

# Auditor's Annual Report Rotherham Metropolitan Borough Council

2020-21

1 April 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

- A – The responsibilities of the Authority
- B – An explanatory note on recommendations
- C – Use of formal auditor's powers

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 1. Executive summary



## Value for money (VFM) arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	Conclusion
Financial sustainability	One possible risk of significant weakness identified at planning stage [risk covered in detail in our 2020-21 Audit Findings Report]	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified at the planning risk assessment stage.	One risk of significant weaknesses identified with an associated key recommendation. Also improvement recommendations made



### 1. Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. The Authority, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by Covid-19, the Authority has maintained a steady financial position which has improved in the past two years. The Authority has put forward a series of proposals which forecast a balanced budget for the next two years. As at 31 March 2021, the Authority held general fund and other earmarked reserves of £63.1m and overall useable reserves of £142.7m.

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability at the Authority. We identified some improvement recommendations.

Further details can be seen on pages 7 and 16 of this report.



### 2. Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority.

Our work on both business as usual governance and adapted structures as a result of Covid 19 has not identified any significant weaknesses in arrangements. We identified some improvement recommendations in relation to governance.

Further details can be seen on pages 17 -22 of this report.



### 3. Improving economy, efficiency and effectiveness

The Authority has demonstrated an understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work identified one significant weaknesses as a result of the Ofsted and CQC inspection around implementing special educational needs and disabilities (SEND) reforms in Rotherham. We have made one key recommendation on this.

We also identified some improvement recommendations in relation to improving economy, efficiency and effectiveness

Further details can be seen on pages 23-28 of this report.

# 2. Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

Our work identified one significant weaknesses in arrangements and therefore we have made one key recommendation. For further details see pages 24 and 26.

Appendix C outlines the use of auditor’s statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and pervasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020-21 audit year.

The range of recommendations that external auditors can make is explained at Appendix B.





# 3. Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified 'clean' audit report opinion on the financial statements on 3 December 2021.

## Audit Findings (ISA260) Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 30 November 2021. We further updated this AFR at the time of our audit report on 3 December 2021.

We have concluded that the other information published with the financial statements, including the Narrative Report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are unable to complete our work in this area as the Council and ourselves are still awaiting the appropriate guidance from the NAO.

## Preparation of the accounts

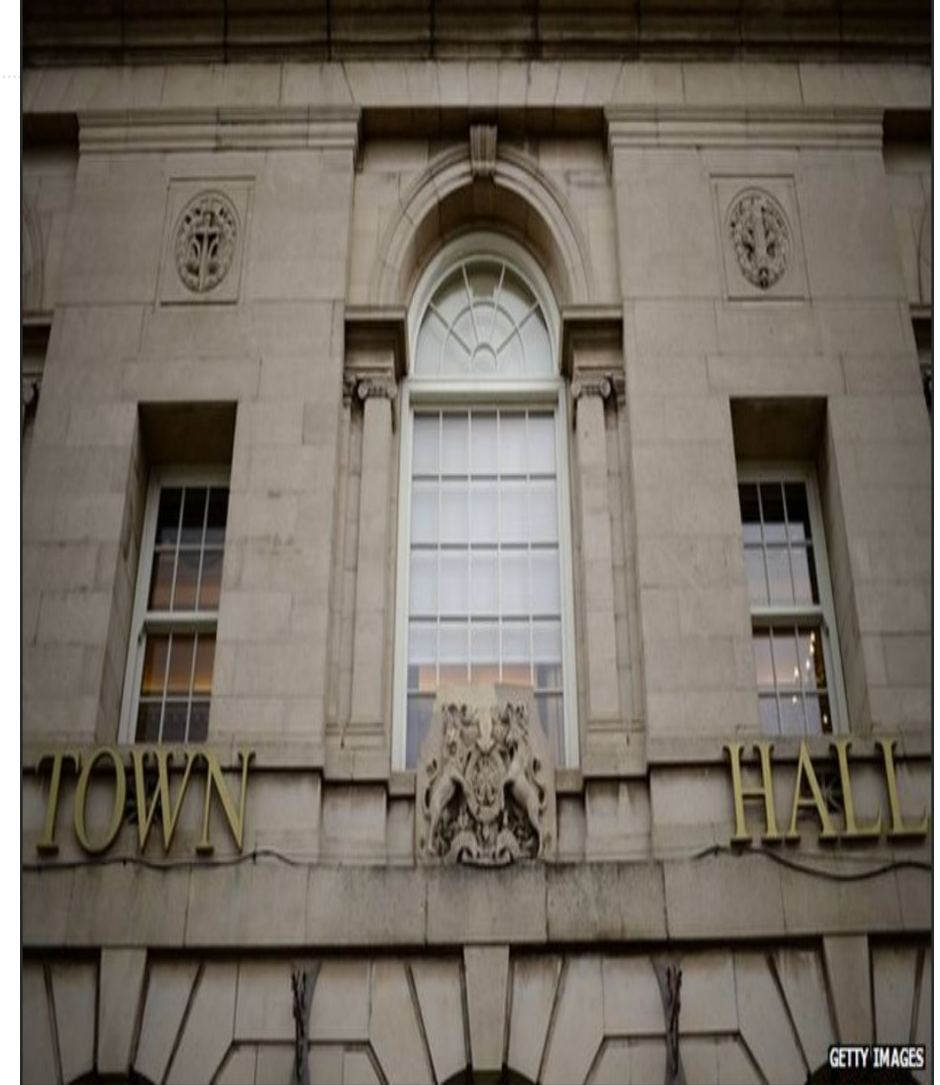
The Council provided draft accounts in advance of the national deadline and, in common with previous years, provided a good set of working papers to support the draft accounts. This ensured the audit progressed in a smooth and efficient manner and was delivered in line with the timetable we set out in the early part of 2021.

