

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

Annual Governance Statement 2015/16

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2015/16

1 SCOPE OF RESPONSIBILITY

1.1 Rotherham Metropolitan Borough Council (the Council) is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the Best Value duty).

1.2 In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring there are effective arrangements in place for the management of risk.

1.3 The Council has a Code of Corporate Governance in line with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. The Code can be found at www.rotherham.gov.uk

1.4 This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems, processes, values and behaviours by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The system of internal control is based on an on-going process that is designed to:

- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively and economically.

3 CHILD SEXUAL EXPLOITATION, OFSTED AND CORPORATE GOVERNANCE INSPECTIONS, AND GOVERNMENT INTERVENTION

3.1 The report of Professor Alexis Jay into Child Sexual Exploitation (CSE) in Rotherham, published in August 2014, highlighted collective failures of political and officer leadership in addressing the crime of CSE.

3.2 The Council was also subject to an Ofsted Inspection of its Children's Services in 2014, culminating in a report published in November 2014, which found weaknesses in leadership, management and governance and social care practice. The overall conclusion from the inspection was that there were widespread and serious failures that resulted in Children being harmed or at risk of harm. It also found leaders and managers had been ineffective in prioritising, challenging and making improvements.

3.3 As a result of the Jay and Ofsted Reports, the Government appointed Louise Casey, CB, to lead a Corporate Governance Inspection into Rotherham Council. The resulting 'Casey Report', produced in February 2015, set out a succession of serious, corporate failings across the organisation as well as in its wider partnership relations. It concluded "*The Council is currently incapable of tackling its weaknesses, without a sustained intervention*".

3.4 In response to the Council's failings and following Directions issued by the Secretaries of State for Education and Communities and Local Government on 26th February 2015, the Government appointed five Commissioners to take on all executive responsibilities at the Council and responsibilities of licensing¹. The Commissioners appointed to the Council are listed in **Appendix 1**.

3.5 Section 4 below summarises the progress made to date in addressing the weaknesses identified in the Jay, Ofsted and Casey Reports.

3.6 The Council's general governance arrangements include a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. In February 2015, the Casey Report stated "*on paper Rotherham has reasonable arrangements within the expected range*". However, the Jay, Ofsted and Casey Reports made clear that some of the Council's arrangements were weak and there were also a number of serious failings in the operation of the Council's arrangements. Section 5 makes reference to the operation of general governance arrangements in place at the Council and includes annual statutory assessments made by Internal and External Audit.

The Jay and Casey reports can be found at www.rotherham.gov.uk

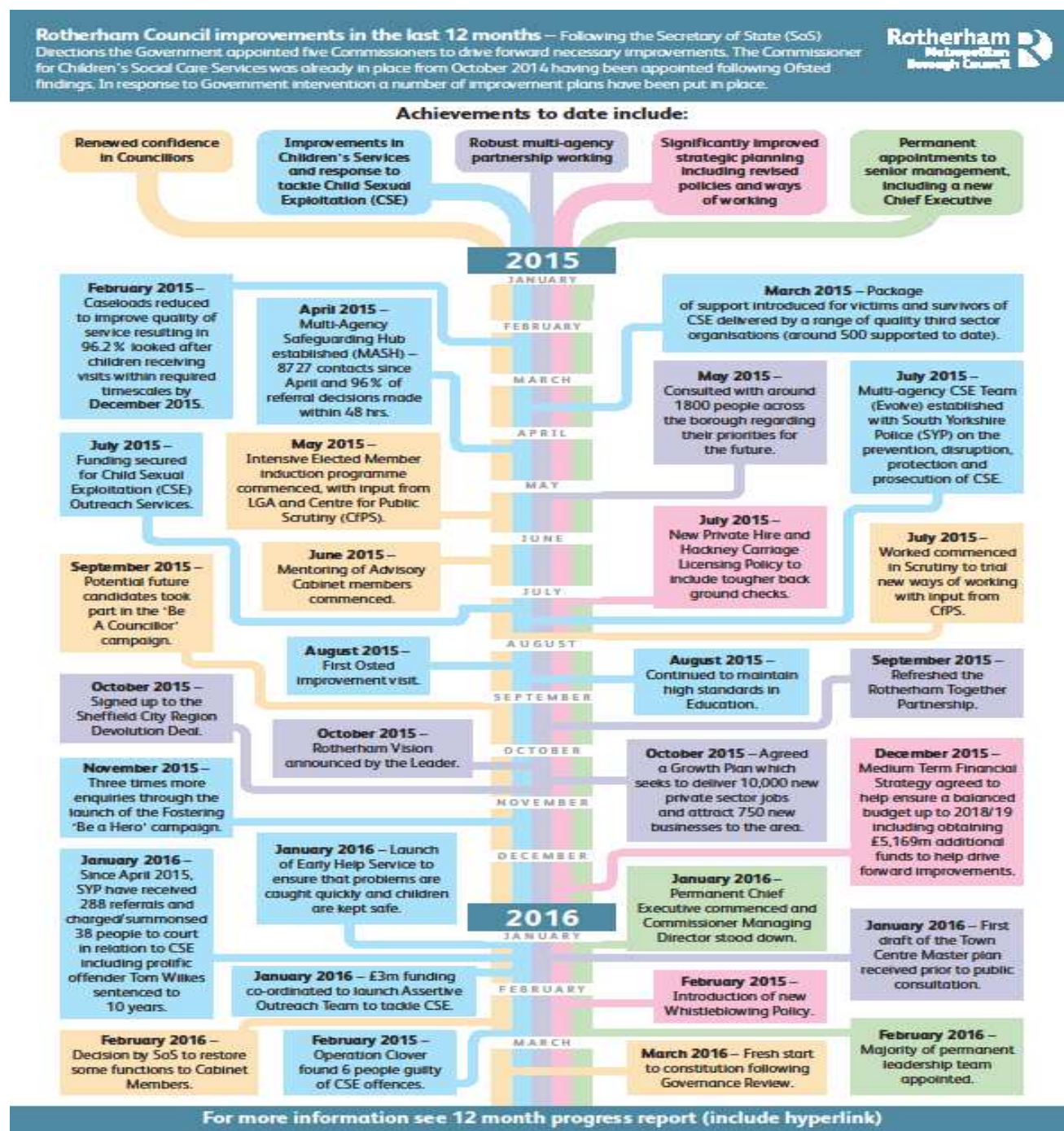
The Ofsted report is held at www.gov.uk/government/organisations/ofsted

