

AUDIT AND GOVERNANCE COMMITTEE

26 March 2010

AUDIT COMMISSION ANNUAL AUDIT LETTER – NOVEMBER 2009

Report of the Chief Executive and Director of Financial Resources

1.0 Purpose of the report

- 1.1 This report details the Audit Commission's Annual Audit Letter covering the year 2008/2009. The letter includes issues arising from the audit of the Council's financial statements and the results of the Audit Commission's work undertaken as part of the assessment of the Council's arrangements for securing value for money in its use of resources.

2.0 Introduction / Background

- 2.1 The Audit Commission prepares an annual statement which provides an overall summary of the assessment of the Council, drawing on audit and performance assessment work. The statement summarises the findings and conclusions from the statutory audit and covers the period from April 2008 to March 2009.
- 2.2 The Annual Audit Letter summarises the findings of the Audit Commission's local risk based work which has contributed to the judgements made in relation to the Council's use of resources, value for money conclusion and Statement of Internal Control.
- 2.3 In previous years the Annual Audit Letter contained a summary of the issues arising from the Comprehensive Performance Assessment (CPA) including the Direction of Travel judgement. Under the new Comprehensive Area Assessment (CAA) issues under the Organisational Assessment including Use of Resources judgements are reported separately, although the Annual Audit Letter also includes the Council's Use of Resources 2008/2009 judgements.
- 2.4 In bringing together the audit work for the year many of the issues in the Annual Audit Letter and corresponding improvement activity will be addressed in the Council's Improvement Programme to improve the performance and reputation of the Council.

3.0 Current position

The key issues identified in the Annual Audit Letter include:

3.1 Financial statements and annual governance statement

- 3.1.1 The Annual Audit Letter indicates that the Council's 2008/2009 financial statements and working papers were prepared to a good standard, and an unqualified audit

opinion was issued. No significant weaknesses in the Council's internal control arrangements were identified.

3.1.2 In 2007/2008 the Audit Commission received a formal objection to the Council's financial statements in relation to car parking enforcement. Similar objections have been received at other authorities and therefore the Audit Commission is obliged to consider them together and co-ordinate a consistent response. Although this issue is progressing, it remains unresolved.

3.1.3 The Audit Commission has also received correspondence from the same objector indicating that he wishes to object to the 2008/2009 accounts. Until these two objections have been resolved, the Audit Commission cannot issue a formal certificate to confirm that the audit has been completed for 2007/2008 and 2008/2009. However, the Audit Commission is satisfied that the issues raised do not have a material impact on the financial statements.

3.2 Local risk based work

3.2.1 As part of the 2008/2009 audit, the Audit Commission focussed on community cohesion and health inequalities (with a specific focus on harm caused by alcohol). Further information is provided below in relation these areas. The Audit Commission has also followed up on the previous year's work on performance management and target setting.

Community Cohesion

3.2.2 The promotion of equality and diversity is an important component of CAA. The work in this area was undertaken in 2 stages, as follows:

- Phase 1 (2007/2008) – assessing internal arrangements for providing fair access to services, ensuring that the Council understands the needs of local people and is taking steps to promote equality and diversity within its own workforce.
- Phase 2 (2008/2009) – an externally facing review of the Council's approach to supporting inclusive communities.

3.2.3 The Annual Audit Letter explains that an action plan was agreed with officers in 2007/2008 following the work undertaken as part of Phase 1. The Audit Commission reported that the Council has made progress against all elements of the action plan including developing structures and mechanisms to support approaches to cohesion, encouraging partners to adopt equality impact assessments, and working with and through Children's Services to enhance schools duty to promote cohesion.

3.2.4 The Annual Audit Letter draws attention to the fact that the Council and its partners have an agreed definition of community cohesion, which is realistic, clearly articulated and relates well to the local area. Partners understand the specific risks to cohesion in Sunderland, and manage them proactively. However, action plans to support the delivery of this strategy have not been developed, and there are insufficient measures in place to gauge progress and outcomes in this area.

3.2.5 A summary report providing progress against the action plan agreed at the end of Phase 1, and feedback on Phase 2 has been considered within the Council. The findings were also reported to other organisations in November 2009. All comments have been considered by the Partnership Community Cohesion Working Group and included into existing improvement plans.

Health inequalities in the North East

3.2.6 A joint review was undertaken by the Audit Commission and Deloitte with public sector bodies across the North East, as well as the voluntary sector, to consider how organisations are working together to tackle health inequalities. The Audit Commission referred to a number of positive findings as follows:

- Good progress is being made in tackling health inequalities through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding.
- Life expectancy is increasing and, in most areas, the mortality rate is reducing at a faster rate than nationally, narrowing the gap between the North East and the rest of the country.
- Organisations in the North East need to build on the progress made to date and ensure that they move further and faster to address these inequalities.