## Issues arising from the accounts:

We did not identify any audit adjustments impacting on the Council's useable reserves. However, we identified some disclosure amendments which were processed by management. These were reported in our AFR.

## Grant Thornton provides an independent opinion ensuring the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.




# 4. Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement


Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:




**Financial Sustainability**

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



**Governance**

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



**Improving economy, efficiency and effectiveness**

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

 Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 23. Further detail on how we approached our work is included in Appendices.



# 5. Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

### Identification of significant financial pressures and building these into Council plans

The Council demonstrates appropriate financial and budgetary management. This is evident from regular bi-monthly financial monitoring reports and annual year end outturn reports to Cabinet and Council. This reporting has been consistent over many years and demonstrates that budgets are managed and controlled, with remedial actions taken when needed and annual budget targets achieved.

Like many other local authorities, the Council is operating within a challenging environment. The 2020-21 final outturn report highlighted, the significant volatility and financial challenges Rotherham faced during the year from the Covid-19 pandemic. According to the final outturn report for 2020-21, which was reported to Cabinet in July 2021, the Council had a final underspend against revenue budget of £6.1m, following mitigating actions taken to manage the financial impacts of Covid-19. This incorporates the late receipt of £2m of Government support towards costs associated with Operation Stovewood and after a proposed transfer of £2m to create a new Children and Young Peoples Services Social Care Reserve.

The mitigating actions included the application of Government emergency funding of £18.9m to support the Covid-19 response and cost implications of this, the receipt of compensation funding totalling £4.8m relating to the adverse impact of Covid on sales, fees and charges income and the use of £5.2m in 2020-21 from the Control Outbreak Management Fund (COMF). Without the provision of these grant funding streams the Council’s general fund financial outturn would have been a £22.8m overspend.

For 2021-22, the Council set a balanced gross revenue budget of £235.7m. Detailed 2021-22 budget plans including assumptions were presented and approved by the Council in March 2021. To achieve this balanced budget, the Council will need to deliver savings of £5.65m during 2021-22. According to the latest Q3 monitoring report for 2021-22, the Council is projecting an overspend position of £8.2m. There are 3 key reasons for this overspend. Financial implications as a result of Covid-19 and the Council’s response to the pandemic, delayed delivery of savings plans due to the pandemic and demand pressures on Children and Young Peoples Services. This £8.2m overspend has been mainly mitigated by using of Covid-19 support grant. We will be undertaking further work in this area as part of our 2021-22 audit.

### DSG deficit:

At the end of 2020-21 the Dedicated Schools Grant (DSG) had a material deficit of £21.3m. As indicated in the table below, this deficit has been increasing for the last five years, almost by over 400% (or 4 times) from 2017 to 2021. This is due to pressures in the High Needs Block and Special Educational Needs including Disabilities (SEND) budget, where demands in the Borough have increased significantly over the years – this is a common position across the local authority sector. As reported in our 2020-21 Audit Findings (ISA260) Report to the Audit Committee in November 2021:

- There was reasonable evidence of the Council engaging with DfE to reduce and manage this deficit
- The Council has a deficit recovery plan with reasonable assumptions based on current available information
- The Council understands the reasons for these deficits and there is a clear correlation, for example , between increasing demands in children with Educational and Health Care Plans (EHCP) and rising costs in the SEND budget
- Quarterly reports on various aspects of SEND are presented at Cabinet level and reports are also taken to SEND Oversight Board. Therefore, Members have a reasonable understanding of this financial challenge facing the Council.

Initially we considered this as a possible risk of significant weakness. Due to above findings and as reported in the Audit Finding (ISA 260) Report, we concluded that there is no significant weakness in arrangements during 2020-21.

31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
£5.2m deficit	£9.7m deficit	£15.1m	£19.9m deficit.	£21.3m deficit.

# Financial sustainability

## Identification of significant financial pressures and building these into Council plans (continued)

### DSG deficit (continued):

We acknowledge that under new time-limited statutory requirements, the DSG deficit is now ringfenced and any deficits cannot be financed through Council's General Fund Reserves but should be addressed through the DSG. However, it is still important for the Council to address the cost pressures within the High Needs Block through SEND and ensure the Council's High Needs spend starts to be delivered within the DSG budget.

As part of our 2021-22 accounts audit and VFM work we will continue to keep this as a key area of our focus and ensure the Council continues to engage with all stakeholders to ensure that proper arrangements are in place to manage and reduce this deficit in the future. Considering we have performed extensive work on Council's DSG deficit in 2019-20 and 2020-21 as part of the financial statement audit and made improvement recommendations that is already actioned by the Council, we are not minded to make any other improvement recommendation on the DSG deficit in this report.

**Update 30 March 2022:** As a recent development, the Council has agreed a way forward on eliminating the cumulative DSG deficit by 2025-26. This agreement with the Department for Education is called a 'Safety Valve' agreement. Subject to Council's full compliance in line with the agreement, the department has agreed to fund the Council between 2021-22 to 2025-26 as part of this deficit elimination plan. This is a good outcome, demonstrating the Council's positive engagement with the DfE.

### Council Reserves:

The Council's reserves position has improved in the last two years from where it was in 2018-19 when we were appointed as the Council's external auditors. The Council's total usable reserves position was £142.6m as at 31 March 2021, (2019-20: £98.4m). Out of this total, general fund and other earmarked reserves amounted to £63.1m after accounting for DSG earmarked deficit, earmarked Covid-19 reserve and school reserve balance. This is approximately 44% of the total useable reserves. In 2019-20, the comparative figure was £32m [32% of the total useable reserves]

The Council keeps the MTFS under regular review and had already scheduled an update of the MTFS in 2020-21 as part of 2021-22 budget setting. The impact of Covid was therefore factored into the Council's MTFS review. That was an appropriate response when unexpected significant challenges occur which impact income, expenditure and how services are provided.

