

AUDIT COMMITTEE

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

**Date: Wednesday, 19 October
2011**

Time: 4.00 p.m.

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.
2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.
3. Minutes of the previous meeting held on 28th September, 2011 (herewith) (Pages 1 - 3)
4. Audit and Inspection Recommendations Update Report (herewith) (Pages 4 - 7)
5. Customer Inspection Service (report herewith) (Pages 8 - 13)
6. Mid Year Treasury Management and Prudential Indicators Monitoring Report 2011/12 (herewith) (Pages 14 - 25)
7. Corporate Risk Register (report herewith) (Pages 26 - 33)

AUDIT COMMITTEE
Wednesday, 28th September, 2011

Present:- Councillor Kaye (in the Chair); Councillors Gilding, License and Sangster.

Also in attendance were Mrs. A. Bingham (Vice-Chair of the Standards Committee) and Rob Mitchell (KPMG)

An apology for absence was received from Councillors Sims.

P16. MINUTES OF THE PREVIOUS MEETING HELD ON 20TH JULY, 2011

Resolved:- That the minutes of the previous meeting held on 20th July, 2011 be agreed as a correct record.

P17. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR 4 MONTHS ENDING JULY 2011

Marc Bicknell, Internal Audit Manager, presented the submitted report which set out a summary of Internal Audit's work and performance for the period ended July, 2011 and had been presented to the Audit Committee in accordance with the Committee's responsibility to oversee the work of Internal Audit.

The report identified:-

- performance against key service benchmarks
- audit reports issued during the period, highlighting the overall conclusion for each audit
- number of high priority recommendations made
- proportion of recommendations not agreed

The report covered:-

- performance indicators
- audit reports and recommendations
- Responsive Audits
 - Primary School Childcare Club
 - Car Park Income
 - Children's Home

A total of 122 man days had been spent on responsive work to date representing approximately 11% of available resources.

Discussion and a question and answer session ensued and the following issues were covered:-

- sums recovered
- disciplinary action taken

Resolved:- That the information be noted.

P18. ANNUAL TREASURY MANAGEMENT REPORT AND ACTUAL PRUDENTIAL INDICATORS 2010/11

Andrew Bedford, Strategic Director of Finance, presented the submitted report which detailed how the Annual Treasury Report was a requirement of the Council's reporting procedures and covered the treasury activity for 2010/11. The report also covered the actual Prudential Indicators for 2010/11 in accordance with the requirements of the Prudential Code.

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.

Members noted that the Strategic Director of Finance had delegated authority to carry out treasury management activities on behalf of the Council and this report was produced in order to comply with the CIPFA Code of Practice in respect of Treasury Management in Local Authorities and the "Prudential Code".

Treasury Management formed an integral part of the Council's overall financial arrangements. Regular monitoring would ensure that risks and uncertainties were addressed at an early stage and hence kept to a minimum.

Particular reference was made to the debt of the former South Yorkshire County Council.

Resolved:- That the Annual Treasury Management Report and Actual Prudential Indicators for 2010/11 be approved.

P19. STATEMENT OF ACCOUNTS 2010/11

Andrew Bedford, Strategic Director of Finance, introduced and Rob Mitchell (KPMG) presented the submitted report advising of the matters arising from the external audit of the Council's 2010/11 Statement of Accounts and, in acknowledging the findings, sought approval to the Letter of Management Representations.

Also submitted were:

- External Auditor's ISA 260 Report 2010/11
- Audited Statement of Accounts 2010/11
- Letter of Management Representations

Discussion and a question and answer session ensued on various issues.

Resolved:- (1) That the Auditor's ISA260 report to those charged with governance, as now submitted, be approved.

(2) That the amended Statement of Accounts 2010/11, as now submitted, be approved.

(3) That the Letter of Management Representations, as now submitted, be approved.

(4) that the external auditor and officers in both Finance and Economic and Development Services be thanked for their efforts.

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

1. Meeting:	Audit Committee
2. Date:	19th October 2011
3. Title:	Audit and Inspection Recommendations Update Report
4. Directorate:	Chief's Executive Department

5. Summary

This report summarises the progress against recommendations from across all key external audits and inspections of council services.

It is intended that this report provides a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (July 2011). A summary of these are detailed within the table in Appendix A. In summary;-

- Since the last report there have been no new inspections or external assessments.
- There are currently ten action plans relating to Inspection and Audit recommendations which are still "active" in the authority (ie contain outstanding recommendations which are still relevant)
- Across these action plans nine recommendations have been completed since the last report and fifteen remain outstanding

6. Recommendations

That the Audit Committee:

- **Note the progress achieved against outstanding actions**
- **Advice further actions as necessary**

7. Proposals and Details

The monitoring of Audit and Inspection recommendations provides evidence that the Council is able to respond to external challenge in a timely manner and is committed to continuous improvement. Additionally through analysing the recommendations we are demonstrating our ability to identify and rectify detrimental trends or issues and to deliver service improvement.