¹ The Commissioner for Children's Social Care Services had been in place since October 2014 having been appointed initially by the Secretary of State for Education following the failings identified by Ofsted.

4 IMPROVEMENT PROGRESS MADE DURING 2015/16

Commissioners' Twelve Month Progress Review

4.1 In February 2016, the Commissioners produced a twelve months progress review to the Department for Communities and Local Government. The review shows a considerable amount of positive progress has been made, while confirming the significant challenges still to be addressed. The chart below is extracted from the review and highlights some of the key improvements achieved over the year.



The Twelve Months Review can be found at www.rotherham.gov.uk

4.2 More details can be found below covering Children's Services, Child Sexual Exploitation and Corporate Improvement, including the partial Restoration of Powers.

Children's Services

4.3 The 2014 Ofsted inspection judged Children's Care Services as inadequate in every domain other than adoption which was judged as requiring improvement. The '*front door*' arrangements for receiving and filtering work were seriously inadequate. Referrals were not being responded to appropriately or in a timely fashion and child protection arrangements were not compliant with statutory guidance. There was a lack of engagement from partners in the assessment of risk to vulnerable children. The Police had not been supporting social workers in child protection investigations, and strategy discussions had not included health, schools or other agencies routinely. There was a serious lack of middle management capacity to provide effective oversight, insufficient social workers, unmanageable workloads and a significant failure to comply with statutory minimum standards.

4.4 The Council's first Children and Young People's Services Improvement Board Action Plan focussed on delivering the urgent actions and outcomes required in response to the recommendations made in November 2014, following the Ofsted inspection. A refreshed second improvement plan was agreed in September 2015 with a focus on longer term sustainable improvements. The new plan aims to support the Council's commitment in becoming '*a Child Centred Borough*' with high quality services. Outstanding actions from the old plan were transferred to the refreshed plan.

4.5 The Council and its partners have made significant progress since the Ofsted report and improvements have particularly accelerated in the last 12 months. In particular (*as extracted from the Commissioners' Twelve Months Review*):

- The Council and South Yorkshire Police have benefited from the temporary introduction of additional external expertise alongside the appointment of new managers and staff.
- Leadership capacity within Children's Services had been strengthened by the end of 2015/16. It now has in place an experienced permanent Strategic Director, a new expanded team of permanent Assistant Directors and has almost completed the appointment to its middle management structure.
- The service now has sound performance and management information arrangements in place and this is effectively interrogated by senior managers, with team managers held accountable for the performance of their teams.

- There are considered to be no longer widespread failures in the service, all cases are allocated, and there are no untoward delays in children and families being assessed and receiving services. There is good compliance with statutory arrangements to visit children and complete plans. The challenge which remains is consistency of social work practice to ensure outcomes for children are consistently good.
- Progress in tackling CSE is worthy of note with Ofsted Improvement Inspectors judging all cases reviewed to be 'good'.
- The Council has moved swiftly to tackle the weaknesses within its residential sector following two disappointing residential care home inspections in the autumn of 2015. It has commissioned a review of its residential sector and has since closed two residential care homes. Ofsted inspected the Council's short breaks residential facility in February of this year and rated it as good.

4.6 Additionally, the Council and its partners have strengthened the *front door* arrangements with a secure Multi-Agency Safeguarding Hub (MASH). Ofsted confirmed the arrangements appeared sound during their last improvement visit and since that time the Council has commissioned an independent assessment which has also commended the calibre of the operational lead and decision making processes. Single assessments are now completed in a timely fashion.

4.7 Four Ofsted improvement visits during 2015/16 covering the Multi-Agency Safeguarding Hub, Duty & Assessment, Child in Need, Child Protection, Leadership, Management & Governance, Child Sexual Exploitation and 'missing' children, have been encouraging. Positive progress has been noted, and ongoing challenges reflected. The Council can demonstrate it now knows where improvements need to be made and has plans in place to achieve the improvements.

4.8 There remain, however, some considerable risks. Progress will continue to depend on the Council meeting its vision for prioritising Children's Services and maintaining improvement within the services. This will include managing the significant financial pressure brought about by the need to strengthen the service. It is not certain yet how much ongoing investment will be required and for how long. As a substantial proportion of the cost pressure is attributable to placements of looked after children and a reliance on agency staff, it will take time for the position to be recovered. A Medium Term Financial Plan for the resourcing of Children's Social Care Services is being drafted for consideration by Cabinet in July 2016.