We have benchmarked the Council's total useable reserves and general fund and earmarked reserves against net cost of services, with similar metropolitan authorities. This is shown on page 9. We have used the net cost of services as a benchmark, which gives a reasonable indicator of the size of the Council in providing key Council services to the public.

The Council has made some planned use of reserves within its budget strategy over recent years, in order to support the transition of social care services and as part of managing the profile of savings delivery and cost reductions. Within the strategy was the replenishment of reserves in later years, which has now taken place from 2020-21. The Council acknowledges that the use of reserves to bridge financial deficit gaps would not be a sustainable financial strategy.





## Plans to bridge funding gaps and identify achievable savings

The budget and the MTFs illustrate how the net budget and estimated Medium Term Financial Strategies have been arrived at, taking in to account the income and expenditure for the Council. Then it identifies any funding gaps and required savings or how those funding gaps are to be met.

Savings are monitored and tracked as part of financial monitoring with directorate Heads of Finance responsible for ensuring that progress is made and accurately reported back via financial monitoring reports to Cabinet. In addition, SLT takes a role in the oversight of savings progress. Any significant slippage is not only played into financial monitoring but also MTFs discussions and planning.

The two-year budget for 2019-20 and 2020-21, which was set in February 2019 and reviewed during 2020-21, required £34m of budget savings and cost reductions to be delivered to meet estimated funding gaps over the two years, including savings that had been agreed in previous years for delivery across this timescale.

The Budget and Council Tax Report 2021-22, agreed at Council in March 2021, indicated that £16m of the £34m of agreed budget savings and cost reductions had been delivered at that point (by March 2021). The remaining savings of £18m (£34m - £16m) were profiled to be delivered across the medium term

As reported in our Audit Plan in July 2021, the Council was planning to deliver £5.65m of savings in 2021-22. However, this is now reduced to £2m savings to be realised by the end of 31 March 22. Then a further £11.5m is profiled for delivery from 2022-23 to 2024-25 in the updated MTFs. This brings a total of £29.5m savings and cost reductions [ £16m + £2m + £11.5m = £29.5m ] from the original £34m target, by 2024-25. The remaining £4.5m balance [ £34m - £29.5m = £4.5m ] is expected to be covered by additional corporate savings from Treasury Management.

In summary, the Council is now planning to deliver its full savings target of £34m, which was initially set to be delivered by the end of 2020-21, by end of 2024-25, four years after the initial target date.

In November 2019 widespread flooding occurred in Rotherham, followed by the Covid 19 pandemic, these events have contributed to the delay on savings delivery at the Council. The Council prioritised delivery of essential services during the local and global emergencies, where senior management input was focused on protecting the population in Rotherham.

Our discussions with the senior management highlighted further clarity on why some of these savings targets were not achieved during the given two year period and are still continuing. Given the size of the funding gap, taking into account the savings and cost reductions that had already been delivered since 2010, and recognising that the Council's social care costs increasing due to increased demands mainly around children's services and adult social care, the Council focused a significant proportion of the required savings and cost reductions on key social care services.

These challenges had an impact on achievement of these savings targets. Our review indicated that these challenges, amount of savings achieved in a given year and amounts not achieved with reasons are not clearly highlighted and reported in the Council's finance and outturn reports.

We have made an improvement recommendation around cabinet reporting on tracking savings more clearer, going forward.

The Council, via SLT continues to keep pressure on the directorates to ensure savings plans are progressing. The Council acknowledges that sustainable service delivery requires good financial management. Identifying savings without impairing key services, and delivery on those targets are key attributes of good sustainable financial management.

Though initial savings targets were not fully achieved and subsequently reprofiled, the Council has still delivered balanced budgets during these periods without any significant reliance on its general fund reserves. This was mainly due to combination of key factors, such as:

- Additional treasury management savings mainly derived from cheaper short term borrowings
- Prioritisation of Council expenditure
- Close monitoring and reporting of Council's finances whilst taking corrective actions as necessary. This is evident from quarterly financial monitoring reports to the Cabinet.
- Government's Covid-19 emergency funding
- Income compensation funding introduced during the Covid-19 pandemic where the Council was funded for lost income

As highlighted on page nine, the Council's general fund and earmarked reserves have increased over the years which is a positive sign. However, the reserves position as a proportion of net cost of services is below the average amount to other metropolitan councils.

Local Government funding restrictions, increasing inflation and the demand on key services such as Adult Social Care and Children's Services indicate the Council (as with other local authorities) will continue to have financial pressures going forward.

As indicated, we have made an improvement recommendation around Cabinet reporting on savings to be more clearer, going forward.

### Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's budget is based on the provision of statutory services as a priority. This can be seen through the budget setting report that highlights the pressures in these areas (e.g. Adult Social Care, Children's Services including the SEND budget) and how the MTFS supports those pressures. In addition, the Council's budget report considers and updates upon the key challenges and aims of each directorate, with particular regard to statutory service provision.

Any discretionary spend is considered as part of the budget planning process and only takes place if the MTFS indicated a level of surplus funding available to support that discretionary spend. Again, the Council's budget highlights the outcome of this process with the new one year revenue investments, as shown in the publicly available Budget report.

The Council's budget setting process considers the MTFS position and outlines any surplus resources, these resources are then considered against known pressures and risks to assess the level of any revenue investment that can take place. In this scenario these investments could only be afforded over a one year period, as such that is the basis on which they are included into the Council's annual budget.

The Council's capital budget has links to the Council's Corporate Plan as well as the current Year Ahead Plan. For example, one of the key themes in the Year Ahead Plan is economic recovery. This particular theme references the need for job creation and improvements to infrastructure. The capital programme has therefore got a emphasis on the redevelopment of the Town Centre, Housing, Highways and Transport to improve the Borough, improve the economy, and create jobs. The Year Ahead Plan references the Forge Island development, Future High Streets Fund and Towns Deal as a key programme developments.