Progress against Recommendations

Since the previous July 2011 report progress against recommendations is good. This has resulted in a number of action plans being signed off as complete as either all recommendations have been implemented or subsequent inspections have assessed that there is no need to progress the issues of concern further. Subsequently future audit and inspection reports and associated appendices will omit their details. These are;

- Use of resources (2009)
- Core Case Inspection - Youth Offending Service (2010)

Analysis of outstanding recommendations

Progress against all outstanding audit and inspection recommendations of council services are monitored by Performance & Quality Teams. Currently there are 16 recommendations which still need addressing. Although some of these recommendations have experienced some slippage against original target dates there are no new areas of concern.

New Inspection Reports received

There have been no new inspection judgements received since the last report.

Forthcoming Inspection Activity

As reported previously the following services are due inspections within the next six months:

- Food Standards Agency Audit (NAS)
- Fostering Services (CYPS)
- Adult and Community Learning (CYPS)
- Children's Services Assessment 2011 (CYPS)
- Customer Service Excellence – Continuous Appliance Assessment November 2011 (CEX)

Performance and Quality Teams are supporting the services with their preparations for these assessments and inspections.

8. Risks and uncertainties

Any risks and uncertainties are highlighted in the report above and should be noted as a matter of interest in light of the potential impact on other aspects of Council performance.

It is essential that in this time of uncertainty and in the absence of any national performance regime (other than children and adult services) that we continue to be able to demonstrate continuous improvement and self regulation through the implementation of any previously recommended actions.

9. Policy and Performance Agenda Implications

Approaches to inspection and assessment of local authorities are being developed across Government in the light of the decentralisation and localism agenda. In future any central inspection will be focused on the most vulnerable i.e. help to maintain high standards in children's services and adult social care. Intervention will focus on cases of serious risk or failure.

In addition Government is developing proposals for a new local audit regime with the Audit Commission, the National Audit Office, the Financial Reporting Council, Local Government Audit Firms and other interested parties. Consultation on the details of a new audit Framework completed on 30th June 2011 and the Government envisages that it may subsequently publish a draft Bill for pre-legislative scrutiny ahead of the final introduction of legislation to parliament. The Government has stated that reforms to the local audit regime are likely to take effect from 2012/13.

10. Background Papers and Consultation

- All inspectorates' reports, letters and action plans since mid 2007.
- All new and follow up audit reports.
- All inspectorate frameworks, arrangements and guidance documents

Contact Names:

Deborah Johnson, Performance Officer, ext 22666
Lorna Kelly, Performance Officer, ext 22901

Summary of Recommendations from “Active” Inspection & Audit action plans (which took place from 2007 to Present)

With summary of progression against recommendations since the last report and in total

Inspection / Review (date)	External Assessor	Number of recommendations	Implemented at last report	Implemented since last report	Still outstanding	Overall Completion Date for Recommendations	STATUS
Chief Executive & Financial Services							
Addressing Health Inequalities (Jan 09)	AC	10	9	0	1	2012	Ongoing
Use of Resources 09 (September 09)	KPMG	2	1	1	0	Sep 11	Complete
Customer Service Excellence (January 2011)	EMQC	7	N/A	4	3	Dec 11	Ongoing
Environment and Development Services							
<i>No current/active inspection action plans</i>							
Neighbourhoods and Adults Services							
ALMO (November 08) * including 5 recs. from previous inspection ** including 1 rec. which is now tracked via liaison meetings	AC	*35	**34	0	1	2014	Ongoing
Adult Social Care Annual Assessment 2010 (October 10)	CQC	3	N/A	1	2	Dec 11	Ongoing
Children's Services							
Annual Performance Assessment (December 08)	Ofsted	10	9	0	1	Mar 10	Ongoing
Safeguarding / Looked After Children (July / August 2010)	Ofsted	10	N/A	0	2	Nov 10	Ongoing
Core Case Inspection - Youth Offending Service	Youth Justice	7	N/A	2	0	Dec 11	Complete
Local Authority Adoption (Jan 2011)	Ofsted	4	N/A	0	2	Jan 12	Ongoing
Unannounced inspection of contact, referral and assessment arrangements (May 2011)	Ofsted	4	N/A	1	3	May 12	Ongoing
Total Recommendations in “Active” Inspection & Audit action plans		92	53	9	15		

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS
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1	Meeting:	Audit Committee
2	Date:	19th October 2011
3	Title:	Customer Inspection Service
4	Directorate :	Commissioning, Policy & Performance

5 Summary

The Performance and Quality unit aims to develop a single organisational culture that is focused on getting things right first time; so that citizens feel that the Council is delivering real outcomes. The unit provides information on the customer experience to help inform priority setting and ensure that learning from service successes or failures are used to improve services and provide consistently better results in the future.