3.2.7 The report also refers to alcohol misuse as an important issue for Sunderland. As was reported to Cabinet recently the Council and its partners have a range of plans in place to secure improvement including a new Alcohol Strategy is being developed by the Sunderland Partnership, informed by public consultation and the 'Big Drink Debate'. Work is also being undertaken as part of the 'Total Place' pilot, in partnership with Gateshead and South Tyneside Councils. Alcohol Treatment programmes targeted towards violent offenders with alcohol misuse issues started in July 2009.

3.3 Performance management and target setting

3.3.1 The Annual Audit Letter comments that the Council's performance management and target setting arrangements have improved since the review undertaken in 2007/2008. Attention is drawn to some key improvements made including:

- An IT based performance management system (Performance Plus) has been put in place and there is a clearer focus on tackling underperformance.
- Issues of underperformance which require additional financial investment, ICT solutions etc., are addressed through the Business Improvement Programme.
- The Council's scrutiny function has been improved during 2008/2009, with increased capacity, officer support and better alignment to corporate objectives. This has enabled members to play a more central role in challenging key decisions and reviewing performance information.

3.4 Use of resources and value for money

- 3.4.1 The Council's use of resources assessment report was presented to Cabinet on 13 January 2010. The main findings are included within Appendix 1 of the Annual Audit Letter. This reaffirms that the Audit Commission has assessed the Council to be 'performing well' in its use of resources and has judged its performance as 3 out of 4.
- 3.4.2 The Annual Audit Letter indicates that the Council successfully integrates service and financial planning and has secured significant efficiency savings in recent years whilst at the same time investing in corporate priorities and improvements for local people. Processes for good governance and internal control are well established and effective.
- 3.4.3 The Annual Audit Letter also highlights that there are elements of particularly strong performance across a number of the Key Lines of Enquiry (KLOEs), in particular provision of value for money services, especially adult care, risk management arrangements and partnership governance.
- 3.4.4 The Council demonstrates examples of good practice in relation to asset management and natural resources and the Audit Commission identifies areas where the Council has opportunities to improve, for example further embedding sustainability into all of the Council's activities and plans.
- 3.4.5 These issues have been included within the Council's use of resources improvement plan and the council is already undertaking actions to secure the necessary outcomes. The Council has a clearly stated ambition of improving its Use of Resources assessment in 2010, with the ultimate ambition of securing level 4 performance (performing excellently).
- 3.4.6 The Annual Audit Letter refers to the arrangements in place to secure economy, efficiency and effectiveness in the Council's use of resources using the nine criteria set out in the KLOE and concludes that the value for money criteria has been met for each of these. The Audit Commission has issued an unqualified conclusion stating that the Council had adequate arrangements in place.

4.0 Recommendations

- 4.1 Members are asked to consider the Annual Audit Letter attached.

5.0 Background papers

- 5.1 CAA reports and Performance update (April - September) - Cabinet, 13 January 2010.

Annual Audit Letter

Sunderland City Council

Audit 2008/09

November 2009



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Key messages

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 On 30 September 2009, I issued an unqualified audit opinion on Sunderland City Council's 2008/09 financial statements. No significant issues were identified during the course of our work, and we identified no material weaknesses in internal control.
- 2 On the same day I also gave an unqualified Value for Money conclusion, confirming that the Council had adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

Formal audit powers

- 3 I have received formal objections from a local elector in respect of both the 2007/08 and 2008/09 financial statements. Until these have been resolved I cannot issue my formal certificates to confirm that the audits have been completed. However, I am satisfied that the matters raised do not have a material impact on the financial statements.

Community Cohesion

- 4 Community cohesion is an important component of Use of Resources assessments, organisational assessments, and Comprehensive Area Assessments. The Council and its partners have an agreed definition of community cohesion, which is realistic, clearly articulated and relates well to the local area. Partners understand the specific risks to cohesion in Sunderland, and manage them proactively. However, action plans to support delivery of this strategy have not yet been developed, and there are insufficient measures in place to gauge progress and outcomes in this area.

Key messages

Health Inequalities

- 5 Progress is being made in tackling the significant health inequalities in the North East through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding.
- 6 But data is not always available to ensure that services are targeted at those who need them most, and value for money and improved outcomes cannot be demonstrated if accountability and performance management arrangements are weak. Agencies need to look for better ways to involve the community and voluntary sectors, and take community views into account when developing high level strategies and service development plans.