Child Sexual Exploitation – The Way Forward for Rotherham 2015-18

4.9 In July 2015 the Council produced a Child Sexual Exploitation (CSE) strategy; “*The Way Forward for Rotherham 2015-18*” which set out how the Council, its partners and Rotherham’s communities could work together to tackle the problem of CSE and make Rotherham a safer place for vulnerable young people. The strategy has informed and driven the CSE response for the Rotherham partnership via the Rotherham Safeguarding Children’s Board.

4.10 Evolve, a multi-agency specialist team set up to lead the Partnership’s operational response to CSE, has matured during the year; it has been strengthened with the introduction of permanent managers to drive the team. Evolve has achieved significant successes with two large operations involving the engagement of over 160 young people, the subsequent identification of nearly 30 victims and the identification of a significant number of suspects. There have been a number of recent successful prosecutions resulting from Police investigations supported by Evolve. Where Ofsted has carried out reviews, it has commented favourably on the child-centred approach taken.

4.11 Over the past 12 months the Council has made good progress in strengthening its approach to victims and survivors, including the setting up of:

- Practical, emotional support and advocacy for young people (up to the age of 25) and adults who have experienced child sexual exploitation. This includes support to immediate family members; and
- Evidence based therapeutic interventions for young people and adults who have experienced child sexual exploitation.

Additionally, at the end of January 2016, a new assertive outreach service for children and young people at risk of CSE was launched.

4.12 The governance structures outlined in *The Way Forward* strategy are operating effectively and, as the Commissioners have become increasingly reassured that real change is underway, the Commissioner-led Child Sexual Exploitation Board has been disbanded. This is an important milestone in moving responsibility and control fully back to the Council and its partners.

**The Child Sexual Exploitation – The Way Forward for Rotherham 2015-18 can be found at www.rotherham.gov.uk
“A Fresh Start” Corporate Improvement**

4.13 The “*Fresh Start*” corporate improvement plan, published in May 2015 included 132 actions designed to lead to improved governance and services across the Council, which in turn were aimed at ensuring the Council could meet its best value duty. The improvement plan provided the focus for stabilising the Council’s governance arrangements, assessing services provided and commencing the improvement journey by identifying and progressing the most urgent priority actions. The first phase of the Plan was a “transition” year, through to May 2016, where the focus was on ensuring that the Council had in place the essential building blocks of an effective local authority.

4.14 In summary, the progress reported in May 2016 to the Joint Board of Commissioners and Elected Members established to oversee the delivery of the improvement plan’s actions² was that 82% (108) of the improvement actions were now substantively delivered and completed to the required standards or timescales. 24 actions within the plan had either not been delivered to the expected timescales within the first phase, or had “ongoing” timeframes for delivery that pushed the activity into phase two, from May 2016.

4.15 Some of the key achievements and significant areas of progress during the first phase of activity, which were also reported in the Commissioners 12-month report to Government in February 2016³, include:

- A substantially appointed and in-post permanent strategic management team
- A new Corporate Plan has been produced and is expected to be finalised following the May 2016 elections
- A new Performance Management Framework has been agreed by Council
- A substantial amount of work has been done to support elected members in their respective roles, and will continue into the 2016/17 municipal year
- The completion of a series of service health checks during 2015 with support from the Local Government Association, covering Housing, Highways & Transport, Waste Management, Planning, and Leisure, Culture & Sport.

4.16 These actions have meant that positive progress has been made to date, with actions now in the process of being reassessed as part of a Phase Two plan from May 2016. However, the Council is clear this remains the start of a journey.

² See www.rotherham.gov.uk/info/200009/performance/998/see_our_plan_to_improve_rotherham/2 for the public records of Joint Board meetings

³ For Commissioner reports see www.rotherham.gov.uk/homepage/351/commissioners_progress_reviews

Key priorities for 2016/17 will be included in the Phase Two plan, which will set out the actions required to maintain the impetus achieved during 2015/16, continue to improve the services requiring improvement and ensure the best value duty is upheld, and to ensure the Council focuses on implementing its corporate and service priorities.

The Corporate Improvement Plan “A Fresh Start” can be found at www.rotherham.gov.uk

Restoration of Powers

4.17 In February 2016, 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 and had Members in a position to exercise executive authority over these functions. They were typically services which had been quality assured by an independent party, and had clear service definitions and plans for improvement in place.

4.18 The functions returning to Council administration and decision making included:

- Education and schools; education for 14–19 years in all settings; school admissions and appeal system; youth services
- Public Health
- Leisure services; events in parks and green spaces
- Customer and cultural services, libraries, arts, customer services and welfare programmes
- Housing
- Planning and transportation policy; highways maintenance
- The Council’s area assembly system and neighbourhood working; responsibilities under the Equalities Act
- Building regulation, drainage, car parking, business regulation and enforcement (not including licensing), emergency planning
- Financial services, including revenues and benefits (not including audit); ICT; legal and democratic services; corporate communications; corporate policy; procurement
- Budget control in these areas, and budget planning
- Policy arising from Sheffield City Region.

4.19 Commissioners have also recommended the restoration of the powers of the Licensing Committee. Commissioners will make further recommendations to the Government relating to the restoration of powers as and when appropriate.

