

ST&CC Annual Audit and Inspection Letter

February 2007



Annual Audit and Inspection Letter

Sunderland City Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Our overall summary	4
Key messages	4
Action needed by the Council	4
How is Sunderland City Council performing?	6
Improvement since last year - our Direction of Travel report	7
Service inspections and Corporate Assessment	10
Financial management and value for money	12
Conclusion	16
Looking ahead	16
Closing remarks	16
Availability of this letter	16
Appendix 1 – Reports and other outputs 2006	17

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from our 2005/06 audit work and our wider analysis of the Council's performance and improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is intended to be available as a public document for stakeholders and local people. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk.

Key messages

- 3 Sunderland has maintained its four-star rating and has been assessed as 'improving well'. Public satisfaction levels are good and the Council has delivered improvements in a number of key areas, most notably crime reduction and access to services. Working with partners, it has made a significant contribution to wider community outcomes as part of the Sunderland Strategy, particularly on health, employment and training.
- 4 Sunderland is also performing strongly in its arrangements for use of resources. Its level 4 score is the highest rating attainable and achieved by less than 10 per cent of single tier and county councils nationally. The Council is well placed financially and during 2006 delivered efficiency targets in excess of £10 million, significantly higher than government requirements. We have also identified notable practice in terms of:
 - the comprehensive nature of the medium-term financial strategy; and
 - governance arrangements for partnerships and risk management.
- 5 The Council now has 42 per cent of performance indicators which are within the level of the best performing authorities, and this level is well above average. The Council has improved 59 per cent of its key performance indicators but there are services where some performance indicators have deteriorated or are still amongst the worst nationally. Two key issues remain:
 - the length of time taken to processing major planning applications; and
 - progress on regenerating key strategic sites within the city, in partnership with Sunderland ARC, has taken longer than anticipated.

Action needed by the Council

- 6 Our work has also covered a number of more specific issues, as summarised in the letter below and set out in Appendix 1. Detailed reports and action plans have been discussed and agreed with officers throughout the year.

7 Our key messages are as follows.

- The Council needs to ensure that all improvement targets are both challenging and achievable, with clear milestones set and reviewed at interim points throughout the year.
- Improvements have been made in quality assurance arrangements for checking non-financial performance information. The Council should build on this by ensuring that all data collection systems are fit for purpose.
- Scope exists to develop the role of the scrutiny function so that it provides effective but constructive challenge more consistently, and maximises members' contribution to performance review and service improvement.
- Following the appointment of a new Director of Children's Services in 2006, Sunderland has made good progress in taking forward the national change agenda for children and young people. Now that new structures are in place, the Council and the Children's Trust should work together to agree clear protocols on decision making and accountability, then use this as a solid base to implement joint commissioning and a common assessment framework.
- The quality of new corporate procurement processes have been recognised both regionally and nationally, and the Council is developing more innovative approaches to partnering and procurement. Officers have recognised the need to continue progress in this area, for example by using procurement "champions" in each department, and by developing procurement's role in the corporate Value for Money framework.

8 Looking forward, a key challenge for the Council will be to successfully manage and deliver two strategically significant projects, namely:

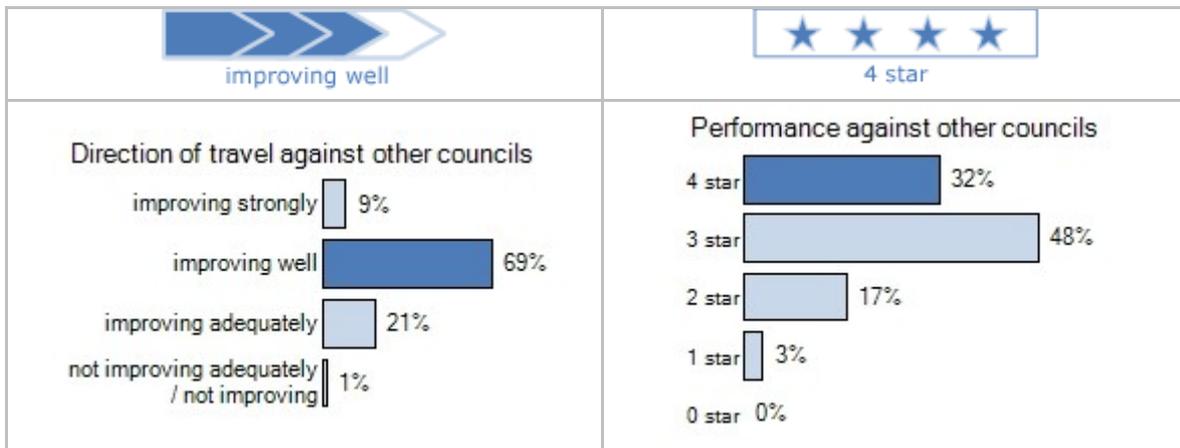
- Building Schools for the Future; and
- ICT improvements, as part of the Corporate Improvement Programme.