Use of resources

- 7 The new national use of resources framework was introduced in 2008/09 and scores are based on the Audit Commission's four point scale. Level 1 represents failure to meet the minimum requirements. Level 4, the highest score, is reserved for genuinely exceptional performance.
- 8 Sunderland City Council scored level 3 overall and has demonstrated strong performance across a number of the Key Lines of Enquiry (KLOE). The Council successfully integrates service and financial planning and has secured significant efficiency savings in recent years while at the same time investing in corporate priorities and improvements for local people. Processes for good governance and internal control are well established and effective. Particular strengths were identified in relation to adult social care, risk management and partnership governance arrangements.

Financial statements and annual governance statement

Audit Fees and Independence

- 9 Audit fees are set out in the table below. These are in line with scale fees published by the Audit Commission and have been discussed and agreed with those charged with governance. The audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Table 1 Audit fees 2008/09

	Actual	Proposed	Variance
Financial statements, annual governance statement and WGA	£207,780	£207,780	0
Value for money (includes data quality)	£96,320	£96,320	0
Total audit fees	£304,100	£304,100	
Non-audit work - grant claims	£38,000	£38,000	
Non- audit work - challenge and objections	£6,000	£0	£6,000
Total	£348,100	£342,100	£6,000

Actions

- 10 Throughout the year, I have made recommendations where appropriate to assist the Council in meeting its responsibilities and to help support improvement. Recommendations have been agreed with officers and we will continue to monitor progress as part of next year's work.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the organisation accounts for its stewardship of public funds.

Financial Statements and Internal Control

- 11 The Authority's 2008/09 financial statements and supporting working papers were prepared to a good standard and I issued an unqualified audit opinion on 30 September 2009.
- 12 Management had taken action since the draft financial statements were approved in June 2009 to:
- revise and increase NNDR bad debt provisions to reflect the current economic climate and write offs to date in 2009/10;
 - review the accounting treatment adopted in respect of Newcastle Airport; and
 - make some minor presentational and disclosure amendments to the accounts.

Local risk based work

- 13 These changes were approved by the Council's Audit and Governance Committee on 29 September 2009.
- 14 We identified that the prior period adjustment made to the financial statements in respect of FRS17 pension liabilities was not required by CIPFA's 'Statement of Recommended Practice' as the sums involved are not material. In the Council's opinion however the prior period adjustment gives a more complete picture of the impact of the changes, which do affect a number of statements and disclosure note, therefore the accounts were not amended.
- 15 I did not identify any significant weaknesses in the Council's internal control arrangements.

Formal audit powers

- 16 I have:
- a power to issue a public interest report. I do so when I believe this is necessary to draw a matter to your attention, or to that of the public;
 - a power to apply to court for a declaration that an item in the accounts is contrary to law; and
 - a power to seek judicial review of a decision made by the Authority.
- 17 I also have a power to issue an advisory notice. An advisory notice requires the Authority to meet and consider the notice before:
- making a decision that might give rise to unlawful expenditure;
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts.
- 18 I received a formal objection to the 2007/08 financial statements in relation to car parking enforcement. Similar objections have been received at other authorities which means we are obliged to consider them together and co-ordinate a consistent response. Therefore, although this matter is being progressed it remains unresolved. Also, I have recently received correspondence from the same objector indicating that he also wishes to object to the 2008/09 accounts.
- 19 Until these two objections have been resolved I cannot issue my formal certificate to confirm that the audit has been completed for 2007/08 and 2008/09. However, I am satisfied that the issues raised do not have a material impact on the financial statements.

Local risk based work

We undertake local risk based work in order to inform our judgements on use of resources, our value for money conclusion and our audit of the Statement of Internal Control.

Local risk based work

Work undertaken in 2008/09

- 20 This year we have undertaken local risk based work on community cohesion and health inequalities, focussing specifically on harm caused by alcohol. We have also followed up previous year's work on performance management and target setting.

Community Cohesion

- 21 Local government is expected to provide community leadership and to work with, and through, partners to promote community cohesion. Cohesion is an important component of Use of Resources assessments, organisational assessments, and Comprehensive Area Assessments.
- 22 Previous years' work has focused on assessing internal arrangements for ensuring that the Council understands the needs of local people, provides fair access to services and promotes equality and diversity within its own workforce. We are pleased to note that the Council has made progress against all elements of the 2007/08 action plan agreed with officers.
- 23 We also reviewed the Council's approach to supporting inclusive communities and found that partners have an agreed definition of community cohesion, which is realistic, clearly articulated and relates well to the local area. Partners understand the risks to cohesion in Sunderland - community tensions are managed proactively, and misconceptions challenged. However, action plans to support delivery of the community cohesion strategy have not yet been developed, and there are minimal measures in place to gauge progress and outcomes in this area.
- 24 Specific action points have also been agreed with officers, as follows:
- 'community impact assessments' are being carried out as part of equality impact assessments, but there is no timetable for the rollout of these assessments across the partnership;
 - the Council and its partners are developing a more localised approach to cohesion, to reflect the different needs, aspirations and make-up of local communities, but this is at a relatively early stage of development;
 - there is scope to improve the contribution made towards community cohesion by the voluntary and community sectors and schools; and
 - not all councillors understand how cohesion relates to their community leadership role.

