

AUDIT COMMITTEE

Venue: Town Hall, Moorgate
Street, Rotherham. S60
2TH

Date: Wednesday, 24 April 2013

Time: 4.00 p.m.

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.
2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.
3. Declarations of Interest.
4. Minutes of the previous meeting held on 20th March, 2013 (herewith) (Pages 1 - 3)
5. KPMG Interim Audit (report herewith) (Pages 4 - 7)
6. Internal Audit Plan (report herewith) (Pages 8 - 21)
7. Audit Committee Annual Report 2012/13 (herewith) (Pages 22 - 36)
8. Housing Rents (report herewith) (Pages 37 - 41)

**AUDIT COMMITTEE
20th March, 2013**

Present:- Councillor Kaye (in the Chair); Councillors Gilding and Sims.

Apologies for absence were received from Councillor Sangster.

P44. MINUTES OF THE PREVIOUS MEETING HELD ON 13TH FEBRUARY, 2013

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 13th February, 2013.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

P45. AUDIT AND INSPECTION RECOMMENDATIONS UPDATE REPORT

Consideration was given to a report presented by Deborah Johnson, Performance and Improvement Officer, which summarised the progress against recommendations from across all key external audits and inspections of Council services.

The report also provided a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (September 2012). A summary of these were set out in detail, but it was noted that:-

- Since the last report there had been one new inspection resulting in five new recommendations.
- There were currently five action plans relating to Inspection and Audit recommendations which were still “active” in the authority (i.e. contained outstanding recommendations which were still relevant).
- Across these action plans twenty-one recommendations have been completed and twenty-one remained outstanding.

It was noted that the monitoring of Audit and Inspection recommendations provided evidence that the Council was able to respond to external challenge in a timely manner and was committed to continuous improvement. Additionally through analysing the recommendations the Council was able to demonstrate the ability to identify and rectify detrimental trends or issues and to deliver service improvement.

Further information was provided on the progress against the recommendations, analysis of outstanding recommendations and on the new inspection reports received.

A summary of progress against all recommendations from “Active”

Inspection and Audit action plans was provided as part of the report and the Performance and Quality Team would continue to work with services to ensure that the associated outstanding recommendations were completed and ensure services were prepared for new or changing inspection and assessment regimes.

Discussion ensued on the progress against recommendations, where it was confirmed that the overall completion date for recommendations up to date and from 2012.

Resolved:- That the progress achieved against outstanding actions be noted.

P46. CLOSURE OF ACCOUNTS 2012/13

Consideration was given to a report presented by Simon Tompkins, Finance Manager, which detailed how the principal objective of the Council's annual financial statements was to provide information about the Council's financial performance, financial position and cash flows that was useful to a wide range of local and national stakeholders in assessing the Council's stewardship of its resources. It was, therefore, important that the Council's accounts were prepared in accordance with recognised accounting standards and could be relied upon by users of the accounts.

This report brought to Members attention the main changes to accounting standards and disclosure requirements in 2012/13; their effect on the Council's accounting policies and the project management arrangements that would be employed to secure the timely closure and production of the 2012/13 Financial Statements that were fully compliant with the Code of Practice on Local Authority Accounting (the Code).

It also reminded Members that the Audit Committee would need to formally approve the audited Financial Statements at its September meeting and questioned whether they wished the unaudited Financial Statements to be presented to Audit Committee at its meeting in July for information.

Further information was sought on what the heritage assets entailed and as the changes to how Council housing was valued to remove the risk.

Resolved:- (1) That the changes to the Council's accounting policies be approved.

(2) That the requirement for the Audit Committee to formally approve the audited 2012/13 Financial Statements at its September meeting be noted.

(3) That the unaudited Financial Statements be submitted to the July meeting of this Committee for information.

P47. AUDIT COMMITTEE SELF ASSESSMENT

Consideration was given to a report presented by Marc Bicknell, Chief Auditor, which detailed how the Audit Committee should carry out an annual self-assessment against best current practice for audit committees.

This report referred to the 2012/2013 self-assessment by the Audit Committee of its current arrangements relative to the standards contained in CIPFA document 'A Toolkit for Local Authority Audit Committees'.

Other published standards for audit committees have been reviewed and found to be consistent with the expectations of the CIPFA toolkit to the extent that if the Committee could satisfy the CIPFA expectations, it was likely also to be able to comply with broader good practice.

The assessment showed that the Council's Audit Committee substantially complied with current best practice. Since there have again been no new members to the Audit Committee during the year, the issues raised in last year's report, around induction arrangements and assessment of development needs, remained.

Resolved:- (1) That the answers provided to questions in the Audit Committee self-assessment checklist as set out in Appendix A of this report be approved.

(2) That any further actions required to enable the Committee to further strengthen its arrangements be identified.

P48. DATE AND TIME OF THE NEXT MEETING

Resolved:- That the next meeting of the Audit Committee be held on Wednesday, 24th April, 2013, commencing at 4.00 p.m.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS
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1.	Meeting:	Audit Committee
2.	Date:	24 th April 2013
3.	Title:	KPMG Interim Audit
4.	Directorate:	Resources

5. Summary

This report refers to the outcomes from KPMG's 2012/13 interim external audit work.

The outcome of KPMG's interim audit is a **very positive one**.

They have concluded that there are no significant matters to be reported to Audit Committee at this stage, and, as a consequence, do not consider it necessary to issue a formal report. They have instead issued a letter summarising audit progress (attached as Appendix A)

One relatively minor issue has been raised in relation to IT access controls to the General Ledger. This is a known issue which management are aware of and are seeking to address.

6. Recommendation

Audit Committee is asked to note the findings presented in KPMG's interim audit letter

7. Proposals and Details

The scope of KPMG's interim audit work as set out in their 2012/13 External Audit Plan included:

- A review of the Council's overall Control Environment, including its financial management and governance arrangements, and ICT controls;
- Evaluation and testing of controls over the Council's key financial systems;
- A review of the work of the Council's Internal Audit function in relation to these controls to assess whether the work can be relied upon as intended;
- A review of the accounts production process;
- A check on progress on critical accounting matters identified as specific risks in KPMG's External Audit Plan, including the Council's financial resilience in the face of further reductions to local authority funding, and
- Identifying any other audit issues to be considered during the audit.

Attached at **Appendix A** is the letter from KPMG summarising audit progress following completion of their interim audit. The outcome is **very positive** overall and demonstrates the Council's continued commitment to ensuring that it has in place a strong and robust control environment for doing and managing its business in a proper and appropriate way that meets professional standards.