We shall continue to track progress on these as the year progresses, to ensure that significant risks are being identified and managed.

How is Sunderland City Council performing?

- 9 The Audit Commission’s overall judgement is that Sunderland City Council is improving well, and we have classified the Council as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Table 1



Source: Audit Commission

- 10 The detailed assessment for Sunderland City Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
Current performance	
Children and young people	3 out of 4
Social care (adults)	3 out of 4
Use of resources	4 out of 4
Housing	4 out of 4
Environment	2 out of 4
Culture	3 out of 4

Element	Assessment
Benefits	4 out of 4
Corporate assessment/capacity to improve, as included in CPA judgement 2006	4 out of 4

(Note: 1 = lowest, 4 = highest)

The Council is improving services in its priority areas. It has delivered improvements in educational attainment at key stages 3 and 4. The number of teenage pregnancies has reduced and access to health services has improved through the introduction of wellness clinics. Crime levels have fallen, including fewer domestic burglaries, less robberies and stolen cars, but fear of crime remains a priority. The Council has made substantial progress in improving the economy and in processing planning applications. Access and quality of services to its diverse communities have improved through a network of customer service centres. Housing services have improved and independence amongst older people is being promoted through direct payments. Council tax remains one of the lowest levels in the country. Overall satisfaction with the Council remains above average. Recycling targets have been met but levels of waste remain high.

The Council improved its capacity to deliver its priorities, through attracting external funding and developing successful partnerships. Progress has been made in reducing sickness absence. Financial management arrangements have improved and are strong.

Improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 11 The Council has made some significant improvements in priority services since our 2005 assessment. Aspects of the planning, environment and housing services have improved, there is less recorded crime and services are more accessible to customers, particularly for black and ethnic minority communities and for children and young people.
- 12 The Council has improved 59 per cent of its key performance indicators, compared to 61 per cent during 2004/05. The Council now has 42 per cent of performance indicators within the level of the best 25 per cent performing authorities, significantly more than the single tier average of 28 per cent. However, there are services where some performance indicators have deteriorated or are still amongst the worst nationally.

8 Annual Audit and Inspection Letter | How is Sunderland City Council performing?

- 13 A recent external review (by IDeA) praised the Council for improving key service areas that are important to local communities such as parks, supporting people and street lighting. Although the Council remains a Planning Standards Authority as at 1 March 2007, an improvement plan has been implemented and performance is much improved for minor and other planning applications. Other inspectorates have rated services well. For example, the Commission for Social Care Inspection (CSCI) rated the provision of both social care for adults, and for children and young people, as three stars with excellent capacity for improvement. The Benefit Fraud Inspectorate (BFI) rates the Council's benefit service as four-star, the highest rating attainable, noting in particular a successful campaign to increase benefit take up.
- 14 The Council's improvements are linked to the Sunderland Strategy priorities, particularly in creating a prosperous city, improving health and social care, extending cultural opportunities and improving the quality, choice and range of housing. There are high public satisfaction levels across a range of services. Progress against Local Area Agreement stretch targets is mixed, but the Council knows where performance has not been as good as expected and has plans in place to address these.
- 15 The Council is a major contributor to crime reduction. Crime has fallen overall by 25 per cent, most crime measures are improving and most are above average. As in many urban areas, fear of crime remains an issue despite the actual fall in crime.
- 16 The Council has made services more accessible through the council website, local street kiosks, digital TV, and text messaging. These are supported by extensive community consultation and engagement. Consultation on the 2005/06 budget led to more spending on community safety such as police community support officers to provide a visible presence on the streets to support tackling anti social behaviour which local people said was a priority. Housing residents in renewal areas are involved in budgeting decisions up to £50,000. CSCI has highlighted many examples of the Council improving access to services for previously hard to reach groups particularly relating to looked after children, teenage pregnancies, smoking cessation among young mothers and educational attainment.
- 17 Specific lifestyle programmes have been established for vulnerable groups where £2.69 million funding has been secured. The Council also helped 865 people to access employment support that resulted in a job and 260 young people benefited from training opportunities.