Review of health inequalities in the North East

- 25 Our review, completed jointly by the Audit Commission and Deloitte has involved public sector bodies across the North East, as well as the voluntary sector, looking at how organisations are working together to tackle health inequalities.
- 26 We found that good progress is being made in tackling health inequalities through leadership from regional agencies, partnership working between public sector bodies and the voluntary sector at the local level, and by increasing or prioritising funding.

Local risk based work

- 27** Life expectancy is increasing and, in most areas, the mortality rate reducing at a faster rate in the North East than nationally, narrowing the gap between the North East and the rest of the country. However, whilst life expectancy is improving, men and women in the North East are still likely to die younger than the national average. Men and women living in the most deprived areas can expect to die on average more than ten years and seven years earlier respectively than their counterparts in the least deprived areas.
- 28** There are also significant issues in the North East around unhealthy lifestyles. For example the percentage of North East women smoking in pregnancy and hospital admission rates related to alcohol are the worst nationally; childhood obesity rates and teenage pregnancy rates are higher than the national average. Organisations in the North East need to build on the progress that has been made to date and ensure that they move further and faster in addressing health inequalities.
- 29** Our North East wide report and local review on alcohol harm and teenage pregnancy highlights a number of key areas that partnerships need to focus on to improve action to address health inequalities:
- strategic priorities and funding should be aligned. There are significant economic and financial costs associated with health inequalities that can be reduced through successful funding;
 - successful targeting of services to those who most need them, based on good data. We found that this data is often not available;
 - accountability and performance management arrangements were often weak or not in place, so that those delivering services may not be adequately held to account and value for money and improved outcomes cannot be demonstrated;
 - joint working was variable, with some good examples, but also other instances where a lack of partnership working reduces effectiveness. Joint data collection needs to improve, with a lack of shared information systems causing problems;
 - agencies need to look for ways to better support and use the resources available in the community and voluntary sector; and
 - there was mixed practice in taking community views into account in developing high level strategies and service development plans.
- 30** Locally, we also carried out a more detailed review of action being taken to address alcohol harm. Alcohol misuse is an important issue for Sunderland. It has a significant impact on crime rates, hospital admissions and deaths. Sunderland is estimated to be the 4th worst local authority area in England for binge drinking.
- 31** Starting in 2008/09 there has been significant additional financial investment in specialist alcohol advice services, but this investment has been made in advance of an agreed alcohol strategy. Without a clear and agreed strategy partners may not be able to demonstrate that value for money has been obtained from the funding invested in alcohol services or that desired outcomes are being achieved.
- 32** Commissioning plans are based on identified need following health equity audits. But there is not enough robust data to ensure that services are targeted at those who need them most. In addition to this:

Value for money and use of resources

- partners across Sunderland do not as yet understand the specific reasons why large numbers of people in Sunderland misuse alcohol, so resources allocated to preventative and counselling work may be misdirected; and
- there is a commitment to commission from independent, community and voluntary sector providers, but these organisations will need support in terms of both business skills and capacity building before they can deliver the proposed level of new services.

33 Looking forward, the Council and its partners have plans in place to tackle the issues that we have raised. A new Alcohol Strategy is being developed by the Sunderland Partnership, informed by public consultation and the 'Big Drink Debate'. Work in this area is also being undertaken as part of the 'Total Place' pilot, in partnership with Gateshead and South Tyneside Councils. Alcohol Treatment programmes targeted towards violent offenders with alcohol misuse issues started in July 2009.

Performance management and target setting

34 Performance management and target setting has been improved through a more strategic approach based on local area agreements, Sunderland Strategy objectives and the new national indicator dataset. An IT-based performance management system, Performance Plus, is now in place and there is a clearer focus on tackling underperformance through:

- assessment of the impact of failing to deliver targets;
- review of expected trajectories, as opposed to year to date performance; and
- focusing on the remedial action being taken.

35 Issues of under performance which require additional financial investment, ICT solutions or business process re-engineering are also addressed through the Business Improvement Programme.

36 The Council's scrutiny function has been improved during 2008/09, with increased capacity, more officer support and better alignment to corporate objectives. This has enabled members to play a more central role in challenging key decisions and reviewing performance information.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

37 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4,

Value for money and use of resources

with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.

