

AUDIT COMMITTEE

**Date:- Tuesday, 21st
November, 2017**

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

Time:- 4.00 p.m.

AGENDA

1. To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972
2. To determine any item(s) which the Chairman is of the opinion should be considered later in the agenda as a matter of urgency
3. Apologies for Absence
4. Declarations of Interest
5. Questions from Members of the Public or the Press
6. Minutes of the previous meeting held on 19th September, 2017 (herewith) (Pages 1 - 8)
7. Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers (Pages 9 - 13)
8. External Audit and Inspection Recommendations (Pages 14 - 46)
9. Relationship with Overview and Scrutiny Management Board (Pages 47 - 52)
10. Code of Corporate Governance (Pages 53 - 103)
11. Anti-Money Laundering Policy and Supporting Guidance (Pages 104 - 122)
12. Audit Committee Forward Work Plan (Pages 123 - 130)
13. Annual Audit Letter 2016-17 (Pages 131 - 143)

14. Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2017-18 (Pages 144 - 162)
15. Items for Referral for Scrutiny
16. Exclusion of the Press and Public
That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).
17. Internal Audit Progress Report (Pages 163 - 194)
18. Date and time of next meeting
Tuesday, 6th February, 2018 commencing at 4.00 p.m.



Chief Executive.

Membership 2017/18

Chairman – Councillor Wyatt.
Vice-Chairman – Councillor Walsh.
Councillors Cowles, Evans and Sansome.
Mr. B. Coleman, Independent Person.

AUDIT COMMITTEE
Tuesday, 19th September, 2017

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Evans, Sansome, Walsh and Mr. Bernard Coleman.

Tim Cutler, KPMG, was also in attendance.

17. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

18. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no members of the public or press present at the meeting.

19. MINUTES OF MEETING HELD ON 19TH JULY, 2017

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th July, 2017.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

20. EXTERNAL AUDIT ISA 260

Consideration was given to a report presented by Graham Saxton, Assistant Director Financial Services, which advised on matters arising from the external audit of the Council's 2016/17 Statement of Accounts as presented in the External Auditor's ISA260 report and, in acknowledging these findings, requested that the Audit Committee approve both the Letter of Management Representation and the audited Statement of Accounts 2016/17.

KPMG intended to issue an unqualified opinion on the Statement of Accounts and their representative at the meeting confirmed the unaudited Statement of Accounts and draft Narrative Report had no audit adjustments found to be necessary other than a small number of presentational changes. All of the presentational changes had been incorporated into the final versions of both the Statement of Accounts and the Narrative Report (Appendices 2 and 3). None of the changes affected the financial performance or financial position of the Council previously reported in the unaudited Statement of Accounts.

The ISA 260 also confirmed that working papers were of a high standard and the audit queries were dealt with in a timely and efficient manner.

In terms of the areas of significant audit risk and areas of audit focus, KPMG had confirmed that no issues had been identified other than

relating to changes to the pension liability due to LGPS Triennial Valuation, valuation of the Waste Management PFI and changes to the finance team and that reasonable professional judgement had been exercised.

Other areas of audit focus were the disclosure changes and the level of prudence within key judgements, to which KPMG were happy with the action taken.

Section 2 of the ISA 260 set out the approach, risks, work and conclusion reached by KPMG on whether the Council had satisfactory arrangements in place to secure the economy, efficiency and effectiveness in the use of its resources. The conclusion reached was that the Council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Discussion ensued on the report with the following issues raised/highlighted:-

- Observational requests from members of the public, of which there were very few.
- Helpfulness of the narratives in the documentation, but further clarification on the description of savings and cuts.
- GDP growth forecasts following the U.K.'s referendum to leave the European Union.
- Recommendation summary and the authorisation of new starters to the general ledger.

Resolved:- (1) That the Auditor's ISA260, as submitted at Appendix 1, be approved.

(2) That the Statement of Accounts 2016/17 (Appendix 2 of the report submitted) and the 2016/17 Narrative Report (Appendix 3 of the report submitted) be signed and approved for publication.

(3) That KPMG be issued with the Letter of Management Representation.

21. ANNUAL GOVERNANCE STATEMENT 2016-17

Further to Minute No. 73 of 19th July, 2017, consideration was given to the submitted report presented by Judith Badger, Strategic Director for Finance and Corporate Services, which detailed the updates and changes to the Annual Governance Statement as a result of developments since the 30th June publication date as well as comments from the external auditor.

An overall conclusion had been reached that the Council had demonstrated good governance and met its best value duty throughout the year. It recognised the improvements made in the Council's

performance throughout the financial year but also highlighted a number of areas for further developments in 2017/18.

A process to gather assurances and evidence to support the Annual Governance Statement had been led by the Corporate Governance Group as well as each Strategic Director asked to oversee a self-assessment of governance in their Directorate.

In line with the Accounts and Audit Regulations, the final Statement would be signed by the Leader and Chief Executive.

The Committee were satisfied that the Statement demonstrated, through the recommendations, that good governance had been met throughout the year.

Resolved:- That the final 2016/17 Annual Government Statement be approved for signature by the Leader and Chief Executive as required by the Accounts and Audit Regulations and related Guidance.

22. INTERNAL AUDIT CHARTER

Further to Minute No. 21 of the meeting held on 21st September, 2016, David Webster, Head of Internal Audit, presented the revised Charter which had been updated following the changes in Internal Audit and updates to the PSIAS.

The revised Charter reflected the new reporting structure for Internal Audit and compliance with PSIAS.

The main changes were:-

- Updated throughout to reflect updates to the PSIAS.
- Incorporation of the statutory requirements for Internal Audit in Section 1 of the Charter.
- Incorporation of the PSIAS Code of Ethics in Section 3 of the Charter.
- Greater detail on the Responsibilities of the Head of Internal Audit in Section 7.3.
- Greater detail on audit reporting for individual assignments and to the senior management and the Audit Committee in Sections 8.1 to 8.4.
- Greater detail on the range of work undertaken by Internal Audit in 10.3.

Resolved:- That the Internal Audit Charter be approved.

23. ANTI-FRAUD POLICY AND STRATEGY

Consideration was given to the report presented by David Webster, Head of Internal Audit, which detailed the proposed update to the Council's Anti-

Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisation structure.

The report also provided a summary of proposals to further strengthen the Council's fraud and corruption arrangements following a refresh of the self-assessment against the CIPFA Code of Practice on managing the risk of fraud and corruption.

The main changes to the documents were:-

- Update on the roles and responsibilities.
- Update on the procedure for reporting suspected fraud and corruption including reference to the provisions of the Public Concern at Work resources.
- Inclusion of a procedure on the investigation of suspected fraud and corruption.
- Updated assessment of the Council's arrangements compared with the CIPFA Code on Managing the Risk of Fraud.
- Reflect the assessment needed to ensure the Council meets the expectations of the Fighting Fraud Locally best practice guidance.
- Inclusion of requirements relating to the Government's Transparency Code.

The updated Anti-Fraud and Corruption Policy was attached at Appendix A and the updated Strategy at Appendix B. Appendix C of the report contained an update to the self-assessment against the CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and Appendix D was an update to the Council's action plan for Managing the Risk of Fraud. It was important that the arrangements continued to be reviewed and updated where necessary to ensure the risk of fraud continued to be minimised.

The self-assessment against the CIPFA Code of Practice (Appendix C) and management of the risk of fraud (Appendix D) were welcomed, but clarification was sought on whether or not the risk of fraud had been included within the Council's risk register.

It was also suggested that fraud awareness training be considered for reinstatement for all Elected Members as this had been included previously as part of the induction process. More recently it had only been Cabinet Members and the Audit Committee that had received this training.

Resolved:- (1) That the proposed revisions to the Anti-Fraud and Corruption Policy and Strategy be approved.

(2) That the proposed actions intended to strengthen the Council's Fraud and Corruption arrangements be noted.

(3) That consideration be given to extending the fraud awareness training to all Members.

24. FRAUD ANNUAL REPORT 2016/17

Consideration was given to a report presented by David Webster, Head of Internal Audit, which detailed the Annual Fraud report 2016/17 containing a summary of the work that had taken place during the financial year to prevent, detect and investigate allegations of fraud and corruption.

The production of such a report was in line with good practice recommended by CIPFA and would raise awareness and inform stakeholders of the work the Council was undertaking to manage the risk of fraud and corruption.

Anti-fraud work undertaken under 2016/17 included:-

- Participation in the National Fraud Initiative which compared data across the public sector and required participants to examine data matches to check on potential fraud. Savings of £16,000 had been identified resulting from the work.
- Fraud awareness training sessions held on 23rd January, 2017.
- Ongoing work with the Corporate Risk Manager to include the risk of fraud in risk registers across the Council.
- Proposed Fraud Awareness e-learning module to roll out via the Council's learning platform.
- Work on an Anti-Money Laundering Policy in conjunction with the Legal Team.
- 106 days spent by the Internal Audit Team investigating potential fraud and irregularities.

The Council had a zero-tolerance policy to fraud and corruption and it was proposed to publish the Annual Fraud report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The Committee suggested this should serve as a reminder for the Members' register of interests.

The number of disabled blue badge abuse incidents was noted and clarification sought on benchmark data and if there were some comparator data that could be shared with the Audit Committee at some point.

Resolved:- (1) That the Annual Fraud Report 2016/17 be noted.

(2) That the report be published to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

25. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the report presented by David Webster, Head of Internal Audit, which detailed the proposed forward work plan for the Audit Committee covering the period November, 2017 - September, 2018.

It was proposed that this work plan be brought to every meeting of the Audit Committee as it clearly set out the proposed agenda items moving forward up to July, 2018.

Resolved:- That the Forward Work Plan be supported and any amendments arising actioned in due course.

26. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral to Scrutiny.

27. EXCLUSION OF THE PRESS AND PUBLIC

That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

28. PROCESSES IN PLACE IN RESPECT OF THE SALARY PAYMENT

Consideration was given to a verbal report by David Webster, Head of Internal Audit, and Shokat Lal, Assistant Chief Executive, regarding issues in relation to a salary payment and follow up actions.

Details were outlined of the controls in place at the time and how the situation arose.

Further processes were now in place to prevent such an incident occurring in the future.

The Committee welcomed the processes now in place to ensure an incident such as the one reported did not occur in the future.

Resolved:- That the information shared be received and noted.

29. PUBLIC HEALTH'S DIRECTORATE RISK REGISTER

Councillor Roche, Cabinet Member, Adult Social Care and Health, together with Jo Abbott, Assistant Director of Public Health, and Malcolm Chiddey, Public Health Specialist, presented Public Health's Risk Register, the current position and risk management process.

The Cabinet Member confirmed he was fully briefed on the risk register on a regular basis and drew attention to the key issues set out clearly as part of the report.

The Committee were reassured by the risk monitoring and the monthly monitoring.

Discussion ensued and the following issues were raised and subsequently clarified:-

- PH1 - Minimisation of the impact of any flu pandemic on Rotherham's population, which would remain under continuous surveillance. It was uncertain who would pick up the additional cost of vaccinations should any pandemic become more widespread.
- PH3 – maintenance of TB medication which was commissioned by the CCG.
- PH8 - Risk to young children and availability of data on a South Yorkshire basis.
- PH9 – this service was the subject of a procurement exercise, but no tenders had so far been received. A second advert was to be placed.
- PH11 – the service being maintained during this period of uncertainty.

The Committee welcomed this information and suggested this also continue to be monitored by the Health Select Commission.

Resolved:- That the progress and current position in relation to risk management activity in Public Health be noted.

30. INTERNAL AUDIT PROGRESS REPORT 1ST JUNE TO 31ST JULY 2017

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during June to July, 2017, and the key issues that had arisen therefrom.

Performance against Key Indicators required improvement. Productive time, completion of reviews within planned time and the issue of draft reports had all been hit by sickness, annual leave and the introduction of new software during the period impacting upon the completion of the audit plan. However, the recruitment of a new member of staff would enable

this to be recovered.

Summary conclusions in all significant audit work concluded during June to July 2017 were set out in Appendix A of the report submitted. Two Partial Assurances and one No Assurance audit opinions had been issued during the period which were set out as part of Appendix B.

Reference was also made Appendix C and investigative and responsive audit work on direct payments which was to be repaid.

Appendix D listed the outstanding recommendations during 2016/17 and the expected response date for completion, with a further detailed breakdown of those over a year old.

The Committee were assured that all those over a year old were being closely monitored and reviewed where appropriate.

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee on 1st June and 31st July, 2017, and the key issues arising therefrom be noted.

(2) That the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of the performance be noted.

31. DATE AND TIME OF NEXT MEETING

Resolved:- That the next meeting of the Audit Committee take place on Tuesday, 21st November, 2017, commencing at 4.00 p.m. and **NOT** 28th November as listed on the agenda papers.

Summary Sheet

Council Report

Audit Committee – 21st November, 2017

Title

Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Resources and Customer Services

Report Author(s)

Neil Concannon, Service Manager (Litigation& Social Care), Legal Services.

Ward(s) Affected

All

Executive Summary

This is the latest report to update the Audit Committee in its oversight role on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

Recommendations

That the Audit Committee:

1. Notes there has been no requirement for the Council to make use of surveillance and acquisition of communication data powers under RIPA.
2. Notes that in line with the recommendations of the Office for Surveillance Commissioners latest inspection report, further corporate training focussing on the officers acting as controllers and handlers of covert human intelligence sources (CHIS) will take place in January 2018.
3. Agrees to accept a further update report in 6 months' time.

List of Appendices Included

Background Papers

1. Current RIPA and Acquisition and Disclosure of Communication Data Policies

2. The Regulation of Investigatory Powers Act 2000 and associated Orders and Codes of Practice made thereunder.
3. The Office of Surveillance Commissioners Procedures and Guidance (July 2016)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Title (Main Report)

Update on the Use and Operation of Surveillance and Acquisition of Communications Data Powers

1. Recommendations

That the Audit Committee:

1. Notes there has been no requirement for the Council to make use of surveillance and acquisition of communication data powers under RIPA.
2. Notes that in line with the recommendations of the Office for Surveillance Commissioners latest inspection report, further corporate training focussing on the officers acting as controllers and handlers of covert human intelligence sources (CHIS) will take place in January 2018.
3. Agrees to accept a further update report in 6 months' time.

2. Background

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public bodies such as local authorities, to use directed (i.e. covert) surveillance and covert human intelligence sources e.g. undercover officers and public informants (CHIS) for the purposes of the detection and prevention of crime. Any use of those powers has to be proportionate and necessary both in use and scope. In addition, any surveillance/CHIS undertaken by a local authority must relate to a serious crime (one punishable by six months' imprisonment or certain offences involving the underage sale of alcohol and tobacco) and receive prior approval from the Magistrates' Court.
- 2.2 RIPA also provides a mechanism for public bodies such as local authorities to acquire communications data where it is proportionate and necessary to do so for the purposes of the detection and prevention of crime. The Council has a separate Acquisition and Disclosure of Communication Data Policy to cover this activity. Typically this activity might include acquiring mobile phone subscriber details and details of itemised calls. As with other RIPA powers, the serious crime test must be passed and prior approval from the Magistrates' Court must be sought, before the data is acquired. All Councils must also make a request for any communication data through a single point of contact at the National Anti-Fraud Network (NAFN), who will independently scrutinise applications and advise the Council's authorising officers.

- 2.3 The Council's corporate policies in this regard make provision for the Audit Committee to perform those functions by receiving reports on a 6 monthly basis. This is the latest update report.

3. Key Issues

- 3.1 The Council is required to notify the Office for Surveillance Commissioners (OSC) of the number of directed surveillance/CHIS authorisations granted in each financial year. The annual return was made to the OSC in April for the financial year 2016/17, to confirm there were no such authorisations in that period. There have been no such authorisations this financial year thus far.
- 3.2 The Council is also required to notify the Interception of Communications Commissioner's Office (IOCCO) of the number of authorisations for the acquisition and disclosure of communications data granted each calendar year. There were no authorisations during 2016 and there have been no such authorisations this calendar year thus far.
- 3.4 It should be noted that as a result of the Investigatory Powers Act 2016, with effect from September 2017, the new Investigatory Powers Commissioner's Office takes over the responsibility for oversight of investigatory powers from the OSC and IOCCO.
- 3.5 As previously reported to the Audit Committee, the OSC inspected the Council's use of surveillance powers in January of this year. In line with one of the recommendations from the OSC Inspection report, there will be further corporate training for relevant officers focussing on the use of CHIS in January 2018. The training will also cover the interface between RIPA and the use of social media which was a line of enquiry during the OSC inspection.

4. Other considerations and recommended proposal

- 4.1 The recommendations in this report are to simply note that there has been no requirement by the Council to make use of RIPA powers since the last report, that further corporate training which is due to take place and to receive a further update report in six months' time.

5. Consultation

- 5.1 There are no consultation requirements for the purposes of this report.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Further update reports will be submitted to the Audit Committee on a six monthly basis in line with the Council's policies.

7. Financial and Procurement Implications

- 7.1 The training covered within this report is met from within existing budgets.

8. Legal Implications

- 8.1 Legal Implications are considered in the main body of this report.

9. Human Resources Implications

- 9.1 There are no human resources implications.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no direct implications for children and young people and vulnerable adults.

11. Equalities and Human Rights Implications

- 11.1 Adherence to the Council's policies and the statutory guidance in relation to the use of RIPA and the Acquisition of Communication powers should ensure that the any actions taken are human rights compliant.

12. Implications for Partners and Other Directorates

- 12.1 There are no direct implications for partners or other directorates.

13. Risks and Mitigation

- 13.1 The statutory Codes of Practice issued by the Home Office requires elected members to have oversight of the RIPA powers to ensure that they are being used consistently with policies and that the policies are fit for purpose. A failure to have such member oversight would give rise to greater legal risk and adverse reports following inspections undertaken by the Investigatory Powers Commissioner's Office.

14. Accountable Officer(s)

Dermot Pearson, Assistant Director of Legal Services.

Approvals Obtained from:

Accountancy Services Manager:

Named Officer: Michael Hirst

Human Resources

Named Officer: John Crutchley

Assistant Director of Legal Services:

Named Officer: Dermot Pearson

Procurement

Named Officer: Karen Middlebrook.

This report is published on the Council's website or can be found at:-

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

Summary Sheet

Council Report:

Audit Committee – 21st November 2017

Title:

External Audit and Inspection Recommendations

Is this a Key Decision and has it been included in the Forward Plan?

No

Strategic Director Approving Submission of the Report:

Judith Badger – Strategic Director, Finance and Customer Services

Report Author(s):

Tracy Blakemore - Quality and Projects Officer, CYPS

Sue Wilson – Head of Service, Performance & Planning, CYPS

Ward(s) Affected:

All

Executive Summary:

In line with the audit committee prospectus “A fresh start”, the purpose of this report is to provide details of recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these. The report will also summarise the progress against recommendations from across all key external audits and inspections.

Recommendations:

That the Audit Committee notes the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections.

That the Audit Committee continues to receive regular reports in relation to external audit and inspections and progress made in implementing recommendations.

List of Appendices Included:

Appendix A: Summary of Recommendations from “Active” Inspection and Audit Action Plans

Appendix B: Ofsted Monitoring Visit October 2016

Appendix C: Ofsted Monitoring Visit February 2017

Appendix D: Ofsted Monitoring Visit May 2017

Background Papers

CYPS Improvement Plan

Fresh Start Improvement Plan and Phase Two Action Plan

Ofsted Report published November 2014

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required

No

Exempt from the Press and Public

No

Title – External Audit and Inspection Recommendations

1. Recommendations

- 1.1 That the Audit Committee notes the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections.
- 1.2 That the Audit Committee continues to receive regular reports in relation to external audit and inspections and progress in implementing recommendations.

2. Background

- 2.1 In line with the audit committee prospectus “A fresh start”, the purpose of this report is to provide details of recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from external audits and inspections. The report will also summarise the progress against recommendations from across all key external audits and inspections. The report covers the 2 key improvement plans – Fresh Start and the Children and Young People’s Plan plus recommendations from inspections from across the rest of the Council.

3. Key Issues

3.1 Fresh Start Improvement Plan

- 3.1.1 The “Fresh Start” Improvement Plan has been Rotherham Council’s strategic, organisation-wide response to the corporate, organisation-wide aspects of the external Corporate Governance Inspection (CGI), published February 2015 and the Jay and Ofsted reports published in 2014. Section 5 of the ‘Fresh Start’ Improvement Plan outlines the association between it, and its sister document the Children and Young People’s Improvement Plan, developed in response to the recommendations from the Ofsted inspection of children’s services.
- 3.1.2 The RMBC Council meeting on 22nd May 2015 approved the Fresh Start Improvement Plan, with full cross-party support, prior to the Plan’s formal submission to the Secretaries of State for Communities and Local Government (DCLG) and Education (DfE) on 26th May 2015. The version of the Plan as submitted to Government is publicly available via the Council website and while the Plan is not intended as a public-facing document, a short, executive summary version was prepared to support wider knowledge and understanding on the Plan’s main aims amongst council’s staff, elected members, partners and the public.

