



# **Audited Statement of Accounts**

## **2010/2011**

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## Cabinet 2010/2011

Cabinet membership and responsibilities for the financial year are as set out below:

Member	Portfolio
P. Watson	Leader of the Council
Mrs F. Anderson	Deputy Leader of the Council
D. Allan	Resources
Mrs P. Smith	Children and Learning City
Mrs N. Wright – resigned 19 <sup>th</sup> May 2010 M. Speding – appointed 19 <sup>th</sup> May 2010	Healthy City
J. Blackburn	Attractive and Inclusive City
H. Trueman	Sustainable Communities
Mrs C. Gofton	Responsive Services and Customer Care
B. Charlton	Prosperous City
D. Wilson	Safer City

## 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 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, we are pleased to be able to report that the Council considers an annual review of its Code of Corporate Governance, the 2010/2011 review was considered by the Audit and Governance Committee in June and will be reported to Cabinet in July and will then be reported to 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 has robust and comprehensive arrangements in place and has identified a small number of areas for improvement and development, which will be acted upon during 2011/2012.

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.

Elsewhere 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 when 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  
Executive Director of Commercial  
and Corporate Services

Dated: 30<sup>th</sup> September 2011

## **Certification of the Statement of Accounts**

### **Statement of Accounts 2010/2011 (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 2010/2011 (subject to audit) presents a true and fair view of the financial position of Sunderland City Council as at 31<sup>st</sup> March 2011 and its income and expenditure for the year then ended.

Mr M Page  
Executive Director of Commercial and Corporate Services

Dated: 30<sup>th</sup> June 2011

### **Audited Statement of Accounts 2010/2011 Certification on behalf of those charged with governance**

As Chairman of the Audit and Governance Committee held on 30<sup>th</sup> September 2011, I hereby acknowledge receipt of the audited Statement of Accounts for 2010/2011 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 30<sup>th</sup> September 2011 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: 30<sup>th</sup> September 2011

### **Audited Statement of Accounts 2010/2011 Certification by the Responsible Finance Officer**

As the Council's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2010/2011 in accordance with Regulation 8 (2) of the Accounts and Audit Regulations 2011.

Mr M Page  
Executive Director of Commercial and Corporate Services

Dated: 30<sup>th</sup> September 2011

## Foreword by the Executive Director of Commercial and Corporate Services

This Statement of Accounts shows, in the following pages, the Authority's final accounts for 2010/2011. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011 and the Local Government and Housing Act 1989.

It should be noted that this is the first year the Council's accounts will have been produced under the requirements of International Financial Reporting Standards. Full details of all of the changes introduced by compliance with the new reporting standards is fully explained and set out in Note 2 of the Statement of Accounts (Page 53).

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 Authority 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 authority, 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 authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority.

**5. Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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 2010/2011 to be met from Government Grants and local taxpayers was approved at £252.697m. 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 2010/2011. This represented a Council Tax increase of 1.29% over the 2009/2010 Band D Council Tax of £1,325.72. The Council again set the lowest Council Tax level in the whole of the North East region for 2010/2011 for the fourth consecutive year and 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. Again this reflects strong and robust financial management in 2010/2011 continuing the Council's strong track record in this regard.

The table on the next page summarises the financial position for the year 2010/2011 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 2010/2011 as compared to the actual position for 2010/2011.