The Customer Inspection Service was formed in Neighbourhoods & Adult Services in 2005 as part of the development of our learning from customers' culture; whereby real customers were placed at the heart of service delivery to test performance against customer service standards and inspect access to our services...as the experts by experience.

Working in partnership with real Customer Inspectors has contributed to positive outcomes with numerous inspections and regulatory assessments; along with the achievement of a number of unique rewards and accolades.

Following the restructure to the new Commissioning, Policy and Performance unit in January 2011 and the development of a Service Plan priority to implement consistent approaches to Customer Service Excellence across the Council; the Customer Inspection Service has been rolled out across Children and Young People Services and Environment and Development Services.

6 Recommendation

- **That Audit Committee receives information on the Customer Inspection Service including outcomes and future developments**

7 Proposals and Details

Working in partnership with real Customer Inspectors has contributed to positive outcomes with numerous inspections and regulatory assessments; along with the achievement of a number of unique rewards and accolades:

- Achieved 'Best Performing' Category - Review of First Point of Contact to Adult Social Care Services (CQC Jan 2011)
- Corporate Customer Service Excellence Award (Cabinet Office 2009 and continuous compliance Jan 2011)
- Excellent Service –Adult Social Care (CQC 2009)
- Performing Well – Safeguarding Adults (CQC 2009)
- Achieved RNID 'Louder than Words' accreditation (2009)
- Housing Services Audit Commission Inspection – moved from 0 to 2 starts (2006, retained 2008)
- A compliance plus was awarded as an area of best practice which exceeded the requirements of the Customer Service Excellence Standard for demonstrating exceptional performance in the way we involve and consult with customers and use this to make service improvements (2009)
- The Cabinet Office 'Standard Bearer' accreditation was attained for our innovative work on learning from customers (2010)
- Our Customer Insight approaches have been published as Best practice Case Studies within the Front Office Shared Services 'Developing Customer Insight' publication (2008) and the Improvement and Development Agency 'Understanding Your Citizens, Customers and Communities' publication (2008)
- Winners of Rotherham Business Award for Customer Services and Health and Social Care Yorkshire and Humber 'Leadership for Improvement' Award (2009)
- Shared mystery shopping approaches at LGC and IDeA Conferences (2009)

The Customer Inspectors also play a key role during inspections and audits; carrying out a range of spot inspections, reality checks, information reviews and focus group discussions with inspectors. The customers' are currently supporting on preparation for a potential follow up audit from the Food Standards Agency and will contribute to preparation for a potential inspection of Learning Disability Services.

The Customer Inspection Service are made up of thirteen volunteer customers of mixed age ranges, gender and some with physical disabilities meet for one full day once a month to:

- test the most popular contacts for requesting services and information; using a variety of access channels and methods e.g. mystery shopping, reality checking exercises, observations, website tests, exit polls, journey maps
- test performance against service standards
- conduct additional activities to see the service through the eyes of the customer e.g. carry out reality checks and customer to customer interviews to assess the quality of care provided in residential and nursing care homes as part of our Home from Home scheme (complementing CQC's Essential Standards)

In addition the customer inspectors utilise contacts with real customers as an opportunity to:

- Gain a compliment, comment, suggestion
- Ask the 'If Only Question'...if you could change one thing about the service you received what would it be?
- Recruit new people to become Mystery Shoppers or participate in a customer journey map
- Gain customer satisfaction scores
- Record any observations– eyes and ears

The group also get involved in:

- act as a sounding board for consultation
- participation in consultation exercises
- review and customer approve public information as easy read
- review standard letters
- share experiences of accessing services

Since January 2011, the Customer Inspection Service focuses activity on different service areas each month including Neighbourhoods and Adult Services, Children and Young Peoples Services and Environment and Development Services. Exceptions are identified against an Excellence Customer Services Model which has been developed from a range of sources including:

- Customer Service Excellence Standard including key Drivers of satisfaction – timeliness, delivery, information, staff professionalism and attitude
- Service Standards, Customer 1st Standards and Charter
- Customer Care Charter
- Access and Customer Care - Key Lines of Enquiries (Audit Commission)
- Care Quality Commission First Point of Contact Themes
- Performance & Quality Team Quality Assurance, Reality Checks and Standards

Exceptions are reported to the Service Manager and quick wins are put right immediately and learning from customers' improvement meetings are held to address larger scale issues. Exceptions and changes are reported to management and leadership teams on a regular basis and outcomes fed back to the customers.

Improvements:

The Customer Inspection Service have informed and contributed to a number of changes as part of our learning from customers' culture. Real outcomes are being delivered on the ground, from small changes which can have a big impact on the quality of services received, to larger scale service improvements; all through the eyes of the customer.