In addition, KPMG have reviewed the Council's approach to implementing changes to the Code of Practice on Local Authority Accounting, addressing the specific risks identified in KPMG's 2012/13 External Audit Plan, and complying with audit expectations in terms of working papers.

KPMG have commented that things have gone smoothly overall in this regard.

KPMG will finalise their work on the Council's 2012/13 Financial Statements when they undertake their final accounts audit, the results of which will be reported to the Committee's September meeting prior to Committee being asked to approve the audited 2012/13 Financial Statements for publication.

In terms of the relatively minor IT issue raised by KPMG in relation to leavers access to the General Ledger:

- Disabling access in a timely manner – the Systems team within Financial Services use a monthly leavers report from HR and conducts a quarterly review of any user that hasn't logged on in the last 90 days to disable user ids. The General Ledger also automatically disables a user that hasn't logged on in 100 days. Access can only be granted thereafter with the permission of the Systems team

- Apparent access after a leaver has left - The General Ledger requires that user ids are active to allow certain processes (such as invoice entry and order closure) to be run to completion. If the user id is disabled under these circumstances, the process fails and the system administrator has to enable the user id for the process to run through. The General Ledger records in the audit log that the user has logged on but in fact, they haven't and there is no current way around this. This gives the impression that a leaver has accessed the General Ledger after they have left. KPMG acknowledge in their Interim Audit letter that this is a known issue and that steps are being taken to improve the audit trail. For example, email requests to re-enable a user id will in the future be logged on the ICT Assyst system and auto emailed to the Systems team for action. Confirmation will be provided to ICT that the user id has been disabled again once the failed process has been completed.

These controls are considered to be sufficiently robust by management.

8. Finance

There are no financial implications arising from this report.

9. Risks and Uncertainties

Failure to maintain robust control over the Council's Control Environment and its fundamental financial systems increases the risk of errors and potential loss and will adversely affect the Council's reputation.

10. Policy and Performance Agenda Implications

Maintenance of sound internal controls contributes to good governance.

11. Background Papers and Consultation

KPMG Interim Audit Letter – Appendix A

Contact Names:

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Mr Stuart Booth
Director of Financial Services
Rotherham Metropolitan Borough Council
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Rotherham S60 1AE

Our ref RKR/MBC/12-131A/
Let-581

08 April 2013

Dear Stuart

Rotherham Metropolitan Borough Council – Audit progress

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated January 2013. In that plan we indicated that we were planning to present an Interim Audit Report to the Council's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage. One issue was identified around leavers access to the general ledger not being disabled in a timely manner and some accounts seemingly being accessed after the leaver had left. Following a discussion with the IT team, this is a known issue due to accounts having to be left open to allow payment runs which have been initiated prior to leaving to go through after an individual has left. The way the system is set up, it also registers the disabling of an account as user activity on the account making it appear the account has been accessed and used. The IT team are aware of these issues and are currently working on improving the audit trail in these instances. No other issues were identified.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the April meeting of the Audit Committee, to provide an update on the progress of our audit.

If you have any issues or questions please do not hesitate to contact myself or Rashpal Khangura.

Yours sincerely

Steve Clark
Director

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	24 th April 2013
3.	Title:	Internal Audit Plan
4.	Directorate:	Resources

5. Summary

This report refers to the draft Internal Audit Plan for 2013/14.

The report explains our approach to the development of the Plan in line with professional practice, as well as detailing the specific areas of activity we intend to cover.

6. Recommendations

The Audit Committee is asked:

- **To support the Internal Audit Plan for 2013/14.**

7. Proposals and Details

Internal Audit Plan

Attached at **Appendix A** is the draft 2013/14 Internal Audit Plan. There are details included in the Plan about how it is produced, the work proposed and audit resources.

In line with the new UK Public Sector Internal Audit Standards, the Plan has been drafted following a risk based approach and is derived from a range of sources, including:-

- Review of the Council's risk registers.
- Review of revenue and capital budgets.
- Cumulative audit knowledge and experience.
- Review of key plans, reports and press coverage.
- Awareness of priorities identified by the Council's Strategic Directors and Service Directors.
- Knowledge of existing management and control environments, including information relating to any system changes.
- Professional judgement on the risk of fraud or error.

There are five types of work included in the plan:

- Mandatory work – work required to enable the Chief Auditor to provide his opinion on the adequacy of the Council's control environment and its operation during the year. This work assists the Section 151 Officer (at Rotherham this is the Director of Financial Services) to fulfil his statutory responsibility to ensure the proper administration of the Council's financial affairs. This area of the Plan also contributes to the body of evidence supporting the Annual Governance Statement.
- Must-do work – including the Audit Commission's National Fraud Initiative and the certification of grant claims.
- An allowance for follow-up work in areas where significant weaknesses were identified during the last audit.
- An allocation for emerging risks and responsive work. This includes the investigation of fraud and other irregularities and the provision of advice to Council managers on internal control issues.
- Risk related work.

The first four of these categories of work are prescribed either because of statutory requirements or other imperatives, outlined above. Limited scope is available to 'flex' the plan in these areas. The fifth type of work (risk related) is shaped to reflect Members' and Senior Managers' views of the areas in which Internal Audit is likely to be able to best add value, either by objectively reviewing arrangements in place or by helping to shape new arrangements or systems by offering advice on controls or procedures. The Audit Committee is asked to note in particular the areas proposed for coverage under this 'Risk Related Work' heading in the Audit Plan (see 3.5 in the attached plan).