3.1.3 The Plan contains a suite of actions and milestones set out in a series of tables (sections 6.7 and 6.8). These were informed by the Government appointed Commissioner's assessment of the Council's key improvement requirements in order to achieve a "fresh start"). It took into account discussions with leading elected members, senior managers and a staff corporate working group. It also drew upon elements of initial work carried out by a corporate improvement board that the Council had established with the Local Government Association (LGA) following the publication of the Professor Jay report in August 2014.

3.1.4 The Plan has been divided into two phases:

3.1.4.1 An initial "transition" phase, from May 2015 to May 2016, which focused on ensuring the Council had in place the basic building blocks of an effective council, namely:

- Inspirational political leadership
- Robust governance, decision-making and performance management
- A culture of excellence and outstanding implementation
- Strong, high impact partnerships

During the course of this initial phase the decision-making responsibility for a number of services was returned to the Council from Commissioners in February 2016.

3.1.4.2 The second phase of the plan, from May 2016 to May 2017, focused on embedding strong leadership and a new culture following the appointment of key, permanent senior staff and the all-out election in May 2016. A "Phase Two" action plan was agreed by Commissioners at the end of the first phase in May 2016, and endorsed as the second phase of the Improvement Plan at a public Cabinet and Commissioners Decision Making Meeting on 11th July 2016¹.

During the course of the second phase, decision-making responsibility for a number of additional services was returned to the Council from Commissioners.

3.1.5 In terms of the implementation of the Plan and its governance arrangements, this has been overseen by the "Joint Board" of Commissioners and leading Elected Members (Labour and Opposition Groups), with links to the Strategic Leadership Team (SLT) and Assistant Directors.

¹ See <http://moderngov.rotherham.gov.uk/documents/s106354/Appendix%20-%20Improvement%20Plan%20Phase%202.pdf>

- 3.1.6 The Joint Board has met on a regular basis since July 2015, to assess progress being made against the improvement actions within the Plan. The first formal review of the Council's improvement progress to Government, submitted on 26th August 2015², featured an initial summary progress report based on the Joint Board's governance and performance management arrangements. The Commissioners' subsequent progress reports³ to Government have since included further performance summaries, headline achievements to date, and ongoing risks.
- 3.1.7 The August 2016 (18 month) progress report included the full "Phase Two" action plan and a final performance report on Phase One. This confirmed that 82% of the identified actions (108) in Phase One had been substantively completed; with 18% of the actions (24) identified as areas of focus to be carried forward into Phase Two. The 24 actions carried forward were a mix of actions that had long-term timescales and/or where the Joint Board had agreed a deferral into the second phase - either because of a reassessment of their implementation timescales (e.g. due to interdependencies with other work-streams); or where delivery had been delayed). The carried-forward actions were integrated within the Phase Two action plan's 20 strategic improvement objectives, underpinned by 99 identified key milestones to assess progress. These 20 objectives and supporting key milestones have formed the basis of the Joint Board's consideration through to May 2017 and beyond.
- 3.1.8 The Commissioners' November 2016 progress report provided an assessment of progress made with the Phase Two action plan and identified further service areas where Commissioners recommended to the Secretaries of State that decision-making powers should be restored. The report noted the completion of 27% of 99 actions set out in the plan (milestones below the 20 objectives) which included the new Corporate Plan 2016/17, improved performance reporting, a new Safer Rotherham Partnership Plan, induction for councillors elected in May 2016 and a new Equalities and Diversity Strategy. The report also recommended the return of powers to the Council on nine additional service areas including economic growth, adult social care and audit.
- 3.1.9 The Commissioners February 2017 progress report noted the completion of 48% of the Phase Two actions (as at the end of 2016). The Commissioners May 2017 progress report identified further service areas recommended for return to the Council, namely performance management, waste management, community safety, human resources and asset management. At its meeting on 4th September 2017, the Joint Board noted completion of 87% of the phase two actions which brings the total implementation of Improvement Plan actions since May 2015 to 98%. The few remaining milestones are expected to be complete by the end of 2017.

² Available on the Council's website at www.rotherham.gov.uk/download/downloads/id/2645/commissioners_six_month_progress_review_-_august_2015.pdf

³ See www.rotherham.gov.uk/homepage/351/commissioners_progress_reviews for copies of all Commissioner progress reports to Government

3.2 Adult Care and Housing

3.2.1 The Care Quality Commission (CQC) undertakes programmed inspections of Rotherham MBC Adult Social Care registered providers. The following table details completed inspections and the most recent ratings for the service

Service	Latest Inspection Report	Overall Rating for Service
Lord Hardy Court	1 st February, 2017	Good
Davies Court	28 th September, 2016	Good
Home Enabling (includes Shared lives)	30 th July, 2016	Good
Parkhill Lodge	21 st December, 2015	Good
Quarryhill Resource Centre	7 th July, 2016	Good
Treefields Resource Centre	23 rd August, 2017	Good

3.2.1.1 Lord Hardy Court's last CQC inspection in February 2017 resulted in an overall rating of good, however 2 actions needed to be dealt with by the Council.

- There was no dedicated activity staff or a structured activities programme. Due to staffs workloads activities were not consistently available for people to participate in.

The roles of Dedicated Activity Coordinators were deleted from the service in 2013 and because the action references "dedicated" activity staff it is possible the action may never be deemed to be fully complete. Despite this the Council continues to work extremely hard mitigating the impact of this change on customers using the facility. Since the steps already taken and reported in April 2017, which included creating an accessible gardening feature for residents and developing individual activity plans for residents with dementia, some further work has been done to improve the service. Staff, proactively encourage residents to become more involved in a wider range of activities like taking part in table top games and attending weekly movement sessions to music, entertainers are also being booked to visit the unit at regular intervals.

- Changes in people's needs had not always been fully incorporated into all care records, and decisions made in people's best interest were not always clearly recorded in their care files. Action was taken to ensure recording in client files were accurately reflecting the up to date position. Follow up quality assurance checks have been scheduled by the service to ensure improvements are being consistently applied.

- Following the inspection in February 2017 care plans were immediately updated to capture the current needs of people using the facility and a robust process was developed to ensure care plans are being updated regularly.

3.2.1.2. Following the previous inspection of Treefields Resource Centre in September 2015 an unannounced inspection also took place on 13th July 2017. The overall assessment of the service published in the final report on August 17 was good and the following comments about the service were made:

- The recommendation from the previous inspection of the service in September 2015 to have registered with the CQC a manager of the service is complete.
- Staff supported people in a caring, sociable and inclusive way. They interacted with people positively, whilst respecting their privacy, preferences and decisions.
- Staff demonstrated a very good knowledge of the people they supported, whilst understanding the need to maintain their independence.

3.2.3 Adult Social Care (ASC) continues to have a good compliance record with standards subject to inspection. Governance arrangements remain and are reported via the ASC Directorates development programme and the Transformation Board which is chaired by Sharon Kemp, RMBC Chief Executive, and has member representation from partner agencies. These arrangements have been further strengthened since June 2017, when additional governance reporting has been put in place in respect to ASC Improvement Plan.

3.2.4 A compliance inspection of housing's Brayshaw Bungalow complex, made by the Homes and Communities Agency (HCA) in October 2016, identified the Council had not obtained written agreement from Mears to accept the contract extension it had offered in the letter sent to them in July 2015. Point 21.2.2 of the contract however states; where performance is exceptional the contract can be automatically extended without written confirmation from either party. Based on the recommendation made by the HCA the Council has however now obtained written confirmation from Mears of its agreement to extend the contract.

3.3 Children and Young People's Improvement Plan

3.3.1 CYPS Improvement Plan

3.3.1.1 The focus of the improvement plan was to put in place a sustainable approach enabling CYPS to meet aspirational objectives and provide a continuous improvement cycle to enable movement to become a child friendly Rotherham with outstanding services.

3.3.1.2 The 26 recommendations from the OFSTED inspection in 2014 remain in place and "open" until the secretary of state from the Department for Education has made a decision for Rotherham to come out of intervention and is satisfied that all the requirements have been met along with a re-inspection from Ofsted.

3.3.2 CYPS Improvement Plan Governance

3.3.2.1 The governance of the CYPS Plan is through Children's Improvement Board which continues to meet 6 week. Chaired by DCS Practice Improvement Partner, Debbie Barnes and attended by Commissioner Patricia Bradwell. Lincolnshire County Council were appointed as Practice Improvement Partners in May 2016 following the departure of the former Children's Commissioner, Malcolm Newsam. The Improvement Board is attended by the Director and Assistant Directors of Children's Services, Chair of Rotherham Safeguarding Children's Board (RSCB) and key partners including health, police and schools.

3.3.2.2 The Children's Improvement Board continues to oversee progress through monitoring, challenging and supporting the actions of the Children and Young People's Improvement Plan. The Board considers the areas of greatest risk first, and lays the foundations for effective and sustained improvement. This includes challenging whether sufficient progress is being made, i.e. the right amount of progress in the right direction at the right pace.

3.3.2.3 A Performance Board was also established in May 2016 which has sharpened even further the senior stakeholder oversight of children's services performance. Membership of this Board is the Chief Executive, The Lead Member for Children's Services, the Director of Children's Services and the Independent Chair of the Safeguarding Board in addition to Assistant Directors and Heads of Service from across the Service. This has enabled the line of sight of key issues within Children's Services to be at the most senior within the Council.

3.3.3 Ofsted Improvement and Monitoring Visits

3.3.3.1 Since August 2015 there has been 5 visits from Ofsted as part of their improvement offer and these have looked at the MASH, Duty & Assessment, Child in Need, Child Protection, Leadership, Management & Governance, CSE and missing children and Early Help. These have been supplemented by two regional Sector Led Peer Reviews which looked at Leadership Management & Governance in June 2016 and Looked After Children and Care Leavers in October 2016. In addition Practice Partners, Lincolnshire County Council have undertaken five Peer Reviews which looked at Looked After Children in June 2016, the Front Door 'MASH' including Duty and Assessment in November

2016 and SEND in November 2016, Leaving Care in April 2017 and Adoption in July 2017.

3.3.3.2 In addition to the above Ofsted have undertaken three monitoring visits. These are similar to the improvement visits but are more formal and are subject to a published letter unlike the informal feedback received as part of the Improvement Visits. Ofsted have undertaken monitoring visits, the first took place on the 20th and 21st October 2016 and focused on Looked After Children, the second took place on the 9th and 10th February 2017 and focused on the 'Front Door' First Response, Duty and Assessment and Early Help and the third took place on the 3rd and 4th May 2017 and focused on Care Leavers. Ofsted have published a summary of the visits and findings in three letters (Appendix B: Ofsted Monitoring Visit October 2016, Appendix C: Ofsted Monitoring Visit February 2017 and Appendix D: Ofsted Monitoring Visit May 2017).

3.3.4 Ofsted Re-Inspection of Children's Services

3.3.4.1 As part of Ofsted's approach to re-inspecting inadequate children's services, Rotherham's Children's Services are currently subject to re-inspection under the Single Inspection Framework. This commenced on the 6th November and will last 4 weeks until the 30th November 2017.

3.3.4.2 The inspection will evaluate the effectiveness of services for children in need of help and protection; children looked after, care leavers and the efficacy of our adoption processes, including post adoption support. In assessing overall effectiveness, HMI will form a view also about the quality of leadership, management and governance.

3.3.4.3 Full details about the inspection are available in the framework and evaluation schedule for the inspection of services for children in need of help and protection; children looked after and care leavers, available at the following link - [Ofsted SIF](#)

3.3.4.4 The outcome of the Inspection is embargoed until the report is published on the 29th January 2018.

3.4 Liberty House

3.4.1 Liberty House Short Breaks Children's Home is for young people with disabilities; The Home has 9 beds but staffing capacity dictates the number of young people able to access an overnight short break. The number of nights a child accesses the home within the month is varied and subject to their assessed needs.

3.4.2 Liberty House was judged as 'Good' on the 27/01/2016 and at the Interim Inspection undertaken on the 17/03/2016 the Home received a judgement of sustained effectiveness. Liberty House received a full inspection on the 2nd and 3rd November 2016, the outcome of which was that Liberty House was found to be an 'Outstanding' service provision. In the subsequent Interim Inspection this was further upgraded to Outstanding with Improved Effectiveness.

3.5 Regeneration and Environment Services

3.5.1 The Driver and Vehicle Licensing Agency (DVLA) biannually audits the Councils use of its Web Enabled and KADOE (Keeper at Date of Event) Systems. Audits in the current year were carried out in April and September.

3.5.1.1 The April audit confirmed the reason for each vehicle-keeper request made by the Council via the Web Enabled Enquiry Service, identified what evidence was available to support these requests and to see how the vehicle keeper data had been used. This part of the service was rated as green meaning the Council is demonstrating a high level of compliance.

3.5.1.2 The April audit also confirmed the reason for each vehicle-keeper request made by the Council via the KADOE system, identified what evidence was available to support these requests and to see how the vehicle keeper data had been used. This part of the service was rated as green meaning the Council is demonstrating a high level of compliance.

3.5.2 The ground source heat/cooling system at Riverside House was also inspected by the Environment Agency in January 2017.

3.5.2.1 The January inspection recommended, as part of any future upgrades to the heat/cooling system a new volume meter should be installed. No future upgrades to the system however are currently being planned.

3.5.3 A Stock and Security Assurance Review was carried out by the General Passport Office in October 2016. The review examined the Councils security arrangements regarding its receipt, storage and use of secure certificate stock and its arrangements for storing data and the security of and access to registration records.

3.5.3.1 The review determined the service maintained high security in relation to the security arrangements in place. No further recommendations were made and 6 actions that came from the previous review in February 2014 were accepted as complete.

3.5.4 The Registration Service is required to submit an annual performance report to the Registrar General.

3.5.4.1. The General Register Office Compliance & Performance Unit has acknowledged that for the year 2016/17 Rotherham Registration Service was compliant in the following assessed areas:

- Customer Engagement
- Public Protection and Counter Fraud
- Statutory service delivery standards
- Operational service delivery standards
- Service Development
- Business Continuity
- Service delivery plan 2017/18.

3.6 Finance and Customer Services

3.6.1 Each year the External Auditor issues a range of reports relating to the work to be undertaken and these are presented to Audit Committee:

3.6.1.1 External Audit Plan which outlines the audit approach and identifies areas of audit focus and planned procedures.

3.6.1.2 Interim Audit Report (if required), which details control and process issues and identifies improvements required prior to the issue of the draft financial statements and the year-end audit.

3.6.1.3 Report to those charged with Governance (ISA260 report) which:

- Details the resolution of key audit issues.
- Communicates adjusted and unadjusted audit differences
- Highlights recommendations identified during the audit
- Comments on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (Value for Money)

3.6.1.4 Annual Audit Letter which summarises the outcomes and key issues arising from the audit work specifically in relation to:

- Audit of accounts
- Value for Money Conclusion
- Any other matters the external auditor is required to communicate

3.6.2 The External Auditor's 2016/17 ISA 260 Report, which was presented to Audit Committee on 19th September 2017, anticipated the issuing of an unqualified audit opinion on the 2016/17 financial statements. The unqualified opinion was subsequently issued to the Council on 26th September 2017.

3.6.3 The ISA 260 report also provided an unqualified opinion on the Value for Money conclusion. The unqualified opinion confirms that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

3.6.4 The Annual Audit Letter summarising the outcome from the External Audit work in relation to the 2016/17 financial year was issued to the Council on 31st October 2017 and is included on this Audit Committee agenda.

3.6.5 Any recommendations made by the External Auditor in relation to issues identified and the management responses to those recommendations are highlighted in the reports presented to Audit Committee. In carrying out the audit work each year the External Auditor examines progress in addressing previous recommendations made and comments on progress within future reports.

3.6.6 There are no outstanding recommendations from 2015/16 or earlier.

3.6.7 With regard to 2016/17, four medium and one low priority recommendations were raised within the 2016/17 ISA 260 Report.

3.6.8 Each local authority's external auditor is required to certify that the annual claim for reimbursement by the Government of Housing Benefit (a means tested benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP)) is fairly stated and to report any errors/adjustments to the DWP in a covering letter that accompanies the claim.

3.6.9 Whilst the DWP have no formal inspection process it does reserve the right to carry out an inspection if circumstances warrant it, i.e. if a Local Authority's performance causes concern.

3.6.10 KPMG, who carries out the audit on behalf of DWP, checks the financial validity of the housing benefit subsidy claim and, depending upon their findings, can:

3.6.10.1 Where, no errors are found during their audit, certify the claim as fairly stated (i.e. provide an unqualified opinion on the Council's return).

3.6.10.2 Where minor errors are found, agree adjustments to the claim with the Council and make no reference to errors in their opinion to the DWP (without qualification).

3.6.10.3 For more significant errors, either in process or figures, the external auditor is likely to qualify the opinion on the Council's return and explain the reasons for doing so to the DWP, who will then determine what action, if any, needs to be taken on any points raised by the auditor.

3.6.11 The audit of the Council's 2016/17 claim is ongoing and not expected to be finalised until the 30th November. However, as in previous audits, it is expected that the Council will only receive very minor qualifications resulting in amendments being made to the final claim in accordance with the DWP arrangements.

3.6.12 The start date of the audit for the financial year 2017/2018 has yet to be agreed.

4. Options considered and recommended proposal

4.1 Audit Committee consider the detail of the report including Appendix A which provides a high level summary of the current position of inspection recommendations.

5. Consultation

5.1 Not applicable to this report.

6. Timetable and Accountability for Implementing this Decision

6.1 The timescales for each inspection recommendation differs and is included in Appendix A.

7. Financial and Procurement Implications

7.1 There are no financial implications.

8. Legal Implications

8.1 There are no legal implications.

9. Human Resources Implications

9.1 There are no Human Resources implications.

10. Implications for Children and Young People and Vulnerable Adults

10.1 The recommendations in relation to inspections in both Children and Young People's Services and Adult Social Care have direct implications on the quality of services provided to children, young people and vulnerable adults. Completing the recommendations will improve outcomes for these groups.

11. Equalities and Human Rights Implications

11.1 Equality Assessments are undertaken in relation to any new policies or strategies that are developed as a result of the work being undertaken to improve services.

12. Implications for Partners and Other Directorates

12.1 Partnership approaches are key to improving services, particularly in relation to Children and Young People's Services, the Improvements need to be of a multi-agency nature and owned cross the partnership. The CYPS Improvement Board is made up of senior officers from partner organisations.

13. Risks and Mitigation

13.1 There is a risk that actions are reported as completed without substance, it is important that arrangements are in place as part of the respective quality assurance regimes and monitored through performance management, evidencing not just completion of actions, but the associated outcomes. As governance arrangements are strengthened, these risks become mitigated.