Example Improvements:

- Improved our customer access points including information, signage, lighting and the quality of information provided to customers at the first point of contact
- Reviewed and customer approved a range of information leaflets, booklets, application forms and standard letters. For example the Local Account Booklet – ‘Rotherham People Calling the Shots’, Business Regulation leaflets and Ageing Well information.
- Reviewed and improved a range of customer defined service standards; ensuring we measure what matters to our customers
- Contributed to reviewing and improving information on the website; focusing on making our pages and Google search fields customer friendly
- Improved the content of internal customer care training packages
- Improved access to services through the implementation of Assessment Direct which has radically changed the first point of contact for Adult Social Care services through a 24/7 access, one stop shop approach.
- Introduced a ‘Text to Tell’ service for customers to contact us to report adult abuse
- Personalised the complaints service whereby any member of staff dealing with a complaint contacts the customer personally to discuss the issues before they start the formal investigation and agree outcomes
- Informed focused work to clear an Occupational Therapy backlog to zero over a six week period and a number of future improvements, for example:
 - Social Workers will refer customers directly for low level equipment and fixings without the need for an occupational therapy assessment
 - Review the information captured at the first point of contact to avoid unnecessary customer contacts
 - All customers will be informed of current waiting times at the first point of contact
 - Identified streamlined ICT processes
- Additional process to remind customers when it is time to renew their blue badge; working in partnership with Civil Enforcement Officers who alert drivers by leaving a leaflet on their windscreen advising holders that their current badge is due to expire and explaining how to apply for a renewal
- Contributed to customer satisfaction survey reviews; streamlining surveys and setting local performance indicators
- Introduced ‘Out of Hours’ Noise Service
- Improved customer service and choice by asking people where they would like their RotherCare Community Alarm fitting

- Identified a range of improvements required within Children's Centres including information and access. Findings are contributing to a review of Early Years Services which is currently being undertaken by Commissioning.
- Identified improvements needed to webpages on the council website including access to information about services for children and young people in their local area and inclusion of online forms for some services. Feedback is being utilised in an ongoing review of all content on the council website.
- Working on improving the consistency of planning applications prior to them being determined by reviewing our internal planning documentation to ensure clearer interpretation of Government guidance.
- Reviewed RMBC policy and guidance documentation relating to obtaining documents in alternative languages in particularly information sent to households around waste management.
- Reviewing our Home to School Transport policy to reiterate our code of conduct and working procedures to our partners for when carrying out the service on behalf of the Council.
- Rewritten letters that are sent out to the public to be more customer focused and customer friendly.

Future Developments

An improvement plan has been developed to increase the number of Customer Inspectors; targeting recruitment campaigns to under representative groups including young people. There are also plans to involve looked after children in testing the quality of services.

The Customer Inspection Service will be rolled out across services integrated back into the Council; including RBT and functions previously delivered by 2010 Rotherham Limited.

Contributing towards getting it right first time; Customer Inspectors will also be involved in future developments and customer inspections at Riverside House and Customer Service Centres.

8. Finance

The Customer Inspectors are not paid, as a gesture of good will for committing one full day each month to help us, a £5.00 High Street Voucher, lunch (sandwich or chip butty) and travel expenses are provided. This equates to around £360 in total on a quarterly basis which is shared between each of the three Directorates at £120 each.

9. Risks and Uncertainties

As the Customer Inspectors are volunteers; there is a risk of the group disbanding and individual members leaving to take part in new forums/groups that are established in the future. There are also uncertainties with the future representation of members of the group across the Borough and sample sizes. These will be managed by enhancing recruitment as part of the improvement plan, utilising the website and tapping into existing forums/groups across the Borough, reviewing the focus of the Customer Inspection Service on an annual basis and continuing to feed back the changes made as a result of their involvement. The fact that some Customer Inspectors have been members for 6 years demonstrates the ongoing commitment and well established customer involvement in testing the quality of services.

There are uncertainties with regards to the impact of any future budget decisions on the sustainability of Customer Inspectors; if there were no funds for incentives in the form of High Street Vouchers.

10. Policy and Performance Agenda Implications

- Contributes to the Commissioning, Policy and Performance Priority - 'to further improve the perception of the Council as a service provider so that the customer experience is consistent and improved across all services and the Council as a whole becomes fully compliant with the requirements of the Customer Service Excellence Standard.'
- Corporate Plan and linking to the way we do business - 'Talking and listening to all our customers and treating everyone fairly and with respect' and 'Getting it right first time, reducing bureaucracy and getting better value for money'
- Performance Outcomes Framework - placing our customer at the heart of all that we do and to continuously improve the customer experience with RMBC services

11. Background Papers and Consultation

Commissioning, Policy & Performance Service Plan
Customer Service Excellence Standard

Contact Names:

Sue Wilson, Performance & Quality Manager, Commissioning, Policy and Performance (Children and Young People Services), Chief Executives Dept. sue-cyps.wilson@rotherham.gov.uk 01709 822511

Jasmine Speight, Performance Officer, Commissioning, Policy and Performance, (Neighbourhoods and Adult Services), Chief Executives Dept. jasmine.speight@rotherham.gov.uk 01709 382121 ext 22670

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE
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1.	Meeting:	Audit Committee
2.	Date:	19th October 2011
3.	Title:	Mid Year Treasury Management and Prudential Indicators Monitoring Report 2011/12
4.	Directorate:	Financial Services

5. Summary

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.