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

### Financial position for the year 2010/2011 for General Fund Balances

	2010/2011 Original Estimate £'000	2010/2011 Revised Estimate £'000	2010/2011 Actual £'000	Restated 2009/2010 Actual £'000
Expenditure on Services*	280,776	272,748	263,696	254,454
Levies and Precepts	18,675	18,675	18,675	18,462
(Surplus) / Deficit from Trading Operations and Dividends	0	0	(112)	(637)
Transfers to / (from) Capital Reserves	0	0	(4,700)	(5,088)
Transfers to / (from) Revenue Reserves:				
PFI Smoothing Reserve	0	0	(317)	(349)
Insurance Reserve	0	0	(1,252)	(184)
Economic Development Reserve	0	0	(700)	0
Play Areas Reserve	0	0	(83)	(273)
WNF - Software City Reserve	0	0	0	2,600
WNF - Visible Workshop and Other Projects Reserve	0	0	0	3,600
House Sale Income Reserve	0	0	178	1,250
BTP Invest to Save	0	0	1,677	0
Modernisation Improvement	0	0	1,000	0
Utilities Reserve	0	0	1,043	0
Invest to save Commercial Opportunities	0	0	1,500	0
All Other revenue Reserves	0	0	10,481	464
<b>Total Net Expenditure</b>	<b>299,451</b>	<b>291,423</b>	<b>291,086</b>	<b>274,299</b>
Financed by:				
Revenue Support Grant and General Grants	59,488	56,309	55,904	58,303
National Non Domestic rates	137,496	137,496	137,496	125,643
Council Tax Collection Fund Receipts**	95,238	95,238	95,903	94,769
Council Tax Surplus	50	50	50	500
<b>Total Net Budget Requirement</b>	<b>292,272</b>	<b>289,093</b>	<b>289,353</b>	<b>279,215</b>
<b>Addition / (Use):</b>				
General Reserve (See Note 1)	(7,179)	(2,330)	(2,330)	3,195
Schools LMS Reserve (See Note 2)	0	0	597	1,721
<b>General Fund Balance brought forward:</b>				
General Reserve	14,749	14,749	14,749	11,554
School LMS Reserve	7,493	7,493	7,493	5,772
<b>General Fund Balance carried forward:</b>				
<b>General Reserve</b>	<b>7,570</b>	<b>12,419</b>	<b>12,419</b>	<b>14,749</b>
<b>School LMS Reserve</b>	<b>7,493</b>	<b>7,493</b>	<b>8,090</b>	<b>7,493</b>

\* 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 2010/2011.



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

### Note 1 – General Reserve

The above table shows a reduction in the general reserve balance of £2.330 million as forecast at the revised estimate stage and is after taking into account the creation of a limited number of reserves reported to Cabinet as part of the outturn report.

The movement in the general reserve balance takes account of the following additions to balances totalling £4.458 million:

- £1.873 million additional debt charge savings primarily as a result of re-profiling capital expenditure and debt restructuring activity in light of market conditions;
- Other net savings in contingencies and non delegated expenditure of £2.585 million;

and the following £4.458 million use of balances:

- approved transfer to the Strategic Investment Reserve of £1.958 million to support one off transitional costs arising from the implementation of budget savings proposals in 2011/2012;
- approved transfer to reserve of £1.0 million to support potential future winter maintenance pressures and continued uncertainties arising as a result of the economic downturn for 2011/2012;
- approved transfer to reserve of £1.5 million to support initial activities regarding potential commercial and economic development opportunities which will in turn lead to improved outcomes for the city and future revenue cost containment.

### 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 Statement of Movement in General Fund Balances. The movement in school balances during 2010/2011 amounted to a net return to balances of £0.597m (£1.721m net return to balances in 2009/2010), as a result reduced spending by schools and is reflected in the Statement of Accounts within the Income and Expenditure Account 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 2011/2012 and future years.

As a result, the balance of this reserve as at 31st March 2011 increased to £8.090m compared to £7.493m as at 31st March 2010. Further details are set out in Note 9 on Page 67.

## Capital Expenditure and Income

Capital Expenditure for the year totalled £90.048m, this is made up of Council expenditure of £86.845m and capital expenditure of £3.203m relating to externally funded schemes where the Council acts as the Accountable Body and must include this in its Statement of Accounts. Expenditure on fixed assets for 2010/2011 was £65.517m (Note 13, Page 71), whilst expenditure on intangible assets was £0.313m (Note 15, Page 75). The remainder of £24.218m represents grants, advances to other organisations for capital purposes, de-minimis expenditure transferred to revenue and expenditure on property not owned by the Authority.