Overall, our work has indicated that the Council plans its finances to support sustainable delivery of services in accordance with its strategic priorities.

### Financial plans are consistent with other plans such as workforce, capital, investment and other operational planning

The Council's financial plans are prepared through involvement with directorate Strategic Directors and Heads of Finance in order that impact of workforce planning can be appropriately considered.

Financing costs are built into the budget and can be seen in the Council's Budget Report. Equally, all capital bids put forward have to consider the revenue impact and implications, with the directorate Heads of Finance responsible for ensuring that that revenue implications can be and are factored into their budget planning. The appendices to the Council's Budget Report show the capital bids and consideration of revenue implications at this early stage.

The Council's capital programme is reported to Cabinet on a regular basis during the course of the financial year, with a detailed outturn report provided at the end of the financial year. These reports flag any changes in use of grants, new grants and new or changed use of corporate resources originally planned when applicable.

The Council's Treasury Management (TM) Strategy is a key component of the budget setting process and as such is presented to Council for approval alongside the Council's Budget Report. The Council's TM strategy has been a key element in managing the Council's budget over the last five years, generating savings, largely through use of short term borrowing as opposed to long term borrowing and prudent capital financing decisions.

This approach has been a key factor of the Council's recent balanced budget positions and demonstrates the link between the budget planning and TM. Whilst short term borrowing presents an interest rate risk, it has been managed and the Council has sought regular advice and guidance from its TM advisor with regards to the appropriateness of the approach.



Financial plans are consistent with other plans such as workforce, capital, investment and other operational planning - continued

As part of our review, we compared the Council’s Long Term Borrowings (LTB) with other metropolitan councils. Figure 3 below compares LTB as a percentage of Net Cost of Services (NCS) across 33 Metropolitan Borough Councils in England as at 31 March 2021. The Net Cost of Services is a reasonable indicator to measure the size of a Council and gauge the cost of providing Council’s primary services to the public.

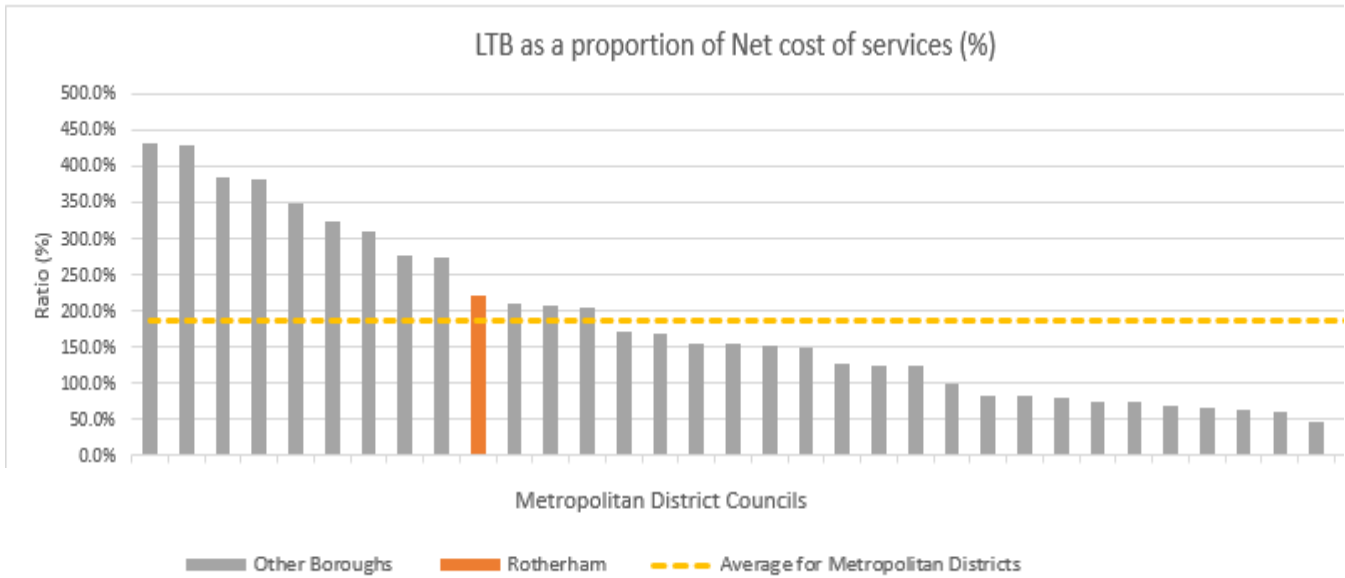
The analysis indicated the average LTBs across Metropolitan Borough Councils was 186% (or 1.86 times) of NCS. One Council had the highest borrowing ratio (e.g. relatively more borrowing) around c430% or over 4 times and another Council had the lowest borrowing ratio (e.g. relatively less borrowing) at c47% against its NCS.

Rotherham Council ranked tenth in this analysis with c223% or 2.2 times of its NCS equalling to Council’s LTB, as at 31 March 2021. This indicates a slightly above average borrowings ratio compared to others.

We have not identified any significant weaknesses in the Council’s arrangements for treasury management. We can also confirm that borrowing limits are within Prudential Borrowing Limits guidance.

With associated financial risks arising from the potential ongoing interest rate increases, coupled with rising inflation going forward the Council should continue to carefully monitor future cash flows to ensure that appropriate budgets are in place to manage the impact of financing existing and future debt Any future borrowing decisions (both short and long term) should continue be carefully considered to mitigate such risks and should be prudently made.

