



Statement of Accounts

2012/2013

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Cabinet 2012/2013

Cabinet membership and responsibilities were reviewed and amended during the financial year.

Cabinet membership and responsibilities from 1st April 2012 to 15th May 2012 were as set out below:

Member	Portfolio
P. Watson	Leader of the Council
H. Trueman	Deputy Leader of the Council
M. Speding	Cabinet Secretary
P. Smith	Children and Learning City
B. Charlton	Prosperous City
D. Allan	Health and Well Being
J. Kelly	Safer City and Culture
J. Blackburn	Attractive and Inclusive City
T. Wright	Sustainable Communities
C. Gofton	Responsive Services and Customer Care

Subsequent to 16th May 2012, Cabinet membership and responsibilities are as below:

Member	Portfolio
P. Watson	Leader of the Council
H. Trueman	Deputy Leader of the Council
M. Speding	Cabinet Secretary
P. Smith	Children's Services
G. Miller	Health, Housing and Adults
J. Kelly	Public Health, Wellness and Culture
J. Blackburn	City Services
C. Gofton	Responsive Services and Customer Care

Introduction

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

With regard to corporate governance, the Council considers an annual review of its Code of Corporate Governance. The 2012/2013 review was considered by the Audit and Governance Committee in June and will be reported to Cabinet in July followed by full Council. The Code follows the framework recommended by CIPFA / SOLACE. The review assesses the Council's arrangements for compliance with the Code, which identifies the underlying principles of corporate governance - openness and inclusivity; integrity; and accountability – across the various dimensions of the Council's business. The review found that the Council continues to have robust and comprehensive arrangements in place and has identified a small number of areas for improvement and development, which will be acted upon during 2013/2014.

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

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

Councillor Paul Watson
Leader of the Council

Dave Smith
Chief Executive

Malcolm Page CPFA MBA
Executive Director of Commercial
and Corporate Services

Dated: 27th September 2013

Certification of the Statement of Accounts

Statement of Accounts 2012/2013 (Subject to Audit) Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2011 Regulation 8 (2) the Statement of Accounts for 2012/2013 (subject to audit) presents a true and fair view of the financial position of Sunderland City Council as at 31st March 2013 and its income and expenditure for the year then ended.



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

Dated: 28th June 2013

Audited Statement of Accounts 2012/2013 Certification on behalf of those charged with governance

As Chairman of the Audit and Governance Committee held on 27th September 2013, I hereby acknowledge receipt of the audited Statement of Accounts for 2012/2013 by this Committee, in accordance with the Accounts and Audit Regulations 2011 Regulation 8(3), and confirm that the Statement of Accounts was approved at the Audit and Governance Committee of 27th September 2013 in accordance with sub-paragraph 8 (3) (c) with regard to the aforementioned Regulations.

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

Dated: 27th September 2013

Audited Statement of Accounts 2012/2013 Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2012/2013 in accordance with Regulation 8 (2) of the Accounts and Audit Regulations 2011.

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

Dated: 27th September 2013

Foreword by the Executive Director of Commercial and Corporate Services

This Statement of Accounts shows, in the following pages, the Council's final accounts for 2012/2013. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Local Government Act 2003 and the Accounts and Audit Regulations 2011.

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

1. Statement of Responsibilities

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

2. Movement in Reserves Statement (MiRS)

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

3. Comprehensive Income and Expenditure Statement

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

4. Balance Sheet

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

5. Cash Flow Statement

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

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

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

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

7. Collection Fund Account

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

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

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2012/2013 to be met from Government Grants and local taxpayers was approved at £244.988m. This meant that the Band D Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates and including both the Police and Fire and Rescue Authority precepts, was set at £1,342.80 for 2012/2013. This represented no Council Tax increase from the 2011/2012 Band D Council Tax level as a Council Tax freeze was implemented in setting the 2012/2013 budget. The Council again set the lowest Council Tax level in the whole of the North East region for 2012/2013 for the sixth consecutive year and has continued to set the lowest Council Tax in Tyne and Wear since Council Tax was introduced in 1993/1994.

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

The table on the next page summarises the financial position for the year 2012/2013 for General Fund Balances, which is made up of the Council's General Reserve and Balances held by Schools under the Local Management Scheme, in accordance with the Code and also shows the original budget and the revised budget positions for 2012/2013 as compared to the actual position for 2012/2013.