The above total capital expenditure was financed by Supported Capital Expenditure Revenue, SCE(R), which enabled the Council to borrow £6.113m to finance capital expenditure, the balance was financed by Unsupported Borrowing of £7.398m, Capital Receipts of £0.896m, Government Grants of £34.587m, Other Grants and Contributions of £28.419m, Revenue Contributions of £4.973m and Use of Reserves of £7.662m.

## 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.

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

### **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 31<sup>st</sup> March 2010 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31<sup>st</sup> March 2011. The Council as such continues to comply fully with this Standard and the Accounting Policy on **Pages 38 to 40** and the Notes to 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 23d, Page 84**), as assessed by the Actuary, as at 31<sup>st</sup> March 2011, 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. The previous Government completed a review of the public sector pension arrangements and implemented changes in light of that review designed to modernise the arrangements whilst seeking to ensure that they are more affordable. The new Government more recently through the Hutton Review has indicated that it is to implement the recommendations from this Review and is currently in negotiations with the relevant public sector unions to agree measures to reduce the employer's costs of funding pensions for public sector workers and to make them more affordable. The Council is currently awaiting the final details of the proposed revised pension schemes.

### **Impact of the General Election May 2010**

In considering the budget for 2010/2011 and for future years one of the overarching issues was the impact of the General Election. All political parties had made it clear that there were going to be spending cuts to public sector funding as a result of the prevailing economic climate and the need to reduce the level of the national debt. Of key importance was the timing and phasing of these reductions.

The new Government implemented a series of in-year budget reductions to Government funding (both capital and revenue) in its Emergency June 2010 Budget which impacted on the Council's finances during the year and after the Council's budget had been fixed.

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

### Financial Planning and the Impact of Government Funding Reductions

The Emergency Budget announced in June 2010 resulted in a reduction in Government funding to the Council of £5.150m revenue and £5.106m capital funding. The cost containment actions taken during 2010/2011 resulted in additional savings of £6.396m in excess of the sum required to meet the impact of the Government funding reductions. These additional savings have been earmarked to meet specific transitional costs which are arising in 2011/2012 linked to the achievement of the 2011/12 budget reductions.

The Council budget for 2010/2011 however was set taking account of efficiency savings of £7.718m reflecting the Council's proactive approach to the government's efficiency requirements set out within the Comprehensive Spending Review 2007.

Subsequent to the setting of the 2010/2011 budget the Council implemented a rigorous and wide ranging set of cost containment measures in order to address both the impact of the June 2010 Emergency Budget and the anticipated significant funding reductions arising from the Comprehensive Spending Review 2010.

As anticipated, the Comprehensive Spending Review 2010 announced in October 2010 which was further detailed in the subsequent local government finance settlement for 2011/2012 resulted in significant reductions in funding to the Council. This combined with unavoidable cost pressures resulted in the budget for 2011/2012 being set taking account of reductions totalling £57.8m:

- £38.7m in respect of reductions in formula grant, and cost pressures. They have been addressed through business transformation savings, fundamental service reviews and other directorate savings proposals. This has continued our aggressive approach to reducing back office costs as much as possible, working more smartly and generating additional income while reviewing services to ensure resources are targeted to areas of highest need to protect front line services as much as possible.
- £19.1 million of specific grant reductions have been passported to the areas of relevant expenditure in accordance with the approach agreed as part of the Budget Planning Framework.

The identification of savings for the medium term will continue through a combined approach of:

- Specific efficiency savings arising from the Business Transformation Programme;
- Reviewing services to gain a comprehensive understanding of customer need and the most cost effective way of meeting that need through service reviews, including through modernising and improving services across the Council and the Sunderland Way of Working;
- Seeking opportunities through new financial models and more commercial approaches to Council business;
- Directorate cash limits being tightly drawn in order to drive the identification and reinvestment of efficiency savings.

The Council's Productivity and Efficiency Strategy 2011/2012 to 2014/2015 provides the framework for developing plans for future service delivery, ensuring that the main priorities are to support the most vulnerable residents in the city and enable economic regeneration to attract new businesses to invest in the city, despite the prevailing economic conditions. The strategy supports the aim of ensuring the most productive use of resources is maintained during this period of financial restraint.