Figure 3 – Long Term Borrowing as a percentage of Net Cost of Services as at 31 March 2021



Minimum Revenue Provision (MRP):

We undertook some detailed work on Council’s MRP policy during our 2020-21 audit of the financial statements and reported this in the final Audit Findings (ISA260) Report dated 3 December 2021. The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The 2020-21 MRP charge to general fund reserves was £6.5m. This is a direct charge to the General Fund with no mitigating ‘reversal’ entry as occurs with other charges – such as depreciation.

The Council accounts for MRP and repayment of borrowing on an annuity basis which is permitted in the statutory guidance. This means all outstanding debt is ‘repaid’ within the useful economic life of the asset with the profile of repayments increasing over time i.e. repayments start low and increase over the useful economic life of the asset.

From a budgeting perspective, the Council needs to ensure that sufficient budgetary planning is in place to absorb MRP charges to the General Fund which is increasing in future years due to the Annuity method adopted.

We understand the Council may look to change its approach to MRP calculations either on all assets or some asset classifications moving forward to create a more level profile for MRP than the Annuity method.

Any future changes to the MRP policy and reprofiling should give due regard to the statutory guidance, be prudent and affordable for the future medium and long term financial planning of the Council.

Overall, our work has indicated that key financial plans are consistent with other key Council plans and these are captured in annual budget, MTFS and quarterly finance reporting to the Cabinet.



### Managing risks to financial resilience

Known quantifiable risks are factored into the Council's MTFS internal review process. Where possible and required, the Council will make provision within the MTFS.

Financial risks, where budgeted for, are held corporately within Central Services, so if the risk does not materialise, the resource can be re-directed to other pressures.

Financial risks, including risks on the capital programme are discussed with Strategic Director – Finance and Customer Services, Chief Executive and the Leader of the Council as part of the budget setting and MTFS process. Information on financial risks is also discussed with Members as part of budget setting with key financial risks discussed within the Council's Budget Report.

As at December 2021, the Council currently expects to deliver the overall outturn within budget for the financial year 2021-22. Whilst the directorates have a forecast year-end overspend of £8.2m on the General Fund, this is mainly mitigated by the government's provision of Covid-19 emergency support grants, Covid-19 earmarked reserves brought forward from 2020-21 and sales, fees and charges income compensation.

This is an indication that the stronger reserves position brought forward from 2020-21 would not be significantly reduced as part of delivering 2021-22 budget which is a positive sign in terms of financial resilience at the Council.

The MTFS issued in February 2022, indicates that Council is forecasting a General Fund Minimum Balance and Corporate Reserves of £52.6m as at end of 31 March 2023.

Overall, our work has indicated the Council identifies and manages the risks to its financial resilience and we have not identified any significant weaknesses in this area.

### Conclusion – financial sustainability

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses. We have identified one improvement recommendation, in respect of the clarity of reporting the Council's savings programme, which is set out in this section.

# Improvement recommendation



## Financial Sustainability

Recommendation	Going forward, the Council should improve it’s reporting arrangements on tracking savings targets set, clearly indicating the targets, savings achieved during the year and reasons for not achieving savings with any mitigating commentary.
[Tracking Savings Targets]	
Why/impact	Planning to bridge the funding gaps and identify achievable savings are key parts of sustainable financial management. Any non-delivery of savings plans could have consequences on the Council’s financial performance and delivery of the budget. Non-achievement of savings may potentially reduce the Council’s useable reserves balances which are already lower than most equivalent authorities. Reporting these clearly in the finance reports improves transparency and clearer understanding of how savings targets are delivered. When they are delayed, clearly articulating the reasons for the delay with any actions taken to deliver in the future would also be useful to clearly track these in future reporting.
Auditor judgement	We have not identified any significant weaknesses in the Council’s arrangements in place for setting savings plans. This is an improvement recommendation based on our findings on clearly reporting and tracking savings targets in the finance and outturn reports . We have taken in to account the Covid-19 impact and other challenges in making this recommendation. We are also aware that Council has still delivered the overall budget and set balanced budgets in spite of not delivering the savings targets as initially planned. Hence this a deemed an improvement recommendation and not a key recommendation.
Summary findings	<p>The Council set savings targets of £34m for 2019-20 and 2020-21 during February 2019. The Budget and Council Tax Report 2021-22 agreed at Council in March 2021 indicated that £16m of the total £34m of agreed budget savings and cost reductions had been delivered at that point (by March 2021) and that the remaining savings of £18m (£34m - £16m) were profiled across the medium term. A further £2m savings are projected to be delivered in 2021- 22 against an original target of £5.65m. Then a further £11.5m is profiled for delivery from 2022-23 to 2024-25 in the updated MTFS. This brings a total of £29.5m savings and cost reductions from the original £34m target by 2024+ 25. The remaining £4.5m balance is going to be achieved through additional corporate savings from treasury management. In summary, the Council is now planning to deliver its original savings target of £34m by the end of 2024-25.</p> <p>Our review and discussions with management indicated that there are valid reasons for this delay in savings delivery. These are highlighted at page 10. However, our work identified that tracking savings targets over a number of years was difficult from reading the Council’s finance and outturn reports. There is scope for improvement in the transparency of the reporting in this area, hence this recommendation.</p>
Management comment	<i>We are satisfied that we have set realistic savings for the Council over the medium term and have delivered on our budgetary commitments. However, we do accept that the clarity of reporting delivery of savings could be enhanced. We will look to introduce revised and clearer reporting of our savings going forward.</i>

The range of recommendations that external auditors can make is explained at Appendix C.

# 6. Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place on budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council uses a five-step approach in the identification and treatment of risk. These are, identify, evaluate, manage, monitor, review and report risks.

The Council has a Strategic Risk Register (SRR) and Directorate Risk Registers (DRR). Directorate risk registers should also include an indication of whether a risk is also on the Strategic Risk Register.