5 GENERAL CORPORATE GOVERNANCE ARRANGEMENTS AND THEIR OPERATION DURING THE YEAR

5.1 The Council's Governance framework includes a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. The table below indicates the governance arrangements in place during the year and their operation, with reference to the expectations of the CIPFA/SOLACE *Delivering Good Governance* Guidance applicable to 2015/16:

Expected Arrangements	Comments Regarding Arrangements at RMBC
Identifying and communicating the Council's vision of its purpose and intended outcomes for Residents, service users and businesses.	<p>During Summer 2015 a series of public consultation exercises was run by Commissioners and elected Members, and was supported by partners. Following this, and using the feedback from the events, the Leader of the Council set out a new vision for the borough at a public meeting of Commissioners and Cabinet on 28th October 2015.</p> <p>The vision features at the heart of a new draft Corporate Plan, which was agreed by the Council in December 2015.</p> <p>A process is now underway to refine and finalise the Corporate Plan, so that the delivery of this new vision is embedded in day-to-day activities across the Council. The Corporate Plan is due to be finalised and approved by the new Council by July 2016.</p> <p>The Corporate Plan can be found at www.rotherham.gov.uk</p>
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	<p>The consultation events referred to above involved engagement with 1,800 people through a combination of face-to-face workshops, an online survey, and engagement events at the Rotherham Show in September 2015. There were also events with businesses.</p> <p>The Local Government Association conducted two surveys on behalf of the Council during 2015 (see 5.2 below)</p> <p>Ongoing work is taking place on embedding greater levels of community and stakeholder engagement through the Council's Communications Strategy. Work is also taking place to reform the Council's Neighbourhoods and Engagement arrangements. Both of these work-streams will feature as priorities for the second Corporate Improvement Plan in 2016/17, with ongoing oversight from Commissioners and Cabinet.</p>
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny	As part of the Government intervention in February 2015, Commissioners were made responsible for executive and licensing functions across the Council. After a series of service reviews and implementation of improvement actions, Commissioners recommended the return of various powers to the Council, and their recommendations were adopted by

and officer functions.	<p>Government. (see paragraphs 5.17 to 5.19). The Commissioners have issued a decision-making procedure and working protocols which set out how the revised arrangements are to operate.</p> <p>The Council maintains a constitution covering decision making, scrutiny and other non-executive functions, which are adapted to reflect current arrangements.</p> <p>The Constitution can be found at www.rotherham.gov.uk</p>
Developing, communicating and embedding codes of conduct, and defining the standards of behaviour for Members and staff.	<p>The Council's Code of Conduct and Officer/Member Protocol have been revised by the Standards Committee and adopted by the Council in December 2015. They have been communicated to all Members, and will be emphasized through training on the Code of Conduct which will form part of the induction programme for Members after the May 2016 elections.</p> <p>The Code of Practice and Officer/Member Protocol can be found at www.rotherham.gov.uk</p>
Reviewing and updating Standing Orders, Financial Regulations and supporting procedure notes / manuals, which define how decisions are taken and the processes and controls required to manage risks.	<p>Corporate decision-making report templates have been revised to ensure there is appropriate reference to procedural, financial and procurement administration arrangements. The Council's Risk Management Policy, Guide and supporting arrangements have been refreshed during 2015/16 and risk management and the consideration of risks is improving.</p> <p>Each of these will be developed further as part of the year 2 Corporate Improvement Plan.</p> <p>Standing Orders, Financial Regulations and the Risk Management Policy and Guide can be found at www.rotherham.gov.uk</p>
Ensuring that the Council's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government.	<p>The Council has an established budget-setting process that led to the successful setting of a 2016/17 budget. Capital planning processes have also been improved during 2015/16 and a capital strategy 2016/17 to 2020/21 was agreed by the Council on 2 March 2016.</p> <p>An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team, Cabinet and Commissioners.</p> <p>The Council's arrangements conform with the governance requirements of the CIPFA Statement on the <i>Role of the Chief Financial Officer in Local Government (2010)</i>. Comments on medium term financial prospects and planning are provided below the table.</p>

Undertaking the core functions of an audit committee, as identified in CIPFA's <i>Practical Guidance for Local Authorities</i> .	<p>The Council's Audit Committee operates in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. Additionally, to strengthen the Committee's approach and impact in 2015/16, the Committee produced a new 'Prospectus' explaining its objectives, scope and priorities for the year, and has fulfilled these during the year.</p> <p>More details relating to the Audit Committee can be found at www.rotherham.gov.uk</p>
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal, Financial and Procurement Services to ensure all relevant requirements and considerations are taken account of.</p>
Whistle-blowing and arrangements for receiving and investigating complaints from the public.	<p>The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy has been revised in line with National Audit Office Guidance, was presented to the Standards Committee in July 2015, and subsequently communicated to all staff.</p> <p>The Council's Whistle-blowing Policy can be found at www.rotherham.gov.uk</p>
Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.	<p>The Council has been working with the Local Government Association to provide peer mentors for all Cabinet Members and Opposition Group Leaders during 2015/16. This will continue into 2016/17. Personal development planning is also now available to all Members.</p> <p>Good progress has been made in developing officer leadership capacity. A new permanent Strategic Leadership Team structure is now fully recruited to and almost all Assistant Directors posts are filled.</p>
Incorporating good governance arrangements in respect of partnerships.	<p>In September 2015 a revised and expanded Rotherham Together Partnership was established to broaden the scope and impact of the council working with its public, private and community sector partners across the borough.</p> <p>The new Partnership is chaired by the Leader of the Council, with the Chair role now established on a rolling basis so that partner organisations have an opportunity to provide the Chair role in future years.</p> <p>A 12 month action plan of partnership working was published by the Partnership on 17th March 2016, setting out its collective</p>

priorities for Rotherham on the year ahead. Alongside the delivery of this action plan, the Partnership will focus its attention in 2016 on further engagement with the public to inform a new Community Strategy for Rotherham from early 2017.