### Future Grant settlements and the Council's Improvement Agenda

In light of the anticipated reductions in government funding (and which have been realised in the government's Spending Review 2010 and subsequent local government finance settlements for 2011/2012 and 2012/2013) the Council developed the Sunderland Way of Working in 2009. This new and more efficient operating model encompasses all of the improvement activity across the Council. Each element that makes up this initiative is described as follows:

- The **Business Transformation Programme (BTP)** is the main programme delivering the new business operating model whilst ensuring improvement in front line services. In doing so, the Council has in 2010/2011, achieved the following outcomes:

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

- New unified services have been put in place for Strategy Policy and Performance; Strategic Asset Management; Procurement, Risk and Audit; Legal and Democratic; Scrutiny and Area Arrangements; Transformation, Programmes and Projects; Strategic Finance; Strategic HR; Communications; and Transactional Services (HR, Finance and Administration) which has generated ongoing savings of over £9m.
- 7 council buildings have closed and locality bases have been established in existing buildings to bring services closer to the customer and produce savings. Smarter and more flexible practices have also been introduced. These measures have produced ongoing savings of £0.5m with a further £1.1m expected in 2011/2012.
- Restructuring of ICT has significantly reduced the size of the unit, saving £0.2m with further savings anticipated of £0.4m in the following year.
- Positive signs of staff engagement to the change process, as 83% of staff believed their manager is committed to the Council's change process
- Introduction of the category management approach to Procurement has saved £2.6m to date, with a further £3m forecast in 2011/2012.
- A range of service improvement and review activity that is estimated to generate £10m of savings in 2011/2012.
- The **Community Leadership Programme (CLP)** aims to accelerate the development and embedding of the 'One Council, One Sunderland' approach which is necessary to successfully deliver the Council's and customer's priorities. Successful implementation will impact not only upon actual quality of life within the City, but also upon customer satisfaction with the Council and its services. Through their community leadership roles at all levels of the Local Strategic Partnership (LSP) as champions of performance improvement, elected members will provide the key link to problem solving and 'getting things done'. It is designed to strengthen the community leadership capacity and approach within the City which is necessary to achieve the delivery of excellent services.
- 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 (launched in October 2010). 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, aspirational, entrepreneurial and inclusive. The Economic Regeneration Programme is directed by an Economic Leadership Board comprising representatives of private sector, public sector and social enterprises, the Programme oversees the development, resourcing and delivery of those projects identified to deliver benefits and outcomes of the Economic Master Plan and is overseen, within the council, by an Economic Regeneration Programme Board.

## Changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011

The Code of Practice on Local Authority Accounting in the UK 2010/2011 introduced some significant changes to the Statement of Accounts for 2010/2011. This is the **first** financial statements prepared using International Financial Reporting Standards (IFRS). The main changes are set out in Note 2 for information.

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

### Major Acquisitions, Capital Works and Disposals during 2010/2011

The Council spent £27.812m on the purchase of land and property during 2010/2011 and this was in respect of strategic land acquisitions that will be used to further redevelop the city centre area.

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 2010/2011, 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 2010/2011 £'000	Total Currently Estimated Gross Cost £'000	Physically Completed / In Progress as at 31 March 2011
St Roberts of Newminster BSF	4,684	15,825	Complete
Southern Radial Route	4,068	40,982	Complete
Sunderland Strategic Transport Corridor*	3,435	9,670	In Progress
Replacement Recycling Scheme	2,236	2,700	Complete
BSF ICT Contract	2,180	10,451	Complete

\* This project has received programme entry approval from the Department for Transport (DfT) but the Council is still awaiting conditional approval for the scheme. The costs above relate to initial site preparation work and design work should the Council receive full approval for the scheme to go ahead.

There was no major asset disposal resulting in a capital receipt in excess of £500,000. However, three schools did become academies as disclosed in note 6 on page 62. In these cases, the assets transferred from the Council to the academies without a capital receipt.