The SRR is reviewed quarterly at the Strategic Leadership Team and the Directorate Risk Registers are reviewed monthly at Directorate Leadership Team meetings and risk owners monitor risks on an ongoing basis. The SRR is also considered biannually by Audit Committee and Directorate Risk Registers are presented on an annual rolling programme.

The Risk Management Group, which includes the Risk Champions, continues to meet bi-monthly to co-ordinate and drive risk management development throughout the Council.

The Risk Management Policy and Guide underpins the Council’s approach to risk management and continues to underpin all risk management training and risk registers. The policy and guide are available to all staff through the intranet and all managers are referred to it when they complete their risk management training. Manager and staff briefings are also produced to make people aware of the revised policy and guide.

The Council has a standard approach to the production and scoring of risks to promote consistency. Risks are scored, RAG rated (see table on the right), mitigations identified where possible and allocated to a responsible Head of Service or Strategic Director.

Regular updates on the progress of the work of the internal audit function are presented to Audit Committee setting out the audit plan, progress against the plan and against any recommendations arising from internal audit reviews into the Council’s control environment.

From our experience of attending the Audit Committee, we have not identified any issues in terms of internal audit’s work to deliver their audit plan. The Head of Internal Audit provides his annual statement every year as required by Internal Audit standards and there are no key weaknesses identified from his report for 2020-21.

The Annual Governance Statement for 2020-21 was approved 3 December 2021. There were no significant governance weaknesses identified in this report in relation to monitoring and assessing risks.

Our work indicated that the SRR is not shared with the Cabinet for any checks and challenges. Considering the importance of both the SRR to the Council and the key role played by the Cabinet in terms of key decision making, as a good governance measure, we have raised an improvement recommendation on this.

We have not identified any significant weaknesses in relation to monitoring and assessing risks at the Council.

LIKELIHOOD	Almost Certain 5	5	10	15	20	25
	Very Likely 4	4	8	12	16	20
	Likely 3	3	6	9	12	15
	Possible 2	2	4	6	8	10
	Unlikely 1	1	2	3	4	5
		Insignificant 1	Minor 2	Significant 3	Major 4	Catastrophic 5
IMPACT						

# Governance

## How the Council approaches and carries out its annual budget setting process

Service budget holders are encouraged to work with their finance business partners to consider, where appropriate, the benefits of using trend analysis to support financial forecasts. The Council has several areas where sensitivity analysis is considered in order to inform forecasts, for example, for forecasting the social care placements, fees and charges such as from parking income or leisure facilities. These are then captured in the budget setting after due considerations for appropriateness.

When setting budgets, alternative proposals are considered by directorate finance teams as applicable, to help inform the process and establish if further savings can be generated or if additional investment is required.

There is evidence from the budget setting reports, the impact of expected investment and borrowing activities are considered and reflected in the annual budget and MTFS. This analysis is attached as an appendix to the annual budget papers. For example, if it is a capital investment, it covers the project details including relevant directorate, outputs and outcomes, financial implications and any associated risks.

The MTFS sets out the availability of resources over the period, the cost pressures and savings expected. Therefore, this sets the parameters for the level of budget that can be set on an annual basis, it also helps shape the trajectory of the Council's budget, for example, the 2021-22 budget allowed for some revenue investments bids as they could be afforded in 2021-22, however, they were one year only bids as the Government's one year settlement did not give the Council sufficient assurances around funding for 2022-23 onwards to allow them to be made permanent.

The Council publishes the budget consultations before approval with budget papers. It covers, the questions asked from the public and responses received. This is evidenced from the appendix with budget papers titled "Budget Consultation".

Budget holders work with the finance business partnering team to set the detailed budgets on an annual basis ahead of the final budget report being produced. This enables the Council to address any savings or cost pressures. Service Directors are involved in the budget setting process throughout, given opportunity to raise any budget concerns, put forward revenue and capital investments proposals and assist in the presentation and support from members on the budget process. These discussions take place through the Council's Budget Working Group, made up of a mixture of Members and Strategic Directors.

Our work did not identify any significant weaknesses in this area or any need of improvement recommendations.



Public Report  
Cabinet



# Governance

## Process and systems in relation to budgetary controls

The Council has a Finance Business Partnering team for each Directorate, each with a Head of Finance that will ensure support is provided to the service to report financial performance in a timely and accurate manner. Each Directorate Leadership Team will receive monthly updates on the financial position and these updates are also fed up to Senior Leadership Team and on a regular basis to Cabinet as part of the Council's financial monitoring reports.

The Council's financial monitoring reports will highlight any key issues and recommend mitigating actions. Significant pressures are reported to Cabinet again with mitigating actions, with the directorate leads working with the corporate finance team to identify solutions.

The Council has a good financial monitoring system in place where bi-monthly financial monitoring reports to Cabinet are published. It provides key issues comparing the approved budget against the actual performance and provides explanations for the variations. It also estimates the year end forecast based on the currently available information. It captures the key issues such as the Dedicated School Grant deficit. Additionally, it covers the position on Housing Revenue Account, capital programme update including variations to the capital programme with explanations.

The Council issues a copy of the Treasury Management (TM) Strategy and Outturn report to cabinet every year covering all things TM related, including the impact of TM activity on the Council's revenue position, and the adherence to complying with the Council's investments and borrowing targets.

Budget management is a key element of the job description for managers and forms part of their annual performance reviews with their line managers.

The finance department was restructured during 2017-18 to ensure that each business partnering team has sufficient senior management support, that roles are clearly defined and that where possible, roles are covered with similar skill sets. The structure is also much flatter now with fewer levels meaning finance staff roles are more similar and as such staff are able to more easily transfer between teams.

Overall our review indicated that there are sufficient processes and systems in place for budgetary controls and we have not identified any significant weaknesses.