A summary of the areas to be covered in 2013/14, compared with 2012/13, is provided in the table below:-

Activity	Planned Days 2012/13	Planned Days 2013/14
Mandatory Work:		
Corporate Systems	295	265
Directorate Systems	446	500
ICT Audit	135	90
Anti Fraud & Corruption Work	150	85
Schools	195	147
sub-total	1221	1087
Other 'Must do' work:		
National Fraud Initiative	40	40
ICT Audit – Barnsley MBC	5	0
Grant Certification	25	22
sub-total	70	62
Follow up work	45	30
Emerging Risks / Responsive work	397	303
Risk Related Work	298	225
TOTAL	2031	1707

Main points and changes to note include:

- There is an overall planned reduction in Internal Audit activity. This has been necessary in order to achieve savings in line with Council-wide budget reductions. However, through a careful approach to risk based planning and robust performance management of our resources, this can be achieved without compromising our capacity to meet our statutory requirements and deliver the work required by the Council's external auditor, KPMG.
- We have further refined our approach to Corporate Systems audits resulting in an efficiency saving of 30 days, whilst still enabling us to meet the requirements of KPMG.
- There has been an increase in planned audit time for Directorate Systems. This reflects our judgement as to the increased risks faced by the Council at a time when services are being reconfigured against a backdrop of major budget reductions.
- Given the reduction in audit resources and the increased risk of fraud due to the economic climate, consideration of anti-fraud and corruption arrangements will be integral to every audit assignment. Consequently, it has been possible to reduce the number of planned days allocated to specific Anti Fraud and Corruption work within the Plan. Conversely, the time allocated to Directorate Systems has increased, as explained above.
- Following on from earlier reviews of our approach to the audit of schools, we have further refined our approach in recent months to improve efficiency. This has resulted in a further reduction in the number of days required for school audit activity. It is also the case that a number of maintained schools have transferred to academy status and as such are no longer within the scope of our Internal Audit activity. During 2013/14 we intend to explore the possibility of providing assurance

and advisory services to academies in order to retain our good relationships with schools and generate additional income for the Council.

- The plan includes an allocation of 30 days for follow up work. Targeted follow up is designed to maximise the benefit of the original audit work by ensuring actions have been implemented and appropriate outcomes achieved.
- A contingency has been made to provide for emerging risks and requests for advice / assistance that arise throughout the year. Client feedback tells us that our ability to respond promptly to unforeseen issues of this nature is highly valued. Due to the budget reductions it has been necessary to reduce the time allocated to this area.
- A proportion of the plan is directly linked to corporate and service risks and, in particular, how these risks are being managed.

The Audit Committee is asked to support the Internal Audit Plan for 2013/14.

8. Finance.

There are no direct financial implications. The Audit Plan can be delivered within existing resources.

9. Risks and Uncertainties.

The Director of Financial Services is required to make proper arrangements for financial administration. As part of these arrangements, Internal Audit is required to review all major financial systems and arrangements. Failure to do so will prevent the Director of Financial Services from meeting his and the Council's statutory responsibilities.

Failure to deliver a plan which complies with the new UK Public Sector Internal Audit Standards, and meets the expectations of the Council's External Auditors, KPMG, could lead to criticism from them. It could also lead to additional costs where External Audit cannot rely on Internal Audit's work and needs to carry out further work itself to gain assurance about the Council's financial arrangements and control environment.

10. Policy and Performance Agenda Implications.

Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives.

11. Background Papers and Consultation.

UK Public Sector Internal Audit Standards
Strategic Leadership Team

Contact Names:

Colin Earl, Director of Audit and Asset Management, x22033

Marc Bicknell, Chief Auditor, x23297

APPENDIX A
INTERNAL AUDIT PLAN
(ATTACHED)



INTERNAL AUDIT

AUDIT PLAN 2013/14

**Colin Earl MBA (Dist) CPFA
Director of Audit and Asset Management**

**Marc Bicknell BA (Hons) ACA
Chief Auditor**

1. Purpose.

1.1 This document provides details of the Internal Audit annual plan for 2013/14.

The Public Sector Internal Audit Standards defines Internal Audit as follows:-

“Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

1.2 The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

1.3 Internal Audit also has an important role to support the Director of Financial Services in discharging his statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.
- Accounts and Audit Regulations 2011 – to ensure that an adequate and effective internal audit of the Council’s accounting records and of its system of internal control is undertaken in accordance with the proper practices in relation to internal control.

1.4 A further underlying objective of Internal Audit is to assist Rotherham MBC in achieving its key priorities. Internal Audit contributes to these aims by helping to promote a suitably secure and robust internal control environment which allows a focus to be maintained on these key priorities.

2. Key Aims.

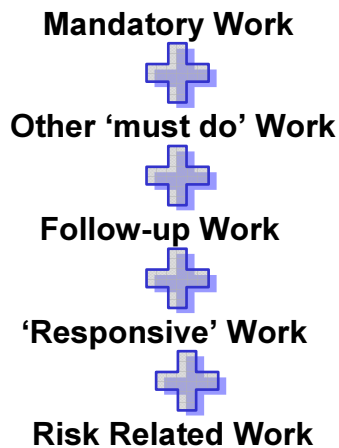
2.1 The key aims of Internal Audit are to:-

- Independently review, appraise and report on the adequacy of the systems of control throughout the Authority.
- Provide assurance to management that agreed policies are being implemented effectively.
- Provide assurance to management that adequate arrangements are in place so that internal controls mitigate risks to acceptable levels.
- Facilitate and encourage good practice in managing risks.
- Assist in promoting an environment and culture which will help deter and identify fraud.
- Be a source of advice on risk and control issues.
- Recommend improvements in control, performance and productivity as a contribution towards achieving corporate objectives.
- Work in partnership with the Council’s external auditor.

3. Basis of the Plan.

The plan has been prepared in line with the requirements of the Public Sector Internal Audit Standards. These Standards expect that the plan will be risk based and informed by the organisation's risk management, performance management and other assurance processes.

A schedule of work included in the annual plan is set out in **Appendix 1**. There are five main strands to the plan:



3.1 Mandatory Work.

Mandatory work is carried out to enable the Chief Auditor to form his opinion on the adequacy and effectiveness of the Council's control environment. It also helps the Director of Financial Services to fulfil his responsibilities to ensure the proper administration of the Council's financial affairs. This area of the Plan includes:-

- Review of fundamental systems, including ensuring there are adequate controls in place to administer the large flows of income and expenditure and to produce an accurate and complete Statement of Accounts. This internal audit work is relied on by external audit and helps to reduce external audit fees.
- Risk based reviews of the adequacy of the internal control frameworks surrounding the systems of financial administration within directorates.
- Programme of ICT Audit.
- Programme of Anti Fraud and Corruption activity.
- The audit of maintained schools.

Our approach to identifying areas to be covered by the audit plan has involved reviewing a range of information emanating from:-

- Analysis of income and expenditure, including revenue budgets and the capital programme.
- Cumulative audit knowledge and experience.

- Review of key plans, reports and media coverage.
- Discussions with management. Internal Audit consulted Strategic and Service Directors during the audit planning process and, where appropriate, Internal Audit has incorporated any relevant priorities identified within the Plan.
- Existing management and control environments, including information relating to any systems changes.
- Assessment of the sensitivity of areas under consideration.
- Professional judgement on the risk of fraud or error.