### Authority'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 3rd March 2010 detailed the 2010/2011 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 Authority is required to set borrowing limits for the following three financial years. The limits for 2010/2011 were as follows:

- Authorised Limit for External Debt for 2010/2011 of £415.548m.
- Operational Boundary for External Debt for 2010/2011 of £327.301m.

As part of the Authority'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 2010/2011.

The highest level of external debt incurred by the Council in respect of the above limits, during 2010/2011, was £272.016m for the period 22nd February 2011 to 27th February 2011.

### Economic downturn

The economic downturn has continued into 2010/2011 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 2010/2011 budget was set. The following factors that were taken into account included:

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

- 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 continuing reduction in the ability of the council to generate capital receipts from the sale of surplus assets as demand for development sites has remained fairly subdued in 2010/2011 (similar to the position in 2009/2010) where only very minor receipts of £0.684m being achieved in 2010/2011 (for 2009/2010 £0.949m). The reduced capacity to generate capital receipts continued to have a direct impact on the resources available for the Council's capital programme and this position is now expected to continue into 2011/2012.
- The impact of the economic downturn continues to affect the level of income from fees and charges for Council services.

The Council has acted positively in a number of ways to try and mitigate the impact of the economic downturn on both the businesses and people of Sunderland. A few of the many examples include: the Council has developed and issued a 10 point guide to businesses providing tips on how to beat the recession; the Council carried out a campaign to maximise take up of the small business rate relief scheme which has proved highly effective and which helps to reduce the costs faced by business; the council has also developed its information and access to benefits for those who have recently lost their jobs and is improving and increasing service provision to where it is most needed.

Finally, in preparing the final accounts for 2010/2011 consideration has been given to the ongoing potential impact of the downturn resulting in some limited earmarking of resources.

### 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 2010/2011 is included in detail within the Accounting policies, on [Pages 52 and 53](#) for information.

Actual interest rates in 2010/2011 did not increase to the levels anticipated as global and national economic growth remained low. This, alongside sovereign debt concerns in the Euro Zone led to a fall in gilt yields despite higher than anticipated levels of inflation. There remains a wide divergence of opinion on the timing of the start of increases in the Bank Rate and economic forecasts 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.

As part of the Government's Spending Review 2010 in October 2010 the PWLB was instructed to increase the interest rate on all new loans by an average of 1.00% above the Government's cost of borrowing. This unexpected increase across all PWLB rates has made borrowing from this source more expensive and also made debt rescheduling opportunities less likely.

The performance of the Council's Treasury Management function continues to contribute significant financial savings that are used to provide funding for future year's capital programmes and to help support the Council's revenue budget. New loans of £30.5m taken out in 2010/2011 at an average interest rate of 3.31% to fund the Council's capital programme and to replace borrowing repaid as part of previous debt restructuring exercises has led to an ongoing debt interest saving to the Council of £0.449 million per annum. The high rate of return achieved on investments in 2010/2011 of 1.50% has meant a further saving to the original 2010/2011 budget and helps to show how proactive Treasury Management can have significant positive effects on the Council's resources. This action was in line with the Councils' agreed Treasury Management Policy and Strategy for 2010/2011.



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

### **Single Status**

In 2005/2006 the Council introduced a new Pay and Grading Structure for all staff graded up to a maximum of spinal column point 17 in order to implement the first phase of the Single Status Agreement 1997 and Implementation Agreement 2004 which is applicable to all employees employed in accordance with the National Joint Council's Green Book terms and conditions. The implementation for the Authority's remaining staff graded spinal column point 18 to 49 (phase 2), continues to be progressed by the Council and the Council has included limited provision for the potential costs of the new scheme within its financial plans.

### **Equal Pay claims**

Both prior to and during 2010/2011, the Council has received a number of equal pay claims which are seeking financial redress in respect of periods when unequal pay is alleged to have been paid by the Council. Whilst a large number of claims have been settled, a large number of other claims remain outstanding where the legal advice is that offers of settlement should not be made. These claims will be defended and periodically reviewed to ensure the Council takes timely and appropriate action where necessary.