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 report is structured to highlight the key changes to the Council's capital activity (the PIs), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

6. Recommendations

The Audit Committee is asked to:

- 1. Note the report and the treasury activity; and**
- 2. Refer the report to Cabinet to consider recommending the Council approve changes to the prudential indicators.**

7. Proposals and Details

The Strategic Director of Finance has delegated authority to carry out treasury management activities on behalf of the Council and this report is produced in order to comply with the CIPFA Code of Practice in respect of Treasury Management in Local Authorities and the “Prudential Code”.

8. Finance

Treasury Management forms an integral part of the Council’s overall financial arrangements.

The assumptions supporting the capital financing budget for 2011/12 and for future years covered by the Council’s MTFs were reviewed in light of economic and financial conditions and the future years’ capital programme.

The Treasury Management and Investment Strategy is not forecast to have any further revenue consequences other than those identified and planned for in both the Council’s 2011/12 Revenue Budget and approved MTFs.

9. Risks and Uncertainties

Regular monitoring will ensure that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

10. Policy and Performance Agenda Implications

Effective treasury management will assist in delivering the Council’s policy and performance agenda.

11. Background Papers and Consultation

CIPFA Code of Practice for Treasury Management in Local Authorities
Local Government Act 2003
CIPFA “Prudential Code”

**Contact Name: Derek Gaffney, Chief Accountant, ext 7422005 or 22005
derek.gaffney@rotherham.gov.uk**

Mid Year Prudential Indicators and Treasury Management Monitoring Report

1. Introduction and Background to the Report

- 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 were previously reported to Audit Committee, Cabinet and Council in February/March 2011 respectively.
- 1.3 The Council's revised capital expenditure plans (Section 2.2 of this report) and the impact of these revised plans on its financing are set out in Section 2.3. The Council's capital spend 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 CLG Investment Guidance. These state 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 of Finance 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 (February 2011).

2. Key Prudential Indicators

- 2.1. This part of the report is structured to update:
 - The Council's 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 revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The revised estimate reflects the capital programme approved by Cabinet at its meeting on 20 July.

Capital Expenditure by Service	2011/12 Original Estimate £m	2011/12 Revised Estimate £m
Children & Young People's Services	5.896	9.320
Environmental & Development Services	29.848	33.759
Neighbourhoods & Adult Services	23.650	22.947
Financial Services*	4.517	12.707
Total	63.911	78.733

* - includes the RCAT loan facility (£5m) and the new Mortuary and facilities (£2m)

2.3 Impact of Capital Expenditure Plans

Changes to the Financing of the Capital Programme

2.3.1 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	2011/12 Original Estimate £m	2011/12 Revised Estimate £m
Total spend	63.911	78.733
Financed by:		
Capital receipts	1.431	1.660
Capital grants, capital contributions & other sources of capital funding	35.141	37.999
Borrowing Need	27.339	39.074
Total Financing	63.911	78.733
Supported Borrowing	0.463	0.719
Unsupported Borrowing	26.876	38.355
Borrowing Need	27.339	39.074

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). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

- 2.3.2 As reported to Audit Committee in September actual expenditure in 2010/11 was less than anticipated and thus the increase in borrowing need for 2011/12 reflects the re-profiling of projects within the approved capital programme together with new approvals (e.g. the RCAT loan facility (£5m) and the new Mortuary and facilities (£2m).

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

- 2.3.3 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 is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

- 2.3.4 A key accounting change for 2009/10 was the inclusion of the Council's PFI schemes and similar arrangements on the Council's balance sheet. This has the effect of increasing the Council's borrowing need, the CFR. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract. The adjustments required were finalised during the 2009/10 accounts closedown and are now fully reflected in the indicators. The estimate for 2011/12 has been revised to incorporate the effect of the increased borrowing need.

Prudential Indicator – External Debt / the Operational Boundary

RMBC	2011/12 Original Estimate £m	Current Position £m	2011/12 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – Non Housing	312.079		320.922
CFR – Housing	290.460		286.782
Total CFR excluding PFI and similar arrangements	602.539		607.704
Net movement in CFR	16.467		28.429
Total CFR excluding PFI and similar arrangements	602.539		607.704
Cumulative adjustment for PFI and similar arrangements	114.146		156.393
Total CFR including PFI and similar arrangements	716.685		764.097
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	494.103	459.636	505.054
Other long term liabilities*	114.146	156.393	156.393
Total Debt 31 March	608.249	616.029	661.447

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

Former SYCC	2011/12 Original Estimate £m	Current Position £m	2011/12 Revised Estimate £m
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	96.412	96.412	96.412
Other long term liabilities	0	0	0
Total Debt 31 March	96.412	96.412	96.412

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, net borrowing (borrowings less investments) will only be for a capital purpose. 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 2011/12 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 will be adhered to if this proves prudent to do so.