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

Financial position for the year 2012/2013 for General Fund Balances

	2012/2013 Original Estimate £'000	2012/2013 Revised Estimate £'000	2012/2013 Actual £'000	2011/2012 Actual £'000
Expenditure on Services	231,591	231,591	244,717	225,738
Levies and Precepts	18,101	18,101	18,101	19,101
(Surplus) / Deficit from Trading Operations and Dividends	0	0	(653)	413
Transfers to / (from) Capital Reserves *	0	0	3,914	(1,300)
Transfers to / (from) Revenue Reserves *	(2,272)	(2,272)	(17,181)	15,226
Total Net Expenditure	247,420	247,420	248,898	259,178
Financed by:				
Revenue Support Grant and General Grants	5,196	5,196	5,398	40,481
National Non Domestic rates	145,368	145,368	145,368	120,771
Council Tax Collection Fund Receipts	96,356	96,356	96,356	95,128
Council Tax Surplus	500	500	500	500
Total Net Budget Requirement	247,420	247,420	247,622	256,880
Addition / (Use):				
General Reserve (See Note 1)	0	0	0	(4,849)
Schools LMS Reserve (See Note 2)	0	0	(1,276)	2,550
General Fund Balance brought forward:				
General Reserve	7,570	7,570	7,570	12,419
School LMS Reserve	10,640	10,640	10,640	8,090
General Fund Balance carried forward:				
General Reserve	7,570	7,570	7,570	7,570
School LMS Reserve	10,640	10,640	9,364	10,640

* This excludes the effect of IAS19 pension fund adjustments.

** This figure includes an adjustment for Council Tax debtors and creditors as required under the Code of practice on Local Authority Accounting in the United Kingdom 2012/2013.

*** Movements in Capital and Revenue usable reserves are detailed in Note 8 (page 59).

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

Note 1 – General Reserve

The table shows the general reserve balance of £7.570 million has been maintained as forecast at estimate stage. This is after taking into account a transfer of funds to the Strategic Investment Reserve as reported to Cabinet as part of the outturn report.

The outturn position takes account of the following variations to budget during 2012/2013:

- £1.078 million debt charge and interest on investment savings due to slippage in the capital programme and additional investment income, over and above that utilised to fund in-year transitional costs as agreed by Cabinet at third review stage;
- Planned one-off under spending on contingencies of £4.831million;
- Other net savings of £0.122 million in respect of additional one-off income and other variations in non-delegated expenditure.

The net under spend of £6.031 million has been transferred to the Strategic Investment Reserve to support one off transitional costs arising from the implementation of budget savings proposals in 2013/2014 and future years as approved as part of the outturn report.

Note 2 - Movement on Locally Managed Schools Reserve

The Education Reform Act 1988 provides for the carry forward of individual school balances. These earmarked reserves are not for Council use and the level of the reserve, in accordance with the Code, forms part of the movement in General Fund Balances in the Movement in Reserves Statement. The movement in school balances during 2012/2013 amounted to a net use of balances of £1.276m (£2.550m net return to balances in 2011/2012), as a result of increased spending by schools and is reflected in the Statement of Accounts within the Comprehensive Income and Expenditure Statement on the Education cost of service line. School balances are fully committed and are required to meet the challenges in respect of reduced funding in 2013/2014 and future years.

As a result, the balance of this reserve as at 31st March 2013 decreased to £9.364m compared to £10.640m as at 31st March 2012. Further details are set out in Note 8 (page 59) to the Accounts.

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

Financial Planning and the Impact of Government Funding Reductions

The Government Spending Review of 2010 set out the Government's spending plans for the period 2011/2012 to 2014/2015 which aimed to eliminate the national deficit by 2014/2015. The Government has regularly revised its forecasts and in the Chancellor's Budget 2013 statement it was confirmed that public sector funding reductions are now likely until at least 2016/2017.

In the three year period 2010/2011 to 2012/2013, Sunderland City Council has had to achieve savings of £98.9 million to meet reductions in government funding and cost pressures.

£28 million of these reductions were achieved in 2012/2013 through the continued implementation of the Sunderland Way of Working improvement plans and programmed savings which aimed to meet need and achieve savings while protecting as far as possible frontline services. This continued the aggressive approach to reducing back office support costs and working more smartly by rationalising property and ICT. In addition Directorate three year improvement plans have reshaped services with the aim of protecting core services and ensuring they continue to be more responsive to local needs, with customers at the heart of service delivery. Service reviews have included consideration of alternative methods of service delivery in order to identify the most effective and efficient models for service provision.