3.2 Other 'Must Do' Work.

Other 'must do' work includes:-

- Participation in the Audit Commission's National Fraud Initiative.
- Certification of specific grant claims.

3.3 Follow-up Work

Targeted follow up is designed to maximise the benefit of the original work, by ensuring agreed recommendations have been implemented and appropriate outcomes achieved. A specific provision has been made in the plan for follow up work. This is in line with previous recommendations made by KPMG and reflects good practice.

3.4 Responsive Work.

A separate time allocation is made within the plan to deal with emerging risks and requests for advice or audit work which arise throughout the year. By definition this is difficult to plan for, and an allocation is made on the basis of our previous experience. The principal sources of responsive work arise from requests from management for support and advice, items reported under the Council's Confidential Reporting Code and issues identified during the conduct of audits. Internal Audit's ability to respond promptly to issues of this nature is highly valued and can often reveal some of the more significant items of concern.

3.5 Risk Related Work

Internal Audit aims to provide assurance to management, elected members and other stakeholders that the Council's risks are being effectively identified and adequately mitigated.

We review the Council's Risk Registers to identify the key risks faced by the Council in delivering its objectives. Account is also taken as to whether there are any other assurance mechanisms that can be relied upon such as external inspection regimes e.g., OFSTED, Care Quality Commission etc. In the context of reduced resources, Internal Audit is mindful to avoid any possible duplication of effort in this regard.

Some areas to be covered under this part of the audit plan are shown below:

Priority	Rationale / Coverage
Housing Repairs and Maintenance Contracts.	We will review the adequacy of the Council's contract monitoring arrangements with Willmott Dixons and Morrisons, focusing in particular on the processes for the compilation of the cost collection workbooks in accordance with Open Book Accounting principles.
Schools Themed Audits.	We will review information security and data protection arrangements within a selection of schools.
Contract Audits.	We will review the arrangements in place for the major contracts, in order to help the Council to minimise its risks in these areas. These will include, for example, the A57 road improvement works, Maltby Academy, and Rotherham Townscape Heritage Initiatives.
Corporate Risk Register (Red Risks).	We will examine the Council's Corporate Risk register and review risk management arrangements for the high level corporate red risks. We will seek assurances that the major risks are being managed.
Implementation of the Integrated Housing Management System	The Council is introducing a new integrated housing management system. We will work with management to ensure that robust controls are built into this from the outset.
Implications of Welfare Reform and Changes to the National Non Domestic Rates System.	We will work with the Revenues and Benefits Service to help the Council prepare for the reform of the Council Tax Benefits system and the introduction of localised Business Rates.

4. Audit Resources.

At the start of the 2012/13 financial year, Internal Audit had 12.9 FTE staff. For 2013/14, resources reduced to 10.3 FTE.

Should there be any further significant change in the resources available during the year, e.g. additional vacant posts, then the plan will be prioritised to ensure that the main risks are addressed. Where necessary, additional resources would be sought to ensure sufficient work can be completed to fulfil Internal Audit's objectives.

In preparing the Audit Plan the total number of 'available audit days' is calculated by making proper and adequate provision against the total working days available for known and estimated non-productive time, e.g. annual leave, sickness absence, training, management and administration, etc. (**See Appendix 2**).

5. Summary of 2013/14 Audit Plan.

5.1 Detailed below is the proposed allocation of resources for 2013/14 compared to 2012/13 at a summary level.

Activity	Planned Days 2012/13	Planned Days 2013/14
Mandatory Work:		
Corporate Systems	295	265
Directorate Systems	446	500
ICT Audit	135	90
Anti Fraud & Corruption Work	150	85
Schools	195	147
sub-total	1221	1087
Other 'Must do' Work:		
National Fraud Initiative	40	40
ICT Audit – Barnsley MBC	5	0
Grant Certification	25	22
sub-total	70	62
Follow up Work	45	30
Emerging Risks / Responsive Work	397	303
Risk Related Work	298	225
TOTAL	2031	1707

6. Emerging Risks and Revisions to the Plan

There is increasing pressure on Internal Audit sections to manage within shorter timeframes and to have flexible plans and resources to adapt to emerging risks. Once the Internal Audit Plan is approved, it is subject to constant and ongoing review throughout the year. This is to ensure that it reflects any new or changed priorities that may arise during the course of the year.

Progress against the plan is regularly monitored as part of Internal Audit's performance management arrangements and is reported quarterly to Audit Committee. Any significant amendments to the plan will be reported to the Audit Committee.

7. The Benefits of Internal Audit.

Internal Audit:-

- Is a powerful aid to management and corporately helps the Council to achieve its objectives and priorities
- Ensures there is a strong control and governance framework operating within the Council
- Deters, detects and reduces frauds
- Helps minimise external audit fees.

Internal Audit also considers the external auditor's plan to co-ordinate our work and avoid any unnecessary duplication of effort.

APPENDIX 1:**DETAILED AUDIT PLAN 2013/14:**

Audit Activity	Days
Corporate Systems	265
Housing Rents	
Debtors	
Creditors	
Payroll	
Housing and Council Tax Benefits	
Council Tax	
National Non Domestic Rates	
Income / Cashiers	
Treasury Management	
Annual Governance Statement	
Work for external auditor, KPMG	
Directorate Systems	500
Children and Young People Services	
Safeguarding and Corporate Parenting	
Children's Disability Services	
Children's Centres	
Schools Catering Service	
Schools Music Service	
Environment and Development Services	
Museums and Arts	
Civic Theatre	
Libraries	
Local Land Charges	
Markets	
Business Centres	
Hire of Plant and Equipment	
Waste Services	
Parks and Green Spaces	
Hellaby Depot	
Neighbourhoods and Adult Services	
Licensing	
Residential and Nursing Care	
Day Care	
Care In People's Homes	
Direct Payments	
RMBC Social Services Establishments	
Furnished Homes	