RMBC	2011/12 Original Estimate £m	Current Position £m	2011/12 Revised Estimate £m
Gross Borrowing	494.103	459.636	505.054
Plus Other Long Term liabilities*	114.146	156.393	156.393
Less Investments	30.000	8.720	15.000
Net Borrowing	578.249	607.309	646.447
CFR* (year end position)	716.685	764.097	764.097

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

- 3.2 The Strategic Director of Finance 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 + Former SYCC)	2011/12 Original Indicator £m	Current Position £m	2011/12 Revised Indicator £m
Borrowing – RMBC	615.372	459.636	627.334
Borrowing – SYCC	96.412	96.412	96.412
Other long term liabilities*	114.146	156.393	156.393
Total	825.930	712.441	880.139

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

4. Treasury Strategy 2011/12 – 2013/14

4.1 Debt Activity during 2011/12

4.1.1 The expected borrowing need is set out below:

RMBC	2011/12 Original Estimate £m	Current Position £m	2011/12 Revised Estimate £m
CFR (year end position)	716.685	764.097	764.097
Less Other Long Term Liabilities*	114.146	156.393	156.393
Net Adjusted CFR (y/e position)	602.539	607.704	607.704
Borrowed at 30/09/11	441.176	459.636	459.636
Under borrowing at 30/09/11	161.363	148.068	148.068
Borrowed at 30/09/11	441.176		459.636
Estimated to 31/03/12	52.927		49.394
Total Borrowing	494.103		509.030
Under borrowing at 31/03/12	108.436		98.674

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

4.1.2 The Council is currently under-borrowed although it is still anticipated this may be reduced by the end of the financial year. The delay in borrowing reduces the cost of carrying the borrowed monies when yields on investments are low relative to borrowing rates. There is also an 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 first half of 2011/12 the Council has borrowed the following amounts:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1m	Fixed rate	4.76%	25 years
PWLB	£1m	Fixed rate	4.24%	25 years
PWLB	£1m	Fixed rate	4.08%	25 years
PWLB	£10m	Fixed rate	3.01%	8 years
PWLB	£10m	Fixed rate	3.20%	9 years

4.1.4 The Council has repaid the first instalment (£1m) on a PWLB loan of £20m which was taken up in March 2011 on an Equal Instalment of Principal basis over 10 years at an interest rate of 3.46%. To date this part repayment has not been replaced.

4.1.5 There has been no restructuring or early repayment existing debt.

5. Investment Strategy 2011/12 – 2013/14

5.1 **Key Objectives** – The primary objective of the Council’s investment strategy is the 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 further tightens the controls already in place in the approved investment strategy.

5.2 **Current Investment Position** - The Council’s held £8.72m of investments at 30 September 2011 (excluding Icelandic Banks), 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	0.22	0	0
DMO	UK	0.00	0	0
Local Authorities	UK	8.50	0	0
Total		8.72	0	0

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 new requirements to the Member reporting.

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:

- A Bank overdraft facility of £10m
- Liquid short-term deposits of at least £3m available with a week's notice.

The Strategic Director of Finance 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 of Finance can report that the return to date averages 0.37%, against a 7 day LIBID to end September 2011 of 0.47%. This is reflective of the Council's current approach to risk whereby security has been maximised by using the Debt Management Office and other Local Authorities as the principal investment counterparties.

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.

	2011/12 Original Indicator %	2011/12 Revised Indicator %
Non-HRA	9.90	9.62
HRA	15.78	14.40

7.2 Both revised indicators reflect the impact of borrowing at rates less than originally anticipated for 2011/12.

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	2011/12 Original Indicator	Current Position	2011/12 Revised Indicator
Prudential indicator limits based on debt net of investments			
Limits on fixed interest rates based on net debt	100%	75.38%	100%
Limits on variable interest rates based on net debt	30%	24.62%	30%

- 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.

RMBC	2011/12 Original Indicator		Current Position	2011/12 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	20%	3.48%	0%	20%
12 months to 2 years	0%	25%	1.52%	0%	25%
2 years to 5 years	0%	30%	13.27%	0%	30%
5 years to 10 years	0%	35%	15.23%	0%	35%
10 years to 20 years	0%	40%	3.48%	0%	40%
20 years to 30 years	0%	45%	5.72%	0%	45%
30 years to 40 years	0%	50%	1.09%	0%	50%
40 years to 50 years	10%	60%	18.78%	10%	60%
50 years and above	15%	100%	37.43%	15%	100%

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 10 years will be limited. As a result future limits are currently set in line with the on-going maturity profile.