- 38** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work. However, the 2008/09 assessment is very different from previous assessments. Judgements are now much more strategic and less detailed, with a focus on outcomes rather than processes. The standard required to merit a level three assessment has been raised, and level four scores are reserved for genuinely exceptional performance.
- 39** The Council's use of resources theme scores are shown below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

Closing remarks

- 40** The Council is performing well. It successfully integrates service and financial planning and has secured significant efficiency savings in recent years while at the same time investing in corporate priorities and improvements for local people. Processes for good governance and internal control are well established and effective.
- 41** There are elements of particularly strong performance across a number of the use of resources Key Lines of Enquiry (KLOE), in particular:
- provision of value for money services, especially adult social care;
 - risk management arrangements; and
 - partnership governance.
- 42** Some scope for improvement has been identified in respect of asset management and the Council's use of natural resources, but all arrangements have been assessed as meeting expected standards.

VFM Conclusion

- 43** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, these criteria are now aligned to use of resources judgements and the Audit Commission now specify each year which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 44** On 30 September 2009, I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. My conclusions on each of the relevant areas are set out in Appendix 1.

Closing remarks

- 45** I have discussed and agreed this letter with the Chief Executive and the Director of Financial Resources. I will present this letter to the Cabinet in January 2010 and have provided copies to all Council members.
- 46** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3 **Audit reports 2008/09**

Report	Date issued
Audit Fee letter	April 2008
Health Inequalities Phase 3 (harm caused by alcohol)	May 2009
Detailed opinion plan	July 2009
Community Cohesion report	August 2009
Annual Governance report	September 2009

Closing remarks

Report	Date issued
Opinion on financial statements Value for money conclusion Whole of Government accounts return	
Use of Resources assessment	October 2009
Annual audit letter	November 2009

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- 47** The focus of our local risk based work next year is expected to be workforce planning and management arrangements, which are being assessed for the first time in 2010. We will also follow up progress made by the Council in respect of managing natural resources and sustainability.
- 48** The Council has always taken a positive and constructive approach to our work. I wish to thank members and staff for their support and co-operation during the 2008/09 audit.

Steve Nicklin
District Auditor
November 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>4</p> <p>Yes</p>
<p>A comprehensive medium term financial plan is in place and the annual ‘Corporate Improvement Plan’ integrates service plans, corporate strategies and improvement targets with financial budgets and sets out the staffing resources required to deliver the Council’s plans. Budget setting and the medium term financial plan are informed by public meetings and a high profile ‘State of the City’ debate each year. Area based committees have been developed in 2008/09 and ring fenced budgets allocated accordingly. No significant overspends have occurred in recent years despite high levels of delegated budget management, and the Council is well placed in terms of balances and reserves.</p> <p>There has been a sustained focus on achieving priorities by shifting resources from low-to high-priority areas, for example through investment in planning services, libraries, streetscape and recycling. Virements are used proactively throughout the year to reinvest savings in priority areas. This has been reflected in improved BVPI performance, for example on planning where the service leapt from bottom to top quartile within two years. Good financial planning has contributed to improved outcomes on priorities such as the wellness agenda, adult social care and safeguarding children. The review of adult social care provision this year has been identified as a notable practice example of how a local authority can challenge and change established patterns of resource use in consultation with partners. The review has led to a move away from residential provision and greater investment in preventative measures and home based support.</p> <p>The capital programme is well managed, and the Council is successful at securing external sources of finance. Developing the ‘Sunderland Model’ for BSF schools has led to new schools and refurbishments being financed from DCFS grant rather than loans or PFI credits, and the PFI scheme and joint waste strategy being delivered in partnership with Gateshead and South Tyneside MBCs is another example of the Council exploring new ways to deliver priorities and improve value for money.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>4</p> <p>Yes</p>
<p>Charges for services are reviewed each year to ensure they help to deliver financial and social priorities in a strategic way' - for example, fees and charges for sports facilities have been reduced for target groups through the exercise on prescription scheme and a rent concessions policy is in place to attract local businesses to deprived areas of the city.</p> <p>The Council makes extensive use of financial modelling, activity analysis and unit costing, this has been done particularly in 2008/09 to challenge the use of resources in relation to looked after children, leading to a significant reduction in residential provision. Equality impact assessments have been carried out for all key service areas and major projects, and are a compulsory component of the business improvement programme. Financial resources have been allocated to address weaknesses highlighted eg in respect of access to buildings and to improve translation/interpreter services.</p>	
<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council has a good understanding of costs, cost drivers, and the relationship between cost and quality of service. There is a significant redirection of financial resources each year - the 2009/10 budget identified £11.67m efficiency savings but also £9.24m improvement funding. All new projects, capital or revenue, are subject to appraisal or a detailed business case for funding. Each policy change is informed by a summary of the financial implications in both revenue and capital terms, then fed into the medium term financial plan, which is regularly updated.</p> <p>The Council prepares an annual value for money self assessment which considers a range of information including spend, investment, improvements to date, residents perception and both national and local indicators, including those within the Local Area Agreement. The Significant Partnership Annual Report sets out both financial and performance information for each significant partnership for both the current and previous years. This report also indicates how the partnership is providing value for money and additional benefits.</p> <p>Costs for key services are benchmarked and demonstrate good value. At an overall level the Council has all CPA assessed services performing well or strongly, with lower median quartile expenditure for above median levels of deprivation. Significant redirection of resources has enabled priority areas to be addressed - the 2009/10 budget process identified £11.670m efficiency savings but also £9.235m improvement funding.</p> <p>Efficiency saving targets are being achieved. £33.12m between 2005/06 and 2007/08 represented 13.2 per cent of spending against a target of 7.5 per cent for the period. The cumulative cash releasing efficiency savings to 31 March 2009 were £13.2m which equates to 4.4 per cent of spending.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council has used citizen’s panel and MORI polls to seek the views of stakeholders about what information is required in its external reporting and has tailored its approach accordingly. Council tax leaflets and the annual report are concise, user friendly documents which include glossaries of technical terms and the use of charts to highlight key figures from the accounts.</p> <p>The most recent published accounts and annual audit letter are available to the public and appear on the Council's website together with equalities information. Information is available in a wide range of formats including foreign languages, braille and voicetape. External reporting includes environmental and sustainability information with an analysis of the Council's environmental footprint.</p> <p>Budget monitoring and forecasting information is reliable and up to date, although reports to members could be streamlined. The council regularly reviews financial performance of significant partnerships, and it shares and acts on these results with partners. All finance reports include forecast information which is subject to risk and sensitivity analysis. The Council's 2008/09 accounts were prepared to a high standard, and officers have responded to challenges such as the drive for faster accounts closure, and improved standards of working papers.</p>	