14. Accountable Officer(s)

- Anne Marie Lubanski, Strategic Director of Adult Care and Housing
- Damien Wilson, Strategic Director Regeneration and Environment Services
- Ian Thomas, Strategic, Director Children and Young People's Services
- Judith Badger, Strategic Director Finance and Customer Services

Approvals Obtained from:-

Judith Badger, Strategic Director, Finance and Customer Services

This report is published on the Council's website or can be found at:

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

APPENDIX A

Summary of Recommendations from “Active” Inspection and Audit Action Plans

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Corporate							
Corporate “Fresh Start” Improvement Plan	DCLG and DfE	132 actions set out in original “Phase One” plan (from May 2015) Revised into 20 objectives in the “Phase Two” action plan (from May 2016)	108 (82%) of Phase One actions complete – May 2016, remainder carried forward to Phase Two	Phase Two action plan – 20 objectives with 99 actions, 86 completed	8 Phase Two objectives ongoing with 13 actions outstanding	1 st phase to May 2016 2 nd phase to May 2017 Outstanding actions up to March 2018	Ongoing – formal 3 monthly Commissioner progress reports submitted to Secretaries of State ¹ – most recent published May 2017 Next report due to Government from Commissioners September 2017 Joint Board of the four (now three) Commissioners and Leader, Deputy Leader, Leader of Opposition and Lead Cabinet Member have met nine times to review Phase Two progress. Next meeting is on 20 th November 2017

¹ See www.rotherham.gov.uk/downloads/200796/commissioners for copies of all Commissioner reports and documents

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Corporate							
Corporate "Fresh Start" Improvement Plan	DCLG and DfE	132 actions set out in original "Phase One" plan (from May 2015) Revised into 20 objectives in the "Phase Two" action plan (from May 2016)	108 (82%) of Phase One actions complete – May 2016, remainder carried forward to Phase Two	Phase Two action plan – 20 revised objectives with 99 actions, 27 completed	All 20 Phase Two objectives ongoing with 72 actions outstanding	1 st phase to May 2016 2 nd phase May 2017	Ongoing – formal 3 monthly Commissioner progress reports submitted to Secretaries of State ² – most recent November 2016 Next report due to Government from Commissioners February 2017 Joint Board of the four Commissioners and Elected Members (Leader, Deputy Leader, Leader of Opposition and Lead Cabinet Member) have met five times to review Phase Two progress. Next meeting is on 20 th March 2017

² See www.rotherham.gov.uk/downloads/200796/commissioners for copies of all Commissioner reports and documents

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Adult Care and Housing							
Adult Social Care – Inspection of Lord Hardy Court	QCQ	2		1	1	December 2018	1 recommendation is complete. The Council is currently developing a number of initiatives to deliver the outcomes of the 2 nd recommendation within budgets
Adult Social Care – Inspection of Treefields Close Learning Disability Respite Service	CQC	1	0	1	0	April 2016	Complete Registration of Manager confirmed in July 2016
Housing - Compliance Audit Re ; Brayshaw Bungalows	HCA	1	0	1	0	Immediately	Complete Contract Extension with Mears in place from 2015 & confirmed with contractor August 2017
Children and Young Peoples Services							
Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board	OFSTED	26	0	0	26	Sign Off will be in line with the Ofsted Re-inspection Timeline	Ongoing
Finance and Corporate Services							
External Auditor's Report on the Accounts 2015/2016	KPMG	2	0	2	0	Mar 2017	Complete
External Auditor's Report on the Accounts 2014/15	KPMG	3	3	0	0	Mar 2017	Complete

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Regeneration and Environment Services							
Environment Agency compliance audit against environmental permit Licence No. NE/027/0005/004 & Discharge Permit EPR-HP3427GA Ground source heat/cooling system at Riverside House, Main Street, Rotherham, S60 1AE	EA	1	0	0	1	N/a	The recommendation was for a new volume meter to be installed if there are any future upgrades to the system. There are no planned upgrades at this time.
Rotherham Registration Office, Stock and Security Assurance Review.	General Registry Office	0	6	6	0	N/a	Complete

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21 November 2016

Director of Children and Young People's Services
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Dear Ian

Monitoring visit of Rotherham Borough Council children's services

This letter summarises the findings of the monitoring visit of Rotherham Borough Council children's services on 20 and 21 of October 2016. The visit was the first monitoring visit since the local authority was judged inadequate for overall effectiveness in October 2014. Inspectors have, however, undertaken four improvement visits between 2015 and 2016. This monitoring visit was carried out by Her Majesty's Inspectors Tracey Metcalfe and Graham Reiter. While progress to improve services for children looked after has been slower than has been seen in other areas across children's services, there is clear evidence of improvement in some key areas. These include: strategic management, vision and planning, performance management and quality assurance arrangements, service restructure, recruitment and retention and compliance with statutory requirements.

Areas covered by the visit

During the course of this visit, inspectors reviewed the progress made in respect of the experience and progress of children looked after, with a particular focus on five important themes:

- strategic and operational management oversight
- the quality of children's experiences
- the quality of assessment and care planning
- the timeliness of decisions when children need permanence
- the effectiveness of the review process.

Inspectors also considered:

- placement commissioning and sufficiency
- the arrangements in place to respond to children missing from care.

The visit considered a range of evidence, including electronic case records, supervision files and notes, observation of social workers undertaking assessments, and other information provided by staff and managers. In addition, inspectors spoke to children from the Children in Care Council, foster carers and a range of staff, including managers, independent reviewing officers (IROs) and other practitioners.

Summary of findings

- The council has continued to respond positively to the recommendations identified following the single inspection in 2014. A stable senior management team, led by the director of children's services (DCS), demonstrates determined, effective, strategic leadership with clear priorities and aspirations, and a sustained focus on improving outcomes for children.
- Performance management and quality assurance arrangements are robust and support senior managers to identify where progress is being made and where improvement is required. Reliable data shows improved compliance in meeting some statutory requirements, with particular regard to statutory visits and the timeliness of children's reviews.
- Improvement is evident in relation to compliance with statutory requirements. Social worker caseloads have reduced, providing more time for focus on individual children. However, frontline management oversight of social work practice is weak. Social workers are neither supported nor challenged sufficiently by managers to improve the quality of their work.
- When children become looked after, their needs are not formally reassessed, and ongoing risk and need are not always recognised or supported well enough. This includes cases from a very small sample during this visit where children are at risk of child sexual exploitation.
- Children who require permanence are not identified soon enough. The Public Law Outline (PLO) is not being used effectively. Consequently, some children are experiencing delay in securing legal permanence. Supervised contact arrangements are insufficiently resourced and planning is poor. There is little evidence that children receive support to help them to understand why they have become looked after and what is going to happen to them.
- A recent reduction in the use of agency social workers and managers is resulting in a more stable and permanent workforce. However, children have experienced too many changes of social worker, which has had a negative impact on their plans being progressed in a timely way.
- There has been an improvement in the timeliness of children's reviews, and in the scrutiny and challenge of IROs. This is not yet leading to improvement in the quality of children's plans, nor is it driving progress.

- While there has been an improvement in the timeliness of children's annual health assessments, practice in relation to initial health assessments remains poor.
- The number of children who become looked after have continued to rise as the council's focus on children in need of help and protection has improved. This is placing significant pressure on the council's ability to identify and match children to the right placement in a timely way. Placement stability has deteriorated and the number of placement disruptions are increasing. However, children who spoke to inspectors say that they feel safe in their placements and in school, and receive good support from their social workers and carers.
- The number of children who go missing from care has reduced significantly in the last six months and an increased number of children receive a return home interview. However, this is not the case for children who live out of borough.

Evaluation of progress

The DCS is highly visible and accessible. A more stable senior leadership team demonstrates a strong focus on performance management. Senior managers have undertaken an honest and robust self-assessment of the service they provide to children looked after and have sought external peer scrutiny and challenge from children and young people in Rotherham. The result is that they know themselves well. The DCS has a clear vision and understanding of the key priorities to improve the experience and progress of children looked after. There is evidence of the council's direct engagement with children from the Children in Care Council who have told inspectors they feel valued and involved in developing their own plans and contributing to service developments.

The council has taken effective action to begin to address the significant shortfalls identified in the single inspection undertaken in October 2014. A strong focus on performance management is beginning to show improvement in compliance with some statutory requirements. Children are being seen regularly by a social worker and there has been positive improvement in the timeliness of reviews. Improved partnerships with the virtual school have seen an increase in the number of personal education plans being completed, although it is recognised that there is much work to do to improve the quality and the aspiration for children. Improved relationships with health partners have resulted in children looked after being prioritised for assessment and intervention from children and adolescent mental health services. The number of annual health assessments completed in a timely way have improved, as have the number of dental checks. Initial health assessment performance remains poor.

Inspectors found evidence that key priorities to secure a stable and permanent workforce have been translated well through strategic planning and actions. The

success of the workforce strategy is demonstrated through the significant reduction in the reliance on agency social workers and managers to 18%. This improvement is very recent and, while positive, is not yet providing all children with an opportunity to develop a trusting relationship with their social worker. In recent months, children have experienced a number of changes in social workers and their managers, which has had a negative impact on the timely progression of children's assessments and plans.

Senior managers have set very high expectations of their social workers and managers in terms of performance and quality standards. Caseloads have been reduced to an average of below 15 children in the looked after children's service, to enable social workers to focus on the quality of their work with children, and there has been an increase in IRO capacity to empower this function. A deep dive into audit findings is beginning to support and challenge social workers when children's plans are not progressing within a child's own timescale. Despite these changes, the quality of some social work practice remains poor. When children become looked after, there is a lack of urgency to identify their long-term needs and secure early permanence. Senior managers have begun to track those children subject to voluntary arrangements and, while this is beginning to drive some children's plans forward, too many continue to experience delay in securing legal permanence.

New appointments support the renewed focus on the Public Law Outline (PLO). A new permanent full-time PLO case manager and PLO panel chair are in place. An additional social work team has been created to progress care proceedings. However, the PLO process is still not being used effectively. There are delays in assessments being undertaken before care proceedings are issued and some delays in proceedings being issued once interim care applications have been sent to legal services. Family members are not identified or assessed early enough when children become looked after, which does not support children in developing a sense of security within their family. When children return home to parents, assessments and support to ensure that the decision is safe are not robust. Contact arrangements between children and their parents are not sufficiently risk assessed or reviewed. Resource to ensure that children experience good-quality family contact is insufficient and some venues used currently for contact are inappropriate. Senior managers are aware of this shortfall and plans are in place to review the service.

Children do not routinely receive an updated assessment of their holistic needs, thus their care plans do not focus well enough on the outcomes to be achieved. Risk and need are not robustly explored or understood.

When child protection concerns arise, procedures are not always followed. Strategy meetings still do not routinely follow 'Working Together 2015' guidance. Screening tools to explore child sexual exploitation concerns are not being completed correctly in all cases when a child may be at risk, despite previous improvement visits identifying more robust practice in this area. While the numbers of children going

missing from their placement have reduced significantly, not all children who are placed out of the borough receive a return home interview.

There continue to be gaps and inaccurate recording of children's key information, making it difficult to understand a child's journey or measure progress. There is a lack of evidence of direct intervention or life story work to help children understand why they have become looked after or what is going to happen in the future. Senior managers have taken decisive action to address these shortfalls. Robust audits of casework are undertaken routinely as well as more specifically to explore a particular issue. Frontline team management capacity has been enhanced, with some permanent recent appointments across the children looked after service. A coaching and mentoring programme for team managers is in place, with a local authority practice partner and there are plans to extend this support to social workers from November 2016. There is some evidence that managers are beginning to deliver more regular supervision. However, this is still without the rigour, challenge and reflection required to support social workers to improve the quality of their practice and focus on improving timely outcomes for children.

IROs are an emerging strength. Capacity has been increased in the IRO service, with caseloads below that recommended in the IRO handbook. The timeliness of children's reviews has increased, and evidence shows increased IRO scrutiny and challenge. This is beginning to identify when progress is needed in some children's plans, but is yet to demonstrate how improved scrutiny is making a difference to outcomes for children.

The council has a clear determination to provide the best possible provision for children looked after. The increased pressure on placements is partly attributable to the increase in numbers of children looked after. Long- and short-term placement stability has deteriorated. A lack of local placement provision means children with complex needs are more likely to be placed more than 20 miles from their home. Children are not matched well to placements. Placement decisions are too reactive to crisis situations and too often made without children's needs being fully explored or understood. Despite these challenges, children who spoke with inspectors did feel safe in their placements and valued the relationship with their social workers.

Senior managers acknowledge the insufficiency of placements available to children in house, particularly those children with complex and more challenging needs. Senior managers have taken appropriate steps to decommission the majority of in-house residential placements, as these were not meeting the quality standard required. A number of new and innovative commissioning approaches are being developed. The council is involved in the development of a local and regional framework to influence and drive improvements in the quality of independent placements. The in-house fostering offer is strengthened and is beginning to improve placement choice and capacity, with better incentives for carers with the skills to support adolescents, as well as out of hours support and respite for foster carers of children with a disability.

I am copying this letter to the Department for Education. This letter will be published on the Ofsted website.

Yours sincerely,

Tracey Metcalfe

Her Majesty's Inspector

Pre publication

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13 March 2017

Ian Thomas
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Dear Ian

Monitoring visit of Rotherham Borough Council children's services

This letter summarises the findings of the monitoring visit to Rotherham children's services on 9 and 10 February 2017. The visit was the second monitoring visit since the local authority was judged inadequate in October 2014. The inspectors were Her Majesty's Inspectors Tracey Metcalfe and Jansy Kelly. Social Care Regulatory Inspector Pauline Yates shadowed the visit.

Inspectors have also undertaken four improvement visits between 2015 and 2016 to monitor the local authority's progress.

Overview

The local authority is making continuous progress in improving services for children in need of help and protection. The implementation of multi-disciplinary locality teams is leading to improved coordination of early help support to families by the local authority. The quality of early help assessments is slowly but steadily improving and they are leading to a direct offer of help which is highly valued by families. However, the number of early help assessments being completed by multi-agency partners remains too low. The robust screening of contacts to children's social care, supported by effective multi-agency information sharing, is leading to more timely assessments of need and risk. While assessment quality is beginning to improve with evidence of some good work emerging, assessments and section 47 investigations are not focused well enough on risk or children's holistic needs. This has an impact on the quality of children's plans and the interventions that they receive. Progress can be seen in the quality of management oversight and performance management. Workforce planning is highly effective. Recruitment and retention rates are better than the national average. Due to a positive organisational culture staff are highly committed and motivated and they report feeling valued.

Areas covered by the visit

During the course of this visit, inspectors reviewed the progress made in the areas of access to early help services and whether children in need of help and protection are identified by professionals and receive timely help that is proportionate to risk and their levels of need. Inspectors focused particularly on:

- The quality and coordination of the early help offer
- The effectiveness of contact, referral and assessment services
- The quality of children's assessments and whether they lead to appropriate and timely offers of help
- The quality of section 47 enquiries and investigations
- The impact of leaders and managers.

The visit considered a range of evidence, including electronic case records, supervision files and notes, observation of social workers and senior practitioners undertaking referral and assessment duties and other information provided by staff and managers. In addition, we spoke to a range of staff, including managers, social workers, other practitioners and administrative staff.

Findings and evaluation of progress

The implementation of multi-disciplinary locality teams is leading to improved quality and coordination of early help support to families. Early help assessments (EHAs) are being undertaken more efficiently, and these are leading to a direct offer of help for individual children and their families. There is much evidence of children's circumstances improving as a result of the early help being provided. There are also some positive examples of very timely intervention and support for families who have an allocated worker within one of the locality teams. The local authority's use of exit interviews endorses this positive work, and it is clear that the service offered through early help is valued highly by families.

Staff within the locality teams are working well together. This follows a period of team development that included activities to help them to learn about each other's range of skills and ways in which they could network to provide enhanced support to children and their families. All workers who spoke with inspectors feel that they have been appropriately trained to undertake EHAs and team around the family (TAF) meetings. Most workers have also participated in a variety of other training to enhance their work with children and families. This training has covered restorative practice and child sexual exploitation, although not all workers have received training on how to use the child sexual exploitation screening tool.

Much progress has been made towards securing reliable performance management information, which is commendable given the number of systems currently reporting on early help. Further work is required to refine this performance data, including improved analysis and explanation of the data to make it more accessible. Inclusion

of the frequency of the review of early help plans via TAF meetings would assist managers in monitoring this element of the early help provision.

The completion of EHA assessments within the locality teams is, in the majority of cases, timely. The quality remains variable, and all EHAs seen during this visit have a number of areas in which they could be improved. In most cases, the child's lived experience is not fully explored or understood, and EHAs lack evidence that the worker has considered significant issues in sufficient detail to lead to full understanding of the impact of these on the child. All EHAs would be improved through including a stronger analysis of issues and needs to inform the development of support plans.

All EHAs seen included the child's voice, and there was evidence on the file of direct work to understand the child's wishes and feelings. The quality of this work is variable, and the majority of EHAs require further analysis after direct work sessions in order to gain further insight into the child's life. Workers routinely seek to involve parents, including fathers and stepfathers, in their work. When this is not successful, they show persistence in building relationships with these important adults in order to inform their work with the child.

The local authority has improved in many areas of early help provision to children and their families, including outlining clear expectations to partners regarding their role in the assessment and provision of early help. However engagement by operational colleagues from other agencies remains extremely low. Although performance is very slowly improving in this area, there are too few other agencies undertaking EHAs and taking on the lead professional role to ensure the early help model can become embedded and sustainable. In many cases, partner agencies are engaged with TAF plans and meetings, but in some cases key agencies are not attending the meetings. The local authorities' current expectations of partners to undertake this work also appears low within the operational triage and the step-down panel meetings. There is no standard offer of support for partners undertaking their first EHAs or a process to ensure the quality of these assessments.

The co-location of multi-agency professionals at the front door has strengthened partnership relationships, improving understanding of how other professionals work. This has helped to break down previous communication barriers. There is now a much greater understanding and application of the threshold for access to children's social care. Contacts are robustly screened by social workers and signed off by managers. The added value of early help professionals sitting alongside social workers ensures that the type of response required is swiftly agreed and is informed by effective information sharing and analysis. Consequently, children and families are offered timely, holistic assessment and support planning to address needs as they emerge. When high-risk contacts are received, these are immediately redirected to dedicated teams. Notifications when children are missing, when children may be at risk of child sexual exploitation and when children are at risk from domestic abuse

are screened on the same day and discussed with co-located police officers to ensure that no child at risk goes unnoticed.

Children who require a single assessment are identified quickly and signposted to the duty and assessment teams. For most children, assessments are undertaken well within the local authority's required target timescales. While this means that children's needs are identified in a more timely way, too much focus is on meeting these timescales rather than on the quality of the assessment. Team managers are not yet confident in supporting social workers to set targets to complete assessments according to the individual needs of the child. Team managers are not challenging social workers enough to explore the life events that have been important for a child and their family as part of the assessment or to assist with decision-making and intervention. This means that assessments are not identifying all risks in families. Thus, children's resulting plans are not focused on what needs to change and improve or on ways in which children need to be helped and supported.

When child protection concerns are identified, a swift response to convene a strategy meeting ensures that children's immediate safeguarding needs are identified and secured. All strategy meetings are attended by South Yorkshire police (SYP) and other agencies, as appropriate, which is evidence of improvement. While the local authority has improved the recording of strategy discussions, team managers are not coordinating the timing and conduct of protective actions and the investigations required. In particular, when 'achieving best evidence' (ABE) interviews are required, South Yorkshire police are undertaking these interviews without social workers being present. Consequently, more than one agency is questioning the same child separately. Thus, the child has to tell their story more than once. Inspectors found delays in some ABE interviews taking place, thereby prolonging the investigation unnecessarily for the child and creating opportunities for the contamination or loss of evidence. There is a need for children's social care and the police to work closely together when planning investigative interviews of children, to ensure that welfare and justice imperatives are properly coordinated. South Yorkshire police responded positively to these findings during the visit and agreed to review practice with the local authority.

Supervision is taking place regularly. Social workers articulate the value of supervision. However, team managers are not recording well enough how they use supervision to assist reflection, analysis, decision-making, planning and intervention in the lives of children and their families. There is improving evidence of management oversight in children's records, and the rationale for decisions is clear in most cases. However, some managers are using too much jargon to give case direction, for example 'develop a SMART plan', rather than being explicit about what is expected of the social worker and, most importantly, about what is the intended outcome of the planned intervention or action for the child.

The implementation of a new electronic case management system is improving the way in which information is gathered, recorded and shared and is supporting more

effective performance management. Social workers and managers welcome the usability of the system. Rotherham has been very successful in recruiting, developing and retaining social workers and managers with the required skills and in improving the front door arrangements. There is a positive organisational culture, which is enabling social workers and managers to develop. All staff who spoke to inspectors described feeling valued, supported and consulted in the service improvements.

I am copying this letter to the Department for Education. This letter will be published on the Ofsted website.

Yours sincerely

Tracey Metcalfe

Her Majesty's Inspector

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13 June 2017

Ian Thomas
Director of Children and Young People's Services
Rotherham Metropolitan Borough Council
Riverside House
Main Street
Rotherham
S60 1AE

Dear Ian

Monitoring visit of Rotherham Metropolitan Borough Council children's services

This letter summarises the findings of the monitoring visit to Rotherham Metropolitan Borough Council on 3 and 4 May 2017. The visit was the third monitoring visit since the local authority was judged to be overall inadequate in October 2014. The visit was carried out by Her Majesty's Inspectors, Jansy Kelly and Tracey Metcalfe.

Inspectors have also undertaken four improvement visits between 2015 and 2016 to monitor the local authority's progress.

Areas covered by the visit

During the course of this visit, inspectors reviewed the progress made in the local authority's services to care leavers. Specific areas of focus included:

- assessment and planning and the extent to which this is meaningful and timely for individual care leavers
- care leavers who were unaccompanied asylum-seeking children
- care leavers who are parents
- care leavers who are at risk of sexual exploitation
- provision of accommodation
- the impact of leaders and managers, including the quality of audit, quality assurance and performance management.

The visit considered a range of evidence, including electronic case records, supervision files and observation of social workers and senior practitioners. In

addition, we spoke to several care leavers and a range of staff, including managers, social workers and personal advisers.

Overview

The local authority is making progress in improving services for its care leavers. Delivery against an appropriate improvement plan has led to tangible improvements to services for care leavers. These include increasing the number of care leavers that the local authority is in touch with, working with its young inspectors to improve the quality of support in the local authority's semi-independent unit and improving the quality and range of accommodation provision for care leavers. There is a clear focus on engaging young people in education, employment and training, and the local authority has successfully started to support the first three care leavers into apprenticeships within the council.