Further reductions in Government funding and cost pressures mean that the budget for 2013/2014 has been set taking account of a further £37 million of reductions:

- £14.5 million to be achieved from continued implementation of service reviews to modernise and improve services;
- £7.2 million of savings to be achieved from the further reconfiguration of back office support to meet future business need;
- £5.1 million achieved from an updated approach to workforce planning;
- £2.7 million to be achieved by utilising New Homes Bonus Grant and Integrated Transport Authority (ITA) levy savings;
- £2.0 million of savings to be achieved from the integration of public health arrangements with a further £1.0million from integrated working with children, families, adults and Health;
- £4.5m of temporary one off funding to enable phasing of proposals, which will be replaced with permanent savings in 2014/2015.

The Government has provided indicative funding levels for 2014/2015 which indicate a further saving requirement for 2014/2015 of £31.7m, with the three year savings requirement for 2013/2014 to 2015/2016 likely to be in the region of £98 million. However, the outlook remains uncertain as the Government is also planning to set out its spending plans for the next Spending Review period (2015/2016 to 2018/2019) during 2013 (SR13).

In addition to reducing funding available, the Government has also implemented significant changes to the way Local Government is funded with effect from 1st April 2013:

- The Business Rates Retention system replaces formula grant funding with half of Business Rates to be retained by Government and the remaining half retained locally;
- Implementation of the Localisation of Council Tax Support.

Both of these changes result in significant risk transfer to the Council from Central Government as any non-collection of income must now be borne by the Council. Enhanced monitoring arrangements have been put in place to recognise this additional risk.

The Council continues to plan for these further significant reductions and risks. As set out in the Medium Term Financial Strategy, the achievement of savings will continue by reshaping and refocusing front line services and targeting resources to services to ensure they are responsive to local needs while protecting core services and those most vulnerable. In addition during 2012/2013 the council has refreshed its improvement framework to focus on the community leadership role of the council. This includes an increased focus on demand management, recognising customer services as the gateway to demand for, and supply of, services. The

approach will continue to identify the most effective and efficient models for service provision with strategic services and fixed assets scaled to the future needs of the Council and its communities.

The Council's Improvement Agenda

The Council has continued to address the significant Government funding reductions through a programme of improvement activity across the Council. Each element that makes up the Council's approach to improvement is described as follows:

- The **Transformation Programme** remains the Council's key method to reduce cost and drive improved outcomes. The programme delivered £24.3m savings in 2012/2013 via:
 - Reviews within Strategic and Shared Services have delivered savings of £6.6m in 2012/2013. These savings have been delivered via a review of the Council's building costs, as part of the Smarter Working project and further re-engineering of the following unified services: Strategy, Policy and Performance; Strategic Asset Management; Assurance, Risk and Procurement; Legal and Democratic; Scrutiny and Area Arrangements; Transformation, Programmes and Projects, Strategic Finance; Strategic HR; Communications; Transactional Services (HR, Finance and Administration) and ICT.
 - A range of service review activity has generated £17.7m of savings in 2012/2013 including:
 - Customer services, End to End Redesign – a programme of end to end service redesigns were implemented that looked at customer journeys and removed any non value adding activities from processes;
 - Culture, Sport and Leisure review – a review of the provision of Leisure Facilities, the implementation of an integrated approach to delivering the Resorts and Tourism service and a review of the participation within Tyne and Wear Archives and Museums services;
 - Review of Transport and Fleet Management – this review established an integrated transport unit and management information system and commissioned activities through the most appropriate providers;
 - Facilities Management review – savings were delivered via the remodelling of building maintenance, building cleaning, grounds maintenance and catering functions;
 - Review of Children's Services Structures – focused on early intervention, prevention and locality based integrated service delivery.
 - A range of Workforce Planning measures over the last 4 years has enabled the size of the workforce to be reduced in a planned and managed way. Measures including restrictions on external recruitment, the SWITCH programme of internal redeployments, early retirements and the addition of a voluntary severance exercise in 2012 has meant the workforce reduced by another 13% (884 employees) during 2012/2013. The severance scheme demonstrated strong value for money as it was implemented early in the financial year, enabled the full mitigation of the projected overspending in 2012/2013, early release of planned savings for 2013/2014 and significant annual ongoing savings to be secured. The payback period was within one year and costs of the scheme were contained within 2012/2013.