### **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 and this is one of the main reasons why it is possible to return provisions for insurance costs to Council balances in 2010/2011.

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.

### **Area Based Grant**

Area Based Grant was introduced in 2008/2009 which saw numerous specific grants transferred into the new Area Based Grant to provide Local Authorities with more flexibility in the use of this funding, as Councils were given the freedom to spend the grant as they saw fit, in order to support the delivery of local, regional and national priorities in their areas including the achievement of Local Area Agreement targets.

However as each of the grants that transferred into the Area Based Grant came with clear grant conditions and performance expectations, it was considered that in the majority of cases, the performance expectations remained and were consistent with the Sunderland Strategy and Local Area Agreement and other service based inspections. Accordingly, the Council initially 'passported' Area Based Grants to their host Portfolio / Directorate for 2009/2010 and a review was undertaken during 2009/2010 to ensure value for money and the appropriateness of the expenditure in light of changes in priority and performance targets. This review identified efficiency savings of £1.041m which was taken into account when balancing the 2010/2011 budget.

The Council's allocation for Area Based Grant for 2010/2011 was originally £39.9 million however as part of the Coalition government's Emergency Budget in June 2010 this was reduced to £35.9 million which can then be compared to the equivalent grant total for 2009/2010 of £40.2 million. The main reasons for the net reduction of £4.3m million between the years was Working Neighbourhoods Fund (WNF) Grant £1.4m, a number of Education related grants £2.8m and a net overall reduction in the remaining Area Based Grant of £0.1 million.

This more flexible form of grant funding was welcomed by the Council as it continued to help with re-directing resources into its service priority areas in order to improve the key services provided to the people of Sunderland. In 2011/2012 this grant has ended with some elements of the grant allocation most notably WNF worth £9.9 million and a raft of Education related grants totalling £4.5 million were ended altogether. Some elements of the grant have been reduced and then transferred into Formula Grant and some were used to help fund other government core grants in 2011/2012.

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

The Area Based Grant is fully accounted for within the accounts of the Authority in accordance with government guidelines and forms part of **Note 35 on page 99**.

### **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 (Sunderland, Gateshead and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste. The Partnership has been awarded £73.5m of PFI Credits by the Department for Environment, Food and Rural Affairs (Defra). The Partnership, led by Gateshead Council, entered into a contract on 20<sup>th</sup> April 2011 with a consortium led by Sita Uk Ltd. The waste treatment facility is anticipated to become operational in April 2014 following which there will be an operating period of twenty five years.

### **Further Information**

This publication provides a review of the financial performance of the Council for 2010/2011. A summary set of accounts, is also available on the Council's website at <http://www.sunderland.gov.uk/index.aspx?articleid=652>

Malcolm Page CPFA  
Executive Director of Commercial and Corporate Services  
30<sup>th</sup> September 2011



## **Statement of Responsibilities for the Statement of Accounts**

### **The Authority's Responsibilities**

The Authority is required:

1. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, 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 Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 ("the Code"), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

### **Authorised for Issue Date**

The accounts are authorised for issue on 30<sup>th</sup> September 2011.

**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  
Executive Director of Commercial and Corporate Services**

**30<sup>th</sup> September 2011**

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

### **Opinion on the Authority accounting statements**

I have audited the accounting statements of Sunderland City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 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 Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Sunderland City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

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

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

### **Authority's responsibilities**

The Authority 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.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority 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 me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

### **Certificate**

I certify that I have completed the audit of the accounts of Sunderland City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed .....

Date.....

Steve Nicklin

**District Auditor**  
Nickalls House  
The Metrocentre  
Gateshead  
Tyne and Wear  
NE11 9NH

# Annual Governance Statement

## SCOPE OF RESPONSIBILITY

Sunderland City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance which is consistent with the principles of the SOLACE/CIPFA Framework, Delivering Good Governance in Local Government. The Code is on the Council's website or can be obtained from the Executive Director of Commercial and Corporate Services.

