

**AUDIT COMMITTEE**  
**7th August, 2023**

Present:- Councillor Baker-Rogers (in the Chair); Councillor Wyatt and Mr. J. Barber (Independent Person).

Also in attendance was Thilina De Zoysa (Grant Thornton, External Auditor).

Apologies for absence were received from Councillors Browne, Elliott and Mills.

**1. MINUTES OF THE PREVIOUS MEETING**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 7<sup>th</sup> June, 2023.

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

**2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**3. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS**

There were no members of the public or press present at the meeting nor had any questions being received in advance of the meeting.

**4. EXCLUSION OF THE PRESS AND PUBLIC**

There were no items that necessitated that exclusion of any members of the press and public.

**5. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral.

**6. TREASURY MANAGEMENT OUTTURN 2022-23 AND SUMMARY PRUDENTIAL INDICATORS**

Consideration was given to the report presented by the Assistant Director Financial Services, Rob Mahon, which detailed how the Council approved the Treasury Management Strategy in March, 2022 and received a mid-year report in November 2022, representing a mid-year review of treasury activity during 2022/23.

The Annual Treasury Management report was the final treasury report for 2022/23. Its purpose was to review the treasury activity for 2022/23 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2022/23 in accordance with the requirements of the Prudential Code. Presentation of the report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix 1 of the report submitted gave a summary of the Prudential Indicators for the Council.

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

- The Bank of England increased interest rates to control inflation. This had resulted in a significant increase in investment returns during 2022/23 and the Council's short term borrowing costs significantly reduced as it had not needed to borrow or borrow in the high interest rate market. However, it did make it challenging to forecast and would be kept under close observation
- The Council had invested with Central Government in the last financial year as it had cash balance available. However, it did not provide a good return and was the last port of call for investment and would expect to invest in other markets first

**Resolved:-** That the Financial Outturn 2022/23 – Treasury Management and Prudential Indicators - be noted.

## **7. DEDICATED SCHOOL GRANT - CENTRAL RESERVE**

Further to Minute No. 23 of 28<sup>th</sup> July, 2022, Nathan Heath (Assistant Director CYPS) supported by Neil Hardwick (Head of Finance CYPS), presented an update report outlining the current and projected overspend on the Dedicated Schools Grant (DSG) and the recovery plans in place to enable Rotherham to operate within its annual allocation and reduce the deficit over future years. The report also outlined the national picture on the High Needs Block as part of the overall Dedicated Schools Grant and the additional funding the Government was investing in education as part of its spending review.

During recent years, Rotherham had faced growing pressure on the High Needs Budget resulting in year on year deficits of circa £5m. Following implementation of the DSG Management Plan (which included continuing to transfer monies from the Schools Block), the annual pressures had significantly reduced with an in-year DSG deficit of £1.37m in 2020/21. This was further reduced to a £0.11m deficit in 2021/22 and an overall deficit of £21.26m (before taking account of Safety Valve funding).

Following significant negotiations between the Council and the Department for Education (DfE), a Safety Valve Intervention Agreement was agreed to support Rotherham to address its long term issues linked to High Needs funding deficit. Ongoing monitoring had taken place across the implementation of Rotherham's Safety Valve Agreement with quarterly meetings held between the DfE and the Authority to both support delivery and hold accountability of the Agreement as well as submission of a financial and narrative return.

Rotherham remained on track to meet all requirements of the Agreement at the end of the 2022/23 financial year. The DSG had moved from a deficit position of £12.84m at the end of 2021/22 to a deficit of £5.93m at the end of 2022/23, a reduction of £6.91m with £6m from Safety Valve funding and £910,000 from an in-year saving.