Governing the business

<p>KLOE 2.1 (commissioning and procurement)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>There is a good understanding of local communities and their needs for services through regular consultation with relevant groups. Many services are commissioned jointly with partner agencies and voluntary sector assistance and guidance is being improved. A Joint Needs Self Assessment analysis of Public Health / Adult Services and Children's Services information has been undertaken and informs future commissioning intentions.</p> <p>Actively identifying and implementing new ways of delivering services and working with others is resulting in more efficient working. The South Tyne and Wear Waste Management Partnership and membership of the North Eastern Purchasing Organisation (NEPO) are examples which have realised measurable financial benefits. The Council has also implemented a category management approach to procurement across specific areas of spend. Scoping reports consider alternative procurement options, analysing the current market and soft market testing.</p>	
<p>KLOE 2.1 (commissioning and procurement)</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council's Procurement Strategy includes a requirement to periodically explore alternative methods of service delivery across the whole range of services, and the Annual Procurement Plan provides a forward plan of categories of spend and procurement opportunities which are programmed to be reviewed. Procurement strategies require officers to consider equality and diversity issues when awarding contracts and procurement pages on the Council's website provide information for suppliers and tenderers.</p> <p>There is good use of e-procurement techniques, such as online catalogues and particularly e-auctions. E-auction success through use of OGC (20 organisations) for computers yielded a 50 per cent saving on a £15m joint bid. The Council is developing a Supplier Relationship Management (SRM) tool, incorporating electronic catalogues and online approvals which has introduced an improved element of control and evaluation.</p>	
<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council produces relevant and reliable data and works with partners on the quality of data which is relevant to shared priorities. There is a clear corporate statement on the importance of high data quality standards and guidance on the Council's approach to achieving them, against which directorates are required to demonstrate progress. Members recognise the importance of good data quality and a Cabinet member acts as data quality 'champion'.</p> <p>Responsibility for data quality is defined in strategies and the Council has taken steps to embed these through training and QA by both the corporate improvement team and Internal Audit. The Council is ensuring that appropriate arrangements are in place for the new national data set, including developing a data quality checklist for inclusion into partnership performance arrangements and mapping datasets to the national framework.</p> <p>The Council ensures that decision making is based on robust data. Trend data, performance against target and benchmarking with other authorities are used to support the corporate Value for Money framework and specific resourcing decisions. A robust reporting timetable is in place. Performance management reports have been reviewed during 2008/09 and now show a much clearer link between financial allocations, performance against target, and remedial action required. An IT-based performance management system (performance plus) is now in place. The scrutiny function in the Council is improving in terms of both critical challenge to the Cabinet and review of performance information.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council ensures data security and compliance with relevant statutory requirements. There are adequate business continuity and disaster recovery arrangements in place for financial systems, but not for all non-financial data collection systems. We have undertaken spot checks on the following:</p> <ul style="list-style-type: none"> • NI 132 - Timeliness of social care assessment (adult services); • NI 59 - Initial assessments for children’s social care carried out within 7 working days of referral; • NI 173 - people falling out of work and on to incapacity benefits; and • Local PIs on provision of community disability equipment. <p>In all cases we established and evaluated the systems in place to capture the data, checked the basis of calculations and sample tested source data. No errors were identified from this sample testing.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Council's constitution clearly describes roles and responsibilities for members and officers. The Constitution is underpinned by a wide range of other supporting guidance, including schemes of delegation, guidance on the discharge of statutory functions and protocols on officer and member relations. The scrutiny function has made some useful contributions to policy development but it does not, as a general rule, challenge cabinet decisions. A working group has been established to address this and all other Council committees appear to be working well. There are constructive working relationships between members, management and staff. The Council provides a wide range of training and development opportunities for members and staff, which balance the needs of the organisation with personal development.