The quality of service to care leavers is impacted by some weaknesses in practice from across children's services, including the looked after children teams. Some young people have experienced a lack of support from their social workers and others have not had their vulnerabilities to potential abuse sufficiently assessed. Multiple changes of social workers and managers have also made it difficult for some care leavers to receive a consistent service and to build trusting relationships with staff.

Findings and evaluation of progress

Within the scope of this visit, there are areas of strength, areas where improvement is occurring and some areas where the progress has not met the expectations in the local authority's improvement plan.

Inspectors had the pleasure of speaking with many care leavers during this visit. Almost all had high praise for the work of their personal advisers and social workers, and countless examples of positive support were shared. For example, care leavers said that their workers have helped them to secure accommodation, to repair relationships with their birth families, to look for work and to gain confidence.

More recent assessments and pathway plans are of an improved standard. These include a greater sense of young people being actively engaged, with their voice, wishes and feelings recorded and referenced throughout. Consideration of friendships and young people's ability to make and sustain friends are reflected in the stronger assessments. However, the quality of needs assessments and pathway plans remains too variable, and some individual work with care leavers is very poor. Weaker assessment and planning do not contain a sense of the young person, their wishes and needs, are not outcome focused and do not consider all needs and risks. For some care leavers, assessments and plans are not relevant to their current circumstances and are in need of update and review.

In the audited cases, the local authority appropriately recognised that detailed chronologies, genograms and an overall story of the child's journey and lived experience are absent from most case records. A small number of young people have not received their full entitlement, due to some independent reviewing officers, managers and social workers not understanding their legal status and rights as care leavers.

There is an effective focus on engaging care leavers in education, employment and training. Children's educational attainment is prioritised while they are in care, and young people are actively encouraged to remain in education or training post 16. This is leading to gradual improvements in the attainment of care leavers and the opportunities available to them in terms of apprenticeships, further education and employment.

The local authority is strengthening the way that it works with adult services to promote smoother and timelier transitions for young people. This includes adult services colleagues now attending the placement panel to ensure that they are fully aware of these individual young people's needs. While progress is seen for young people entering transition, older care leavers are only now beginning to benefit from improved assessment and planning and therefore have experienced some delay.

Care leaving staff know the young people they work with well and are enthusiastic about helping them to achieve. They also demonstrate persistence in supporting young people, for example, when securing accommodation and maintaining contact with young people. However, in some cases, there are gaps in workers' understanding and a lack of curiosity about key issues for the young people. This includes not seeking to understand the young people's feelings and relationships with their families or the impact of issues from their past.

Workforce stability is improving because of a focus on recruitment and retention, and this is starting to have a positive impact on continuity for children. However, some care leavers have experienced multiple changes in worker, and this has hindered effective planning and positive relationships.

The local authority is proactive in taking responsibility for the welfare and resettlement of unaccompanied asylum-seeking children. These children are appropriately assessed as children in need and, when appropriate, are looked after by the local authority. There is strong evidence of appropriate placement and sensitive support for these young people to adjust to a new language and culture. They are also supported to gain stability and to have their individual care needs met.

There is a suitable range of accommodation and support services for young parents. In the cases seen during this visit, care leavers who are parents are being supported to make good progress. For one young parent, this led to risks reducing and outcomes improving for the parent and child. For another, his identity as a parent and the needs that may arise from this were included throughout the assessment and pathway plan. However, the concept of care leavers as parents is not embedded

well enough in practice. This is a particular issue when the baby or child has a social worker, when some pathway plans do not consider the young people's identity as parents.

There are weaknesses in risk assessment for some care leavers who are at risk of sexual exploitation. During this visit a small number of cases were considered and weaknesses included gaps in multi-agency input, lack of the young people's views, limited analysis and actions that aim to reduce risk for the young people were not clearly identified. However, of the cases reviewed during the visit, no young people were identified at risk of immediate or unassessed sexual exploitation. More recent risk assessments show improvement and one young person, whose case was reviewed and who is supported by the child sexual exploitation team 'Evolve', has benefited from an assessment of good quality.

Very effective partnerships between children's services, housing and private providers ensure that appropriate accommodation is provided to care leavers. The quality of placements for young people is strong, including staying put arrangements, bespoke supported accommodation and independent living. Young people have the opportunity to delay their moves into independence until they are ready, and increasing numbers stay put with foster carers. They are also offered a wide range of practical and emotional support to help them to make the transition to adulthood and more independent living. Care leavers told inspectors that they are involved in identifying and selecting their homes from the different accommodation options available.

Supervision, challenge and management oversight continue to be areas for development for the local authority in its work with care leavers. There has been some improvement in quality assurance and the recording of management oversight by team managers. However, supervision of social workers, personal advisers and team managers is not sufficiently outcome focused, and a lack of timescales against actions means that there is drift and delay for some care leavers. Some staff from the looked after children teams have experienced unacceptable delays between their supervision sessions. With the exception of cases that have been audited, challenge about the quality of work with care leavers is not evident, and most cases also lack evidence of scrutiny and challenge from independent reviewing officers.

There is a developing performance management culture within the care leaver service. Fortnightly performance clinics ensure that managers are held to account for fully understanding their teams' performance. Most recently, the inclusion of care leavers' data within a new dashboard creates further opportunity to understand performance. This has only been in place for the past two weeks and, although already providing useful data, at this time it is not possible to determine its full impact on improving practice.

The audits completed for the visit contained relevant findings, focused on impact and outcomes for the individual care leavers and strengths and weakness were accurately

identified in most cases. There were, however, some practice issues, which were either missed or not explored sufficiently in the audits. In several of the tracked cases, actions from the audits had not been fully completed. Managers agreed that a more robust approach is needed in tracking and following up actions from audits.

All social workers and personal advisers, including social workers in their assessed and supported year in employment (ASYE), are extremely positive and motivated about working in Rotherham and value the support that they receive. Personal advisers and social workers in the care-leaving service are enthusiastic about working with the young people to improve their lives and help them to achieve their best outcomes. They are delighted about the opening of the recently refurbished young person-friendly building and are currently planning to expand the opportunities for care leavers to socialise and develop confidence and skills through a diary of regular courses, drop-in sessions and activities.

I am copying this letter to the Department for Education. This letter will be published on the Ofsted website on 13 June 2017.

Yours sincerely

Jansy Kelly
Her Majesty's Inspector

Summary Sheet

Committee Name and Date of Committee Meeting

Audit Committee – 21 November 2017

Report Title

Relationship with Overview and Scrutiny Management Board

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Shokat Lal, Assistant Chief Executive

Report Author(s)

James McLaughlin, Democratic Services Manager and Statutory Scrutiny Officer
01709 822477 or james.mclaughlin@rotherham.gov.uk

Ward(s) Affected

All

Summary

The Chair and Vice-Chair of the Audit Committee are appointed as members of the Overview and Scrutiny Management Board to ensure that there is a timely flow of information and opportunity for referral of items between both committees. This report has been prepared to review the current arrangement between the two committees and identify where that relationship can be strengthened further. The report proposes the adoption of a concise protocol to ensure that referrals between the committees are formally captured.

Recommendations

1. That the report be noted.
2. That consideration be given to the merit of adopting a concise protocol governing referrals between the Audit Committee and the Overview and Scrutiny Management Board.
3. That, in the event of the Audit Committee being minded to support the adoption of a protocol for referrals, this report be submitted to the Overview and Scrutiny Management Board for consideration.

List of Appendices Included

None

Background Papers

Overview and Scrutiny Procedure Rules

Scheme of Delegation

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Relationship with Overview and Scrutiny

1. Recommendations

- 1.1 That the report be noted.
- 1.2 That consideration be given to the merit of adopting a concise protocol governing referrals between the Audit Committee and the Overview and Scrutiny Management Board.
- 1.3 That, in the event of the Audit Committee being minded to support the adoption of a protocol for referrals, this report be submitted to the Overview and Scrutiny Management Board for consideration.

2. Background

- 2.1 The work of the Audit Committee and the scrutiny function have similarities but also key distinct differences. In Rotherham, there is some recognition of the similar work streams and activities through the appointment of the Chair and Vice-Chair of the Audit Committee as members of the Overview and Scrutiny Management Board.
- 2.2 This report sets out the nature of the relationship and highlights potential areas for improving working practices between the two different, but complementary, functions.

3. Key Issues

- 3.1 The role of the Audit Committee differs from that of the Overview and Scrutiny Committees in that the role of scrutiny is to review policy and challenge whether the Executive has made the right decisions to deliver policy goals. The Audit Committee, however, provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and affects the control environment, and oversight of the financial reporting process.
- 3.2 Although the Audit Committee's work programme is driven largely by statute and the governance and financial reporting cycle, there is a potential overlap between the work of the Audit Committee and the Overview and Scrutiny Management Board having regard to their terms of reference. Additionally, there could potentially be areas of overlap with the Select Commissions.
- 3.3 The co-ordination of work programmes is desirable not only to avoid duplication of work, but to ensure that resources are used most effectively. It is for this purpose that the Chair and Vice-Chair of the Audit Committee are appointed as members of the Overview and Scrutiny Management Board. This approach goes some way towards ensuring that there is coordination of activities.

- 3.4 There is presently no formal procedure for referrals to be made between the Audit Committee and the Overview and Scrutiny Management Board. This process is reliant on the chairs of the respective bodies sharing information by way of verbal update. Some other local authorities in England have identified that this has been an issue. Having researched their approach to resolving the issue, it is recommended that Members may wish to consider the adoption of the following concise protocol to ensure that the reasons for referrals are reported formally and to inform any subsequent debate:-

In the event of the Audit Committee being minded to refer an issue to an Overview and Scrutiny Management Board (or vice-versa), the issue, the reasons for referral and the desired outcome must be clearly understood, and specified in the minutes and the reference.

- 3.5 Anecdotal feedback from Members indicates that the membership of the Chair and Vice-Chair of the Overview and Scrutiny Management Board adds value to scrutiny activity and ensures that risk is a consideration in undertaking scrutiny on proposed decisions. The views of the Audit Committee on the value of the relationship between with the scrutiny function would be welcome.

4. Options considered and recommended proposal

- 4.1 The Committee could choose to continue as at present, but this is not recommended as a greater awareness of the respective Audit and Overview & Scrutiny work programmes will avoid duplication and engender more efficient and effective use of resources. The adoption of the protocol for the referral of issues between the Audit Committee and Overview and Scrutiny Management Board will help clarify the reasons for the referral and inform the subsequent debate.

5. Consultation

- 5.1 If the Committee is minded to support the adoption of a protocol for the referral of issues between the Audit Committee and the Overview and Scrutiny Management Board, it will be necessary for the latter committee to be consulted and jointly agree the wording of the protocol. Within the above recommendations, it is proposed that this report be referred to the Overview and Scrutiny Management Board to ascertain support for the adoption of a protocol.

6. Timetable and Accountability for Implementing this Decision

- 6.1 If the recommendations are agreed, the report will be referred to the next available ordinary meeting of the Overview and Scrutiny Management Board on 20 December 2017.

- 6.2 In the event that both Audit Committee and Overview and Scrutiny Management Board support the proposed wording for the protocol, this can be incorporated into the pending changes to the Overview and Scrutiny Procedure Rules and terms of reference for the Audit Committee, which is embedded in the Scheme of Delegation. This will be reported to Constitution Working Group and subsequently to Council for formal adoption of the protocol within the revised rules and terms of reference.

7. Financial and Procurement Implications

- 7.1 There are no direct financial or procurement implications arising from this report.

8. Legal Implications

- 8.1 There are no direct legal implications arising from this report.
- 8.2 If the proposed wording of the protocol is supported by both the Audit Committee and Overview and Scrutiny Management Board, it will be necessary to amend the Constitution to reflect its adoption by both bodies.

9. Human Resources Implications

- 9.1 There are no human resources implications associated with this report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no implications for children and young people or vulnerable adults associated with this report.

11. Equalities and Human Rights Implications

- 11.1 There are no equalities or human rights implications associated with this report.

12. Implications for Partners and Other Directorates

- 12.1 There are no implications for partners or other directorates arising from this report.

13. Risks and Mitigation

- 13.1 The co-ordination of the Audit and Overview and Scrutiny work programmes will mitigate the risk of duplication of work and the inefficient and ineffective use of resources. The adoption of a protocol for the referral of issues between the Committees may mitigate the risk of inappropriate referrals and ensure that the debate is relevant and informed.

14. Accountable Officer(s)

James McLaughlin, Democratic Services Manager

Approvals obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Judith Badger	13/11/2017
Assistant Director of Legal Services	Dermot Pearson	13/11/2017
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

*Report Author: James McLaughlin, Democratic Services Manager
01709 822477 or james.mclaughlin@rotherham.gov.uk*

This report is published on the Council's website or can be found at:-
<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>

Summary Sheet

Council Report:

Audit Committee 21st November 2017

Title:

Code of Corporate Governance

Is this a Key Decision and has it been included on the Forward Plan?:

No

Strategic Director Approving Submission of the Report:

Judith Badger (Strategic Director Finance and Customer Services)

Report Author(s):

David Webster (Head of Internal Audit)

Simon Dennis (Corporate Risk Manager)

Ward(s) Affected:

All

Executive Summary:

In April 2016 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in local government. The Council's Code of Corporate Governance was rewritten at that time to set out how it would comply with this new guidance. There have been no new revisions to the guidance in the last year. However, it is good practice to review and revise the Council Code on an annual basis. The Corporate Governance Group has done so and the revised Code is presented here for consideration by the Audit Committee.

Recommendations:

- **The Audit Committee is asked to consider the refreshed version of the Local Code of Corporate Governance**
- **After consideration, advise of any amendments or further development work deemed necessary**

List of Appendices Included:

Appendix 1 – Local Code of Corporate Governance.

Background Papers:

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in April 2016.

Consideration by any other Council Committee, Scrutiny or Advisory Panel:

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Title: Local Code of Corporate Governance

1. Recommendations

- 1.1 The Audit Committee is asked to consider the refreshed version of the Local Code of Corporate Governance**
- 1.2 After consideration, the Committee to advise of any amendments or further development work deemed necessary**

2. Background

- 2.1 The Corporate Governance delivery programme section of the Rotherham Improvement Plan stressed the need for improvement in Governance, Decision making and Performance Management arrangements with the ultimate outcome being a robust Governance framework. A new local code of Corporate Governance was introduced in November 2015 in response to the need set out in the Improvement Plan.
- 2.2 In April 2016, CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in Local government. The Council's Code of Corporate Governance was rewritten to set out how it complied with this new guidance. The new guidance set out seven key principles of good governance and the Council's new Code reflected these principles. The Code was presented to the Audit Committee in February 2017.
- 2.3 Although there have been no subsequent changes to the guidance, an annual review of the Code has been completed in order to ensure it remains up to date and relevant to the Council.

3. Key Issues

- 3.1 Good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.
- 3.2 Rotherham Metropolitan Borough Council is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities. Integrity, openness and accountability are fundamental principles by which the Council operates and these are specifically reflected in two of the Council's values – "Honest" (Being open and truthful in everything we do) and "Accountable" (We own our decisions, we do what we say and we acknowledge and learn from our mistakes).
- 3.3 The guidance sets out the seven key principles which underpin the governance of each local government organisation. The Rotherham Code follows these principles and demonstrates how they are applied and evidenced in practice. The seven key principles are:

- Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring Openness and comprehensive stakeholder engagement
- Determining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Councils capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practice in transparency, reporting and audit to deliver effective accountability

3.4 The first two principles underpin the operation of the other five and represent a change in approach from earlier versions of the Code. As can also be seen from the list above, the Council's own values align closely to the key principles in the CIPFA/SOLACE code.

3.5 The Council has adopted this approach in producing its Code of Corporate Governance to give citizens and customers a clear understanding of how the Council manages its decision making, service planning, service delivery and accountability processes, how it ensures that the Council sets out its vision and priorities and how it provides effective and efficient outcomes to its citizens and customers.

4. Options considered and recommended proposal

4.1 "Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) is widely acknowledged as the authoritative guide in this area.

4.2 All Local Authorities within the UK construct their Codes of Corporate Governance utilising the methodology advocated by this guidance. The framework was published in April 2016 and it is important that the Council complies with this code. There have been no changes to the guidance in the last year. An annual review of the Rotherham Code has been completed by the Corporate Governance Group.

4.3 The Audit Committee is invited to review the attached Code and provide any comments. For ease of reference a version showing tracked changes from the previous year is attached, along with the final draft Code.

5. Consultation

5.1 Research has been undertaken into sector codes of governance. The attached Code takes account of current arrangements in Rotherham.

6. Timetable and Accountability for Implementing this Decision

6.1 The refreshed code is to be presented to the Audit Committee for consideration at its meeting on 21st November 2017 and then should be signed off by both the Chief Executive and the Leader of the Council.

7. Financial and Procurement Implications

7.1 There are no immediate financial and procurement implications associated with the refreshed code although, previously stated, good governance leads to good stewardship of public money.

8. Legal Implications

8.1 There are no immediate legal implications associated with the proposals.

9. Human Resources Implications

9.1 There are no Human Resources implications associated with the proposals.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no immediate implications associated with the proposals.

11. Equalities and Human Rights Implications

11.1 There are no immediate implications associated with the proposals.

12. Implications for Partners and Other Directorates

12.1 There are no immediate implications associated with the proposals.

13. Risks and Mitigation

13.1 The implementation of an effective Governance framework is designed to minimise the Authority's exposure to risk.

14. Accountable Officer(s):

Simon Dennis (*Corporate Risk Manager*)

David Webster (*Head of Internal Audit*)

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Assistant Director of Legal Services: Dermot Pearson



Rotherham Metropolitan Borough Council

Code of Corporate Governance 2017

CODE OF CORPORATE GOVERNANCE

Governance is about organisations ensuring that they are doing the right things in the correct manner for the right people in a timely, open, honest, inclusive and accountable manner. It follows that good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.

Good governance enables Rotherham Council to pursue its vision effectively, as well as reinforcing that vision with the mechanisms for control and management of risk.

Following a critical corporate governance inspection in 2014/15, five commissioners were appointed by the Secretary of State for Communities and Local Government and the Secretary of State for Education. The five commissioners initially took all executive and licensing responsibility at the Council. Over the course of the last two and a half years powers have gradually been handed back to elected members as the Council has delivered two Improvement Plans designed to ensure that services were well-led by officers, with Members able to exercise executive authority and had clear plans in place for further improvement.

At the time of writing, all functions apart from children's social care are in local democratic control. Commissioners also have oversight and enhanced powers in relation to adult social care, partnerships with the NHS and domestic abuse. The remaining three commissioners are expected to continue to exercise oversight of the Council until 31 March 2019.

This Code of Corporate Governance explains all of the Council's policies and practices in one document, making them open and explicit. Appropriate procedures and processes are being integrated into the Council's Governance Framework to ensure there will be routine application and ongoing review of the arrangements described in the Code.

Councillor Chris Read
Leader, Rotherham MBC

Sharon Kemp
Chief Executive

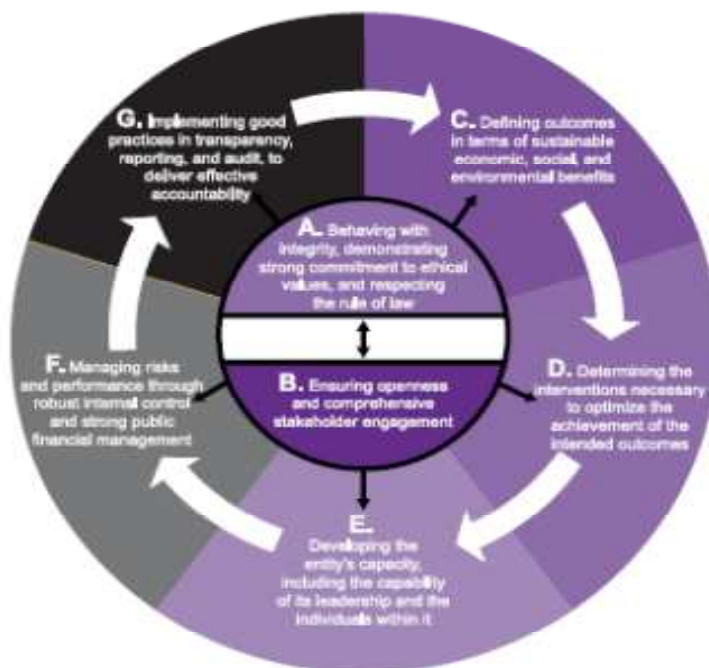
Introduction

All of the decisions made by Rotherham Council about the services it delivers, and how to deliver them, are supported by a set of systems and processes which make up the Council's 'governance arrangements'. These include holding meetings where decisions are made, the Council's legal framework, setting out priorities and roles clearly, holding decision makers to account through scrutiny, risk management processes, financial monitoring and ensuring high standards of conduct. Local authorities are encouraged to demonstrate how they ensure effective governance arrangements by setting these out in a local code of governance.