Audit Activity	Days
Resources	
Insurance Fund	
Logasnet	
Legal Services Income	
Members Allowances	
Carbon Reduction Commitment	
Commercial Rents	
Public Buildings	
Anti Fraud and Corruption	85
Pro active Anti Fraud and Corruption work	
Audit Commission Fraud Return	
Anti Fraud and Corruption Strategy	
Training, advice and guidance	
Investigations	
ICT Audit	90
PC and Mobile Devices	
Network	
Applications	
Advice to DMBC	
Systems Development	
Schools	147
Schools Financial Value Standard	
Primary Schools	
Secondary Schools	
Nurseries	
Other Must Do Work	62
National Fraud Initiative	
Certification of Grant Claims	
Follow Up Work	30
Responsive Work / Provision of Advice	303
Risk Related Work	225
Schools ICT Arrangements	
Housing Repairs and Maintenance Contract	
Review of Corporate Risks	
Contract Audit – A57, Maltby Academy; Rotherham Heritage	
Implementation of Integrated Housing Management System	
Implications of Welfare Reform and Changes to the National Non Domestic Rates System	
TOTAL DAYS	1707

APPENDIX 2**CALCULATION OF AUDIT RESOURCES 2013/14**

Gross days available	12/13	13/14
Internal Audit Establishment Following Restructure	3344	2614
Less – Vacant Posts	0	0
Less – Maternity Leave	0	0
Gross days	3344	2614
Less :-		
Annual Leave, Statutory Leave & Concessionary Days	551	364
Elections	10	0
Sickness	51	73
Service Development	20	30
Professional Training and CPD	152	122
Management and Supervision	290	193
Administration	120	60
	-1194	-842
Gross audit days available	2150	1772
Less – 2012/13 work b/f	119	65
Net Audit Days Available	2031	1707

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	Meeting:	Audit Committee
2.	Date:	24 th April 2013
3.	Title:	Audit Committee Annual Report 2012/13
4.	Directorate:	Resources

5. Summary

This report refers to and contains, at Appendix A, a draft Audit Committee Annual Report 2012/13. The Annual Report shows the Audit Committee has successfully fulfilled its terms of reference and has helped to improve the Council's governance arrangements and its overall control environment.

6. Recommendations

The Audit Committee is asked to agree the attached annual report for the year 2012/13.

7. Proposals and Details

The Audit Committee's Terms of Reference and best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees" require the Audit Committee to complete an annual report.

A copy of a draft Annual Report 2012/13 is attached at **Appendix A**. It shows key information relating to the Committee, its achievements during the year and priority areas for 2013/14.

The Audit Committee has previously been commended by the external auditor and the Annual Report shows that it has successfully fulfilled its terms of reference and has improved the Council's governance arrangements and its control environment.

It is proposed that the report is agreed by the Audit Committee and that the Annual Report is presented to the next appropriate Cabinet and Council meetings.

8. Finance

There are no direct financial implications.

9. Risks and Uncertainties

The preparation of an Annual Report is in line with best practice.

10. Policy and Performance Agenda Implications

Good Governance is wholly related to the achievement of the Council's objectives.

11. Background Papers and Consultation

A Toolkit for Local Authority Audit Committees, CIPFA, IPF, 2006.

Contact Names:

Colin Earl, Director of Audit and Asset Management, x22033

Marc Bicknell, Chief Auditor, x23297.

Appendix A: Audit Committee Annual Report 2012/13.

AUDIT COMMITTEE

ANNUAL REPORT 2012/13

Councillor Alex Sangster, Chair
Councillor Barry Kaye, Vice-Chair

FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's 2012/13 Annual Report. The report shows the contribution the Audit Committee has made to the achievement of good governance and sound internal control within the Council.

The Audit Committee oversees the management of risks within the Council and the operation and effectiveness of the Council's internal control arrangements. It fulfils this role by considering and approving reports from officers responsible for financial management and governance within the Council and from the Council's external auditors. Where relevant, the Committee also makes recommendations for action to address any deficiencies identified by or reported to the Audit Committee.

This year we have considered various emerging risks and priorities, including further developments in respect of anti-fraud and corruption initiatives, where the Council continues to comply with best practice. Members were apprised of a review of Council Tax Single Persons' Discount entitlement that resulted in additional bills being raised of over £700k. The Committee also received reports on risks associated with other major challenges facing the Council such as the Welfare Reforms and the transfer of Public Health services to the Council.

We have continued to work with colleagues across Rotherham, including audit committee members from the Health, Police, Fire and Probation Services. This is enabling us to look at cross-cutting areas of development and risk, including the implications of major change programmes in the NHS and the Police Service, and the Localism Act. I have attended regional events with Health Audit Committee Chairs, where we have made presentations on our response to current challenges from an audit committee perspective. These have impressed health colleagues and enhanced the reputation of the work of the Council and its Audit Committee.

It is generally accepted that the period of economic austerity and constraints on public expenditure will continue for the foreseeable future. Rotherham Council has had to achieve savings of over £50m in three years. As an Audit Committee we want to help the Council to manage the risks associated with the substantial changes brought about by this level of reduction. This will continue to be a key priority for us in 2013/14. We will also want to ensure the Council maintains the high standards of financial management and control it has achieved.



Finally, I would like to thank my colleague Members sitting on the Audit Committee during the year for the work they have done to help the Committee to fulfil its terms of reference effectively. I thank all officers and Members who have responded positively to the Audit Committee over the year, when questions have been asked and information requested.

Councillor Alex Sangster
Chair, Audit Committee 2012/13

AUDIT COMMITTEE: ANNUAL REPORT 2012/13

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INTRODUCTION

This Annual report is produced in accordance with latest best practice*¹ and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance. The report shows how the Audit Committee has successfully fulfilled its terms of reference and has helped the Council to improve its governance and control environments.

SOME KEY INFORMATION

Audit Committee Membership

The Audit Committee has five Members:

Councillor Alex Sangster	-	Chair
Councillor Barry Kaye	-	Vice-Chair
Councillor Neil License		
Councillor Kath Sims		
Councillor John Gilding		

There is strong officer support to the Audit Committee, through the regular attendance of the Director of Audit and Asset Management, the Director of Finance and the Director of Legal and Democratic Services. Other officers attend as and when appropriate, including the Chief Executive.

Key features of the Audit Committee and its operation

Comparison against best practice illustrates the Audit Committee's strengths:

Best Practice	Expectation	Met?	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3-5	√	The Committee has 5 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings enables all business to be considered in a timely manner
Co-option	To be considered relative to skills	√	The Committee has a sufficient mix of skills and experience to fulfil its responsibilities effectively.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the model Terms of Reference
Skills and training	Members have sufficient skills for the job	√	Training is provided to increase Members' skills, through the Members' PDR process.

