Control mechanisms	iv) Directors to specifically consider the risk of fraud and corruption	Apr 06 Review Oct 06	Chief Executive/ all Directors
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI02; CI03; CI04</b>			

**Risk ID:** 26. Implementation and monitoring of the Council's responsibilities under the Civil Contingencies Act

**Relative Priority:** **MEDIUM**

**Risk Issue:** Council fails its responsibility under Civil Contingencies Act

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Major Incident Plan in place and reviewed	<ul style="list-style-type: none"> <li>i) Continue to support work of Major Incident Plan Group</li> <li>ii) Corporate Group has been established and templates have been produced to assist directorates to complete business continuity plans</li> <li>iii) Development &amp; Regeneration team to ensure effective BCM plans are developed and in place given the importance of this subject in the CPA "use of resources"</li> <li>iv) Directorates to respond appropriately with guidance and requests for information</li> </ul>	<p>Ongoing Aug 06</p> <p>Aug 06</p> <p>As appropriate</p>	<p>Director of Development &amp; Regeneration/ All Directors</p>

**Strategic Priority Links: SP1; SP7**

**Corporate Improvement Objective Links: CI03; CI04**

**Risk ID:** 27. Effective regional representation

**Relative Priority:** **LOW**

**Risk Issue:** Failure to achieve the benefits of effective regional representation

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**CORPORATE RISK PROFILE**

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Identification of appropriate Regional bodies and attendees	<ul style="list-style-type: none"> <li>i) Continue to identify and take opportunities on regional representative bodies</li> <li>ii) Continue to respond as a Council to issues / consultation from national and regional bodies</li> <li>iii) Take into account the possible regionalisation of Police; Fire Authorities and restructure of NHS</li> </ul>	Ongoing and to be reviewed as external re-organisations take place	Chief Executive/ All Directors
<b>Strategic Priority Links: SP1; SP3; SP4; SP5; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI03; CI04</b>			

**Risk ID:** 28. Financial Pressures  
**Risk Issue:** Failure to manage financial pressures

**Relative Priority:** LOW

<b>Controls</b>	<b>Recommendations</b>	<b>Timescale</b>	<b>Responsibility</b>
Medium term financial planning Budget planning framework Budget monitoring process Monitoring arrangements for efficiency targets	<ul style="list-style-type: none"> <li>i) Future budgetary constraints to be taken into consideration when reviewing strategic objectives</li> <li>ii) Identification of and agreement of efficiency targets for 1. Specific corporate projects 2. Directorate targets</li> <li>iii) Service policy reviews are conducted to achieve cost reductions where appropriate</li> <li>iv) Continue to implement FMS system to assist in the achievement of business benefits and support 1 to 3 above</li> </ul>	Apr 06 and ongoing	City Treasurer/ All Directors
FMS system		Apr 06 and ongoing	City Treasurer/ All Directors
<b>Strategic Priority Links: SP1; SP2; SP3; SP4; SP5; SP6; SP7; SP8</b>			
<b>Corporate Improvement Objective Links: CI01; CI02; CI03; CI04</b>			

## CORPORATE RISK PROFILE

### Glossary

#### Strategic Priorities:

- SP1: Creating a prosperous City
- SP2: Extending cultural opportunities
- SP3: Improving the quality choice and range of housing
- SP4: Improving health and social care
- SP5: Reducing crime and the fear of crime
- SP6: Raising standards and increasing participation in learning
- SP7: Developing an attractive and accessible City
- SP8: Creating inclusive communities

#### Corporate Improvement Objectives:

- CI01: Delivering Customer Focussed Services
- CI02: People Development and Being 'One Council'
- CI03: Efficient and Effective Council
- CI04: Improving Partnership Working to Deliver 'One City'

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