

1 October 2012

Members
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— Dear Member

Sunderland City Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Sunderland City Council.

Financial statements

On 28 September 2012 I presented my Annual Governance Report (AGR) to the Audit and Governance Committee outlining the findings of my audit of the 2011/12 financial statements. I will not replicate those findings in this letter.

Following the Audit and Governance Committee on 28 September 2012 I:

- issued an unqualified opinion on the Council's 2011/12 financial statements included in the Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources;
- concluded that there are no matters arising from my value for money work that I need to report; and
- certified completion of the audit.

Value for money

I have concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Council has successfully met one of the most significant financial challenges that it has ever faced. The 2011/12 budget reflected a £58m cut in central Government funding and other cost pressures compared with the previous year. The outturn for 2011/12 achieved the savings required to balance the budget and also enabled further additions to

reserves. However, further cuts of £28m were required in the 2012/13 budget and more financial pressures are likely to arise in future years.

The Council continues to look for ways of improving service delivery and outcomes with less money at its disposal. Further service reviews are taking place and the Council is exploring alternative options for service delivery.

I have summarised my findings in the Appendix to this letter.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Executive Director of Commercial and Corporate Services. This has been another challenging year for the Council and I wish to thank your officers for the positive and constructive approach they have taken to my audit. Also, as this is the last audit carried out by the Audit Commission's Audit Practice, I would like to take the opportunity to thank senior management and Members for their support and co-operation during this year's audit and also over the many years previously.

Yours sincerely

Steve Nicklin
District Auditor

Appendix - Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

On 28 September 2012, I issued an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Table 1 Value for money conclusion criteria and my findings

Criteria	Risks	Findings and conclusions
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<ul style="list-style-type: none"> • Delivery of the improvements through the Sunderland Way of Working and Corporate Transformation Programmes. • Close monitoring of the budget position to ensure the delivery of actual savings and efficiencies, given the tight financial settlement, particularly the SWITCH process. 	<p>Sunderland City Council has proper arrangements in place to secure financial resilience.</p> <p>The Council has successfully delivered one of the most significant financial challenges that it has ever faced. The 2011/12 budget included a £58m cut in central Government funding and other cost pressures. The outturn for 2011/12 delivered the savings required to balance the budget and also enabled further resources to be added to reserves in recognition of the very challenging financial context the Authority is facing.</p> <p>The budget was closely monitored during the year to ensure that savings and efficiencies were delivered effectively.</p> <p>The Council has managed to make its savings to date without the need for redundancies and has made a commitment to try to avoid mass redundancies. This approach has been successful so far, although the Council recognises that it needs to monitor its SWITCH (Staff Working in Transition and Change) programme very closely.</p> <p>Further cuts of £28m are required in 2012/13 and more are expected in future financial settlements. In addition, Government reforms, such as those in relation to business rates and the localisation of council tax benefits and potential financial pressures arising from equal pay cases are likely to add to the demands on the Council's resources in the years ahead.</p>

Criteria	Risks	Findings and conclusions
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<ul style="list-style-type: none"> • Maintenance of good governance during a period of major change – evidence of the maintenance and/or improvement of service delivery, despite the difficult financial position. • Review of any further measures to make savings required in future years. • The exploration of alternative models for service delivery. 	<p>Sunderland City Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>The savings delivered in 2011/12 included service efficiencies and new ways of working. Further service reviews are in hand and the Council is exploring alternative, more cost effective options for service delivery.</p> <p>The Council continues to identify ways of improving service delivery and outcomes with less resources. This includes considering new and different service delivery models and proposals for a Local Asset Backed Vehicle (LABV) to promote and accelerate economic regeneration.</p> <p>The Council recognises the risks of change, and has introduced a new integrated framework for governance, risk management and corporate assurance, including Internal Audit.</p> <p>The Council is making changes to its Executive and Committee arrangements to help it better meet the future challenges it faces. It continues to develop and enhance its arrangements for monitoring performance to ensure that cost reductions and new ways of working lead to improvement and do not impact adversely on overall service quality and outcomes.</p> <p>We followed up our previous work in relation to natural resources, and found that progress has been slower than anticipated and there remains scope for improvement.</p>