The Business Transformation Programme was refocused during 2012/2013 to incorporate the following strands:

- Demand Management – ensuring that preventative interventions are made early on in the customer journey by both the Council and partners to negate the need for more costly interventions later, and thus delivering improved outcomes for the customer and the community;
- Citizen Engagement – gaining insight and a deeper understanding into our customers' and community's needs, wants, and aspirations coupled with evidence backed research and learning to make the best possible service commissioning decisions;
- New and Alternative Service Delivery Models (NSDM/ASDM) – delivering a broad range of innovative service delivery models that deliver improved outcomes at lower cost whilst retaining a public sector ethos and the Council's core values.

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

- A central part of the Council's transformation agenda, the **Community Leadership Programme (CLP)** aims to strengthen the position of Councillors, residents and customers at the centre of decision making in the Council and the city. 2012/2013 has seen:
 - Complete review and restructuring of the Council's Executive and Committee arrangements, featuring the introduction of Place and People Boards in each Area;
 - Record levels (96%) of Member Satisfaction with the advice and support provided by Officers;
 - Further devolution over decision-making and influencing of key front line services such as Youth Contracts and Highways Maintenance to Areas;
 - The House of Commons Communities and Local Government Select Committee holding a session in the Civic Centre during its reviews of Councillor's roles in their communities.
- The **Economic Regeneration Programme (ERP)** focuses on the Council's contribution to the delivery of those programmes and projects identified and prioritised as being important to achieving the aims of the Sunderland Economic Master Plan. The main objective is to improve Sunderland's economic prosperity. This will be achieved by increasing the city's attractiveness to investors; creating well paid sustainable jobs; developing a skilled workforce; attracting and retaining young people; developing the city in to a national hub of the low carbon economy and; making Sunderland attractive, inspirational, entrepreneurial and inclusive. The Economic Regeneration Programme is directed by an Economic Leadership Board comprising representatives of the private sector, public sector and social enterprises. The Programme oversees the development, resourcing and delivery of those projects identified to deliver the benefits and outcomes of the Economic Master Plan and is overseen, within the Council, by an Economic Regeneration Programme Board. Key successes for 2012/2013 are:
 - Achieving Enterprise Zone status for a number of sites within Sunderland that form part of the North Eastern Local Enterprise Partnership Enterprise Zone. During the year Vantec opened its 421,000sq ft site at Turbine Business Park. The investment was the first to take place on any of the UK's new Enterprise Zones and will employ 230 staff.
 - On 18 February 2013, Deputy Prime Minister Nick Clegg MP announced that Sunderland's application to be included in the latest round of City Deals was successful. The deals will be reached between Government and cities so that local areas can bid for new powers that will enable them to grow.
 - Shortlisting three bidders to become the Council's Strategic Investment Partner for a Local Asset Backed Vehicle which will accelerate and deliver physical and economic regeneration of the City
 - Establishment of a £110m capital programme within the Council's budget to bring forward other major developments during 2013/2014

Newcastle International Airport Ltd

There are two issues relating to Newcastle International Airport Ltd, in which the Council has a 9.62% stake, that has impacted upon the 2012/2013 accounts of the Council:

- **Refinancing of the Company's Debt**

The airport undertook a refinancing of their existing debt portfolio in November 2012 in advance of the current agreements reaching their term in December 2013 in order to achieve a more cost effective outcome. The overall level of debt secured from commercial banks to refinance the airport however was lower than previously obtained, as a consequence of the prevailing difficult economic and financial climate. This position represented an opportunity for the local authority shareholders to inject additional shareholder funds into the Airport to support the refinancing on a more commercial funding basis.

Council approval was received to participate in the refinancing of the Airport after a full and independent due diligence exercise was carried out into the Airport's finances and performance. The agreed option (that represented best value to the local authority shareholders) was the issue of 20 year Long Term Loan Notes to the Airport, which would be financed either from the temporary use of internal resources or through prudential borrowing which had been provided for within headroom included in the

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

approved Treasury Management Strategy/Prudential Indicators for 2012/2013 in March 2012, in order to maximise the financial position for the Council.