For further details of the new Partnership arrangements and its priorities see
www.rotherham.gov.uk/info/200009/performance/748/rotherham-together-partnership.

Local Government Association Resident Surveys

5.2 The Local Government Association conducted two surveys of local residents in June and December 2015, in order to establish residents' views about satisfaction with the council, value for money, responsiveness, and trust and confidence in the council.

5.3 Some headline findings were:

- The Council scored lower than elsewhere on how the Council runs things, the Value For Money it provides and trust. Residents also felt they were not as well informed by the Council as elsewhere. There was no significant change in views in these areas between the two surveys.
- Satisfaction in relation to the Council's responsiveness (i.e. the extent to which the council acts on the concerns of local residents) improved significantly between the two surveys.
- Conversely, Satisfaction with Rotherham as a place to live dropped significantly between surveys.

5.4 The survey findings are being used to inform policy and service reviews.
The survey results can be found at www.rotherham.gov.uk

The Council's Budget 2016/17 and Medium Term Financial Strategy

5.5 In view of the fundamental weaknesses in Children's Social Care Services and the need to invest in the services to secure the improvements required, the Council approved additional funding for Children's Services on a recurrent basis – £12.1m in 2016/17, £10.9m in 2017/18 and £9.9m in 2018/19.

5.6 A Member-led Budget Working Group was established in 2015 to lead on initially considering budget options and savings proposals presented by officers. Supported proposals were presented to Commissioners, Cabinet and ultimately the Council, which approved a balanced budget for 2016/17 on 2nd March 2016. Headlines from the 2016/17 budget include:

- The Council increased Council Tax by 3.95%, made up from a 1.95% increase in respect of contributing towards the Council's overall budget position and a further 2% increase specifically in respect of a precept for Adult Social Care services (following a Government announcement encouraging Authorities with Adult Social Care responsibilities to generate an extra 2% income by applying this new precept).
- The plans included a budgeted use of £5m of Council reserves, consisting of £3m from the Council's Transformation Reserve to contribute to the funding of Children's placements and £2m from the General Grant Reserve for 2016/17, in part utilising the grant one-off secured by Commissioners.

5.7 The resulting budget:

- Provides additional funding to both protect vital services for those most in need, but also recognises the overwhelming need to provide further support for victims and survivors of Child Sexual Exploitation and targeted early preventative work with vulnerable young people.
- Progresses the ongoing transformation of the Council's Adult Social Care Services.
- Focuses on corporate and service transformation, ensuring services continue to be equipped to deliver a high standard of service for the citizens, businesses and stakeholders of the Borough.
- Continues to reduce management, administration and support costs as far as is sensible to do so.

5.8 The Council updated its Medium Term Financial Strategy (MTFS) to reflect the Government's 2015 Autumn Statement and the subsequent Local Government Financial Settlement announcements in December and February 2016. An updated MTFS was approved by the Council on 2nd March 2016. This is a key document that sets out the context for the Council, confirms its vision and priorities and indicates how resources will be directed towards achieving the vision and priorities. After taking the investment in Children's Social Care Services into account, the Council estimated it was faced with a 3 year budget gap of over £40m in its 2016 to 2019 Medium Term Financial Strategy.

5.9 The MTFS is being further updated for the three years 2017/18 to 2019/20.

The Council's 2016/17 Budget and Medium Term Financial Strategy 2016-19 can be found at www.rotherham.gov.uk

Internal Audit

5.10 It is a requirement of the UK Public Sector Internal Audit Standards that an annual report is produced setting out the work performed by Internal Audit and the opinion of the *Chief Audit Executive* (at Rotherham this is the Assistant Director Audit, ICT and Procurement) on the Council's internal control environment.

5.11 The Annual Internal Audit report was presented to the Audit Committee on 27th April 2016. The report confirmed positive progress had been made during the year, but also highlighted significant weaknesses identified from the work of Internal Audit. In addition to matters referred to in paragraphs 6.2, 6.14 and 6.17, and in Section 7, weaknesses included:

- Exposure to significant financial risk relating to adaptations work
- Weak contracts management
- Inadequate programming of some health and safety works.

5.12 The weaknesses led to an opinion that the Council's control environment was inadequate during 2015/16. Further progress is needed to ensure better internal controls are embedded, and are reflected in audit conclusions reached following Internal Audit's work.

External Audit

5.13 The Council's external auditor (KPMG) is required each year to carry out a statutory audit of the Council's financial statements and give an assessment of the Council's value for money arrangements.

Audit Opinion on the Council's Financial Statements

5.14 KPMG issued an unqualified opinion on the Council's financial statements for the 2014/15 financial year on 24th September 2015. In KPMG's opinion, the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year ended 31st March 2015.

5.15 KPMG has identified no matters in its work done so far during 2015/16 to suggest it will not give an unqualified opinion on the Council's 2015/16 accounts, although KPMG's work is not yet complete.