Former SYCC	2011/12 Original Indicator		Current Position	2011/12 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	50%	0%	0%	50%
12 months to 2 years	0%	70%	0%	0%	70%
2 years to 5 years	0%	100%	9.76%	0%	100%
5 years to 10 years	0%	100%	90.24%	0%	100%

- 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. The above also excludes any Icelandic investments that are due to be recovered after more than 364 days.

RMBC	2011/12 Original Indicator £m	Current Position £m	2011/12 Revised Indicator £m
Maximum principal sums invested > 364 days	10	0	10
Comprising			
Cash deposits	10	0	10

1.	Meeting:	Audit Committee
2.	Date:	19 October 2011
3.	Title:	Corporate Risk Register
4.	Directorate:	Financial Services

5. Summary

Attached to this report is the new look corporate risk register summary. The summary shows the risks associated with the Council's most significant priorities and projects, and actions being taken to mitigate these risks.

Following comments from Cabinet, the risk register has been streamlined to emphasize the Council's most significant risks and key actions and developments relating to these risks.

Not surprisingly, the Council's key current risks relate to the financial pressures faced by the Council. Management actions are being taken to mitigate these and other risks in the register.

6. Recommendations

The Audit Committee is asked to:

- **note the revised corporate risk register summary attached at Appendix A**
- **confirm the current assessment of the Council's top four corporate risks**
- **indicate any further risks that it feels should be added to the risk register**

7 Proposals and Details

7.1 Format

This report contains the latest position on the Corporate Risk Register. The format of the report and corporate risk register summary, attached at **Appendix A**, has been changed to reflect comments made by Cabinet.

The covering report highlights the top four inherent risks. The corporate risk register summary reflects the current risk assessments for each corporate priority or project in the corporate risk register.

There are 3 overall categories of risk (RED, AMBER, GREEN) representing varying degrees of exposure. Each category contains a range of risk scores, so there are varying degrees of risk within each category. Appendix A shows the risk category and score for each priority or project included in the register before and after risk mitigation actions.

7.2 Top four inherent risks

The new risk register summary now shows risks in descending inherent risk order, to emphasize the most significant risks faced by the Authority. The top four inherent risks are:

- Managing Government budget reductions - unable to maintain key services due to budgetary limits.

Cabinet and Strategic Leadership Team are meeting on a regular basis to consider the options available and, ultimately, Cabinet will make decisions that ensure the Council can provide priority services within available resources.

- Unable to deliver effective Children's Services within budget.

Ongoing action is being taken by management to provide services within the budget available. Cabinet is being kept informed of the relevant financial challenges as part of the budget monitoring and budget setting processes and makes decisions accordingly.

- Funding of the Digital Region Project to provide comprehensive broadband facilities across South Yorkshire

The company (Digital Region Ltd), four South Yorkshire Councils and Government Department for Business, Innovation and Skills are continuing to work on plans to ensure the ongoing viability of the project.

- Sustaining improvement in Children's Services post DFE intervention

Relevant monitoring and scrutiny of progress is being conducted by Members and management, and action plans varied according to any emerging issues. Good progress is being made and reflected in positive outcomes and inspection feedback.

The summary at Appendix A provides more details of the actions being taken to mitigate these and other risks recorded in the corporate risk register.

The risks contained in the register require ongoing management action. In some cases additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks should be reported to the Strategic Leadership Team and Members for consideration on a case by case basis.

9. Risks and Uncertainties

It is important to review corporate risks on an ongoing basis, to ensure risks relating to the Council's key projects and priorities are effectively monitored and managed by the Strategic Leadership Team and Members.

10. Policy and Performance Agenda Implications

Risk Management is part of good corporate governance and is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation

This report reflects the latest updates provided by the respective 'lead officers'.

Contact Names:

Colin Earl, Director of Audit and Governance, x22033

Andrew Shaw, Insurance and Risk Officer, x22088

Appendices**A Corporate Risk Register Summary**

APPENDIX A: SUMMARY CORPORATE RISK REGISTER

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0027	Managing Government budget reductions - unable to maintain key services due to budgetary limits	25	<u>Andrew Bedford</u> <ul style="list-style-type: none"> High priority, driven through Strategic Leadership Team and Cabinet Further actions to mitigate budget reductions are being identified 	16	All Priorities
0022	Unable to deliver effective Children's Services within budget	25	<u>Joyce Thacker</u> <ul style="list-style-type: none"> Additional funding for 2011/12 resulting in a balanced original budget Continuing monitoring and review of pressures into 2011/12 Review of all service provision and structures continues. 	16	Priority 2 - Providing quality education ... Priority 3 - Care and protection for those people who need it most ...
0033	Funding of the Digital Region Project to provide comprehensive broadband facilities across South Yorkshire	20	<u>Andrew Bedford</u> <ul style="list-style-type: none"> South Yorkshire Councils are adopting a proactive approach to the project, including support Ongoing work with the Company and Central Government on project funding 	16	Priority 1: No community left behind
0021	Sustaining improvement in Children's Services post Department For Education (DFE) intervention	20	<u>Joyce Thacker</u> <ul style="list-style-type: none"> Service improvement and school attainment plan monitored by DFE Notice to improve removed Jan 2011 Unannounced inspection provided positive feedback Peer challenge taking place Oct2011 	12	Priority 2 - Providing quality education ... Priority 3 - Care and protection for those people who need it most ...