Rotherham Metropolitan Borough Council's 'Code of Corporate Governance' is based on the guidance "Delivering Good Governance in Local Government", published in 2016 by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives).

The main principle underpinning the Delivering Good Governance in Local Government: Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policies and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. A diagram of the Framework from the guidance is copied below:

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever forms of arrangements are in place, authorities should test their governance structures and partnerships against the principles contained in the Framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance and governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council has adopted this Code of Corporate Governance (Code) with the intention of giving citizens and customers a clear understanding of how the Council intends to manage its decision making, service planning, service delivery and accountability processes, how it aims to ensure that the Council sets out its vision and priorities and how it aims to provide effective and efficient outcomes to its citizens and customers.

This Code is work in progress and reflects the Council's position in its improvement journey. It reflects the principles and evidence that we are striving towards as well as reflecting the Council's current position.

The Code is subject to constant review to ensure its adequacy and its effectiveness is assessed as part of an annual review process that leads to the production of the Council's Annual Governance Statement.

Every Council officer and Member has a responsibility to ensure that their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review of corporate governance arrangements is completed and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Strategic Leadership Team ensures that the Code is reviewed regularly (at least yearly) to reflect ongoing developments and planned improvements to the framework, and authorises any amendments.

How Rotherham Council intends to meet the Principles of Good Corporate Governance

This section sets out how Rotherham Council aims to work to the principles of good corporate governance.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Summary:

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Behaving with integrity	<ul style="list-style-type: none">• Ensuring members and officers behave with integrity• Ensuring members and officers lead a culture where acting in the public interest is visibly and consistently demonstrated• Leading by example and using these standard operating principles or values as a framework for decision making and other actions.• Demonstrating, communicating and embedding the standard operating principles communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.	<ul style="list-style-type: none">• Member's Code of Conduct• Employees' Code of Conduct• Anti-Fraud and Corruption Policy & Strategy• Dignity at Work Policy• Equal Opportunity in Employment Policy• Equality and Diversity Policy• Whistle-blowing Policy• Corporate Safeguarding Policy• Council Plan• LADO (Local Authority Designated Officer) to investigate allegations made against people working with children

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation. 	<ul style="list-style-type: none"> • Council Plan • Human Resources Policies • Induction Procedures • Registers of Interests • Registers of Gifts and Hospitality • Member's Code of Conduct • Employees' Code of Conduct • Member / Officer Relations Protocol
Respecting the rule of law	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. • Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities. • Striving to optimise the use of the full powers available for the benefit of citizens, communities and stakeholders. • Dealing with breaches of legal and regulatory provisions effectively. • Ensuring corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> • Legal (Monitoring) Officer Role • Internal Audit • External Auditors • Corporate Complaints Procedure • Standards and Ethics Committee (supporting Members' observation of their Code of Conduct) • Employees' Personal Development Reviews • Publicising the process of how to complain about Members' conduct • Publicising the process of how to make a complaint to the Local Government Ombudsman • Overview and Scrutiny functions • Anti-Fraud and Corruption Policy and Strategy • Whistleblowing and Serious Misconduct Policy • Anti-Money Laundering Policy

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Summary:

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Openness	<ul style="list-style-type: none">• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.	<ul style="list-style-type: none">• Council Plan• The Rotherham Plan 2025• Forward Plan• Council Website• Formal consultation arrangements• Community and voluntary sector representation on Partnership Boards• Freedom of Information publication scheme• Overview and Scrutiny functions• Data Transparency Code

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Defining the purpose, objectives and intended outcomes for each stakeholder relationship • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions 	<ul style="list-style-type: none"> • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Council Website • Rotherham Local Safeguarding Children Board • Rotherham Safeguarding Adults Board • Community Safety and Anti-Social Behaviour Unit • Neighbourhood working group
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement. • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. 	<ul style="list-style-type: none"> • Council Plan published on RMBC website • Key 'minded to' decisions are made available for consultation for 5 days • External Auditor provides an annual assessment of the Council's performance through the Value for Money conclusion • Council Website • Council minutes and agendas available on website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Satisfaction Surveys • Freedom of Information publication scheme

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
	<ul style="list-style-type: none"> • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the interests of future generations of tax payers and service users. 	

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Summary:

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Defining Outcomes	<ul style="list-style-type: none">• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.• Delivering defined outcomes on a sustainable basis within the resources that will be available.• Identifying and managing risks to the achievement of outcomes.• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.	<ul style="list-style-type: none">• Council Plan• Forward Plan listing key decisions to be taken• Corporate report template requires information explaining the legal and financial implications of decisions• Community Safety and Anti-Social Behaviour Unit• Rotherham Housing Strategy 2016-2019• Rotherham Health and Wellbeing Strategy 2015-2018• Safer Rotherham Strategy 2016-2019• Rotherham Economic Growth Plan 2015-2025• Early Help Strategy for children, young people and families• Medium Term Financial Strategy• Risk Management Policy & Guide• Regular revision and consideration of Strategic Risk Register by Strategic Leadership Team and consideration by Audit Committee including Directorate Risk "deep dives"

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
		<ul style="list-style-type: none"> • Monthly consideration of Directorate Risk Registers by Directorate Leadership Teams • Corporate report template contains 'risk implications' section • Audit Committee reviews risks and the Risk Management process
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. • Ensuring equality of access. 	<ul style="list-style-type: none"> • Council Plan • Forward Plan listing key decisions to be taken • Receipt of reports from inspectorates and regulators throughout the year • Formal consultation arrangements • Rotherham Economic Growth Plan 2015-2025 • Safer Rotherham Strategy 2016-2019 • Rotherham Local Plan Core Strategy • Municipal Waste Management Strategy • Rotherham Health and Wellbeing Strategy 2015-2018

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Summary:

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Determining interventions	<ul style="list-style-type: none">• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options.• Ensuring best value is achieved however services are provided.• Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.	<ul style="list-style-type: none">• Business decisions are accompanied by a business case and options appraisal• Overview and Scrutiny functions• Corporate report template requires information explaining the legal and financial implications of decisions• Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required• Council Website• Formal consultation arrangements
Planning interventions	<ul style="list-style-type: none">• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	<ul style="list-style-type: none">• Council Plan• Directorate Service Plans• Quarterly Performance Monitoring Reports aligned to Council Plan priorities• Contract Monitoring Reports• Medium Term Financial Strategy• Capital Programme

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
	<ul style="list-style-type: none"> • Considering and monitoring risks facing each partner when working collaboratively including shared risks. • Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. • Ensuring capacity exists to generate the information required to review service quality regularly. • Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Revenue budget process • Value for Money judgement by External Auditor

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. • Ensuring the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Policy • Procurement Standing Orders • Action Plans developed in response to external audit and inspections • Value for Money judgement by external auditor

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Summary:

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Developing the entity's capacity	<ul style="list-style-type: none">• Reviewing operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning.• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.• Recognising the benefits of partnerships and collaborative working where added value can be achieved.	<ul style="list-style-type: none">• Phase Two of Improvement Plan implemented in May 2016 (substantially completed by November 2017)• Refreshed Council Plan published May 2017• Organisational restructure in key service areas• Officer participation in regional groups appropriate to their particular service• Involvement in Sheffield City Region

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Clarifying roles and responsibilities of members and management at all levels. • Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. • Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks. • Ensuring that there are structures in place to encourage public participation. • 	<ul style="list-style-type: none"> • The Council Constitution • Members' Code of Conduct • Member training and seminars • Members' and officers' induction programmes • Personal Development Reviews • Job descriptions and person specifications produced for all posts • Recruitment and appointment policies and procedures • Members' Development Panel • Comprehensive training programme for officers • Workforce Development Plan • Corporate Workforce Strategy (including employee health & wellbeing) • Staff surveys • A-Z list of HR Policies and Guidance on intranet

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
	<ul style="list-style-type: none"> • Holding staff to account through regular performance reviews which take account of training or development needs. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	

Principle F - Managing risks and performance through robust internal control and strong public financial management.

Summary:

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Managing risk	<ul style="list-style-type: none">• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.• Ensuring that responsibilities for managing individual risks are clearly allocated.	<ul style="list-style-type: none">• Risk Management Policy & Guide in place and reviewed annually• Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance• Directorate and Service level risk registers in place and reviewed monthly• Corporate report template contains 'risk implications' section• Audit Committee reviews risks at each meeting and the Risk Management process twice a year.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Managing performance	<ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> • Quarterly Performance Monitoring Reports aligned to Council Plan priorities • Contract Monitoring Reports • Corporate report template requires information explaining the legal and financial implications of decisions • Corporate report template contains 'risk implications' section • Overview and Scrutiny functions • Monthly spend/budget reports sent to all budget holders • Officers' make online monthly budget submissions as part of budget monitoring arrangements • Service Plans for all services.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Robust internal control	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving the objectives. Evaluating and monitoring the authority's risk management and internal control on a regular basis. Ensuring effective counter fraud and anti-corruption arrangements are in place. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. Ensuring an audit committee or equivalent group or function which is independent of the executive provides further assurance regarding arrangements for managing risk and maintaining an effective control environment 	<ul style="list-style-type: none"> Risk Management Policy & Guide in place and reviewed annually Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance Directorate and Service level risk registers in place and reviewed monthly Anti-Fraud and Corruption Policy & Strategy Internal Audit annual opinion on governance, risk management and internal control. Audit Committee reviews risks at each meeting and the Risk Management process twice a year Corporate Information Governance Group Consideration of specified Fraud risks by Corporate Risk Champions
Managing data	<ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. Ensuring effective arrangements for sharing data with other bodies are in place. 	<ul style="list-style-type: none"> Corporate Communications Policy Dedicated Information Governance Unit Freedom of Information publication scheme Digital Council Strategy Ongoing monitoring of Data Protection Act / Freedom of Information compliance Data Transparency Code

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Strong public financial management	<ul style="list-style-type: none"> • Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> • Council Plan • Medium Term Financial Strategy • Revenue budget process • Procurement Policy • Contract Procedure Rules • Value for Money judgement from the External Auditor • External Auditors' Annual Audit letter • Financial Regulations • Capital Strategy • Treasury Management Strategy

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Summary:

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Implementing good practice in transparency	<ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Council website • Budgets and spending published on website • Senior Officer remuneration published on website
Implementing good practices in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and the stewardship of its resources. • Ensuring members and senior management own the results. • Assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action 	<ul style="list-style-type: none"> • Publication of Statement of Accounts on website • Annual Governance Statement produced and published on website • Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles • Documents are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication • Performance information and reports are published on the website

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
	<ul style="list-style-type: none"> • Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate. • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities. 	
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon. • Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within. • The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year • Audit Committee meets five times a year and receives reports from both Internal and External Audit • The authority is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the council's responses are made available via the website. Actions are reported to the Audit Committee. • Annual Governance Statement produced and published on website

Rotherham Metropolitan Borough Council

~~Local~~ Code of Corporate Governance 2017

LOCAL CODE OF CORPORATE GOVERNANCE

Governance is about organisations ensuring that they are doing the right things in the correct manner for the right people in a timely, open, honest, inclusive and accountable manner. It follows that good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.

Good governance ~~also~~ enables ~~Rotherham~~the Council to pursue its vision effectively, as well as reinforcing that vision with the mechanisms for control and management of risk.

~~In 2014/15, Rotherham Council was subject to a corporate governance inspection. The Council was heavily criticised in the report resulting from the inspection* for a series of governance failings. The Secretary of State for Communities and Local Government and the Secretary of State for Education appointed five commissioners in February 2015 to take all executive and licensing responsibilities at the Council and lead the improvements necessary to deliver services that meet the needs of Rotherham. The intervention remains in force until 31 March 2019 unless the Secretaries of State, or, as the case may be, either one of them, consider it appropriate to amend or revoke it at an earlier date.~~

Following a critical corporate governance inspection in 2014/15, five commissioners were appointed by the Secretary of State for Communities and Local Government and the Secretary of State for Education. The five commissioners initially took all executive and licensing responsibility at the Council. Over the course of the last two and a half years powers have gradually been handed back to elected members as the Council has delivered two Improvement Plans designed to ensure that services were well-led by officers, with Members able to exercise executive authority and had clear plans in place for further improvement.

~~The Commissioners produced an Improvement Plan in May 2015 which was supported by the Council and accepted by the Secretaries of State. In February 2016, the Commissioners produced a twelve months progress review* which showed a considerable amount of positive progress has been made, while confirming the significant challenges still to be addressed. Subsequently, the Secretary of State for Communities and Local Government issued revised directions following a request from Commissioners to return responsibility for a number of functions to Councillors. These included services which in the Commissioners' views were well-led by officers, had Members in a position to exercise executive authority over these functions, and had clear service definitions and plans for improvement in place.~~

~~Actions set out in the original improvement plan have been reassessed and a new Phase Two plan, effective from May 2016, has been approved. Key priorities for 2016/17 are to continue to improve the services requiring improvement and ensure the Council focuses on implementing its corporate and service priorities, and meeting its responsibilities for achieving best value through the use of resources.~~

At the time of writing, all functions apart from children's social care are in local democratic control. Commissioners also have oversight and enhanced powers in relation to adult social care, partnerships with the NHS and domestic abuse. ~~all powers have been returned to the Council with the exception of Children's Safeguarding. Even once all~~

~~powers have been returned.†~~The remaining three commissioners are expected to continue to exercise oversight of the Council until 31 March 2019.

This Code of Corporate Governance explains all of the Council's policies and practices in one document, making them open and explicit. Appropriate procedures and processes are being integrated into the Council's Governance Framework to ensure there will be routine application and ongoing review of the arrangements described in the Code.

Councillor Chris Read
Leader, Rotherham MBC

Sharon Kemp
Chief Executive

~~*The Corporate Governance Inspection report (the Casey report), the Twelve Months Progress Review, The Corporate Improvement Plan 'A Fresh Start' and other associated documentation can be found at www.rotherham.gov.uk~~

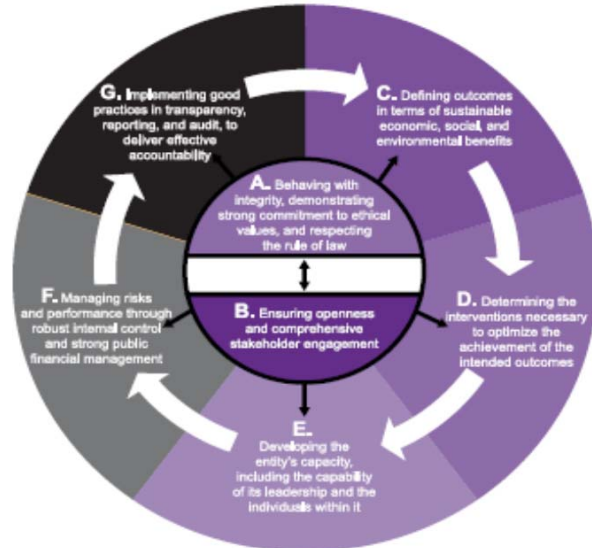
Introduction

All of the decisions made by Rotherham Council about the services it delivers, and how to deliver them, are supported by a ~~whole~~ set of systems and processes which make up the Council's 'governance arrangements'. These include holding meetings where decisions are made, the Council's legal framework, setting out priorities and roles clearly, holding decision makers to account through scrutiny, risk management processes, financial monitoring and ensuring high standards of conduct. Local authorities are encouraged to demonstrate how they ensure effective governance arrangements by setting these out in a local code of governance.

Rotherham Metropolitan Borough Council's ~~Local~~ Code of Corporate Governance' is based on the guidance "Delivering Good Governance in Local Government", published in 2016 by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives).

The main principle underpinning the Delivering Good Governance in Local Government Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policies and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. A diagram of the Framework from the guidance is copied below:

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever forms of arrangements are in place, authorities should test their governance structures and partnerships against the principles contained in the Framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date ~~local~~ code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance and governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council has adopted this Code of Corporate Governance (Code) with the intention of giving citizens and customers a clear understanding of how the Council intends to manage its decision making, service planning, service delivery and accountability processes, how it aims to ensure that the Council sets out its vision and priorities and how it aims to provide effective and efficient outcomes to its citizens and customers.

This Code is work in progress and reflects the Council's position in its improvement journey. It reflects the principles and evidence that we are striving towards as well as reflecting the Council's current position.

The Code ~~is~~~~will be~~ subject to constant review to ensure its adequacy and its effectiveness ~~is will be~~ assessed as part of an annual review process that ~~will lead~~~~s~~ to the production of the Council's Annual Governance Statements ~~from 2016/17 onwards~~.

Every Council officer and Member has a responsibility to ensure that their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review of corporate governance arrangements is completed and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Strategic Leadership Team ~~will ensure~~s that the Code is reviewed regularly (at least yearly) to reflect ongoing developments and planned improvements to the framework, and ~~to~~authorisess any amendments.

How Rotherham Council intends to meet the Principles of Good Corporate Governance

This section sets out how Rotherham Council aims to works to the principles of good corporate governance.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Summary:

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Behaving with integrity	<ul style="list-style-type: none"> Ensuring members and officers behave with integrity Ensuring members and officers lead a culture where acting in the public interest is visibly and consistently demonstrated Leading by example and using these standard operating principles or values as a framework for decision making and other actions. Demonstrating, communicating and embedding the standard operating principles communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> Member's Code of Conduct Employees' Code of Conduct Anti-Fraud and Corruption Policy & Strategy Dignity at Work Policy Equal Opportunity in Employment Policy Equality and Diversity Policy Whistle-blowing Policy Corporate Safeguarding Policy Corporate Council Plan LADO (Local Authority Designated Officer) to investigate allegations made against people working with children

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation. 	<ul style="list-style-type: none"> • Corporate Council Plan • Human Resources Policies • Induction Procedures • Registers of Interests • Registers of Gifts and Hospitality • Member's Code of Conduct • Employees' Code of Conduct • Member / Officer Relations Protocol
Respecting the rule of law	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. • Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities. • Striving to optimise the use of the full powers available for the benefit of citizens, communities and stakeholders. • Dealing with breaches of legal and regulatory provisions effectively. • Ensuring corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> • Legal (Monitoring) Officer Role • Internal Audit • KPMG (External Auditors) • Corporate Complaints Procedure • Standards and Ethics Committee (supporting Members' observation of their Code of Conduct) • Employees' Personal Development Reviews • Publicising the process of how to complain about Members' conduct • Publicising the process of how to make a complaint to the Local Government Ombudsman • Overview and Scrutiny functions • Anti-Fraud and Corruption Policy and Strategy • Whistleblowing and Serious Misconduct Policy • Anti-Money Laundering Policy

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Summary:

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Openness	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> Corporate Council Plan Community StrategyThe Rotherham Plan 2025 Forward Plan Council Website Formal consultation arrangements Community and voluntary sector representation on Partnership Boards Freedom of Information publication scheme Overview and Scrutiny functions Data Transparency Code
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that 	<ul style="list-style-type: none"> Formal consultation arrangements Community and voluntary sector representation on Partnership Boards Council Website

	<p>outcomes are achieved successfully and sustainably.</p> <ul style="list-style-type: none"> • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Defining the purpose, objectives and intended outcomes for each stakeholder relationship • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions 	<ul style="list-style-type: none"> • Rotherham Local Safeguarding Children Board • Rotherham Safeguarding Adults Board • Community Safety and Anti-Social Behaviour Unit • Neighbourhood working group
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement. • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the interests of future 	<ul style="list-style-type: none"> • Corporate PlanCouncil Plan published on RMBC website • Key 'minded to' decisions are made available for consultation for 5 days • External Auditor provides an annual organisational assessment of the Council's performance through the Value for Money conclusion • Council Website • Council minutes and agendas available on website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Satisfaction Surveys • Freedom of Information publication scheme

	generations of tax payers and service users.	
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Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Summary:

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Defining Outcomes	<ul style="list-style-type: none"> Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. Delivering defined outcomes on a sustainable basis within the resources that will be available. Identifying and managing risks to the achievement of outcomes. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> Corporate PlanCouncil Plan Forward Plan listing key decisions to be taken Corporate report template requires information explaining the legal and financial implications of decisions Community Safety and Anti-Social Behaviour Unit Rotherham Housing Strategy 2016-2019 Rotherham Health and Wellbeing Strategy 2015-2018 Safer Rotherham Strategy 2016-2019 Rotherham Economic Growth Plan 2015-2025 Early Help Strategy for children, young people and families Medium Term Financial Strategy Risk Management Policy & Guide Six weekly revisionRegular revision and consideration of Strategic Risk Register by Strategic Leadership Team and Quarterly consideration by Audit Committee including Directorate Risk "deep dives"

~~January~~ ~~October~~ ~~November~~ 2017

		<ul style="list-style-type: none"> • Monthly consideration of Directorate Risk Registers by Directorate Leadership Teams • Corporate report template contains 'risk implications' section • Audit Committee reviews risks and the Risk Management process
Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. • Ensuring equality of access. 	<ul style="list-style-type: none"> • Corporate PlanCouncil Plan • Forward Plan listing key decisions to be taken • Receipt of reports from numerous inspectorates and regulators throughout the year • Formal consultation arrangements • Rotherham Economic Growth Plan <u>2015-2025</u> • Safer Rotherham Strategy <u>2016-2019</u> • Rotherham Local Plan Core Strategy • Municipal Waste Management Strategy • Rotherham Health and Wellbeing Strategy <u>2015-2018</u>

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Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Summary:

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Determining interventions	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Ensuring best value is achieved however services are provided. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> Business decisions are accompanied by a business case and options appraisal Overview and Scrutiny functions Corporate report template requires information explaining the legal and financial implications of decisions Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required Council Website Formal consultation arrangements
Planning interventions	<ul style="list-style-type: none"> Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. Considering and monitoring risks facing each 	<ul style="list-style-type: none"> Corporate Plan Council Plan Directorate Service Plans Quarterly Performance Monitoring Reports aligned to Council Plan priorities Contract Monitoring Reports Performance Reports aligned to Corporate Plan priorities

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	<p>partner when working collaboratively including shared risks.</p> <ul style="list-style-type: none"> • Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. • Ensuring capacity exists to generate the information required to review service quality regularly. • Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Capital Programme • Revenue budget process • Value for Money judgement by External Auditor
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. • Ensuring the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Policy • Procurement Standing Orders • Action Plans developed in response to external audit and inspections • Value for Money judgement by external auditor

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Summary:

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Developing the entity's capacity	<ul style="list-style-type: none"> Reviewing operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. Recognising the benefits of partnerships and collaborative working where added value can be achieved. 	<ul style="list-style-type: none"> Phase Two of Improvement Plan implemented in May 2016 <u>(substantially completed by November 2017)</u> Refreshed<u>vised</u> Corporate Plan<u>Council Plan</u> published May<u>August</u> 201<u>7</u><u>6</u> Organisational restructure <u>in key service areas</u> ongoing together with appointment of a<u>New Senior Management Team</u> Benchmarking undertaken throughout the authority (e.g. CIPFA Benchmarking Clubs) Officer participation in regional groups appropriate to their particular service Involvement in Sheffield City Region initiative
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> Clarifying roles and responsibilities of members and management at all levels. Developing protocols to ensure that elected and appointed leaders negotiate with each 	<ul style="list-style-type: none"> The Council Constitution Members' Code of Conduct Member training and seminars Members' and officers' induction programmes

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	<p>other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p> <ul style="list-style-type: none"> • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. • Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks. • Ensuring that there are structures in place to encourage public participation. • Holding staff to account through regular performance reviews which take account of training or development needs. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	<ul style="list-style-type: none"> • Personal Development Reviews • Job descriptions and person specifications produced for all posts • Recruitment and appointment policies and procedures • Members' Development Panel • Comprehensive training programme for officers • Workforce Development Plan • Corporate Workforce Strategy (including employee health & wellbeing) • Staff surveys • A-Z list of HR Policies and Guidance on intranet
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January October November 2017

Principle F - Managing risks and performance through robust internal control and strong public financial management.