External Audit Value for Money Conclusion

5.16 KPMG acknowledged that the Council had made a "Fresh Start" to make improvements to its corporate governance arrangements and Children and Young Peoples services in response to the weaknesses identified in the Jay, Ofsted and Casey Reports. However, because there was little opportunity to progress the Children's Improvement Plan and Corporate Improvement Plan before the end of the 2014/15 financial year, KPMG issued an adverse Value For Money conclusion in respect of 2014/15 on 24th September 2015.

5.17 KPMG expects to give a Value for Money Conclusion for 2015/16 by September 2016.

Anti-Fraud and Corruption Arrangements

5.18 In October 2014, CIPFA published an updated Code of Practice on Managing the Risk of Fraud and Corruption. This replaced the former Code published in 2008. The 2014 Code requires councils to give an opinion within their Annual Governance Statements on the Council's compliance with the Code.

5.19 A review of the Council's arrangements was completed by Commissioner Ney in August 2015 and this identified some good existing practice and some issues to address. Progress is being made on these, including the Council:

- Revising its Anti-Fraud and Corruption Policy and Strategy in September 2015, to reflect the requirements of the CIPFA Code
- Developing a fraud risk assessment, assisted by a Government sponsored project designed to strengthen the Council's anti-fraud arrangements.
- Undertaking training of managers
- Ensuring coverage within the Internal Audit programme designed to test arrangements for managing fraud risk
- Commencing a review of tenancy fraud using data analytics.

5.20 The Council developed its arrangements for managing the risk of fraud during 2015/16. Overall, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

6 UPDATE ON OTHER MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT 2014/15

Taxi Licensing

6.1 The Taxi licensing function has a key role in preventing and disrupting CSE. The Casey Report found that the Council's taxi-licensing arrangements were wholly inadequate and placed vulnerable Children at risk. Under the guidance of Commissioner Ney, the Council carried out a comprehensive review of its taxi-licensing policy and its administration arrangements. The Council introduced a new, stronger, policy involving a 'fit and proper person' test of drivers, revised requirements for training, including compulsory safeguarding training; and more stringent requirements regarding safety, age of vehicles and use of taxi cameras. Over 40 drivers had their licences revoked as a result of the application of the new standards. All currently practicing drivers have attended training sessions on safeguarding Children and vulnerable adults.

6.2 Internal Audit follow up work during 2015/16 identified the need for improvements in relation to the issuing of licences and the processes for investigating complaints. The recommendations made by Internal Audit have been acted upon by management.

6.3 Work continues to embed higher standards and performance of the licensing and enforcement service and a new structure is proposed to facilitate this. Taking all of the positive progress into achieved to date, Commissioners now agree that the Council is in a position to have its Licensing functions returned to its control.

Adult Social Care

6.4 The Council's Adult Social Care Services undertook a self-assessment using a Local Government Association assessment tool. The aim of this review was to provide a 'health check' of safeguarding functions in Rotherham. In particular, it focused on how the Safeguarding Adults' Board was functioning and how the Council's adult social care services were meeting their safeguarding responsibilities.

6.5 The findings and conclusions were verified by an external peer reviewer. The exercise concluded that whilst there are areas of considerable knowledge and expertise in adult safeguarding and relations between partners on the Safeguarding Adults Board are positive, the Care Act statutory guidance had not been fully implemented and a number of areas required action, development and change.

6.6 These recommendations formed the basis of an action plan to implement improvement opportunities, developed by the Adult Safeguarding Board, which was implemented during 2015/16. A further review will be undertaken in mid-2016.

6.7 The Council has also produced a new vision and strategy describing the outcomes that it is seeking to achieve for all adults with disabilities and older people and their carers in the borough. The strategy which will enable these outcomes to be delivered contains seven key elements:

- We must ensure that information, advice and guidance is readily available (eg by increasing self-assessment) and there are a wide range of community assets which are accessible
- We must focus on maintaining independence through prevention and early intervention (eg assistive technology) and re-ablement and rehabilitation
- We must improve our approach to personalised services – always putting users and carers at the centre of everything we do
- We must develop integrated services with partners and where feasible single points of access
- We must ensure we “make safeguarding personal”

- We must commission services effectively working in partnership and co-producing with users and carers
- We must use our resources effectively.

6.8 The Council's ambition is that adults with disabilities and older people and their carers in Rotherham are supported to be independent and resilient so that they can live good quality lives and enjoy good health and wellbeing.

The Strategy: “Adult Social Care in Rotherham: Outcomes and the Strategy for delivering them” can be found at www.rotherham.gov.uk
Local Elections

6.9 Local elections were successfully held on 5 May 2016 for all 63 Council seats. There were 24 new Councillors. The overall balance of the Council remained largely unchanged with the following outcome:

- Labour 48 seats
- UKIP 14 seats
- Independent 1 seat.

6.10 These ‘all-out’ elections now mean that Councillors elected in 2016 will be in place until 2020, and this will facilitate stability within the Council and influence further considerations with regard to the restoration of powers.

6.11 During 2015/16 Councillors have benefitted from a mentoring programme, a new supplementary Code of Conduct additional to the National Code, access to Local Government Association supported training, a new Code of working between Councillors and senior staff and active feedback from Commissioners.