This Statement explains how the Council has complied with the SOLACE/CIPFA Framework and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its 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, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2011 and up to the date of approval of the Statement of Accounts.

## THE GOVERNANCE FRAMEWORK

**There is a clear vision of the authority's purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders:**

- 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."*

Delivery of the Vision is underpinned by the following Strategic Priorities:

- Prosperous City;
  - Healthy City;
  - Safe City;
  - Learning City;
  - Attractive and Inclusive City
- Underpinning the Sunderland Strategy are a comprehensive needs analysis, Sunderland Strategy Delivery Plans and a set of local area plans. The Delivery Plans which have lifespans of three years, identify the short term detailed and focused targets which will help to achieve the longer term key objectives set out in the Sunderland Strategy.
  - The Revenue Budget for 2010/11 and Capital Programme for 2009/2010 to 2013/14 incorporate corporate improvement priority actions.
  - To demonstrate the council's commitment to the continuous improvement of service delivery and the use of resources, Corporate Improvement Objectives (CIOs) have been defined:  
CIO1 Customer focused services  
CIO2 One Council  
CIO3 Efficient and effective council  
CIO4 Improving partnership working

The Strategic Priorities set out in the Sunderland Strategy and CIOs have been combined to create the council's Corporate Improvement Priorities, to provide an increased focus on improvement activity and to reflect the fact that internal and external improvement activities are inter-related with each resulting from, contributing to and dependant upon the other.

- Communication of objectives to staff and stakeholders takes place through wide distribution of the Revenue Budget for 2010/11 and Capital Programme for 2009/2010 to 2013/14, including on the Council's website and intranet. The Council also issues an Annual Report setting out the Council's priorities, how the Council spent money on achieving these during the last financial year, and how successful the Council has been.

**Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements:**

- Through reviews by the Audit Commission and other external inspectorates the Council constantly seeks ways of securing continuous improvement. The Council has professional and objective relationships with these external inspectorates.
- There are annual reviews of the local Sunderland Code of Corporate Governance to ensure that it is up to date and effective.

**Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources:**

- There are clear and effective performance management arrangements including staff appraisals for Directors and key staff, which address financial responsibilities.
- There is regular reporting of performance against key targets and priorities to the Council's Executive Management Team, Cabinet and Scrutiny Committees.
- Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

**The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:**

- A Constitution has been adopted which sets out how the Council operates and how decisions are made, and incorporates a clear delegation scheme. The Constitution indicates responsibilities for functions and sets out how decisions are made.
- A system of scrutiny is in place which allows Scrutiny Committees 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.
- Directorates have established delegation schemes, although these will require updating in some areas to reflect recent and ongoing organisational changes.

**Codes of Conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:**

- The following are in place:
  - Members' Codes of Conduct;
  - Employees' Code of Conduct;
  - Protocol on Member/Employee Relations;
  - Protocol for Members in Relation to Development Control Matters;
  - Whistleblowing Policy;
  - Protocol for the use of Civic Cars;
  - Protocol for Members in Relation to Licensing Matters;
  - Protocol for Members and Voting Co-opted Members – Use of Council Resources and Equipment;
  - Guidance for Members in Relation to the Use of Council ICT Facilities;
  - Protocol for Use of Member Website;
  - Data Protection: Guidance for Councillors;
  - Remote Intranet/Internet Access for Members;
  - Protocol in Relation to Members' Dealings with the Council;
  - Registers of Interests, Gifts and Hospitality;
  - Council Publicity Protocol.

**Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:**

- The Executive Director of Commercial and Corporate Services is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 and is responsible for ensuring lawfulness and financial prudence of decision making, and for the proper administration of the Council's financial affairs.
- The Head of Law and Governance is the Council's Monitoring Officer who has maintained an up to date version of the Constitution and has endeavoured to ensure lawfulness and fairness of decision making.
- The Council has in place up to date Procurement Procedure Rules and Financial Procedure Rules, which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
  - Whistle Blowing Policy;
  - Anti Fraud and Corruption Policy;
  - Codes of Conduct;
  - Corporate Health and Safety Policy;
  - Corporate Complaints Policy;
  - Corporate Procurement Strategy;
  - Procurement Codes of Practice;
  - Code of Practice for Partnerships;
  - Treasury Management Strategy;
  - Directorate / department budget management schemes.
- There are robust and well embedded risk management processes in place, including;
  - Member Risk Champion;
  - Risk Management Policy and Strategy;
  - Nominated Head of Service lead for Risk Management;
  - Corporate Risk Profile;
  - Corporate Risk and Governance Group;
  - Risk Profiles for major projects and significant partnerships;
  - Risk Management Intranet site;
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- Business Continuity Plans are in place, which are subject to ongoing review and development.
- There are clearly defined capital expenditure guidelines in place.
- Appropriate project management disciplines are utilised.
- The Council participates in the National Fraud Initiative.
- The Council has adopted and implemented the requirements of the Department for Work and Pensions Security Manual for the administration of Council Tax and Housing Benefit.
- 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.



**The authority's financial management arrangements conform with 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 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;

**The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.**

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; and
- make recommendations to Cabinet or Council as appropriate.

**Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All Cabinet Reports are considered for legal issues before submission to members:**

- 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.
- The Council maintains an internal audit service. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards.

**Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:**

- The Council is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Council, a Councillor, or any member of the public, has concerns regarding the conduct of any aspect of the Council's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- The framework in place to ensure the aims of this Policy are met are set out in two 'Whistle Blowing Policy Arrangements' documents, one for Council workers and one for members of the public.
- 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.

**Arrangements exist for identifying 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 has a HR Strategy that identifies that the need to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices 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 ongoing evaluation and includes the extent to which an employee understands and supports the values of the Council.

**Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

- The Council has a Community Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Council and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The strategy is complemented by the Hard to Reach Framework which outlines the council's approach to consulting with minority and vulnerable sectors of society.

**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 officers to review existing arrangements.

- A Register of Partnerships is maintained. The significance of partnerships is measured using the Partnerships Significance Assessment Scorecard recommended by CIPFA.

## **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 informed by feedback from Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The role of the Council:
  - Members have participated in the annual review of the Council's Corporate Governance arrangements;
  - 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.
- The role of the executive:
  - The findings of the Annual Governance Review have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.
- The role of the Audit and Governance Committee:
  - The findings of the Annual Governance Review have been reported to the Audit and Governance Committee. Under their Terms of Reference the Audit and Governance Committee have satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny which allows Review Committees to:
  - review decisions made or actions taken in connection with the discharge of any of the Council's functions;
  - make reports and recommendations to the full Council, the executive, 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.

- The role of the Council's Standards Committee includes the following:
  - promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent governor representatives;
  - monitoring the operation of the Members' Code of Conduct;
  - monitoring the operation of the Council's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Council;
  - considering reports and complaints relating to the conduct of Members of the Council;
  - supporting the Monitoring Officer in his role.
- The Executive Director of Commercial and Corporate Services has directed, co-ordinated and overseen the review.
- All Heads of Service have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility.
- All Chief Officers have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments from their Heads of Service.
- Controls Assurance Statements have also been provided by senior officers responsible for relevant specialist areas.
- Internal audit planning processes include consultation with all Chief Officers, reviews of the Corporate Improvement Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of service objectives. Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The Audit Commission have 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.
- In the Audit Commission's Annual Audit Letter for 2009/2010 the District Auditor issued an unqualified conclusion stating that the council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. The District Auditor also reported that the council continues to demonstrate well established and effective processes for good governance and internal control
- Findings of external inspectorates are collated / monitored by the Performance Improvement Team.

Cabinet and the Audit and Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an improvement plan has been agreed for the continuous improvement of the Council's corporate governance and internal control arrangements.

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 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 30<sup>th</sup> September 2011