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Summary:

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Managing risk	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Ensuring that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> Risk Management Policy & Guide in place and reviewed annually Strategic Risk Register in place and reviewed regularlysix weekly by Strategic Leadership team and linked to service performance Directorate and Service level risk registers in place and reviewed monthly Corporate report template contains 'risk implications' section Audit Committee reviews risks at each meeting and the Risk Management process twice a yearquarterly.
Managing performance	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the 	<ul style="list-style-type: none"> Quarterly Performance Monitoring Reports aligned to Corporate PlanCouncil Plan priorities Quarterly Monitoring Reports Contract Monitoring Reports Corporate report template requires information explaining the legal and financial implications of

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	<p>organisation's financial, social and environmental position and outlook</p> <ul style="list-style-type: none"> • Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<p>decisions</p> <ul style="list-style-type: none"> • Corporate report template contains 'risk implications' section • Overview and Scrutiny functions • Monthly spend/budget reports sent to all budget holders • <u>Officers' make online monthly budget submissions as part of budget monitoring arrangements</u> • <u>Service Plans for all services.</u>
Robust internal control	<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives. • Evaluating and monitoring the authority's risk management and internal control on a regular basis. • Ensuring effective counter fraud and anti-corruption arrangements are in place. • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. • Ensuring an audit committee or equivalent group or function which is independent of the executive provides further assurance regarding arrangements for managing risk and 	<ul style="list-style-type: none"> • Risk Management Policy & Guide in place and reviewed annually • Strategic Risk Register in place and reviewed six <u>weekly</u><u>regularly</u> by Strategic Leadership team <u>and linked to service performance</u> • Directorate and Service level risk registers in place and reviewed monthly • Anti-Fraud and Corruption Policy & Strategy • Internal Audit annual opinion on governance, risk management and internal control. • Audit Committee reviews risks <u>at each meeting</u> and the Risk Management process <u>twice a year</u><u>quarterly</u> • Corporate Information Governance Group • <u>Consideration of completion and maintenance of a Corporate Fraud Risk Registerspecified Fraud</u>

	maintaining an effective control environment	risks by Corporate Risk Champions
Managing data	<ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. Ensuring effective arrangements for sharing data with other bodies are in place. 	<ul style="list-style-type: none"> Corporate Communications Policy Dedicated Information Governance Unit Freedom of Information publication scheme Digital Council Strategy Ongoing monitoring of Data Protection Act / Freedom of Information compliance Data Transparency Code
Strong public financial management	<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> Corporate PlanCouncil Plan Medium Term Financial Strategy Revenue budget process Procurement Policy Contract Procedure RulesProcurement Standing Orders Value for Money judgement from the External Auditor External Auditors' Annual Audit letter Financial Regulations Capital Strategy Treasury Management Strategy

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Summary:

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub principles	Actions Demonstrating Good Governance	How this will be evidenced
Implementing good practice in transparency	<ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Council website • Corporate Communications Strategy • Budgets and spending published on website • Senior Officer remuneration published on website
Implementing good practices in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and the stewardship of its resources. • Ensuring members and senior management own the results. • Assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action 	<ul style="list-style-type: none"> • Publication of Annual Report and Statement of Accounts on website • Annual Governance Statement produced and published on website • Local Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles • Documents are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication • Performance information and reports are published

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	<ul style="list-style-type: none"> • Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate. • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities. 	on the website
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon. • Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within. • The Chief Auditor-Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year • Audit Committee meets five times a year on a quarterly basis and receives reports from both Internal and External Audit • The authority is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the council's responses are made available via the website. Actions are reported to the Audit Committee. • Annual Governance Statement produced and published on website

Summary Sheet**Council Report:**

Audit Committee – 21st November 2017

Title:

Anti-Money Laundering Policy and Supporting Guidance

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report:

Judith Badger (*Strategic Director of Finance and Customer Services*)

Report Author(s):

David Webster (Head of Internal Audit)

Ward(s) Affected:

None

Executive Summary:

This report refers to a proposed update to the Council's Anti-Money Laundering Policy which is designed to ensure that the Policy is in line with current best practice and legislation. The Policy links with the Anti-Fraud and Corruption Policy and Strategy and will be referred to in Fraud Awareness training being rolled out to relevant staff.

Recommendation:

The Audit Committee is asked to approve the Anti-Money Laundering Policy and Supporting Guidance as attached in Appendix A.

Background Papers:

Money Laundering Regulations 2007

Terrorism Act 2000

Proceeds of Crime Act 2002

Consideration by any other Council Committee, Scrutiny or Advisory Panel:

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Title: Anti – Money Laundering Policy and Supporting Guidance.

1. Recommendations

The Audit Committee is asked to approve the Anti-Money Laundering Policy and Supporting Guidance as attached in Appendix A.

2. Background

- 2.1 Rotherham Metropolitan Borough Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly and to the highest possible standard.
- 2.2 The Anti-Money Laundering Policy stands alongside the Anti-Fraud and Corruption Policy and Strategy, the Whistleblowing Policy and Employee / Member Codes of Conduct in providing a framework to minimise and combat the risk of wrongdoing against the Council.
- 2.3 This report provides a revised Policy taking into account legislation, current best practice and changes to the Council structure.

3. Key Issues

- 3.1 The updated Anti-Money Laundering Policy is attached at Appendix A. The definition of money laundering is given along with a summary of the relevant legislation. The Guidance gives examples or signs of possible money laundering and the action to be taken if there are any suspicions of attempted money laundering. A template of the form to be completed is also included.
- 3.2 The Council's Money Laundering Reporting Officer is the Head of Internal Audit, who would be responsible for reporting any suspicious transactions to the National Crime Agency.
- 3.3 Fraud Awareness training is about to be rolled out to relevant staff. It includes reference to the Policy.

4. Options considered and recommended proposal

- 4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for ensuring the Council has appropriate arrangements in place for managing the risk of fraud.

5. Consultation

- 5.1 The proposed Policy and Supporting Guidance have been reviewed by the Monitoring Officer and the Strategic Director Finance and Customer Services.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The Audit Committee is asked to receive this report at its November 2017 meeting.

7. Financial and Procurement Implications

- 7.1 There are no direct financial or procurement implications arising from this report.

8. Legal Implications

8.1 The Proceeds of Crime Act 2002, the Money Laundering Regulations 2007 and the Terrorism Act 2000 broaden the definition of money laundering and increase the range of activities covered by statutory controls. They also imposed new obligations in respect of money laundering. These impact on certain areas of the local authority business and require the Council to establish internal procedures to prevent the use of their services for money laundering.

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

11. Equalities and Human Rights Implications

11.1 There are no direct Equalities or Human Rights implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Implementation of the revised Anti-Money Laundering Policy will contribute towards ensuring the Council operates and maintains a culture in which fraud and corruption are understood to be unacceptable.

13. Risks and Mitigation

13.1 Failure to refresh and maintain the Anti-Money Laundering Policy could expose the Council to increased risk of its services being used for money laundering.

14. Accountable Officer:

David Webster (Head of Internal Audit).



**ANTI - MONEY LAUNDERING POLICY
AND
SUPPORTING GUIDANCE**

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ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING POLICY AND SUPPORTING GUIDANCE

1. INTRODUCTION

WHAT IS MONEY LAUNDERING?

Money Laundering is the process of concealing, disguising, converting, transferring or removing the proceeds of crime.

This can be characterised as making “dirty” money “clean”; i.e. giving it the appearance of having come from a legitimate source.

Money laundering is also linked to terrorist financing, whereby the process can often be reversed; i.e. “clean” money is diverted into “dirty” purposes; e.g. the funding of a terrorist operation

- 1.1 The primary legislation relating to suspected money laundering is the Terrorism Act 2000, (TA); Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2017, (MLR). Public Authority employees, as members of the public, have a personal duty to comply with specific aspects of the legislation, (noting that Public Authorities and staff are subject to the full provisions of the Terrorism Act 2000). Public Authorities, (not being regulated businesses as defined within the legislation), are not legally obliged to apply the provisions of all the Money Laundering Regulations unless they are undertaking a service ‘by way of business’ i.e. provision of a service to a 3rd party for which formal remuneration is received (provision of legal advice / service outside of the authority). However best practice, including detailed guidance produced by the Chartered Institute of Public Finance & Accountancy, (CIPFA), in 2009 suggests that as responsible bodies they should employ policies and procedures which reflect the essence of the UK’s anti-terrorist financing and anti-money laundering regimes.
- 1.2 As a result, the Council has formal internal policies and procedures to prevent the use of its services for money laundering. It is extremely important that all employees / Members are familiar with their responsibilities. Under the Money Laundering Regulations 2017 there is a requirement for all ‘relevant persons’ to be supervised by an appropriate anti money laundering supervisory authority (i.e. a member of the CCAB, HMRC etc.) However it should be noted that members of accounting bodies such as CIPFA, CIMA and AAT who are employed by Public Authorities are not required to register for anti-money laundering purposes.
- 1.3 Whilst the full implications of the above legislation are lengthy and complex, this Policy and supporting guidance meets the Council’s obligations relating to the legislation, and associated professional good practice, and will be subject to periodic review and revision as deemed appropriate.

2. POLICY STATEMENT AND SCOPE

- 2.1 This Policy and Guidance applies to all Council employees, (including Agency / temporary workers and partners), and elected Members of the Council. It aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Guidance sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council's "Responsible Officers" to comply with all legal and professional obligations.

The term "Responsible Officer" refers to all employees and Members to which this document applies as described above.

- 2.2 This Policy sits alongside the Council's Anti-Fraud & Corruption and Whistle-blowing Policies and Employee / Member Codes of Conduct as a key document in creating a sound framework to minimise and combat the risk of wrongdoing against the Council.
- 2.3 The Council's aim is to do all it can to prevent wherever possible, taking account of resource implications, the Council and its "Responsible Officers" being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and professional requirements, especially with regard to the reporting of actual or suspected cases. It cannot be stressed too strongly, however, that it is every "Responsible Officer's" duty to be vigilant.
- 2.4 In order to achieve the above aim the following key procedures and actions will be implemented and subject to ongoing review:
- 2.4.1 Named officers within the Council will be assigned responsibility to fulfil the role of Money Laundering Reporting Officer, (MLRO) and Deputy MLRO. (Officers details are outlined in Section 5 of this document). Such officers will be responsible for:

- ❖ Producing and revising relevant policies, procedures and guidance which are both proportionate and cost effective;
- ❖ Providing training as deemed appropriate;
- ❖ Receiving and managing concerns of "Responsible Officers", including giving advice as to action required;
- ❖ Co-ordinating Suspicious Activity Reports (SARS) to the National Crime Agency (NCA), where necessary;
- ❖ Pro-active management of all risks associated with money laundering activity.

- 2.4.2 All senior managers, relevant staff and Members will receive mandatory awareness training on the key principles of Money Laundering;

- 2.5 Any “Responsible Officer” could potentially be caught by the money laundering provisions, if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This Policy sets out how any concerns should be raised.
- 2.6 It is important that all “Responsible Officers” are familiar with their responsibilities as serious criminal sanctions may be imposed for breaches of the legislation. Additionally failure to comply with the requirements of this Policy could result in internal disciplinary investigation and action being instigated, in accordance with the Council’s disciplinary procedures.
- 2.7 The key requirement on “Responsible Officers” is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer. If the matter involves a proposed transaction (e.g. the sale of property) you should not proceed with the transaction without approval from the MLRO. You should defer the transaction in such a way as not to alert anyone else to your suspicions.
- 2.8 Not all the Council’s business is relevant for these purposes. It is mainly the accountancy services carried out by Finance and certain financial, company and property transactions carried out by Legal Services. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council. Therefore all employees are required to comply with the Policy in terms of reporting concerns about possible money laundering.

GUIDANCE SUPPLEMENTING THE POLICY STATEMENT

3. MONEY LAUNDERING – AN EXPANDED DEFINITION

- 3.1 The phrase “money laundering” means the process by which the identity and true ownership of “dirty money”, i.e. the proceeds of any crime, is changed so that these proceeds appear to originate from a legitimate source.
- 3.2 Although the term “money laundering” has traditionally been used when describing the activities of organised crime, for which the regulations were first introduced, to most people who are likely to come across it, or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting from dishonest activity.
- 3.3 Most crime, for example the drugs trade, is almost wholly cash driven. For many years, the most common means of laundering money was to deposit large sums of cash at banks. However as the high street banks have tightened their controls in this area, the launderers have turned to more obscure methods, frequently involving buying and selling assets, (including antiques, etc.), property and businesses, to achieve their aims. This has made it much more difficult to detect and prevent money laundering.
- 3.4 The money laundering process comprises three distinct phases summarised as:

Placement = initial disposal of cash representing proceeds of crime into the system by either deposit at a bank, (or

equivalent), purchase of property, shares or other assets;

Layering = breaking any link back to the original proceeds of crime. This includes buying / selling properties, companies or other assets (such as shares, antiques or arts) back to back and transferring funds around the world via various accounts. Launderers often use a legitimate front business to hide illegal activities;

Integration = funds coming back to the individual / group to finance a luxurious lifestyle and possibly fund further criminal activity.

- 3.5 Examples / signs of money laundering activity include transactions where the other party:
- 3.5.1 Enters into transactions which make little or no financial sense or which go against normal practice;
 - 3.5.2 Make large cash payments;
 - 3.5.3 Is happy to enter into an apparent bad deal for them;
 - 3.5.4 Is unwilling to explain the purpose of a transaction or refuse to provide information requested without reasonable explanation;
 - 3.5.5 Suddenly change their pattern of activity;
 - 3.5.6 Enter into arrangements / possess assets beyond their apparent financial means;
 - 3.5.7 Take part in transactions across a number of different jurisdictions;
 - 3.5.8 Use offshore accounts, companies or structures in circumstances where their needs do not support such economic requirements;
 - 3.5.9 Unnecessarily route funds through third party accounts.
- 3.6 Some examples of where money laundering activity could take place within the Local Authority environment include:
- 3.6.1 Sale of items through auctions, (such as property / land / furniture / antiques), where cash payments are made;
 - 3.6.2 Large cash payments in respect of other land / property transactions;
 - 3.6.3 Large cash payments to settle debts due to the Council, including Council Tax, NDR, Benefits overpayments and other high value transactions;
 - 3.6.4 Overpayment of debts by way of cash, leading to requests for large refunds to be made by way of cheque;

3.6.5 "Partners" making large contributions towards projects / initiatives in the form of cash / cheque and then shortly after requesting refunds by credit note for part of the contribution;

3.7 In addition to the above, "Responsible Officers" may come across suspicions of money laundering in the form of identifying customers / clients who appear to be "living well above their means", e.g. property and "luxury items" that does not appear to be in line with their income.

3.8 Within the legislation governing money laundering and terrorist financing there are no de minimis levels = any suspicions need consideration.

4 ANTI-MONEY LAUNDERING PROCEDURES

General Levels

4.1 As referred to earlier in this guidance, within the legislation relating to money laundering and terrorist financing, there are no de minimis financial or activity levels for reporting concerns, **all suspicions should be raised through the MLRO.**

Cash Payments

4.2 To reduce the Council's exposure to potential money laundering activity, limits have been set for individual financial transactions.

In order to help ensure that the Council does not contravene the requirements of the Money Laundering Regulations 2017, no cash collection point / individual officer, should accept cash payments of £10,000 or more in one transaction.

NB: Cash is defined as including notes, coins or travellers' cheques in any currency;

The above limits will be subject to review and change in line with best practice / professional advice.

Should any employee be offered a cash payment of £10,000 or more, it should be pointed out that cash can only be accepted up to this limit. Any cash payment below £10,000 should be accepted and receipted in the normal way. Should any employee have suspicion of money laundering activity relating to any transaction involving cash payments, they should raise it in accordance with the procedure set out in paragraphs 4.3 and 4.4 below.

Reporting suspicions

4.3 "Responsible Officers" who suspect any level of money laundering activity must immediately contact the MLRO, or the deputy MLRO if appropriate, to report their suspicion. Following consideration of the matter the MLRO / Deputy MLRO will decide whether the formal referral form, (attached at Appendix 1), should be completed.

4.4 The "Responsible Officer" must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not discuss the matter

with others or note on file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation.

- 4.5 The "Responsible Officer" must follow any subsequent directions of the MLRO or deputy, and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLRO.
- 4.6 The MLRO or deputy must promptly evaluate any disclosure, to determine whether it should be reported to the National Crime Agency
- 4.7 The MLRO or deputy must, if they so determine, promptly report the matter to the National Crime Agency on their standard report form and in the prescribed manner.
- 4.8 The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the National Crime Agency.

Exemptions

- 4.9 Generally the requirements of this Policy and associated procedures must be adhered to by all "Responsible Officers" within the Council. There are however some exemptions within the legislation, relating to "relevant professional advisers" where information / suspicions come to them in "privileged circumstances". Such exemptions apply mainly to the legal, external audit / accountants and tax adviser professions and would not normally be relevant to Council "Responsible Officers".

Record Keeping / Reporting

- 4.10 Where "Responsible Officers" carry out due diligence assessments, records and details of the relevant transaction(s) for that client must be retained for at least five years after the end of the business relationship. Further information relating to the requirement to maintain records of due diligence assessments, will be communicated to relevant officers outside of this guidance.
- 4.11 An electronic copy of every customer due diligence record must be sent to the MLRO to comply with best practice.
- 4.12 The MLRO will maintain a record of all suspicions of money laundering received and outcomes, including cases reported to the National Crime Agency. Periodic reports will be submitted to senior management and appropriate Members summarising details of the number of money laundering referrals.

5. THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

- 5.1 The officer nominated to receive disclosures about money laundering or terrorist financing activity within the Council is the Head of Internal Audit – David Webster. He can be contacted as follows:

David Webster
Head of Internal Audit
Finance and Customer Services
Rotherham MBC
Wing C - Floor 3
Riverside House
Rotherham
S60 1AE

Telephone: 01709 823282

E Mail: david.webster@rotherham.gov.uk

- 5.2 In the absence of the MLRO, Principal Auditors Mitch Chapman (Mitch.Chapman@rotherham.gov.uk Tel: 01709 823299) or Andy Furniss (Andy.furniss@rotherham.gov.uk Tel: 01709 823294) at the same address, are authorised to deputise for him.