6.12 Most Councillors now report a more professional atmosphere. Backbench Councillors report a greater sense of knowing what is going on. There have been no misconduct issues to investigate, save for one anonymous complaint which was judged to be unjustified. Competence and confidence for office holders will continue to grow as will cross-party dialogue and agreement.

Gas Safety / Landlord Responsibilities

6.13 In 2014/15, an internal review of Gas Safety found that the Council's Quality Assurance processes did not sufficiently ensure that contractors, used by the Council to carry out building and gas servicing works, had gas safety management systems that were being effectively and consistently applied. Immediate action was taken to ensure the relevant checks and controls were being applied.

6.14 Subsequent checks confirmed the Council was meeting the necessary legislative requirement relating to gas safety, as well as relating to electrical inspections and asbestos. Other follow-up testing during the year highlighted the need to strengthen processes relating to the rectification of fire safety deficiencies and the prevention of legionella. Actions in relation to these have been implemented.

Commissioning and managing delivery of school improvement activity

6.15 In June 2014, Internal Audit reported significant weaknesses in relation to the specification of work to be provided, monitoring of activities and performance, and reporting arrangements relating to school improvement activity. The Council and schools could not clearly demonstrate they were achieving value for money from the arrangements in place.

6.16 Funding for school improvement activity is now devolved to Schools who are now responsible for specifying and procuring work, and ensuring it is satisfactorily delivered.

Home to school transport for Vulnerable Children

6.17 Internal Audit looked in early 2015 at the Council's arrangements for arranging the transport of Looked after Children. While arrangements were found to be acceptable when provision was arranged within existing 'home to school' contracts, the audit found a number of instances where transport for children was arranged outside of the contracts and, therefore, did not afford the same level of checks and controls over the taxi firms and drivers used. Internal Audit completed a follow up of the original audit in late 2015 and found that complaints had not been promptly investigated and guidance needed to be expanded to cover the full range of services provided to Children. These have now been addressed.

7 OTHER SIGNIFICANT ISSUES ARISING DURING 2015/16

7.1 Ongoing issues relating to Children's Social Care, Child Sexual Exploitation and Corporate Governance are reported in Section 5 above. Progress on improvement actions in these areas will continue to be reviewed and reported during 2016/17 and summarised in the Annual Governance Statement. Other issues arising during 2015/16 from other review processes, including Internal Audit work, are summarised below:

Sheffield City Region

7.2 The Sheffield City Region (SCR) agenda is of increasingly growing importance to the Council and its partnership working across South Yorkshire and beyond. More powers and funding are being devolved by the Government to decision-making structures at the local level, via Combined Authorities (groups of local authorities represented by their Council Leaders) and Local Enterprise Partnerships (business-led, but also involving Council Leaders).

7.3 The SCR Combined Authority formally comprises the four South Yorkshire district councils as well Chesterfield and Bassetlaw Councils, with Bolsover, Derbyshire Dales and North East Derbyshire Councils being wider “non-constituent” members keen to work through the City Region on the basis of a functioning economic geography. The SCR Combined Authority agreed in March 2016 a new, wide-ranging economic devolution deal, which included a commitment from Government to provide an additional £30 million per year for 30 years to the SCR, from 2016/17, as well as wider funding and powers. The Combined Authority is expected to agree the developed devolution scheme in June 2016.

7.4 SCR governance arrangements are subject to a review at the current time, in reflection of its changing and growing role and, for example, a proposed new Strategic Economic Plan for the City Region.

Service Planning and Performance Management

7.5 During 2015/16 the Council gave particular priority to the work required to be progressed in line with the Corporate Improvement Plan. This included development of a vision and corporate plan as outlined in this Statement. The Council recognises it now needs to prioritise its planning of service priorities and develop its performance management arrangements, to ensure both corporate and service priorities are achieved. While arrangements were in place in key areas for 2015/16, for example Children’s Services, there was not an overall corporate framework or consistent arrangements in place across all Council services. The development of service planning and performance management arrangements will be a priority for 2016/17.

Risk Management

7.6 The Corporate Improvement Plan included a priority to re-invigorate and embed risk management across the Council. The Council could not demonstrate that the application of risk management arrangements was satisfactory. During the year, various actions were taken in line with the Corporate Improvement Plan, including:

- Refreshing the Council’s Risk Management Policy and Guide
- Giving the Assistant Chief Executive the role of overall officer lead, to ensure risk management was given appropriate status
- Creating a corporate risk manager post to take forward the Council’s priorities relating to risk management
- Provision of training to senior and most middle managers
- Strengthening the role of the Audit Committee in relation to risk management, including presentation of risk registers to the Committee by Cabinet Members and strategic directors.

7.7 Detailed corporate and service risk registers are now in place and subject to regular review. A priority for 2016/17 is to embed the refreshed arrangements and demonstrate the effectiveness of the arrangements in place.

Major Project Developments

7.8 The Council has a series of substantial and major projects in progress, to improve systems and the services they support. Two examples, implementation of a new social care system and a new integrated housing management system, were audited during 2015/16. The audits revealed various process weaknesses that needed to be addressed through stronger project and programme management. The immediate priorities were addressed and there has been some development of the Council's approach and arrangements for major project management. However, these need to be strengthened further during 2016/17.