## How the Council makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

All key decisions are taken at Cabinet. In order to gain a decision from Cabinet, a Cabinet report must be produced. These reports are in a set format to ensure that all relevant information is included within the report for the decision makers to make an informed decision. These reports go through a review and approval process including finance, HR, legal, procurement, SLT prior to presentation to Cabinet. In addition, any report can be called in for review by the Overview Scrutiny Management Board prior to a report being presented to Cabinet, with their recommendations added to the report presentation.

Strategic Directors are named as lead officers on all Cabinet reports, and they will typically present the reports to Cabinet when seeking approvals on decisions made. This makes it clear that they support the proposal being put forward and that they stand behind that decision.

The Council adopts the appropriate decision making style to suit the situation, where possible the Council aims to be strategic in its decision making but clearly there are scenarios like the floods or Covid where the Council needs to be reactive in its decision making.

The S151 Officer is the Strategic Director of Finance and Customer Services and sits as a member of Senior Leadership Team (SLT). However, to further bolster the financial resilience of SLT, the Deputy Section 151, the Assistant Director of Financial Services, also sits a member of SLT. This is considered good practice.

As regular attendees of the Audit Committee, we have noted how management have been challenged on reports, and constructive and objective discussions between management and those charged with governance regularly take place.

We have noted that after May 2021 local government elections, there had been some changes to Audit Committee members. However, we have noted continued good challenge and debate from Members of the Committee to both management and internal and external audit. Overall, there is appropriate amount of scrutiny provided by those charged with governance.

# Governance

## How the Council monitors and ensures appropriate standards are achieved

The Council's governance arrangements provide a framework upon which all relevant standards and legislative requirements are considered and addressed. The Council's Constitution and employees Code of Conduct clearly set out roles and responsibilities and processes to be followed with regards to declaration of interests and offers of gifts and hospitality.

The Council's Annual Governance Statement and governance framework includes consideration of the legal and regulatory framework throughout.

The Council's constitution, which was updated in November 2020, sets out the form and function of the executive and the roles of individual officers and members to ensure they act lawfully and meet all regulatory standards in carrying out their duties.

The Council's local code of governance (which is consistent with the seven principles set out in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government) sets out the expectations in relation to maintaining good governance and the appropriate behavioural traits of individuals when conducting their duties. These are further supported by individual Member and employee codes of conduct which also establish the arrangements in relation to the recording of gifts, hospitality and conflicts of interest.

From our work performed, inquiries from management, including review of the Council's Annual Governance Statement, we have not indicated any evidence of significant non-compliance with the Council's constitution.

The Council has a Code of Conduct for officers and Code of Conduct for Members, known as the "Councillor Code of Conduct".

The Code of Conduct for officers is based on key principles arising from the work of the Nolan Committee on standards in public life; it outlines the minimum standards that all Council employees, casual workers, agency staff, contractors and volunteers must adhere to.

The purpose of this Code is to promote consistency and make all employees aware of their responsibilities whilst engaging in work for the Council, by specifying standards of behaviour and by clearly defining rules concerning official conduct.

The Councillor Code of Conduct, has been designed to support the Council's democratic role, encourage good conduct and safeguard the public's trust in local government and the Council.

Our work in this area identified the following inconsistencies which we have discussed with management:

- The Register of Interests that has been published on the Council's website has not been fully updated (as per the Code requirement) within 28 days of election, re-election or re-appointment for all elected Members. Considering there was an election in May 2021, the registered should have been updated in 2021. We noted on some members, the last update date stamp was in 2019 or 2020.
- According to the Code of Conduct, Members need to declare any gifts and hospitality over £50. However, the Register of Interest document published on the Council's website indicates the value at £25.
- There is a link on the Council's website for each councillor, which provides information on any gifts and hospitality declared. According to link, no councillor has received any gifts or hospitality for any year. Gifts and hospitality need to be also declared in the Register of Interest document. However, we noted an inconsistency between what has been declared in the Gifts and Hospitality register and what has been reported through this separate link.

Management has accepted these issues and is now in the process of updating these to eliminate the inconsistencies and ensure the Code of Conduct for members is fully complied with, and up to date information is published on the Council website. We have made an improvement recommendation on this matter.

## Conclusion – Governance

We have not identified any significant weaknesses in respect of the Council's governance arrangements. Overall, we are satisfied the Council has appropriate arrangements in place, including for budget setting and risk management. Our work identified two improvement recommendations to further enhance the Council's governance arrangements.

# Improvement recommendation



Governance

<b>Recommendation</b>	The Council should have a formal process of sharing the Strategic Risk Register (SRR) with the Cabinet for consideration and discussion at least annually.
<b>[Strategic Risk Register]</b>	
<b>Why/impact</b>	<p>A robust Strategic Risk Register sets the culture and tone for management of threats, concerns and the assurances required across the Council. The engagement of the Senior Management Team (SMT) and members in the risk management process through their ownership and review of strategic risks demonstrates a strong commitment to lead and champion risk management “from the top”, and further reinforces the continuing development of a risk management culture across the Council.</p> <p>The Cabinet has overall responsibility for services that the Council provides and works within the overall policies and budget agreed by the Council. The Cabinet members work closely with SMT to deliver Council services and objectives and whilst doing that try to minimise risks to the Council that may impair achievement of the Council’s vision.</p> <p>Therefore, we consider formally sharing the SRR with the Cabinet for consideration and discussion further improves the Council’s overall governance framework in addition to work done by the Audit Committee.</p>
<b>Auditor judgement</b>	Whilst we acknowledge the bi annual reporting of the SRR to the Audit Committee for check and challenge, we equally believe it is important for management to share the SRR with the Cabinet due to its key decision making function. We believe that this would further strengthen the Council’s governance framework and would enhance the process of identifying relevant and appropriate risks of the Council and how to mitigate them.
<b>Summary findings</b>	<p>The SRR is reviewed quarterly at the Strategic Leadership Team and the Directorate Risk Registers are reviewed monthly at Directorate Leadership Team meetings and risk owners monitor risks on an ongoing basis. The SRR is also considered biannually by Audit Committee and Directorate Risk Registers are presented on an annual rolling programme.</p> <p>Our work indicated, the SRR is not formally shared with the Cabinet for any checks and challenges. Considering the importance of both the SRR to the Council and the key role played by the Cabinet in terms of key decision making, our view is there should be a formal process of sharing the SRR with the Cabinet.</p>
<b>Management comment</b>	<i>Our proposal in responding to this recommendation is to implement a change to the process for Audit Committee raising any concerns regarding the Strategic Risk Register with the Cabinet. In our view, this needs to be clarified within the Council’s Constitution and we will be taking this forward as an action in 2022-23.</i>

The range of recommendations that external auditors can make is explained at Appendix C.