The use of internal resources has been reflected in the accounts and it is envisaged that income receivable over the course of the 20 year financing period will more than cover the Council for the funds of almost £14.6m utilised in this transaction, (on a worst case scenario basis), and that the transaction is expected to be at least revenue neutral over the term of the loan notes provided.

- **Airport Shares Revaluation**

The valuation of the Council's shareholding in the Airport is reviewed each year to consider whether any events have occurred which would materially change the valuation included within the accounts. The last full independent valuation of the shares was carried out in May 2010 which valued the shareholding at £0.795m based upon the discounted cash flow method, as no open market share value was available for the shareholding.

On 16th November 2012, Copenhagen Airports A/S sold its 49% shareholding to AMP Capital Investors. As a result, the valuation of the shareholding can now be based upon the open market value achieved in this sale. At the same time an internal sale of shares also took place within the Local Authority (LA7) group. The Council as a result acquired an additional 42 shares and now holds an 18.87% interest in Newcastle Airport Local Authority Holding Company Limited, valued at £16.400m using the open market value of the shares, which is equivalent to an overall stake in the Airport of 9.62%.

The value of the shares in the accounts has thus been valued at the sale price and whilst significantly higher than the previous valuation clearly reflects the value that the company can acquire in a market situation.

Economic downturn

The economic downturn has continued into 2012/2013 and the Council has again responded throughout the year by taking actions to ensure that resources have been directed to those service areas most affected reflecting the position taken at the time the 2012/2013 budget was set. The following factors that were taken into account included:

- The very low interest rates continued to have an impact on the financial return on the Council's deposits, leading to reduced levels of income available to support the Council's Revenue Budget.
- The reduction in the ability of the Council to generate capital receipts from the sale of surplus assets continues to restrict the resources available for the Council's capital programme and this position is now expected to continue into 2013/2014. However alternative means of funding priority investment continue to be rigorously pursued with positive results in a number of areas.
- The impact of the economic downturn continues to affect the level of income from fees and charges for Council services.

Capital Expenditure and Income

Capital Expenditure for the year totalled £53.806m. Expenditure on non-current assets for 2012/2013 was £26.615m (Note 12, page 63), whilst expenditure on intangible assets was £0.231m (Note 15, page 67). The remainder of £26.960m represents grants, advances to other organisations for capital purposes, de-minimis expenditure transferred to revenue, expenditure treated as capital following receipt of a capitalisation direction from Government and expenditure on property not owned by the Council.

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

The above total capital expenditure was financed by Borrowing of £30.609m, Capital Receipts of £0.013m, Government Grants of £16.580m, Other Grants and Contributions of £0.370m, Revenue Contributions of £1.349m and Use of Reserves of £4.885m.

Major Acquisitions, Capital Works and Disposals during 2012/2013

The Council spent £3.610m on the purchase of land and property during 2012/2013 and this was primarily in respect of strategic land acquisitions that will be used to regenerate the city centre and surrounding areas.

The Council is involved in a number of major projects, known as capital works. The main schemes are listed below for information, and show the amounts of expenditure incurred during 2012/2013, the total estimated gross cost of each scheme, and the status of the project at the end of this financial year.

Scheme / Project	Expenditure during 2012/2013 £'000	Total Currently Estimated Gross Cost £'000	Physically Completed / In Progress as at 31 March 2013
St Mary's Boulevard & Magistrates Square	1,580	11,864	In Progress
Maplewood School	1,545	5,386	Complete
Sunderland Strategic Transport Corridor	1,232	117,642	In Progress
Sunderland Software Centre	1,146	8,703	Complete
Corporate Computing Model	1,038	5,797	Complete

There were two major asset disposals (over £0.500m) made during the year. These were in respect of the sale of an industrial unit at Rainton Bridge (£1.309m) to an existing tenant and land at Rainton Bridge on which a new Fire Station will be constructed (£0.670m). In addition eleven schools become academies as disclosed in Note 5 (page 53). In these cases, the assets transferred from the Council to the academies without a capital receipt in accordance with government regulations.

Council's Current Borrowing and Capital Borrowing Position

The Capital Programme report incorporating Prudential Indicators and the Treasury Management Policy and Strategy submitted to Council on 7th March 2012 detailed the 2012/2013 borrowing limits for the Council.