Procurement and Contracts Management

7.9 The Council gathered information to update its contracts register during 2015/16. This revealed significant weaknesses in the forward planning and establishing of contracts to ensure the Council complies effectively with relevant procurement rules and achieves best value from its procurement of goods and services. Steps have now been instigated to ensure there is an effective forward plan of contracts, better corporate scrutiny and increased emphasis on maximising value for money. These and actions from a Local Government Association sponsored review of the Council's procurement arrangements will be progressed as a priority in 2016/17.

Information Governance / Freedom of Information Requests

7.10 Significant weaknesses have been highlighted in relation to the Council's management of information, including information security, from incidents arising / reported during 2015/16. These include failure to ensure steps were taken to secure information left behind in vacated buildings, failure to respond appropriately to enquiries made about former incidents and a number of breaches of the Data Protection Act.

7.11 In addition, the Council's record in responding in a timely manner to Freedom of Information requests made by the Public was also unsatisfactory; only 62% of requests were processed in line with expected requirements. The Council's response to Subject Access Requests was also unsatisfactory, with 35% responded to within expectations.

7.12 A full action plan is being put into place to address the weaknesses and ensure the Council complies fully and effectively with data protection requirements and its obligations to data subjects.

8 UPDATE SINCE MAY 2016

8.1 This section will contain any significant issues arising between June and September 2016.

9 LEADER AND CHIEF EXECUTIVE STATEMENT 2015/16

9.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.

9.2 During 2014/15 the Council was subject to an inspection of its arrangements for Child Sexual Exploitation (the Jay Review), an Ofsted inspection of its Children's Services and a Corporate Governance Inspection (The Casey Review). These found significant and serious failings in the Council's arrangements for protecting vulnerable children and its overall governance arrangements, and led to Government Intervention in the Council in the form of 5 Government appointed commissioners.

9.3 Child Sexual Exploitation, Children's and Corporate Improvement plans have been in place during 2015/16. Positive progress has been made on delivering the commitments made in these, with tangible and beneficial outcomes achieved and summarised in this Statement. Commissioners and Government have recognised the progress, in part through the restoration of some powers to the Council in February 2016. A new Strategic Leadership Team, led by the new Chief Executive, has now been appointed and will maintain this progress.

9.4 A Vision for the Council was established following a consultation programme led by the Lead Commissioner and the Council Leader. The Vision has now been encapsulated in the draft Corporate Plan, along with a new Performance Management framework. There is a revised Medium Term Financial Strategy setting out the prioritising and funding of the Council's aspirations. These and other guiding documents developed during the year provide the building blocks for the Council to make further improvements.

9.5 While there are clear and demonstrable progress and improving foundations to build upon and which, along with the early restoration of some powers, give the Council cause for optimism for 2016/17, our overall conclusion for 2015/16 is a cautious one. The Council was not demonstrating good governance and meeting its Best Value duty throughout the whole of the year. The action plans in place, including a new Year 2 Corporate Improvement Plan, will continue to bring the Council rapidly up to a point where it operates effectively and fully in accordance with good governance. Councillors, commissioners and staff continue to work together to sustain the momentum achieved during the past 12 months in order to realise the further improvement still necessary.

Signed
Councillor Chris Read,
Leader, Rotherham MBC
Date: XX September 2016

Signed
Sharon Kemp,
Chief Executive, Rotherham MBC
Date: XX September 2016

APPENDIX 1

The following commissioners were appointed to Rotherham Council by the Secretary of State for Communities & Local Government and the Secretary of State for Education:

COMMISSIONERS APPOINTED TO ROTHERHAM COUNCIL 2015/16

Lead Commissioner: Commissioner Sir Derek Myers, former joint Chief Executive of the London Borough of Kensington and Chelsea and Hammersmith and Fulham.

Commissioner and Managing Director: Stella Manzie CBE, a former Chief Executive of Barking and Dagenham, Coventry, Redditch and West Berkshire councils. As Managing Director, Commissioner Manzie has taken on the role of the day to day running of all services until the Commissioners appoint a new permanent chief executive. **Commissioner Manzie left her position on 31 January 2016, following the recruitment of a permanent substantive Chief Executive.**

Children's Social Care Commissioner Malcolm Newsam: Commissioner Newsam has worked at executive director level in Peterborough City Council, Kent County Council, Essex County Council and Bedfordshire County Council. He has acted as Doncaster Borough Council's Programme Director setting up the Doncaster Children's Services Trust and was appointed Children's Social Care Commissioner in Rotherham in October 2014. **Commissioner Newsam left the position on 4 May 2016.**

Commissioner Mary Ney: Commissioner Ney retired from being Chief Executive of the Royal Borough of Greenwich in 2014. Commissioner Ney was assistant inspector to Louise Casey's inspection of Rotherham, where she led the partnership working strand of the inspection.

Commissioner Julie Kenny CBE: Commissioner Kenny is a commissioner at the UK Commission for Employment and Skills and a Board Member of Sheffield City Region Local Enterprise Partnership.

COMMISSIONER APPOINTED TO ROTHERHAM COUNCIL 2016/17

Councillor Patricia Bradwell, Deputy Leader of Lincolnshire County Council replaced Malcolm Newsam as Commissioner for Children's Social Care in May 2016.

Commissioner Bradwell has overseen continued improvements in Children's Services for Lincolnshire County Council over the last 11 years. She took over responsibility for the Children's Services portfolio in April 2005. Since then, her work with colleagues and staff has led to Lincolnshire achieving and maintaining a high rating from Ofsted in their inspection of Children's Services, with Adoption Services being considered 'outstanding'.