Discussion ensued with the following issues raised/clarified:-

- Some of the pressures were external e.g. cost of living, pay awards etc. which had an impact and were subject to the DfE reflecting such and awarding appropriate funding uplifts.
- The aim was to develop local provision in an attempt to manage the demands and cost of the provision currently provided in order to achieve better value for money. However, the SEND population was growing year on year
- The SEND Sufficiency Phase 4 delivery of the SEND Resource base education provisions in mainstream schools was on track for delivery. SEN resource bases were provisions attached to mainstream schools providing specialist therapeutic input and support for pupils with a specific SEND need
- There were distinct pressures for special schools including the availability of staff which was a specific challenge. The specialism of provision against demand and growth did not just sit in the Rotherham centric; South Yorkshire and the Humber, to some extent, provided some challenge as there were a lot of children from other South Yorkshire local authorities placed in Rotherham schools
- There was confidence in the Strategy going forward but mindful that there were a number of variable factors as stated above
- Prior to Rotherham entering into the High Needs Safety Valve, there was a very clear strategic plan set against re-forecasting profile towards the funding that supported mainstream inclusion and less around incremental increase in specialist provision. The 9 actions in the DSG Management Plan had been worked through in discussion with the DfE and had generated the strategic intent. It had been superseded in some ways by the Government's response to the SEN Green Paper, however, there was nothing that was out of sync with Rotherham's plan

- There was strong buy-in from primary schools for inclusion. Where a child was at risk of exclusion, an Inclusion Panel would meet made up of Head Teachers and multi-agency professionals with the School concerned presenting the information. There were no parent/carers included but were fully consulted

**Resolved:-** (1) That the actions being taken to manage the Dedicated School Grant deficit in Rotherham be noted.

(2) That the additional funding allocated to Rotherham through the Department for Education's Safety Valve Programme be noted.

**8. RISK MANAGEMENT ANNUAL REPORT AND STRATEGIC RISK REGISTER**

With the Chair's agreement, this item was deferred until the September meeting.

**9. EXTERNAL INSPECTIONS, REVIEWS, AND AUDITS UPDATE**

Consideration was given to a report, presented by Tanya Lound, Corporate Improvement and Risk Officer, providing details of recent external inspections, reviews and audits as well as a summary of progress against the recommendations from all external inspections, reviews and audits setting out details of arrangements for ensuring the accountability and governance around their implementation. As previously requested by the Committee (Minute No. 66 of 10<sup>th</sup> January, 2023 refers), a rating system had been applied and included in the report.

Since the last report to Committee in January, 2023, 9 external inspections, reviews and audits had taken place resulting in 14 recommendations/areas for improvement 6 of which were complete and 8 in progress. The outcome was not yet known for one of the audit reviews conducted.

In addition, 29 of the ongoing recommendations relating to external inspections, reviews and audits that took place prior to January 2023 were now completed, 47 were in progress, 5 of which were delayed, and 4 required no further action/did not require adjustment.

The report included detail of progress being made in respect of the following specific areas and Directorates together with a verbal update on the outstanding recommendations:-

- Children and Young People's Services
- Adult Care, Housing and Public Health
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

It was also noted that the outcome of the Corporate Peer Challenge would be presented to Cabinet in September.

Monica Green, Assistant Director CYPS, was also in attendance to answer any specific questions relating to her areas of responsibility.

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

- The format of the submitted report was much improved
- The Ofsted inspection framework did not allow for any children's home to be anything other than Good in the first 12 months. Liberty House was a short break facility
- Work was taking/had taken place with the Youth Justice Service and assurance provided that the 13 areas of improvement had been completed
- A report had been received regarding the Corporate Peer Challenge the findings of which were being worked through with the LGA. An action plan was being developed and would be submitted with the final findings to Cabinet

Resolved:- (1) That, the recent external inspections, reviews and audits which have taken place and the progress made relating to ongoing recommendations, be noted.

(2) That the governance arrangements in place for monitoring and managing the recommendations be noted.

(3) That regular reports continue to be submitted to the Audit Committee.

## **10. REVIEW OF SURVEILLANCE AND USE OF REGULATION OF INVESTIGATORY POWERS**

Bal Nahal, Head of Legal Services, presented an update on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA).