¹ Best practice as contained in the CIPFA, IPF document "A Toolkit for Local Authority Audit Committees"

Meetings

There have been nine monthly meetings between April 2012 and March 2013 (no meetings were held in June and August 2012 and January 2013).

COMMITTEE ACTIVITY 2012/13

Terms of Reference

The Audit Committee's terms of reference cover six main areas and are set out at **Appendix 1** to this Annual Report. The Committee's work and outcomes in each of its areas of responsibility are summarised in the following sub-sections.

Internal Audit

The Audit Committee:

- Approved the Internal Audit Strategy and Internal Audit Plan.
- Considered periodic progress reports produced by the Chief Auditor, highlighting internal audit work completed, internal audit performance against key indicators, management's response to recommendations and any significant issues arising during the period.
- Considered the Internal Audit Annual Report and opinion of the Chief Auditor on the Council's control environment.
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource.
- Received and considered information on the performance of the Internal Audit team.

We continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made.

External Audit

The Audit Committee:

- Considered the external auditor's Audit Plan.
- Considered progress against the Plan as presented by the external auditor.
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses.
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress, thereby holding them to account.

We continue to provide support to external audit to ensure management is responsive to recommendations made.

Risk Management

The Audit Committee:

- Received and considered reports on the corporate risk register.
- Enquired about specific risks and the application of risk management arrangements within directorates.

Internal Control and Governance

The Audit Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses.
- Approved the production of the Council's Annual Fraud Report.
- Received a report on the outcome of the Council's work on the Audit Commission's National Fraud Initiative.
- Considered national developments including the Government's 'Fighting Fraud Locally' Strategy.

The Annual Governance Statement (AGS) is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year. The Audit Committee received a draft AGS prior to its inclusion in the Council's Statement of Accounts. This was intended to ensure the Audit Committee could more thoroughly review the robustness of the process for producing the AGS and the content of it. The Audit Committee was satisfied that:

- There was a comprehensive assurance framework in place to safeguard the Council's resources.
- The framework was reliable and applied during the course of the year, including financial reporting, internal and external audit and the Audit Committee's own arrangements.

Statement of Accounts

The Audit Committee:

- Agreed the Council's accounting policies.
- Agreed the annual statutory statement of accounts.
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments.

The Audit Committee received regular reports from the Chief Accountant on the Council's Treasury Management arrangements in the context of the economic downturn and also received the Prudential Indicators and Treasury Management and Investment Strategy 2013/14 to 2015/16.

Specific Issues

The Audit Committee also considered the following specific issues which arose in the period:

- Received a report on the Transfer of Public Health Services to the Council (in line with the Government's Health & Social Care Act 2011) to come into effect from April 2013 and how the associated transitional risks will be managed.
- Received a report on the Review of Council Tax Single Persons' Discounts that identified additional Council Tax income of over £700K through cancellation of entitlement following data matching exercises.
- Received a report on the Localism Act 2011 identifying the way in which its specific provisions had been implemented and the associated risks embedded within the Council's Risk Register.
- Considered a report on the reforms to the Housing Revenue Account system that presents the Council with significant challenges and opportunities through self-management of housing income and debt. This report set out the steps being taken to manage and mitigate the risks associated with this change.
- Received a presentation on the Welfare Reform Act 2012 setting out the national context of achieving savings of £18 billion by 2015 and how this would affect the local economy in Rotherham, both financially and socially. The presentation also highlighted the specific challenges and risks that would be faced by the Council in implementing these central government measures.

A full list of the reports considered by the Audit Committee can be found in **Appendix 2**.

OTHER ACTIVITIES

We have had three meetings during the year with colleagues across Rotherham, including audit committee members from the Health, Police, Fire and Probation Services.

By looking collectively at governance related issues, we are able to identify cross-cutting areas of development and risk that could affect all of the services. This year we have considered, amongst other things, the implications of major change programmes in the NHS and the Police Service, and the Localism Act.

We have also attended two regional events with Health Audit Committee Chairs, where we have made presentations on our response to current challenges from an audit committee perspective.

OUTCOMES

The Audit Committee aims to focus on adding value through its activity. By concentrating on outcomes the Committee can identify the benefits of its work. In particular this year the Audit Committee:

- Oversaw work on the 2011/12 Statement of Accounts which received a clean opinion from the external auditor.
- Oversaw further development of the Council's Anti-Fraud and Corruption arrangements and the production of the Council's Annual Fraud Report.
- Continued to meet with colleagues and reviewed Rotherham wide governance issues through the '*Rotherham Audit Committee*'.
- Ensured there was appropriate focus on the risks associated with substantial budget reductions.
- Encouraged and presided over a strengthening control environment, through receiving reports on the Corporate Risk Register and responses to external audit recommendations.

In addition, individual Members and the Audit Committee collectively continued to develop and learn about our roles, and deliver these roles effectively.

PLANS FOR 2013/14

We want to continue to develop and build on our current status. For 2013/14 we will:

- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice.
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations.
- Ensure we maintain and further improve our standards in relation to the production of statement of accounts.
- Continue to help the Council to manage the risk of fraud and corruption.
- Continue to work with colleagues in other statutory services to collectively identify and manage cross-cutting risks arising from major developments.

During 2012/13 we have continued the progress we have made in previous years, and going forward we look to continue to be a champion of good governance at both a local and sub-regional level.

Councillors Alex Sangster (Chair) and Barry Kaye (Vice-Chair)
Rotherham MBC Audit Committee
April 2013

AUDIT COMMITTEE

Statement of Purpose

To provide independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

Terms of Reference

Internal Audit

- To approve, but not direct, the Internal Audit Plan and ensure that this gives an adequate level of assurance over the Council's main risks.
- To consider summaries of specific internal audit reports as requested and seek assurance that action has been taken where necessary.
- To consider reports from the Chief Auditor on agreed recommendations not implemented by management within a reasonable timescale.
- To consider reports dealing with the management and performance of the internal audit service.
- To consider the Annual Audit Report and the opinion of the Chief Auditor on the Council's control environment.
- To ensure that there are effective relationships between internal and external audit, inspection agencies and other relevant bodies.
- To commission work from internal audit.

External Audit

- To consider and comment upon the external audit plan.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider specific reports as agreed with the external auditor.
- To consider the adequacy of management response to external audit advice, recommendations and action plans.
- To consider issues arising from the external auditor's annual audit letter.
- To commission work from external audit.
- To provide feedback to the external auditor upon external audit performance.