The specific borrowing limits set relate to two of the Prudential Indicators, which are required under the Prudential Code, which was introduced on 1st April 2004. The Council is required to set borrowing limits for the following three financial years. The limits for 2012/2013 were as follows:

- Authorised Limit for External Debt for 2012/2013 of £377.324m.
- Operational Boundary for External Debt for 2012/2013 of £339.011m.

As part of the Council's Treasury Management operation, these two Prudential Indicators are monitored on a daily basis. The Authorised Limit and Operational Boundary for the Council were not exceeded during 2012/2013. The highest level of borrowing incurred by the Council in respect of the above limits, during 2012/2013, was £217.581m (this figure excludes other long-term liabilities such as PFI and Finance leases which already include borrowing instruments).

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

Treasury Management

In line with best accounting practice, the Council must follow the Treasury Management Policy and Strategy agreed by full council each year. The Policy for 2012/2013 is included in detail within the Accounting policies (Note 1, page 35) for information.

Interest rates in 2012/2013 remained at historic low levels as global and national economic growth remained low and economic pressures continued within the Eurozone. The sovereign debt concerns and volatility of a number of Eurozone countries meant that the United Kingdom continued to be viewed as a safer haven for investments and this has kept gilt yields low, despite the UK sovereign rating being downgraded by Moody's credit rating agency from AAA to AA+ on 22nd February 2013.

The Council's economic advisers believe economic recovery will remain weak by historical standards, primarily due to continued difficulties in the Eurozone, the UK's largest trading partner, and elsewhere. The cut in the Bank Rate to 0.5% in March 2009 has failed to stimulate a consistent recovery in economic growth and the Funding for Lending Scheme is viewed as having little impact on business lending. Uncertainty is forecast to continue into the medium term and it is anticipated that the Bank Base rate will not start to rise until March 2015 at the earliest. Forecasts for PWLB interest rate levels in the medium-term have risen as a result of the continued recovery in confidence in equity markets. A rise in equity prices has resulted in a sell off in bonds and a reduction in gilt yields as investors' appetite to take risk has increased. However, bond yields remain extremely unpredictable and there are still exceptional levels of volatility which are highly correlated to the sovereign debt crisis and to political developments in the Eurozone. This uncertainty is expected to continue into the medium term and implications for the Council will continue to be closely monitored.

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

The performance of the Council's Treasury Management function continues to contribute significant financial savings that are used to provide funding for future years' capital programmes and to help support the Council's revenue budget. No new PWLB borrowing was taken out in 2012/2013 and the Council instead used internal funds to finance its capital borrowing requirement. This policy has been followed as there is a short-term revenue cost in taking out new borrowing and PWLB rates are anticipated to remain low over the short-term.

The average rate of the Council's borrowing at 3.49% is in the top quartile when benchmarked against other authorities as is the 1.91% rate of return achieved on investments. The high rate of return achieved on investments in 2012/2013 represents a very good achievement, especially when short-term investment rates continue to remain very low, and this helps to show how proactive Treasury Management can have significant positive effects on the Council's resources.

Accounting for Pensions

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

The last full actuarial valuation of the Pension Fund was carried out as at 31st March 2010 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2013. The Council as such continues to comply fully with this Standard and the Accounting

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

Policy (Note 1, page 35) and the Notes to the Core Financial Statements provide details of the necessary disclosures required.

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

The financial health of the Council is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit reflected in Note 24d (page 76), as assessed by the Actuary, as at 31st March 2013, is being addressed by the Council in line with government regulations whereby a period of 22 years to correct the deficit position has been agreed. The Council can meet the assessed deficit with planned and agreed future years' contributions based on independent actuarial advice.

Cost of Pensions

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure the Council has to meet each year. Through the Hutton Review pensions have been reviewed and core scheme arrangements agreed which will support the reduction/stabilisation of the employer's costs of funding pensions for public sector workers and to make them more affordable to the Council Tax payer. These changes are due to be implemented on 1 April 2014.

Equal Pay claims

The Council has a number of outstanding equal pay claims from staff who are seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Council. The majority of claims have been stayed by the Employment Tribunal to allow settlement discussions to take place. A significant number of the claims have been settled, with efforts ongoing to settle the remainder of the stayed cases.

Insurance Provision

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

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

South Tyne and Wear Waste Management Partnership PFI Scheme

The South Tyne and Wear Waste Management Partnership was established to enable the three partner authorities (Gateshead, Sunderland and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste.