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>The Sunderland Community Strategy, and the local area agreement, demonstrate a good understanding of the local area. A multi area agreement is also in place. The Corporate Improvement Plan is focussed on the actions the Council needs to take to contribute towards shared partnership outcomes as well as internal improvement actions. Officers have identified a number of instances where consultation outcomes have influenced important decisions on school meals, school admissions policies and special needs provision. A corporate consultation strategy is in place and the Council engages with local people in a variety of ways, including:</p> <ul style="list-style-type: none"> • area committees, public meetings and the ‘State of the City’ debate; • an interactive website; • citizens panel and MORI polls; and • independent advisory groups representing all identified communities of interest. <p>The Council has adopted codes of conduct for its members and staff, and these are widely publicised. All council members are required to make a declaration that they agree to abide by the code of conduct, and all staff are bound by the Employees’ Code. Policies for whistleblowing and ‘comments, compliments and complaints’ are well publicised and prompt action is taken in response to any allegations made. The Chief Executive has set out clearly, in public documents, its expectation that all elected members will provide visible and credible local community leadership. Registers of interests, gifts and hospitality can be viewed on the Council website.</p> <p>The Council has a comprehensive code of practice for partnerships which has been identified as notable practice. It can evidence examples of this code improving outcomes eg on CRDP and Tyne Wear Sport. There are constructive working relationships between the Council and its partnerships, with data sharing protocols in place to ensure appropriate information is shared in a timely manner. The LSP has been awarded a ‘green’ rating from GONE. The council regularly reviews the effectiveness of its partnership working using a scorecard approach, and an annual report to Cabinet assesses each key partnership in terms of the outcomes achieved and value for money. A voluntary compact is in place with the 3rd sector, underpinned by codes of practice.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>4</p> <p>Yes</p>
<p>Risk Management is fully integrated into all corporate processes and has been used to especially good effect on BSF delivery and in formulating the medium term financial plan. All schools and significant partnerships have their own risk registers. Demonstrating effective risk management has enabled the Council to reduce insurance premiums, increase insurance cover at no extra cost and extend self insurance schemes.</p> <p>A comprehensive code of practice for partnerships sets out expected arrangements for risk and performance management, procurement and value for money and includes template agreements for different forms of partnerships. This is reinforced through training and Internal Audit coverage. Adopting the code has enabled partnerships to improve outcomes and access additional sources of finance. The Council regularly reviews the effectiveness of its partnership working using a scorecard approach, and an annual report to Cabinet assesses each key partnership in terms of the outcomes achieved and value for money.</p> <p>Arrangements for producing the annual governance statement are robust. The statement is underpinned by an annual report from Internal Audit, a detailed risk assessment and an annual review setting out the sources of assurance examined. Any issues arising are incorporated into a corporate action plan but no significant internal control failures have been identified in recent years. The quality and scope of Internal Audit coverage is good. Anti Fraud and Corruption Policy and Whistleblowing Policies are published on the Council's website and intranet. A Money Laundering Policy is also in place and training for staff and members has taken place to reinforce the importance of probity and good governance.</p> <p>There have been no cases of proven fraud or corruption in recent years, except for Benefits claims. The Benefits Investigation Unit has consistently met its targets for successful prosecutions, with 164 cases in 2008. Counter fraud arrangements have been assessed against the newly issued 'red book' from CIPFA, and appear to be meeting all identified criteria. The Council can demonstrate it is creating a strong deterrent effect, by poster campaigns and local press coverage of successful cases of proven benefit fraud.</p> <p>Business Continuity Plans are in place which comply with Civil Contingencies Act 2004 requirements. Corporate arrangements currently being reviewed in line with the new British Standard. A review in March 2008 considered the business continuity of significant contractors and put an assessment matrix, register and additional support in place. Procurement process ensures that potential contractors have adequate insurance and contingency plans to ensure continuous service delivery.</p>	