- 18 The Council is not a high cost authority with the lowest council tax in Tyne and Wear and the ninth lowest of all Metropolitan Authorities. It has reduced costs substantially and high service costs are generally linked to local priorities. The Council's strategic framework for driving improvement in services including addressing high cost/poorly performing services and value for money is strong and developing. The Council knows that some actions need to be fully embedded during 2006/07. The Council has set its targets for efficiency savings higher than levels required by the government. It is performing well against this target with more than £10 million savings achieved in 2005/06 and it has made good use of external funding to deliver local priorities.
- 19 Procurement has improved since last year, with examples on innovative procurement and partnering arrangements. E-tendering has been rolled out across the Council and plans are in place to introduce an e-market place and a corporate purchasing card scheme. Officers recognise the need to continue progress in this area, for example by using procurement "champions" in each department, and by developing procurement's role in the corporate Value for Money framework.
- 20 How much progress is being made to implement improvement plans to sustain future improvement?**
- 21 The Council's Corporate Improvement plan (CIP) takes its priorities from the Sunderland Strategy. The strategy and the CIP, linked to new Local Public Service Agreement and Local Area Agreement targets, set robust plans for improvement. However, monitoring of action plans and targets can be improved. 41 per cent of key indicators did not improve. The Council has a robust performance framework which enables it to divert cost savings into priority services. Improvement planning is being well implemented as the Council prepares for the next round of CPA. The CPA road map recognises weaknesses and seeks to address them.
- 22 The Council has worked hard to increase its capacity to deliver its plans. It has financial reserves available to fund strategic priorities, and has increased resources in poorly performing areas. It has also shifted delivery of social care for adults to support more people to live at home. The Council has set challenging targets to reduce expenditure over and above its savings targets, to be able to redirect resources to its priorities.
- 23 The Council is making good use of partners to ensure it has sufficient capacity to deliver its objectives, particularly health and police. It has also been successful in attracting large amounts of external funding and support. For example the Council secured £8 million as part of the Tyne and Wear development of Rainton Bridge Business Park. This is expected to create 4,000 new jobs including 2,500 jobs from Northern Rock.

- 24 The IDeA review was positive about the level of resources available to the Council to meet its priorities commenting that the Council's reputation of good financial management is based on a long track record. This is confirmed by the use of resource judgment which scored financial standing as a 4 overall, the top score. Risk management processes are well embedded and have won national recognition. The Council has also made significant improvements in governance arrangements at both member level and in its partnerships. Internal control is sound and was scored at level 4 in the recent use of resources assessment, with some notable practice being identified.

Service inspections and Corporate Assessment

- 25 Because Sunderland is assessed as a 'four-star' Council, we are not expected to carry out service inspections or significant additional performance work. However, an important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who review and report on the Council's performance.
- 26 Relationship Managers share information and seek to provide 'joined up' regulation to the Council, and assessments received during the year from other regulators such as OFSTED, CSCI, and BFI have been reflected in the scorecard and Direction of Travel assessments shown above.
- 27 Corporate Assessment is part of the Audit Commission's CPA framework. The methodology was revised in 2005 as part of '*CPA: the harder test*' and now combines the corporate assessment with a Joint Area Review (CA/JAR) which includes an inspection of children's services for children and young people. The CA/JAR focuses on the importance of having sound corporate arrangements to drive good services, and provides a framework to assess councils against five themes arranged under three headline questions.