Risk Management

- Consider the effectiveness of the Council's risk management arrangements and control environment.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Review the robustness of risk registers.

Internal Control Arrangements and Corporate Governance

- Be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Review the procedures followed in compiling the Annual Governance Statement and supporting documentation to determine the robustness of the evidence and assurances upon which the statement is based.
- Consider and monitor action plans for addressing any significant internal control weaknesses disclosed.
- To consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.
- To maintain an overview of Financial Regulations and Contract Standing Orders.
- To review and consider the adequacy of the Council's Anti-Fraud and Corruption arrangements and to monitor their effectiveness and compliance with them, throughout the Council.

Accounts

- To consider the external auditor's report on the audit of the Statement of Accounts.
- To approve the Statement of Accounts.
- To ensure that appropriate accounting policies have been followed.

General

- To review any issue referred to it by the Council, a Council body, the Chief Executive, a Strategic Director, the Section 151 Officer or the Monitoring Officer.
- To submit for consideration by the full council an annual report on the work of the Committee at the end of each year.
- To liaise with the Audit Committees of partner organisations and other South Yorkshire authorities over the mutual exchange of views, good practice and approaches to issues of common concern.

AUDIT COMMITTEE ACTIVITY – 2012/13

Function / Issue	Apr 2012	May 2012	July 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2013	Feb 2013	Mar 2013
Internal Audit									
Internal Audit Strategy and Audit Plan 2012/13	√								
Internal Audit Annual Report 2011/12			√						
Internal Audit Plan Progress Report					√			√	
Annual Fraud Report			√						
Anti Fraud and Corruption Action Plan					√				
National Fraud Initiative		√					√		
“Fighting Fraud Locally” Strategy	√								
External Audit									
External Audit Plan								√	
Audit and Inspection Recommendations Update Report				√					√
Interim External Audit Report	√								
Grants Audit Report								√	
Annual Audit Letter						√			
KPMG Fees Letter						√			

AUDIT COMMITTEE ACTIVITY – 2012/13

Function / Issue	Apr 2012	May 2012	July 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2013	Feb 2013	Mar 2013
Risk Management									
Corporate Risk Register					√			√	
Annual Review – Insurance and Risk Management Performance							√		
Governance									
Annual Governance Statement		√							
Accountancy and Treasury Services									
Unaudited 2011/12 Statement of Accounts			√						
Audited 2011/12 Statement of Accounts and External Auditors' Report (ISA 260)				√					
Annual Treasury Management Report				√					
Mid-Year Treasury Management Report						√			
Prudential Indicators and Treasury Management and Investment Strategy 2013/14 to 2015/16								√	
Arrangements for Closure of Accounts 2012/13									√

AUDIT COMMITTEE ACTIVITY – 2012/13

Function / Issue	Apr 2012	May 2012	July 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2013	Feb 2013	Mar 2013
Audit Committee Working Arrangements									
Audit Committee Work Programme		√							
Audit Committee Self-Assessment									√
Audit Committee Annual Report	√								
Review of Key Developments Facing the Council									
Transfer of Public Health Services to the Council		√							
Review of Council Tax Single Persons' Discounts					√				
Localism Act Update						√			
Risk Management of the Housing Revenue Account 30 Year Plan						√			
Welfare Reform – Impact on Rotherham							√		

1.	Meeting:	Audit Committee
2.	Date:	24th April 2013
3.	Title:	Housing Rents
4.	Programme Area:	Housing and Neighbourhoods Services

5. Summary

This report addresses specific issues asked by the Audit committee in relation to the impact of welfare reform on the Housing Revenue Account and in particular rent arrears

6. Recommendations

6.1 Audit Committee acknowledges the contents of the report and comments accordingly

The Chair of Audit Committee Councillor Alex Sangster has expressed an interest in Housing Rents and has asked specific questions in relation to arrears and the impact the Welfare Reforms will have on debt levels in the future

This report will address the specific questioned posed by the Audit Committee

1. Are the level of rent arrears increasing?
2. What are future projections, taking into account the impact of the Welfare Reforms?
3. How is any risk of any increase in arrears being managed?
4. Do we have a Corporate Debt recovery plan that is followed, does this need to be revised to reflect the Welfare Reforms?

7.2 Background

In light of the significant changes planned to housing benefit regulations and the introduction of universal credit there exists a very real possibility that some tenants will struggle to pay their rent. Rotherham has traditionally achieved high collection rates, and has sought to be proactive in working with tenants to help them avoid getting into significant arrears.

The proportion of Housing Debt in Rotherham is currently monitored by 2 House Mark key performance indicators which measure performance in terms of rent collection rates in Rotherham. The two indicators are HM220 and HM221. HM220 measures the rent collected as a percentage of rent due (excluding arrears brought forward) and HM221 measures rent arrears as a percentage of rent debit

Over the past 3 years the following performance has been reported.

	Arrears	Debit	HM220	HM221
2009/10	£1,044,039	£57,151,880	99.53%	1.71%
2010/11	£1,002,827	£58,757,704	99.34%	1.72%
2011/12	£1,266,460	£66,651,191	98.89%	1.81%
2012/13	£1,312,293	£66,651,191	100.30%	1.59%

Q1 Are the level of rent arrears increasing?

From the information above it is evident that arrears have risen, but whilst rent arrears have gone up, the level of rent increases in the past 2 years needs to be taken into account. In 2010/11 rents increased by 8.69% and in 2011/12 by 9.45%, which meant the debit and associated arrears increased proportionately to the higher rent roll.

Q2 What are future projections, taking into account the impact of the Welfare Reforms?

The second question relates to the impact the Welfare Reforms will have on bad debt. To make future projections a profiling exercise has been undertaken to look at the effects changes in Housing Benefit legislations relating to under occupation and the introduction of Universal Credit will have on rent arrears in the next 5 years. To some degree this is uncharted territory, and the actual impact will only be known once the changes have taken effect.

The table below highlights the potential impact the Reforms will have on rent arrears in Rotherham, allowing for assumptions based on our own experience and pilot studies. .