Appendix 1 – Use of resources key findings and conclusions

Managing resources

KLOE 3.1 (use of natural resources)	
Score	2
VFM criterion met	Yes
<p>Sunderland has the 8th lowest per capita consumption of natural resources of all UK cities, is recognised by the Carbon Trust as a national leader in managing carbon emissions, and recently won the LGC and HSJ Sustainable Communities Award 2009 for Tackling Climate Change. The city has had a 'Sustainable Development Strategy since 2001, and the Council benefits from a dedicated and enthusiastic sustainability team. The need to make effective use of natural resources is clear in corporate strategies and plans, and Sunderland was one of the first local authorities to develop its Ecological Footprint. But this level of awareness is not yet fully embedded across all of the Council's activities, and not always evidenced in departmental service plans.</p> <p>Over the past four years the Council has made significant steps in understanding and starting to manage its use of key natural resources. Sustainability impact assessments and baselines exist for waste, water, energy, road fuels, carbon emissions and travel. Assessments are now part of all major project development and procurement decisions, but have not yet been undertaken across all service areas. To improve further, the baseline of services with indirect impacts such as impact of procured goods and services is to be assessed through the creation of a natural resources register. This aims to help all service areas, understand and contribute more to better use of natural resource.</p> <p>Strategies and programmes are in place to manage and reduce the most significant natural resources and the Council is in the process of consolidating these programmes within an overarching Sustainability Policy which is scheduled to be adopted in November 2009. Management of energy and water consumption is improving through automatic meters, other initiatives such as vehicle tracking are reducing fuel demand, and the Council's biggest waste stream, road planings, are 100 per cent recycled.</p> <p>The Council's is aiming to cut its annual carbon emissions by 10 per cent and business miles by 10 per cent between 2007 and 2012. In the first two years, at the end of 2008/09, the Council has cut carbon emissions by 4 per cent, reduced business travel miles by 3.5 per cent and achieved an 8 per cent drop in lease car CO2 emissions. It appears to be on track to meet its 2012 targets. Sunderland's 10 per cent carbon reduction target allows for an expected 10 per cent increase in carbon emissions during the five years from service expansion such as leisure centre and street lighting provision. Therefore the 10 per cent target, is in reality a 20 per cent cut. But neighbouring councils have set, and appear to be delivering, more challenging targets.</p> <p>Additional dedicated resources have been provided to implement plans for continued improvement during 2009/10. These include:</p> <ul style="list-style-type: none">• development of a Waste Plan to set targets for recycling of office and service waste;• creation of a natural resources register to capture key resource consumption areas; and• a joint strategic waste plan in partnership with Gateshead and South Tyneside MBCs.	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.2 (strategic asset management)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council displays a number of strengths in respect of asset management, for example:</p> <ul style="list-style-type: none"> • excellent examples of outcomes from partnership working, most notably the Primary Care centres at Washington and Bunny Hill; • purpose built one stop shops across the City; and • successful delivery of major projects such as the Aquatic Centre and the first wave of (predominantly new build) BSF schools. <p>Appraisal processes to prioritise capital investment are good, and the Council is successful at securing external sources of capital funding. There is good consultation with users and stakeholders on new projects, less so in relation to existing facilities.</p> <p>The Council has considered the use of a Local Asset Based Vehicle to promote economic regeneration, and can point to a number of successful regeneration initiatives, for example at Doxford Park, Sunnyside and Rainton Bridge. Alongside partners, a City-wide regeneration strategy is now being developed to better target outward focused asset management and capital investment.</p> <p>Council property is used to support wider corporate and partnership objectives, for example the use of swimming pools and leisure centres to support the ‘Wellness’ agenda. There is scope to improve the ways in which Council owned commercial property and industrial units are being used to support wider corporate objectives, especially in respect of regeneration and combating the recession.</p> <p>Comparative data and benchmarking are used to assess and help improve value for money. The depot rationalisation programme has been recognised as an example of good practice nationally, and GIS mapping data, shared with partners, has also been used to help rationalise the property portfolio.</p> <p>The estate is fit for purpose in that it meets relevant health and safety standards. The Council has not significantly reduced backlog maintenance on buildings over the past four years, but £1m of additional finance has been allocated to address this, and overall backlog levels compare well with similar authorities. Officers accept there are issues to address in respect of operational property management, for example on the timeliness of rent reviews and tenancy enforcement.</p>	

The Audit Commission

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