What is the council, together with its partners, trying to achieve?		
	Theme 1	Ambition for the community
	Theme 2	Prioritisation
What is the capacity of the council, including its work with partners, to deliver what it is trying to achieve?		
	Theme 3	Capacity
	Theme 4	Performance management
What has been achieved?		
	Theme 5	Achievement <ul style="list-style-type: none"> - sustainable communities and transport - safer and stronger communities - healthier communities - older people - children and young people

- 28 The site visit for Sunderland Council's CA/JAR was in January 2007 the final report will be published in May 2007.

Financial management and value for money

- 29 As appointed auditors, we have reported separately to the Council's Audit and Governance Committee on the issues arising from our 2005/06 work. Key messages and conclusions are summarised below.

Accounts

- 30 We issued an unqualified opinion on the annual accounts and value for money arrangements on 29 September 2006. The Council produced good quality financial statements and working papers, and we did not identify any significant weaknesses in systems of accounting and financial control. Similarly, our work in relation to the value for money conclusion did not identify any significant issues to bring to members' attention.

Performance Information

- 31 We are required, as external auditors, to undertake an audit of data quality arrangements and the published Best Value Performance Plan (BVPP). Last year's letter highlighted weaknesses in the accuracy of non-financial performance information. We held a workshop with Council staff in May 2006 which has helped to focus attention on this area and on the importance of robust arrangements for target setting. Improvements were subsequently made in the quality assurance arrangements for BVPIs and we issued an unqualified report on the BVPP in September 2006. To embed and sustain improvements in data quality, the Council has agreed to:
- ensure that all data collection systems are fit for purpose; and
 - develop a corporate data quality policy, to support clearer 'signposting' of existing, more detailed, protocols and guidance.
- 32 During 2005/06 the Council reviewed its target setting processes. It recognises that all targets need to continue to be kept under review, to ensure they are both challenging and achievable, with clear milestones set and reviewed at interim points throughout the year

Member scrutiny

- 33 Constructive Member scrutiny has a key role to play in service improvement and performance monitoring. During the workshop we ran in November 2006, members agreed on the following areas for development and produced an action plan to ensure that these are implemented in the future:
- more public involvement in, and awareness of, review committee work;
 - more focussed agendas with shorter, clearer reports;

- more detailed reviews in key areas; and
 - more consistency and better documentation of action points agreed at meetings.
- 34 Introducing these developments will help to improve the effectiveness of scrutiny and we shall be following up the Council's progress as part of next year's work.

Responding to the Civil Contingencies Act

- 35 The Civil Contingencies Act 2004 (the Act) aims to deliver a single framework for civil protection in the United Kingdom capable of meeting the challenges of the twenty-first century. Although national preparations are needed, the Act also places greater emphasis on local preparedness including the role of police, fire, local authorities and health bodies and government agencies. Most of the duties under the Act came into force from November 2005.
- 36 We carried out a cross-cutting strategic overview of arrangements within Tyne and Wear, with an initial focus on the preparedness of local authorities, police and fire. We concluded that these agencies have built on longstanding local emergency planning arrangements, experience and co-operation, enabling a relatively smooth transition to the new arrangements. However, this is a challenging agenda as the Act has wide ranging implications and much work still needs to be completed.
- 37 We made a number of recommendations to the partners involved in our review, around the areas of co-operation, information sharing, risk assessment, performance management, emergency planning, business continuity and communications. One key area was that the role of members in relation to civil contingencies should be further developed through more regular briefings, awareness raising, and the delivery of appropriate training. An action plan is now in place to respond to our recommendations.

Other performance reviews

- 38 We have undertaken other audit work throughout the year based upon our detailed assessment of risk. Findings have been discussed and agreed with officers and where necessary, action plans drawn up to implement recommended improvements. Key issues arising are set out below.