In April 2011, the Partnership, led by Gateshead Council, signed a £727m PFI contract with a consortium led by SITA UK. Sunderland is expected to utilise approximately 30% of the total capacity of the facility each year, resulting in estimated unitary charge payments of £283m over the duration of the contract including indexation.

The contract is focussed on the development of an energy-from-waste facility on Teesside which will treat approximately 190,000 tonnes of residual waste generated by the three councils each year until the expiry date in March 2039.

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

The energy-from-waste facility is currently under construction and is expected to be operational in April 2014.

Euro

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

North East Local Enterprise Partnership (NELEP)

The North East Local Enterprise Partnership (NELEP) is a strategic partnership committed to promoting and developing economic growth in the North East. NELEP covers the 7 Local Authority areas of Sunderland, Durham, Gateshead, Newcastle, North Tyneside, Northumberland and South Tyneside. The NELEP Board comprises, nine private sector representatives including the Chair, seven local authority representatives, one higher education representative and one representative of further education colleges.

The Council is the Designated Accountable Body for the NELEP and as such is required to account for revenue transactions within the Comprehensive Income and Expenditure Statement under agency arrangements. There are no assets or liabilities belonging to NELEP reflected on the Council's Balance Sheet.

Malcolm Page CPFA MBA
Executive Director of Commercial and Corporate Services
27th September 2013

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Executive Director of Commercial and Corporate Services' Responsibilities

The Executive Director of Commercial and Corporate Services is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2013.

Authorised for Issue Date

The unaudited accounts were certified on 28th June 2013 and the audited accounts are now authorised for issue on 27th September 2013.

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code, except where disclosed.

I have also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

27th September 2013

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

Opinion on the Council's financial statements

We have audited the financial statements of Sunderland City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Sunderland City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the Auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, Sunderland City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin CPFA

For and on behalf of Mazars LLP, Appointed Auditors
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

30 September 2013

Annual Governance Statement

1. SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is used economically, efficiently and effectively and is safeguarded properly accounted for. We also have a duty to continually review and improve the way things are done.

We have put in place a local Code of Corporate Governance and a framework intended to make sure we do the right things in the right way for the right people. The Code is on the Council's website [\[here\]](#) or can be obtained from the Executive Director of Commercial and Corporate Services. This Statement explains how the Council has complied with its Code in 2012/13.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and lead the community. The framework enables us to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within and outside the organisation. The Sunderland Strategy 2008-2025 provides the framework for members of the Sunderland Partnership, organisations, groups of people and individuals, to work together to improve the quality of life in Sunderland by 2025. It sets out a Vision for the city and its people and how everyone will work together to achieve that Vision:

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

- 3.2 The Council has developed a set of guiding principles to help decision making and agree priorities. These are:

- Elected members are community leaders at the core of decision making
- Our communities, residents and businesses are at the centre of everything we do
- We encourage, respect and value innovation and enterprise
- We demand high performance, personal responsibility and personal accountability
- We value people's individual contributions to our collective goals
- We are ambitious for the city and for ourselves; we view all change as an opportunity; we celebrate and build on our past without being confined by it.

- 3.3 To translate these principles into clear outcomes that will deliver its vision for the city the Council has set three strategic priorities:

People – raising aspirations, creating confidence and promoting opportunity

Place – leading the investment in an attractive and inclusive city and its communities

Economy – creating the conditions in which businesses can establish and thrive.

- 3.4 The Corporate Plan sets out our priorities and the significant actions we will take. These, in turn, shape the activity of our various services and how we will focus our resources. We are clear where we need to get to and what we need to do to get there.