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0004	Costs of Capital Programme-significant consequences on revenue budget	16	<u>Andrew Bedford</u> <ul style="list-style-type: none"> Financial details within Medium Term Financial Strategy Regular monitoring, review and reporting taking place 	12	All Priorities
0031	Free Schools and other school arrangements could reduce LA provision and associated funding and could, therefore, adversely affect the Council's ability to support sustained improvement in attainment	16	<u>Joyce Thacker</u> <ul style="list-style-type: none"> Monitoring has taken place and a report is to be taken to cabinet highlighting the risk and possible implications Implications being assessed by CYPs working with schools at risk of the implications of new provisions becoming free schools 	12	Priority 2 - Providing quality education ...
0030	Schools Collaboration- impact of schools commissioning on LA services	16	<u>Joyce Thacker</u> <ul style="list-style-type: none"> Monitoring has taken place and a report is to be taken to Cabinet highlighting the risk and possible implications for the Council Strategic Director communicated with Head Teachers and Chairs of Governors regarding implications of collaboration and purchasing Commissioning exercise currently being devised in relation to Children Centre Provision in Rotherham. 	12	Priority 2 - Providing quality education ...

No	Risk	Pre Controls 1-25	<u>Lead officer</u> Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0003	Availability of resources to carry out Schools Capital Investment programme	16	<u>Karl Battersby</u> <ul style="list-style-type: none"> DfE decision on funding ensures that the Council can now allocate resources appropriately Awaiting analysis of further Government statements on funding Developing strategies for Capital Investment in conjunction with schools, academies, diocese and relevant government bodies 	9	Priority 2 - Providing quality education ...
0019	Failure to fully realise benefits of the RBT partnership before completion	16	<u>Andrew Bedford</u> <ul style="list-style-type: none"> Transition arrangements being discussed Developing new forward plan 	9	All Priorities
0009	Implementation of Personalisation in Adult Social Services	16	<u>Tom Cray</u> <ul style="list-style-type: none"> Budget proposals and efficiency proposals put into place Re-enabling and warden services to merge 	8	Priority 3 - Care and protection for those people who need it most ...
0012	Local Government Reform (LGR) implementation Plan – Failure to implement reforms	16	<u>Matt Gladstone</u> <ul style="list-style-type: none"> All current statutory requirements are being met Member development on the LGR is in place 	6	All Priorities

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0013	Failure to commission services that will meet the needs of communities effectively and / or achieve efficiency savings.	12	<u>Matt Gladstone</u> <ul style="list-style-type: none"> High level reviews are being carried out Re-commissioning of Children's Services to achieve VFM and improved commissioning and procurement practice 	6	Priority 3 - Care and protection for those people who need it most ...
0029	Highway Maintenance	12	<u>Karl Battersby</u> <ul style="list-style-type: none"> Approval given for additional funding Target of 5% increase in efficiency by May 2011 Implementation of new working arrangements wef 1 July 2011 is resulting in improvements in operational efficiency now being realised s £3m prudential borrowing in place which will be drawn down over 3 years 	6	Priority 5 Improving the Environment
0002	Failure to deliver the waste management strategy	12	<u>Karl Battersby</u> <ul style="list-style-type: none"> PFI project plan in place Financial closure Summer 2011 Outline planning permission on preferred site due autumn 2011 	6	Priority 5 Improving the Environment
0024	Community Stadium – failure by RUFC to secure funding to develop the site and construct the stadium	12	<u>Karl Battersby</u> <ul style="list-style-type: none"> Site purchased Outline Planning permission granted RUFC selected contractor 	6	Priority 4 Helping to create safe and healthy communities

No	Risk	Pre Controls 1-25	<u>Lead officer</u> Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0001	Civic Building Accommodation not fit for purpose	12	<u>Karl Battersby</u> <ul style="list-style-type: none"> • Building completed • First decants scheduled for November 	2	Priority 5 Improving the Environment
0025	Civic Centre –WorkSmart Project	9	<u>Karl Battersby</u> <ul style="list-style-type: none"> • Effective leadership by departments adapting to WorkSmart • Project now led by Strategic Director EDS • Pressures on timescales of EDRMS and management of decant program, leading to re-scheduling of EDRMS project 	4	Priority 5 Improving the Environment