Table 3

Audit risk identified	Findings and conclusions
Ensuring Good Governance	<p>The Council actively promotes the ethical agenda. All of the expected arrangements are in place and extensive training has been provided on how to apply them. For example:</p> <ul style="list-style-type: none"> • codes of conduct for both staff and members are up to date and well understood; • the Standards Committee is proactive in its role; • confidential arrangements are in place for staff to raise concerns; • allegations of fraud and impropriety are thoroughly investigated; and • policies are in place to safeguard against inappropriate behaviour or misuse of Council assets and resources.
Children's Services	<p>Following the appointment of a new Director of Children's Services in 2006, Sunderland has made good progress in taking forward the national change agenda for children and young people. Both within the Children's Trust and at the City Council, new structures are in place based on <i>'Every Child Matters'</i> priorities. Our key recommendations have been identified and agreed as follows.</p> <ul style="list-style-type: none"> • Develop governance and partnership arrangements, with clear protocols on decision making and accountability. • Implement joint commissioning and a common assessment framework.
Procurement	<p>Sunderland has made substantial progress in developing its new procurement strategy and is starting to display more innovative approaches to procurement. E-tendering has been rolled out across the Council and plans are in place to introduce an e-market place and a corporate purchasing card scheme. Officers recognise the need to continue progress in this area, for example by using procurement "champions" in each department, and by developing procurement's role in the corporate Value for Money framework</p>

Use of Resources assessment

39 The findings of the auditor are an important component of the CPA framework described earlier. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting - including the preparation of the accounts of the Council and the way these are presented to the public.
 - Financial management - how financial management is integrated with strategy to support Council priorities.
 - Financial standing - the strength of the Council's financial position.
 - Internal control - how effectively the Council maintains proper stewardship and control of its finances.
 - Value for money - an assessment of how well the Council balances the costs and quality of its services.
- 40 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 4

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	4 out of 4
Internal control	4 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	4 out of 4

(Note: 1 = lowest, 4 = highest)

- 41 The Council has been assessed as performing strongly (level 4). This is the highest rating attainable and achieved by less than 10 per cent of single tier and county councils nationally. Improvements have been made since last year across all five categories but particularly with respect to financial standing and internal control.
- 42 Sunderland is not, in overall terms, a high cost authority and specific areas of higher spend are linked to corporate priorities. It is well placed financially and has a good track record of delivering spend within budget each year. Steps have been taken to improve corporate procurement processes and efficiency savings in excess of £10 million were achieved this year.
- 43 Notable practice was displayed in the following areas, which have been shared with others:
- the comprehensive nature of the medium term financial plan;
 - governance arrangements for partnerships;
 - risk management; and
 - member engagement in financial processes.

Conclusion

Looking ahead

- 44 We have previously agreed an outline audit plan and fee for 2006/07. This will be reviewed in the coming weeks following discussions with officers and review of documents to update our assessment of key risks. We will also be developing our outline plan and fee for 2007/08, and would welcome contributions and suggestions from members.
- 45 In addition to mandatory testing on financial statements and use of resources, we anticipate that the focus of our work during 2007 will be on three main issues, namely:
- cross cutting work on regeneration and health inequalities;
 - Building Schools for the Future; and
 - ICT developments, including new financial systems for revenues, benefits and payroll.
- 46 Sunderland should also receive its updated CA/JAR report during May 2007, and we will work with the Council to ensure that any areas identified as having scope for improvement are promptly addressed.

Closing remarks

- 47 This letter has been discussed and agreed with officers. A copy of the letter will be presented to the Council's Audit and Governance Committee, and to Cabinet, in March 2007.
- 48 The Council has taken a positive and constructive approach to our audit and inspection. I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 49 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Lynne Snowball
District Auditor and Relationship Manager

Appendix 1 – Reports and other outputs 2006

Work area and outputs	Date
2006/07 audit plan (includes 2005/06 planning refresh)	May 2006
Civil Contingencies (report)	July 2006
Your Business@Risk - IT survey and report	August 2006
Workshop on data quality and target setting	May 2006
Data quality audit and compliance work on best value performance plan (report and certificate)	July to September 2006
Audit opinion and certificate on 2005/06 accounts	September 2006
Annual report to those charged with governance	September 2006
Review of children's services (report)	October 2006
Ethical Governance - presentation and summary report	October 2006
Role of Scrutiny (workshop and summary report)	November 2006
Use of Resources assessment	December 2006
Direction of Travel assessment	January 2007
Procurement (report)	February 2007
Annual audit and inspection letter 2006	March 2007