6 GUIDANCE AND TRAINING

- 6.1 In support of this policy and guidance, the Council will:

- make all “Responsible Officers” aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation;
- include reference to the Money Laundering Policy within “Responsible Officer” induction programmes;
- through the MLRO, respond to any requests for further / more detailed guidance or advice on any issue relating to money laundering;
- include a page on the Council’s Internet / Intranet sites containing this policy and all relevant supporting guidance.

7 KEY RISK CONSIDERATIONS

- 7.1 In applying the policy and procedures recorded within this document, consideration should be given to the associated risks to the Council and “Responsible Officers”. The key risks are identified as:

7.1.1 Failure to identify relevant legislative requirements/good practice and implement effective anti money laundering & anti terrorist financing arrangements within the Council;

7.1.2 Failure to effectively communicate the money laundering procedures / requirements to all “Responsible Officers”;

7.1.3 Failure to report suspicions of money laundering to the MLRO and / or the National Crime Agency);

7.1.4 Failure to protect the personal safety of “Responsible Officers”, who report suspicions of money laundering.

7.2 The above risks, and any others deemed relevant, will be recorded and monitored by the MLRO through inclusion in a Risk Register, within the Council’s formal Risk Management system.

8 FURTHER INFORMATION

8.1 Further information can be obtained from the MLRO and the following sources:

- ❖ www.nationalcrimeagency.gov.uk – website of the National Crime Agency;
- ❖ Money Laundering Guidance at www.lawsociety.org.uk;
- ❖ <https://www.gov.uk/government/consultations/money-laundering-regulations-2017>

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER

Re: suspected money laundering activity

To: Money Laundering Reporting Officer (MLRO) / Deputy MLRO

From:

[insert name of employee]

Directorate:

Ext/Tel No:.....

[insert post title and Business Unit]

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

[Please tick the relevant box]

Yes

No

If yes, please record details below, including by who, when, how and outcomes:

Have you discussed your suspicions with anyone else?

[Please tick the relevant box]

☐

Yes

☐

No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body for guidance re money laundering? (e.g. the Law Society) *[Please tick the relevant box]*

☐

Yes

☐

No

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to the National Crime Agency (NCA)? (e.g. are you a lawyer and wish to claim legal professional privilege?) *[Please tick the relevant box]*

☐

Yes

☐

No

If yes, please set out full details below:

LEGISLATIVE CONTEXT

The key elements of the 3 main acts relating to the offence of money laundering are summarised below.

1 Proceeds of Crime Act 2002 (POCA)

- 1.1 Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland (**section 327**);
- 1.2 Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (**section 328**);
- 1.3 Acquiring, using or possessing criminal property (**section 329**);
- 1.4 Doing something that might prejudice an investigation – for example falsifying a document (**section 342**)

The above offences **apply to all** persons in the UK in both a personal and professional capacity and anyone involved in them risks a criminal conviction.

Other offences under the POCA include:

- 1.5 Failure to disclose money laundering offences (**sections 330 – 332**);
- 1.6 Tipping off a suspect either directly or indirectly (**section 333**).

The above offences **only apply to certain organisations / classes of people** (the regulated sector including Banks, Building Societies, Private Solicitors / Accountants, Casinos) and exclude Local Authorities. However in line with best practice the Council requires all its "Responsible Officers" to adhere to the principles of each one.

2 Terrorism Act 2000 (TA)

- 2.1 Establishes the offence of money laundering in relation to becoming concerned in an arrangement relating to the retention or control of property, (including finances), likely to be used for the purposes of terrorism, or resulting from acts of terrorism.
- 2.2 All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment, irrespective of the amounts involved.

3 Money Laundering Regulations 2017 (MLR)

- 3.1 Both POCA 2002 and TA 2000 contain offences which may be committed by individuals or entities, whereas the MLR 2017, whilst re-affirming the key

elements of the above legislation, deal with the systems and controls which “Regulated Businesses” are required to have and contain offences which may be committed by businesses as well as the key individuals within them.

3.2 The specific requirements of the MLR 2017, outside of the TA 2000 and POCA 2002, do not apply to Local Authorities as they are outside of the definition of “Relevant Persons” undertaking “Regulated Activity”. However due to the nature of business carried out by Local Authorities and an ethical and professional obligation to help “protect the public purse”, the Council will follow CIPFA Guidance which suggests the principles of the MLR 2017 legislation should be applied within a Local Authority environment, specifically relating to policies and procedures aimed at preventing money laundering covering:

- ❖ identification and scrutiny of complex or unusually large transactions, unusual patterns of transactions, with no apparent economic or lawful purpose, or other activity likely to be of a nature of money laundering / terrorist financing;
- ❖ prevention of use of products favouring anonymity;
- ❖ determination of whether a client is a Politically Exposed Person (PEP);
- ❖ customer due diligence, i.e. procedures designed to acquire knowledge about the organisation’s clients and prospective clients and to verify their identity as well as monitor business relationships and transactions;
- ❖ internal reporting, including appointment of a MLRO to receive money laundering reports and a system for making those reports;
- ❖ record keeping, including details of customer due diligence and supporting evidence for business relationships and records of transactions, which need to be kept for 5 years after the end of a relationship;
- ❖ internal control, risk assessment and management, compliance monitoring, management and communication;
- ❖ making relevant employees aware of the law relating to money laundering and terrorist finance, and to train those employees in how to recognise and deal with transactions which may be related to money laundering or terrorist financing.

3.3 MLR 2017 covers in some detail and complexity the issue of “Customer Due Diligence”, whereby “Relevant Persons” carrying out certain “Regulated Activities” must take extra care to check the identity of the customer or client.

Whilst these regulations do not apply to Local Authorities due to them not being classed as a "Regulated Body", the following principles of "Due Diligence" should be applied, on a risk sensitive basis, in relation to existing and prospective clients / customers:

- ❖ seeking evidence of identity, for example:
 - checking with the customer's website to confirm their business address;
 - conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
 - seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

- ❖ In certain circumstances enhanced customer due diligence must be carried out for example where:
 - the customer has not been physically present for identification;
 - the customer is a politically exposed person, (an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution / body, their immediate family members or close associates);
 - there is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

- ❖ Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and / or the source of the funds to be used in the business relationship / transaction. If it is believed that enhanced customer due diligence is required then the MLRO must be consulted prior to carrying it out.

Summary Sheet**Council Report:**

Audit Committee 21st November 2017

Title:

Audit Committee Forward Work Plan

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report:

Judith Badger (Strategic Director of Finance and Customer Services).

Report Author(s):

David Webster (Head of Internal Audit).

Tel: 01709 823282 Email david.webster@rotherham.gov.uk

Ward(s) Affected:

None.

Executive Summary:

The report presents to the Audit Committee a forward work plan covering the next year. The plan shows how the agenda items relate to the objectives of the Committee. It is presented for review and amendment as necessary.

Recommendation:

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

Consideration by any other Council Committee, Scrutiny or Advisory Panel:

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Title:

Audit Committee Forward Work Plan.

1. Recommendations

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

2. Background

2.1 Each year the Audit Committee publishes a Prospectus setting out the scope of its work, the standards it adheres to and its work programme for the year. The programme is subject to change and can be amended during the year to respond to any emerging areas of concern to the Committee. This report shows a rolling programme for the Committee for the forthcoming year.

3. Details

3.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The scope of the Audit Committee's responsibilities and its work plan are designed to ensure the Committee meets the CIPFA standards.

3.2 Key Audit Committee activities, reflected in the Prospectus and work plan, include:

- Satisfying itself and others that the Annual Governance Statement reflects the Council's arrangements and position.
- Monitoring the effectiveness of the internal control environment and assurances obtained from its operation
- Consider the effectiveness of risk management
- Ensuring Internal Audit is independent and effective
- Review the responsibilities of internal audit and ensure it has the necessary resources to enable it to function in accordance with professional standards
- Review the internal audit work plan and receive reports on the results of internal audit work
- Reviewing the Council's arrangements for managing the risk of fraud
- Reviewing the external auditor's annual audit plan and ensuring it is consistent with the scope of the audit engagement
- Reviewing the findings of the external auditor's work
- Reviewing the financial statements and the external auditor's opinion on the statements
- Considering external audit and inspection recommendations and ensuring these are fully responded to
- Reviewing and monitoring treasury management arrangements.

4. Options considered and recommended proposal

4.1 The Prospectus and work plan for the Audit Committee are helpful guiding documents for the Committee itself and other stakeholders with an interest in the Committee's activities. The work plan for the coming year by date is presented to each committee meeting for review and amendment.

5. Consultation

5.1 Relevant officers were consulted in producing the Prospectus.

6. Timetable and Accountability for Implementing this Decision

6.1 The Forward Plan comprises a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

7. Financial and Procurement Implications

7.1 There are no financial or procurement issues arising from this report.

8. Legal Implications

8.1 There are no direct legal implications associated with this report.

9. Human Resources Implications

9.1 There are no Human Resources implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 The Audit Committee reviews the management of risks across the Council including those relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

11. Equalities and Human Rights Implications

11.1 There are no direct Equalities or Human Rights implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee.

13. Risks and Mitigation

13.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

14. Accountable Officer:

David Webster (Head of Internal Audit).

Audit Committee Forward Work Plan

Meeting Date	Objective	Agenda Item	Author
February 2018	Review financial statements	Training – Treasury Management Final Accounts closedown and accounting policies	Graham Saxton
	Review External Audit findings	External Audit Grants Report	KPMG / Graham Saxton
	Review Annual Governance Statement	Update on AGS issues	Simon Dennis
	Review External Audit Annual Plan	External Audit Plan	KPMG / Graham Saxton
	Monitor Treasury Management	Prudential Indicators and Treasury Management Strategy	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Children and Young People	Simon Dennis
	Effectiveness of internal control environment	Information Governance	Marie Buxton
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit	PSIAS Internal Assessment / QAIP Audit Committee Forward Work Plan	David Webster David Webster

Meeting Date	Objective	Agenda Item	Author
June 2018	Regulation of Investigatory Powers	Training – Risk Management	Neil Concannon
	Consider Audit and Investigation recommendations	Review of Surveillance and Policy	Sue Wilson
	Effectiveness of Internal Audit and internal control environment	External Audit Recommendations	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Strategy and Plan	David Webster
	Effectiveness of Risk Management	IA Progress Report	Simon Dennis
		Risk Management Directorate Presentation – Adult Care and Housing	David Webster
		Audit Committee Self Assessment and Annual Report	David Webster
		Audit Committee Prospectus and Forward Work plan	David Webster

Meeting Date	Objective	Agenda Item	Author
July 2018		Training – Statement of Accounts	
	Review financial statements	Final Statement of Accounts	Judith Badger
	Review Annual Governance Statement	Final AGS	Judith Badger
	Review External Audit findings	External Audit report on the Accounts	KPMG / Graham Saxton
	Review Treasury Management	Annual Treasury Report	Graham Saxton
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Assistant Chief Executive	Simon Dennis
	Managing the risk of fraud	Annual Fraud report	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Annual Report	David Webster
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Objective	Agenda Item	Author
September 2018	Effectiveness of Internal Audit	Training	
		IA Charter review and update	David Webster
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
	Effectiveness of Risk Management	Risk Management Policy and Strategy	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Finance and Customer Services	Simon Dennis
	Managing the risk of fraud	Anti-Fraud and Corruption Policy and strategy review and update	David Webster
		Audit Committee Forward Work Plan	David Webster

Meeting Date	Objective	Agenda Item	Author
November 2018	Review External Audit findings	Training	
		External Audit Annual Letter	External Audit / Graham Saxton
	Consider Audit and Inspection Recommendations	External Audit and Inspection recommendations	Sue Wilson
	Monitor Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Regulation of Investigatory Powers	Review of Surveillance	Neil Concannon
	Review Annual Governance Statement	Code of Corporate Governance	Simon Dennis
	Effectiveness of Risk Management	Strategic Risk Register	Simon Dennis
	Effectiveness of Risk Management	Risk Management Directorate Presentation – Environment and Regeneration	Simon Dennis
	Effectiveness of Internal Audit and internal control environment	IA Progress Report	David Webster
		Audit Committee Forward Work Plan	David Webster

Summary Sheet

Council Report

Audit Committee

Title

Annual Audit Letter – 2016/17

Is this a Key Decision and has it been included on the Forward Plan?

This is not a key Decision on the basis that no approval is being sought to vary the Council's budget nor has any impact on local communities living.

Strategic Director Approving Submission of the Report

Judith Badger – Strategic Director for Finance & Customer Services

Report Author(s)

Sarah Sweeney (Principal Finance Officer)
Finance & Customer Services Directorate
01709 254510 sarah.sweeney@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

KPMG have now concluded their 2016/17 audit and issued their audit certificate on 31 October 2017. The audit certificate and notice of conclusion of audit have been published on the Council's website.

Following the conclusion of the audit, KPMG have issued their Annual Audit Letter (AAL). The purpose of the AAL is to communicate to the Council and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the Council. The AAL covers the work carried out by auditors since the previous AAL was issued.

The 2016/17 AAL provides KPMG's conclusions on their audit objectives:

- Value For Money Conclusion
- Audit of Financial Statements
- Any Other Matters the external auditor is required to communicate.

KPMG's AAL is attached as an Appendix to this report.

Recommendation

Audit Committee is asked to consider the Annual Audit Letter 2016/17 presented to the Council by its external auditors, KPMG LLP, and approve its publication on the Council's website.

List of Appendices Included

KPMG's Annual Audit Letter – 2016/17

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Annual Audit Letter – 2016/17

1. Recommendation

Audit Committee is asked to consider the Annual Audit Letter 2016/17 presented to the Council by its external auditors, KPMG LLP, and approve its publication on the Council's website.

2. Background

- 2.1 The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

3. Key Issues

- 3.1 The Annual Audit Letter 2016/17 attached as Appendix 1 summarises the external audit work carried out in relation to the 2016/17 audit plan and highlights the findings in relation to the following:

- Value For Money Conclusion
- Audit of Financial Statements
- Any Other Matters the external auditor is required to communicate.

- 3.2 These findings have previously been reported to Audit Committee in more detail during the course of the year including, in particular, the ISA 260 Report presented to Audit Committee on 19 September 2017 immediately prior to the 2016/17 Statement of Accounts being approved.

- 3.3 The main headlines from the AAL in relation to the accounts and other audit responsibilities are that:

- The external auditor has issued an unqualified Value For Money (VFM) conclusion. KPMG are satisfied that during the year the Authority had appropriate arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
- The Council's financial statements were produced to a good standard with only minor presentational changes being made. The financial statements were given an unqualified audit opinion on 26 September. The Narrative Report published alongside the financial statements was consistent with KPMG's understanding
- The Annual Governance Statement approved at September's Audit Committee, is consistent with KPMG's understanding and compliant with the CIPFA/SOLACE framework on good governance in local government;

- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements; and,
- There are no high priority recommendations or other matters that need to be brought to the attention of Audit Committee

4. Options considered and recommended proposal

4.1 There are no options to be considered as part of this report.

5. Consultation

5.1 The Annual Audit Letter has been shared with Commissioners, the Leader of the Council and the Council's Senior Leadership Team.

6. Timetable and Accountability for Implementing this Decision

6.1 No decision requiring implementation is required as part of this report.

7. Financial and Procurement Implications

7.1 The external audit fee for 2016/17 of £140,828 is in line with the planned audit fee.

7.2 The final fee for the certification of the Council's housing benefit claim and other returns / claims KPMG have been engaged to certify has still to be confirmed as work is still on-going.

8. Legal Implications

8.1 The Council has complied with all statutory requirements in relation to the issues covered by the AAL. Following consideration of the AAL the Council will publish the AAL on the Council website. There are no further legal implications arising from the report.

9. Human Resources Implications

9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 There are no implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 KPMG will work with the Council throughout the year to plan for early close down to support the Council in meeting the earlier deadlines for 2017/18.

14. Accountable Officer(s)

Judith Badger - Strategic Director of Finance & Customer Services

Approvals Obtained from:-

Assistant Director of Financial Services – Graham Saxton



Annual Audit Letter 2016/17

Rotherham Metropolitan Borough Council

kpmg.com/uk

31 October 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Rotherham Metropolitan Borough Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

**VFM conclusion**

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 11 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- Governance Arrangements – The Authority regained partial control of its powers from Commissioners in 2016/17. Although not all powers had been returned at year end, sufficient progress had been made against the action plan to conclude we did not need to issue a qualified opinion.
- Reserves and Financial Position – National factors such as EU exit, inflationary pressures, and a reduction in the local government finance settlement will impact on the Authority's financial position. We reviewed the financial planning arrangements in place at the Authority and considered the performance against the 2016/17 annual plan. We have also considered the arrangements to prepare the medium term financial plan and the assumptions that underpin this plan. We did not find any indications that the Council does not have proper arrangements in place in relation to sustainable resource development. Going forward the Authority will need to be mindful of the level of unidentified savings that they have for the current and future years and whether there are adequate arrangements in place to identify these savings. In addition the Authority should consider their arrangements in relation to the setting of budgets compared to the demand for adults and childrens services, to prevent the use of significant virements to the budget during the year.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 26 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Section one

Financial statements audit

- We raised four medium priority recommendations in the following areas:
 - Preparation for early close;
 - Appropriate IT authorisation for new starters;
 - Timely removal of leavers from the IT system; and
 - School bank account reconciliations.
- We also raised a low priority recommendation in relation to segregation of duty in the journals process.
- There were no adjusted or unadjusted audit differences.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts (if applicable)

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

Certificate

We issued our certificate on 11 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2016/17 was £140,828, excluding VAT. Further detail is contained in Appendix 3.

Appendix 1

Key issues and recommendations

We raised the following medium and low priority recommendations as a result of our work.

No.	H/M/L	Issue and recommendation	Management response/responsible officer/due date
1	M	Preparation for early close We will work with the Council throughout the year to plan the close down to support the Council in meeting the deadlines required.	Accepted Owner Graham Saxton Deadline 31/12/2017
2	M	Appropriate IT authorisation of new starters The authority should ensure that all users gain approval to access the ledger in line with Council procedures.. Members of the IT team should only grant a user access when there is an approved signatory authorising the access.	Accepted Owner Richard Douthwaite Deadline 31/10/2017
3	M	Timely removal of leavers from IT system Where a member of staff is working their notice, IT should be informed of their leave date in advance of them leaving and arrange for their access to be disabled on their leave date. Where a member of staff leaves with immediate effect, IT should be notified immediately so they can disable user access.	Management Response Accepted Owner Richard Douthwaite Deadline 31/10/2017
4	M	School Bank Account Reconciliations The closedown timetable for 2017/18 should factor in this issue, and allow schools to run the balancing reports on 1st April to allow reconciliations dated the 31 March to be produced	Accepted Owner Mick Wildman Deadline 31/03/2018
5	L	Segregation of Duties in Journal Processing We recommend that the Authority looks into whether the general ledger could be updated to include an authorisation step for journals. We recognise this may have to wait until the next significant ledger upgrade, and as such, until this time, random spot checks should be undertaken by a senior member of the finance team to confirm the process is being appropriately followed. These checks should be recorded and available as audit evidence.	Accepted Owner Graham Saxton Deadline 31/03/2018

M Medium

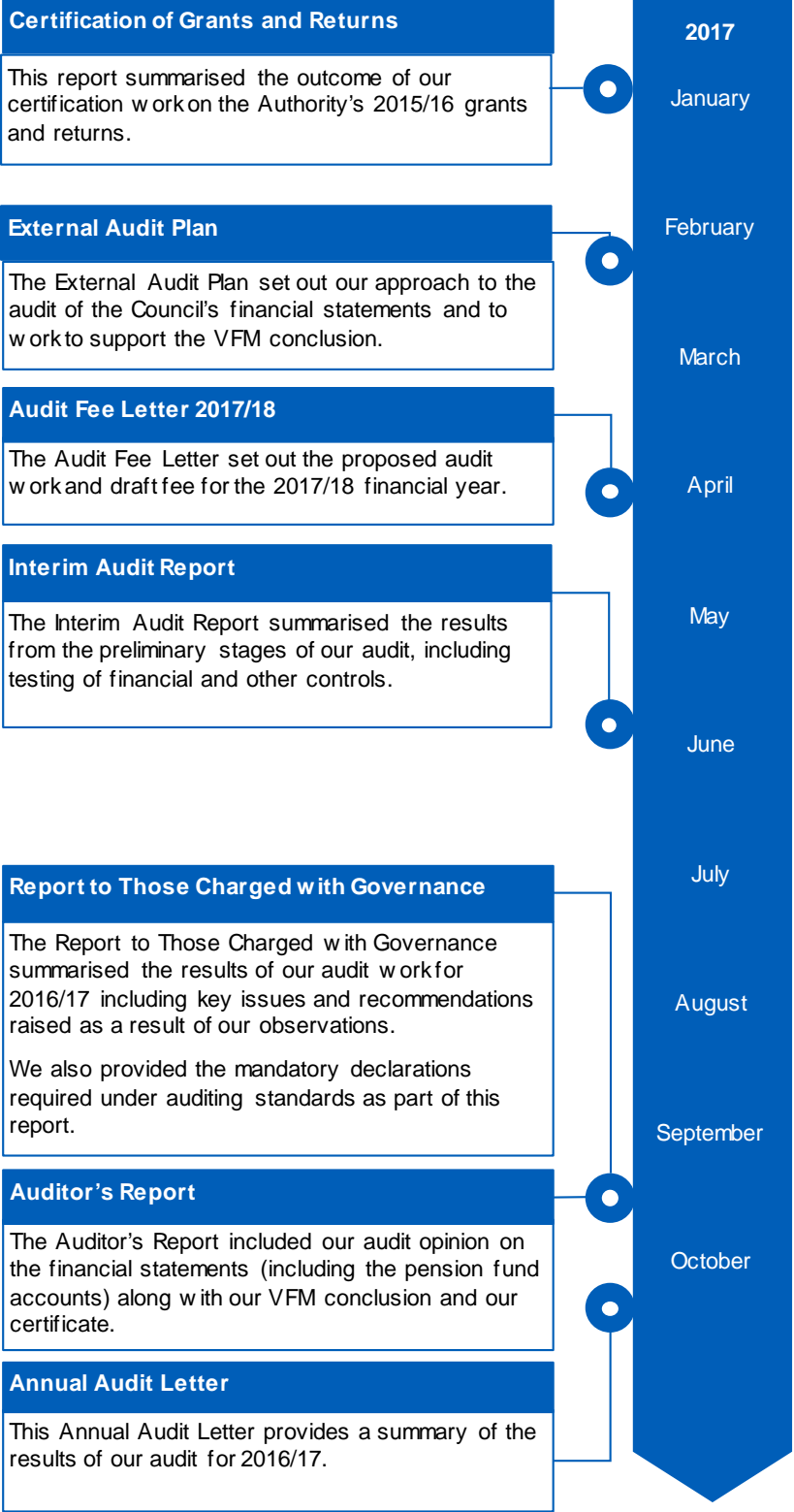
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Appendix 2

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority’s website at www.rotherham.gov.uk.