Year	Bed tax no. affected	UC net no. effected	Collectable Increase	Increase in rent arrears at 10% bad debt
2013/14	3,600	385	£2,411,942	£241,194
2014/15	2,480	2,023	£9,612,738	£961,273
2015/16	1,860	4,075	£19,210,532	£1,921,053
2016/17	1,240	6,543	£32,715,605	£3,271,560
2017/18	620	9,426	£51,467,872	£5,146,787

The table highlights the number of tenants moving from Housing Benefit to Universal Credit over the 5 year phasing in period. It also considers the increased collectable rent and increased risk of indebtedness. This premise is based on two assumptions firstly tenants coming off Housing Benefit will find budgeting more difficult than the current level of self payers; secondly the results of Government's Demonstrator Projects piloting Universal Credit have reported increased arrears, with collection rates falling to 90% and bad debt rising to 10%. If the experience in the pilot studies is transferable to Rotherham and we do nothing to learn the lessons of the pilots and our own experience, it is reasonable to speculate that arrears could increase by £5.1m in 2017/18

Q3 How is any risk of any increase in arrears being managed?

It is critical from two perspectives that we manage the potential for increased arrears proactively; Firstly, we need to recognise that the impact of debt and falling behind on rent payments can have devastating effect on the wellbeing of individuals and families. Secondly spiralling debt levels have the potential to severely impede the councils' plans to continuously improve the quality of council housing in the borough. As such the impact will be felt not only by those subject to changes to benefits, but by all tenants. It needs to be recognised that whilst the HRA is currently healthy, the asset management database indicates that the investment need of the stock outstrips our current resources, and hence needs careful scheduling and management.

As such our approach has been to consider how best we can advise, inform and assist claimants to ensure that they are prepared for the forthcoming changes. We have undertaken several exercises to ensure that tenants are aware of the changes and where they can get help and support. We have also, geared ourselves up for the potential increase in requests for help by a range of measures, including training a wide range of staff and changing call centre scripts. We have written to all affected tenants and provided information booklets.

We are in the process of considering a range of other measures that may assist. These include extending our downsizing policy and associated support; giving more tenants priority status if they wish to move to smaller property. We are looking to change the lettings process so that utilities are in place prior to sign up; this will avoid tenants being charged council tax for a property they cannot inhabit. In the meantime we will meet the council tax charge. We will give consideration to a series of measures which may avoid people unnecessarily downsizing (for example where their personal circumstances will shortly change and they will no longer be classed as under occupying, or where they become exempt from the charge). We are also considering providing additional support for families experiencing debt problems and other underlying problems, which if left unaddressed may lead to family breakdown and transfer risks and costs to Children and Young Peoples Services.

The Income Service is looking to increase staffing levels immediately to enable the service to deal with the increases in 2013/14. This will include provision for tenancy support where staff will work with vulnerable customers to ensure tenancies are sustainable in the future. Housing and Neighbourhood Services are also installing a new housing management system and the rents system will make the arrears recovery process more efficient. During this year we will need to devise a further strategy based upon our learning from the early months of the new systems. This will be a corporate issue as it will also affect other financial recovery services, such as council tax. Increasing our staffing proportionately with increased income collection and debt may not be an acceptable and effective way to operate. Consequently there will need to be a careful appraisal of the various options undertaken. This will need to consider issues relating to effective collection practice and debt treatment issues, but it is important that any proposals are well judged and do not result in costly interventions for problems that in reality do not or would not have arisen. There is a real risk of unintended consequences; addressing a problem for one cohort of tenants could potentially result in the solution being applied to a whole range of other

tenants who do not experience the problem. For example reclassifying bedrooms as box rooms in a particular housing archetype, could potentially assist those who are under occupying but reduce the rent received from those that are not and also reduce the number of properties available to larger families.

We are also working closely with support agencies such as CAB and the Consumer Credit Council, where tenants with multiple debt issues can be offered comprehensive independent support. In addition we are working closely with the Credit Union in Rotherham where tenants can open up bank accounts to accept their Universal Credit payment from which rent direct payments can be made.

Q4 Do we have a Corporate Debt recovery plan that is followed, does this need to be revised to reflect the Welfare Reforms?

Finally the issue relating to Corporate Debt has been considered and was subject to a Scrutiny Review in 2009. The outcome of the review meant that we are now working more closely with colleagues in Council Tax and Sundry Debtors for example case conferences have been held to discuss cases where a tenant has multiple debts owed to the Council. As the impact of the Welfare Reform gathers momentum a review of current procedures will be required. We will also need to reconsider our approach to debt recovery and evictions policy.

8 Finance

To ensure the impact of the Welfare Reforms is kept to a minimum the Income Service has carried out a profiling exercise to determine the resource requirement to maintain current income levels to the Housing Revenue Account.

In terms of the resource requirement the profile suggests that the Income Service will need 2 additional FTE Income Officer at Band F during 2013/4, at a total cost of £52k pa. If we continue to operate as we do now, this could then potentially rise to over 40 additional FTE Income Officers by 2017/18 if bad debt is to be controlled at its current rate. However, this will be subject to careful analysis to determine opportunities for other forms of processes efficiency.

This calculation is based on the assumption that each member of the recovery team is responsible for £126k of debt. This factor has been aggregated into the profile using the increased collectable rent per year, and the assumption that arrears will rise to 10% of collectable income.

In terms of the Tenancy Support Officer it is proposed that this is financed from surpluses generated within the Furnished Tenancy budget, which has been approved in principal by the Housing Options Manager. Resource costs are estimated at £26k pa

9 Risks and Uncertainties

This Legislative change will present considerable risk to the HRA's projected income, as Housing Benefit is gradually phased out. Tenants will have to make rent payments themselves which will place more reliance on the rent collection service for effective arrears control if current income levels are to be maintained.

In terms of statistics an additional £51.5m will need to be collected by 2017 by the Housing Income Service from approximately 10,000 tenants coming off Housing Benefit who will be faced with making rent payments from their Universal Credit.

Monthly direct payments of Universal Credit will undoubtedly cause budgeting problems for low income households because it's unlikely they will have exercised budgetary management techniques in the past. This will result in more tenants falling into arrears, placing additional strain on the Income Management Service and subsidiary services such as CAB, Money Advice, Homeless and the Housing Advice Team.

Rotherham Council is adopting a corporate approach to plan the way it deals with the 2013 Welfare Reforms. The plan will assess the impact legislation has on residents and the way services need to be adapted to meet new demands. The Income Team are members of this group

Meetings and joint training sessions have taken place between the Income Service and other parts of NAS to raise awareness of the Welfare Reforms for front line staff.

Leaflets and documentation relating the Welfare Reforms have been published and have been distributed to tenants affected by changes in legislation

11 Contact details

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