- 3.5 Arrangements are in place to review our vision and its implications for the authority's governance arrangements. The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities. There are annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective. The reviews are carried out by the Council's Corporate Assurance Group using assurances and information gathered through the Integrated Assurance Framework (IAF) which was put in place in 2012/13. The IAF brings together assurances from all available internal and external sources.
- 3.6 Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are clear and effective performance management arrangements including staff appraisals for Directors and key staff, which address financial responsibilities. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.
- 3.7 The roles and responsibilities of Council members and employees are clearly documented, with clear delegation arrangements and protocols for effective communication. The Council's Constitution sets out how the Council operates. It incorporates a clear delegation scheme, indicates responsibilities for functions and sets out how decisions are made.
- 3.8 The Constitution includes Rules of Procedure and a scheme of delegation which clearly define how decisions are taken and we have various Codes and Protocols that set out standards of behaviour for members and staff. Directorates have established delegation schemes, although these require regular updating to reflect on-going organisational changes.
- 3.9 During the year a system of scrutiny was in place allowing the scrutiny function to:
- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
 - make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
 - consider any matter affecting the area or its inhabitants; and
 - exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees; and
 - consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.
- 3.10 A range of financial and HR policies and procedures are in place, as well as robust and well embedded risk management processes. Appropriate project management disciplines are utilised and Business Continuity Plans are in place, which are subject to on-going review. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines in place and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.
- 3.11 The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Executive Director of Commercial and Corporate Services is the designated Chief Finance Officer and fulfils this role through the following:
- Attendance at meetings of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
 - Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
 - Alignment of medium term business and financial planning processes;
 - Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively;
 - Ensuring that the finance function is resourced to be fit for purpose.
- 3.12 The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:
- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;

- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
 - receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
 - receive and consider the external audit plan;
 - review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
 - receive and consider the annual report of internal audit;
 - consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
 - ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit;
 - review the adequacy of and compliance with, the Councils Treasury Management Policy; and
 - make recommendations to Cabinet or Council as appropriate.
- 3.13 We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Head of Law and Governance is the Council's designated Monitoring Officer and a protocol is in place with all Chief Officers, to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before submission to members.
- 3.14 The Council's internal audit service has been subject to an independent review of its effectiveness which concluded that the service operates in accordance with professional standards.
- 3.15 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are well publicised. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Head of Law and Governance reveal that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.
- 3.16 We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. The Community Leadership Programme has continued to support elected Members to fulfil their community leadership role, including the introduction of Account Managers for all Members. The Council's HR Strategy identifies managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual appraisal focusing on strengths and highlighting areas of weakness, job related training, and on-going evaluation of the extent to which employees understand and support the values of the Council.
- 3.17 Clear channels of communication have been established with all sections of the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people. Community Spirit is Sunderland's residents' panel, currently made up of around 1,500 residents from all parts of the city.
- 3.18 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the authority's overall governance arrangements. The Council has published a Code of Practice for Partnerships which includes a template for Partnership Agreements and a range of checklists to ensure key risk areas are considered and addressed. The Code is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and employees to review existing arrangements. A Register of Partnerships is maintained. The significance of partnerships is identified using an assessment scorecard recommended by CIPFA.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is carried out over the course of the year through the Integrated Assurance Framework. The review is informed by the Corporate Assurance Map which summarises assurances gathered from all available sources and in particular:

- The views of Members through participation in a survey covering governance issues and through the activity of the Scrutiny and Standards Committees.

- Assurances from Heads of Service who have carried out self-assessments relating to their areas of responsibility.
- Assurances from Chief Officers who have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments from their Heads of Service.
- Assurances from senior officers responsible for relevant specialist areas.
- Internal audit planning processes which include consultation with all Chief Officers, and audit activity as detailed in the Internal Audit Annual Report. The external auditor has conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.
- The Audit Commission's Annual Audit Letter for 2011/12 provides an unqualified opinion on the financial statements. The report confirms that the Council has proper arrangements in place to secure financial resilience, and for challenging how it secures economy, efficiency and effectiveness.
- An Ofsted inspection of the Adoption Service took place in 2012/13 which gave a judgement for overall effectiveness of Good. Inspections also took place in Children's Homes and Children's Centres which gave judgements of Adequate or Good. Findings of external inspectorates are used to support continuous service improvement.

The Executive Director of Commercial and Corporate Services (the Chief Financial Officer) has directed, co-ordinated and overseen the review and its findings have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.

The findings of the review have been reported to the Audit and Governance Committee. Under their Terms of Reference the Committee have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it.

The Leader of the Council, the Chief Executive and the Executive Director of Commercial and Corporate Services have overseen the review and signed the Annual Governance Statement.

Cabinet and the Audit and Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework and, whilst an improvement plan has been agreed, no significant issues arose from the review of the arrangements that were in place in 2012/13.

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

Paul Watson
Leader of the Council

Dave Smith
Chief Executive

Malcolm Page
Executive Director of
Commercial and Corporate Services

Dated: 27th September 2013