Appendix 3

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit was £140,828, which is in line with the planned fee. We have also raised a fee variation, as agreed with management, with PSAA in relation to the additional VFM work completed during the year. This is awaiting final approval.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We will be charging for additional audit-related services for the certification of the Teachers Pension Return and Pooling of Housing Capital Receipts Return. This work is still ongoing. The final fee will be confirmed in November 2017

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Summary Sheet**Council Report**

Audit Committee

Title

Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2017/18

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger – Strategic Director for Finance & Customer Services

Report Author(s)

Graham Saxton, Assistant Director- Financial Services
01709 822034 graham.saxton@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary**1. Mid-Year Treasury Review**

The regulatory framework of treasury management requires that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report.

This report meets the first of those requirements. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2017/18 prudential indicators are approved by Full Council.

The monitoring as set out in the Appendix to the report is structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

The key messages for Members are:

- a. Investments - the primary governing principle remains **security** over return and the criteria for selecting counterparties continues to reflect this.
- b. Borrowing - overall this will remain fairly constant over the period covered by this report and the Council will maintain its strategy of being significantly under-borrowed against the capital financing requirement, as the most cost effective approach in the current financial climate. The Council's existing treasury management strategy provides for the Council to take out £30m of new borrowing per annum over the next 4 years to reduce the amount of under-borrowing over time. This position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2018/19 report to Budget Council in February 2018.
- c. Governance - strategies and monitoring are undertaken by Audit Committee

Recommendation

Audit Committee is asked to note the contents of the report

List of Appendices Included

Appendix – Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2017/18.

Background Papers

Budget and Council Tax 2017/18 report to Council 8th March 2017

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2017/18

1. Recommendation

Audit Committee is asked to note the contents of the report

2. Background

2.1 Mid-Year Treasury Review – Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

2.2 This review as fully set out in the Appendix meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and PIs were previously reported to Audit Committee and Cabinet and Commissioners Decision Making meeting in February 2017 and approved by Council on 8 March 2017.

3. Key Issues

3.1 Mid-Year Treasury Review – The review as set out in the Appendix keeps Members up to date and informs on performance against the plan.

3.2 The key messages for Members are:

- a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.
- b. Borrowing - overall this will remain fairly constant over the period covered by this report and the Council will maintain its strategy of being significantly under-borrowed against the capital financing requirement, as the most cost effective approach in the current financial climate. The Council's existing treasury management strategy provides for the Council to take out £30m of new borrowing per annum over the next 4 years to reduce the amount of under-borrowing over time. This position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2018/19 report to Budget Council in February 2018.
- c. Governance - strategies and monitoring are undertaken by Audit Committee

4. Options considered and recommended proposal

- 4.1 **Mid-Year Treasury Review** – The review as set out in the Appendix indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed. However, a change is proposed for the Council's future strategy with regard to the limit of investment in Money Market Funds. This is described in the Investment Strategy outlined in Paragraph 5 of the Appendix to this report.

5. Consultation

- 5.1 The continuing approach to treasury management has been discussed with the Council's External Treasury Management Advisers Capita Asset Services, who have confirmed this is a prudent approach given current market conditions.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The report is for Audit Committee information and noting.

7. Financial and Procurement Implications

- 7.1 Treasury Management forms an integral part of the Council's overall financial arrangements.
- 7.2 The assumptions supporting the capital financing budget for 2017/18 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the capital programme.
- 7.3 The current strategy is to maintain the Council's position of being significantly under-borrowed against the Capital Financing Requirement and to optimise cash-flows by using short-term loans rather than taking out new longer term debt. This strategy takes advantage of the low interest rates currently available for short term loans and generates savings against the 2017/18 budget which are reflected in the financial monitoring reports.

8. Legal Implications

- 8.1 It is a requirement that changes to the Council's prudential indicators and approved by Full Council

9. Human Resources Implications

- 9.1 There are no Human Resource implications arising from the report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

11. Equalities and Human Rights Implications

11.1 There are no implications arising from this report to Equalities and Human Rights.

12. Implications for Partners and Other Directorates

12.1 There are no implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

14. Accountable Officer(s)

Graham Saxton (Assistant Director, Financial Services)

Approvals Obtained from:-

Strategic Director for Finance & Customer Services: - Judith Badger

Mid-Year Prudential Indicators and Treasury Management Monitoring**1. Introduction and Background**

- 1.1 Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.
- 1.2 This report meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and PIs for 2017/18 were previously reported to Audit Committee and Commissioners Decision Making meeting in February 2017 and approved by Council on 8 March 2017.
- 1.3 The Council's revised capital expenditure plans and the impact of these revised plans on its financing are set out below in Sections 2.2 and 2.3 respectively. The Council's capital spending plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.
- 1.4 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise the treasury management service.
- 1.5 The underlying economic and financial environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remain low.
- 1.6 The Strategic Director for Finance & Customer Services can report that the basis of the treasury management strategy, the investment strategy and the PIs are not materially changed from that set out in the approved Treasury Management Strategy (March 2017).

2. **Key Prudential Indicators**

2.1. This part of the report is structured to update:

- The Council's latest capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 **Capital Expenditure (PI)**

2.2.1 This table shows the forecast estimates for capital expenditure as reported in the September Financial Monitoring Report presented to the Cabinet and Commissioners' Decision Making meeting held on the 13 November 2017. This position reflects slippage on the capital programme for 2016/17 which is now rolled into 2017/18, as reported in the financial outturn report to Cabinet in July 2017, and new scheme approvals during the year.

Capital Expenditure by Service	2017/18 Original Estimate £m	Current Estimate £m
Children & Young People Services	10.464	8.150
Regeneration & Environment	25.293	32.628
Adult Care & Housing – Non-HRA	3.489	2.385
Finance & Customer Services	3.636	3.270
Total Non-HRA	42.882	46.433
Adult Care & Housing – HRA	26.756	35.352
Total HRA	26.756	35.352
Total	69.638	81.785

2.3 **Impact of Capital Expenditure Plans**

2.3.1 **Changes to the Financing of the Capital Programme**

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	2017/18 Original Estimate £m	Current Estimate £m
Total spend	69.638	81.785
Financed by:		
Capital receipts	10.134	12.663
Capital grants, capital contributions & other sources of capital funding	42.085	48.754
Borrowing Need	17.419	20.368
Total Financing	69.638	81.785
Unsupported Borrowing	17.419	20.368
Borrowing Need	17.419	20.368

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision (MRP)). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 The increase in borrowing need for 2017/18 (£2.949m) reflects the re-profiling of capital expenditure & financing and new approvals since the original estimate was approved.

2.3.3 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This expected debt position has previously also been used as the basis for the Operational Boundary PI. This was set at the beginning of the financial year at £659.331m. During 2016/17 there were periods where the actual position was above the Operational Boundary, but this is acceptable practice. It is the Authorised Limit which the Council must not breach. For the 2018/19 strategy it is proposed to review whether the level of the Operational Boundary needs to be set closer to the authorised limit in order to improve the effectiveness of this particular indicator.

2.3.4 In addition to showing the underlying need to borrow, the Council's CFR has since 2009/10, also included other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract and there has been no change in the borrowing need resulting from these requirements.

2.3.5 The current CFR estimate for 2017/18 is £809.488m and this figure represents an increase of £16.949m when compared to the 2016/17 year-end position of £792.538m. The increase is due to:

- The estimated borrowing need for the year £20.241m net of the Minimum Revenue Provision charge for the year (£0.526m)
- The repayments of borrowing contained within PFI and similar schemes (£2.766m).

RMBC	2017/18 Original Estimate £m	Current Estimate £m
CFR – Non Housing	374.101	372.575
CFR – Housing	304.125	304.125
Total CFR excluding PFI, finance leases and similar arrangements	678.226	676.700
Net movement in CFR	17.002	19.715
Cumulative adjustment for PFI, finance leases and similar arrangements	132.789	132.789
Net movement in CFR	-2.766	-2.770
Total CFR including PFI, finance leases and similar arrangements	811.015	809.488
Net movement in overall CFR	14.236	16.945
Borrowing	523.776	523.776
Other long term liabilities*	132.789	132.789
Total Debt 31 March	656.565	656.565

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Former SYCC Operational Boundary for External Debt	2017/18 Original Estimate £m	2017/18 Current Estimate £m
Borrowing	76.709	76.709
Other long term liabilities	0	0
Total Debt 31 March	76.709	76.709

3. Limits to Borrowing Activity

- 3.1 The first key control over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be adhered to if this proves prudent to do so.

RMBC	2017/18 Original Estimate £m	Current Position £m
Gross Borrowing	523.776	567.866
Plus Other Long Term liabilities*	132.789	132.789
Total Gross Borrowing	656.565	700.655
CFR*	811.015	809.488
Total Gross Borrowing	656.565	700.655
Less Investments	0	(38.000)
Net Borrowing	656.565	662.655
CFR*	811.015	809.488

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

- 3.2 The Strategic Director for Finance & Customer Services reports that no difficulties are envisaged for the current or future years in complying with this PI.
- 3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2017/18 Original Indicator £m	Current Position £m
Borrowing	709.184	567.866
Other long term liabilities*	135.555	132.789
Total	844.739	700.655

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Former SYCC - Authorised Limit for External Debt	2017/18 Original Estimate £m	Current Position £m
Borrowing	76.709	76.709
Other long term liabilities	0	0
Total	76.709	76.709

4. Treasury Strategy 2017/18 – 2019/20

4.1 Debt Activity during 2017/18

4.1.1 The expected borrowing need is set out below:

RMBC	2017/18 Original Estimate £m	Current Position £m
CFR	811.015	809.488
Less Other Long Term Liabilities*	132.789	132.789
Net Adjusted CFR (y/e position)	678.226	676.699
Borrowed at 30/09/17	523.776	567.866
Invested at 30/09/17		(38,000)
Under borrowing at 30/09/17	154.450	146.833
Borrowed at 30/09/17	523.776	
Estimated additional borrowing to be taken October to March 2018	0.000	
Total Borrowing	523.776	
Under borrowing at 31/03/18	154.450	

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently significantly under-borrowed, the delay in borrowing reduces the cost of carrying borrowed monies when yields on investments are low relative to the borrowing rates. Based on current borrowing rates and investment returns the differential is around 2% and if the Council was fully borrowed the additional cost per year would amount to over £2.5m. The delay in taking out new long-term borrowing does give rise to an element of interest

rate risk, as longer term borrowing rates may rise, but this position is being closely monitored and the overall position carefully managed.

- 4.1.3 During the six months to 30 September 2017 the Council has borrowed the following amounts shown in the table below. The borrowing taken highlights the Council's current position of utilising low rate short term deals to generate significant interest savings. The following deals were required for a combination of debt refinancing, pension fund payments profile and cashflow management.

Principal	Type	Term	Interest Rate
£10,000,000	Temp	3 Months	0.43%
£10,000,000	Temp	3 Months	0.43%
£3,000,000	Temp	3 Months	0.40%
£10,000,000	Temp	3 Months	0.34%
£10,000,000	Temp	3 Months	0.21%
£20,000,000	Temp	3 Months	0.23%
£10,000,000	Temp	3 Months	0.31%
£20,000,000	Temp	3 Months	0.22%
£10,000,000	Temp	3 Months	0.25%

- 4.1.4 During the six months to 30 September 2017, the Council has repaid the following amounts:

Lender	Principal	Type	Interest Rate
PWLB	£1,000,000	Fixed rate (EIP)	3.46%
PWLB	£65,000	Fixed rate (EIP)	1.89%
PWLB	£83,491	Fixed rate (Annuity)	Various
PWLB	£10,000,000	Fixed rate	9.38%
Local Authority	£5,000,000	Temp	0.40%
Local Authority	£10,000,000	Temp	0.30%
Local Authority	£5,000,000	Temp	0.32%
Local Authority	£10,000,000	Temp	0.35%
Local Authority	£10,000,000	Temp	0.43%
Local Authority	£10,000,000	Temp	0.43%
Local Authority	£3,000,000	Temp	0.40%
Local Authority	£10,000,000	Temp	0.34%

Local Authority	£10,000,000	Temp	0.21%
Local Authority	£20,000,000	Temp	0.23%
Local Authority	£10,000,000	Temp	0.31%
Local Authority	£20,000,000	Temp	0.22%

One Equal Instalment of Principal (EIP) loan for £20m is being repaid in equal half yearly instalments of £1m over its 10 year term. A second EIP loan for £1.3m is being repaid in equal half yearly instalments of £65,000 over its 10 year term. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

5. Investment Strategy 2017/18 – 2019/20

5.1 Key Objectives

The primary objective of the Council's investment strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved investment strategy.

- 5.1.1 There is one proposed future change to the existing criteria and that is for the use of Money Market Funds (MMF's). The existing strategy limits the Council to investing a maximum of 20% of the total investment portfolio with MMF's, and those funds must be AAA rated.
- 5.1.2 This strategy was suitable for a time when the Council had a greater level of day to day cash flows, a larger investment portfolio, and was able to deposit cash across its two main investment options with a competitive return, the Debt Management Office at 0.25%, and Handelsbanken at 0.40%.
- 5.1.3 However the Council is currently operating a strategy, whereby it is utilising the low rates available in the short term inter-local authority lending market to hold a position of being under borrowed, with the vision of not entering into any long term borrowing until required. This means that the Council has less day to day cash to invest. In addition the interest rates on the Council's two main investment options have now significantly reduced due the uncertain economic climate. Prior to the recent increase in the Bank of England base rate, the Debt Management Office rate was 0.10%, and Handelsbanken was 0.20%.
- 5.1.4 Given this position the Council would now see a greater return on its investments by making stronger use of MMF's, which had comparable

investment returns of anywhere from 0.22% to 0.30%, and above. The process for using MMF's is very efficient and effective, with the added benefit that the funds the Council can access are all AAA rated. To enable the Councils Treasury Management Team to make best use of this market, in the most efficient and cost effective way the following change is proposed to the Treasury Management Strategy.

Existing Rule:

- Money Market Funds – AAA – restricted to a maximum of 20% of the investment portfolio

New Rule:

- Money Market Funds – AAA – restricted to a maximum investment of £10m per fund

5.2 **Current Investment Position**

The Council held £38.000m of investments at 30 September 2017, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	6.000	0	0
DMO	UK	32.000	0	0
Local Authorities	UK	0	0	0
Total		38.000	0	0

One 'call' account with the top rated bank Handelsbanken is operated. This bank meets the Council's highest investment criteria.

This enables the Council to minimise the risk of having to leave unexpected receipts with the Council's current bankers, it allows immediate access to a small amount of funds to cover or part cover any short-term borrowing requirements and based on current rates there is a small benefit of approx. 0.10% over the rate achievable from the Debt Management Office.

5.3 **Risk Benchmarking**

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks.

- 5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the investment strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – on a day-to-day basis the Council works to an agreed overdraft limit of £100,000 with the Council's bankers. Whilst a short-term increase could be negotiated less expensive short-term borrowing is accessed through the financial markets to remain within the agreed overdraft.
- Liquid short-term deposits of at least £3m available within a week's notice.

The Strategic Director for Finance & Customer Services can report that liquidity arrangements were adequate during the year to date.

5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the 7 day LIBID rate

The Strategic Director for Finance & Customer Services can report that the return to date averages 0.15%, against a 7 day LIBID to the end of September 2017 of 0.11%. This is reflective of the Council's current approach to risk whereby security has been maximised by using the Debt Management Office and highly rated banks.

It is important to recognise that based on the Council's current average cash investments of £38m the difference in return at the benchmark when compared to the return achieved at the current rate would be £53.2k. This increase in return has to be measured against the additional risk of placing cash elsewhere.

6. **Revisions to the Investment Strategy**

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy.

7. **Treasury Management Prudential Indicators**

7.1 **Actual and estimates of the ratio of financing costs to net revenue stream**

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2017/18 Original Indicator %	2017/18 Current Position %
Non-HRA	7.01	6.02
HRA	16.37	15.57

7.2 The revised non HRA indicator reflects the impact of the restructured debt and borrowing being at rates less than originally anticipated for 2017/18. The HRA indicator has also decreased due to the HRA's internal borrowing, which is

calculated using the Council's overall average rate of interest, now being at a lower rate than had been assumed in the original indicator.

7.3 **Prudential indicator limits based on debt net of investments**

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.
- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2017/18 Original Indicator	Current Position
Limits on fixed interest rates based on net debt	100%	74.76%
Limits on variable interest rates based on net debt	30%	25.24%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

The current position shown below reflects the next call dates on those Council's LOBO loans (£62m) that are not callable in 2017/18 and thus are regarded as fixed rate. The actual maturity date for most of these loans is greater than 50 years. This approach gives a better indication of risk and whilst there is a possibility that a loan is called with an increase in interest payable the likelihood of any LOBO loans being called in the current climate is assessed as zero for the next three years.

RMBC	2017/18 Original Indicator		Current Position	
	Lower	Upper	%	£m
Under 12 months	0%	35%	27.55%	111.540
12 months to 2 years	0%	35%	8.65%	35.000
2 years to 5 years	0%	45%	13.96%	56.515
5 years to 10 years	0%	45%	1.24%	5.000
10 years to 20 years	0%	45%	10.73%	43.455
20 years to 30 years	0%	50%	1.24%	5.000
30 years to 40 years	0%	50%	18.86%	76.336
40 years to 50 years	0%	55%	10.37%	42.000
50 years and above	0%	60%	7.41%	30.000

The former SYCC account is due to be wound up by the end of 2020/21 and the maturity structure is now largely fixed as the need and indeed opportunities to re-finance within the remaining 5 years will be limited. As a result future limits are currently set in line with the on-going maturity profile.

Former SYCC	2017/18 Original Indicator		Current Position	
	Lower	Upper	%	£m
Under 12 months	0%	60%	52.82%	40.520
12 months to 2 years	0%	75%	21.51%	16.5
2 years to 5 years	0%	100%	25.67%	19.689

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged. This also excludes any Icelandic investments that are due to be recovered after more than 364 days.

RMBC	2017/18 Original Indicator £m	Current Position £m
Maximum principal sums invested > 364 days	10	0
Cash deposits	10	0

7.6 **Treasury Management Advisers**

The Council is in its second year of a three year contract with Capita Asset Services Treasury Solutions (CAS) for the provision of treasury management and asset finance services. This began on 7 October 2016.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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