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify the Investigatory Powers Commissioners Office of the number of directed surveillance/CHIS authorisations granted in each financial year. Since the last report, the Council had not used its powers under RIPA to use directed surveillance, covert human intelligence sources or to acquire communications data. A statistical return was completed and submitted to the Investigatory Powers Commissioners Office (IPCO) on 25th January, 2023.

The last inspection by the IPCO was a desk top inspection on 7<sup>th</sup> July, 2020, which had recommended training to all officers who may be involved with RIPA authorisations. External training was provided to all officers involved or likely to be involved in the use of the powers provided

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under the RIPA legislation on 3<sup>rd</sup> March, 2022. More recently, and to ensure that this training was up-to-date and new staff joining were aware of their roles, a further session was held on 13<sup>th</sup> and 14<sup>th</sup> June, 2023. The purpose of this was to further reduce any potential risk arising from any unauthorised activity.

In accordance with the revised Home Office Codes of Practice, the use of RIPA and review of the Policy was reviewed and re-adopted by the Audit Committee on 28<sup>th</sup> July, 2022. Minor changes had been made to the policy consisting of minor changes to personnel and references to revised Codes of Practice.

It was noted that the powers were used by councils who conducted a lot of Trading Standards investigations whereby covert intelligence was used. Of the 3 neighbouring authorities, Sheffield used them the most often.

Training was provided to all officers who were likely to use the powers to gain an understanding of their impact.

**Resolved:-** (1) That the Audit Committee note that the Council had not made use of surveillance or acquisition of communication data powers under the relevant legislation since it was last reported on 9th February, 2022.

(2) That the RIPA Policy with the minor amendments relating to personnel and references to the Code of Practice be approved.

## 11. AUDIT COMMITTEE ANNUAL REPORT 2022/23

Consideration was given to a report presented by David Webster, Head of Internal Audit, which summarised the work undertaken by the Audit Committee. Production of this report complied with current best practice for audit committees. It allowed the Audit Committee to demonstrate it had fulfilled its terms of reference and shared its achievements with the Council.

The Audit Committee Annual Report 2021/22 included details of the Committee membership during that period, a summary of the work undertaken, information on any training and development undertaken along with listing the Committee's Terms of Reference. The updated Terms of Reference had been approved at Council on 19<sup>th</sup> July, 2023 (Minute No. 219 refers).

**Resolved:** That the draft Audit Committee Annual Report 2022/23 be approved for submission to Council.

**12. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st May to 30th June, 2023, and the key issues that had arisen therefrom.

The current position with regard to the revised plan was outlined in Appendix A to the report. Several audits had been added to the 2022/23 plan as a result of planning meetings with Directorate Leadership Teams resulting in some audits within that plan being delayed which in turn had a knock-on effect on the 2023/24 plan. The new plan for 2023/24, attached at Appendix A, still provided sufficient coverage for the Head of Internal Audit to provide their annual opinion at the end of the year.

8 audits had been finalised since the last Committee meeting 7 of which had received Substantial or Reasonable Assurance and one with Partial Assurance as set out in Appendix B to the report.

Internal Audit's performance against a number of indicators was summarised in Appendix C. All targets had been met apart except for the time taken to issue draft reports where 2 audits had been marginally over the target time.

It was noted that there were presently 11 actions that had been deferred from their original due dates 9 of which related to Rothercare where the service was working on a new business operating model. The position would be monitored and any issues reported.

Resolved:- (1) That the Internal Audit work undertaken between 1<sup>st</sup> May to 30th June, 2023, and the issues that had arisen therefrom, be noted.

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

**13. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period September, 2023 to July, 2024.

It was noted that Risk Management Annual Report and Strategic Risk Register, deferred from today's meeting, would be considered at the September meeting.

Resolved: That the Audit Committee forward work plan be approved subject to the above inclusion.

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**14. URGENT BUSINESS**

There was no urgent business to consider.

**15. DATE AND TIME OF NEXT MEETING**

Resolved:- That a further meeting be held on Tuesday, 26<sup>th</sup> September, 2023, commencing at 2.00 p.m. in Rotherham Town Hall.