# Improvement recommendation



Governance

**Recommendation**

**[Members Register of Interest and gifts and hospitality]**

The Council’s arrangements in relation to recording and reporting members’ register of interest and gifts and hospitality should be further strengthened in order to make it consistent with the requirements of the Council’s Councillor Code of Conduct.

**Why/impact**

The Council’s Councillor Code of Conduct has been designed to protect the democratic role, encourage good conduct and safeguard the public’s trust in local government.

These requirements are an integral part of Council’s transparency, accountability and to show the highest standards of conduct for Members. Not demonstrating such standards could damage the Council’s reputation and public trust.

**Auditor judgement**

We consider the Councillor Code of Conduct is a significant document in the Council’s overall governance arrangements. Complying with its own governance requirements is crucial to set high standards and lead by example.

**Summary findings**

- Our work in this area identified some inconsistencies which we have discussed with management:
- The Council’s process for updating the Register of Interests should be amended so that it is clearer about how existing and new members are required to refresh their information, including clarity on how members are requested for updates and how that data is updated (in particular where not updated if there is no change).
  - According to the Code of Conduct, Members need to declare any gifts and hospitality over £50. However, the Register of Interest document published on the Council’s website indicates the value at £25.
  - There is a link on the Council’s website for each councillor, which provides information on any gifts and hospitality declared. According to link, no councillor has received any gifts or hospitality for any year. Gifts and hospitality need to be also declared in the Register of Interest document. However, we noted an inconsistency between what has been declared in the Gifts and Hospitality register and what has been reported through this separate link.

**Management comment**

*The ROI form will be changed to £50, if however Members want to declare any gifts and hospitality to be open and transparent of whatever sum that will be recorded. The ROI process notes will be updated to address the recommendations as set out and gifts and hospitality declared will all be held online moving forwards.*

The range of recommendations that external auditors can make is explained at Appendix C.



# 7. Improving economy, efficiency and effectiveness



**We considered how the Council:**

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

**Performance review, monitoring, assessment and improvements**

The Council continues to have a performance monitoring system in place. It monitors performances via Key Performance Indicators (KPIs). The Council is now at a transitional period in terms of monitoring its performance and reporting to the public.

Until the end of 2019-20, the Council reported every quarter on a set of 69 KPIs which had formed part of the Council Plan in place at that time. When the Covid-19 pandemic arrived in March 2020, the Council approved a “Year Ahead Plan” which was designed to take the Council through the Covid crisis and up to the point where the Council was able to agree a new Council Plan. The Year Ahead Plan was publicly monitored quarterly. The final monitoring report has just been published and was considered at Cabinet in early 2022.

Whilst this was taking place, management also internally monitored the all KPIs up to 31 December 2021, in the previous Council Plan measures and produced reports for the Leader and Chief Executive setting out the details of Council’s performance on these.

From 1 January 2022, the new Council Plan was published and this included 63 KPIs aligned to Council’s 5 themes, underpinned by One Council. Those are; every neighbourhood thriving, people are safe, healthy and live well, every child able to fulfil their potential, expanding economic opportunity, and a cleaner, greener local environment. The new KPIs will return to a format of quarterly public reporting and the first report will be considered by the Cabinet in June 2022 covering the period up to the end of March 2022.

Overall, we are satisfied the Council continued to have a monitoring system that captured its performance against the key indicators, and that there were arrangements in place to monitor delivery and taken corrective action as necessary.

Our work indicated the Council has reviewed the number of KPIs, which has now brought the number down to 63 from 69.

As part of its performance measurement and improvement agenda, in future performance reports the Council should ensure that the benchmarking data is clearly visible, where it is relevant, for each of the performance measures, by referencing in the scorecard . This would help demonstrate how the Council is performing comparatively and identify any opportunities to further improve performance.



# Improving economy, efficiency and effectiveness

## Performance review, monitoring, assessment and improvements (continued)

Under the NAO's guidance for external auditors on value for money arrangements reviews, we are required to take into account the findings of other regulators and inspectors to inform our VFM work.

The Council also takes external inspections and their recommendations seriously and has a good track record of implementing them.

### Ofsted Report December 2020:

In October 2020, the Council was subject to a focused inspection visit by Ofsted on Children's Services and the report was issued in December 2020. The key findings were generally very positive which indicated:

- Rotherham's Children Services reacted rapidly and effectively to Covid-19 pandemic. Senior leaders ensured that, wherever possible services continued as planned before the pandemic
- Strong and effective multi-agency partnerships enabled the early identification of vulnerable children. Senior leaders, managers and staff have effective oversight of children and young people who need to be safeguarded and supported
- Children and families received services and support that were appropriate and proportionate for their level of need
- Early help services and Children's Social Care are integrated, promoting positive working relationships and clear understanding of relevant issues.

Whilst the report highlighted some improvement areas (as with any inspection) overall, this was a positive report from Ofsted.

### Ofsted and CQC report July 2021:

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint Local Area Special Educational Needs and Disabilities (SEND) inspection of the local SEND system in Rotherham. This was to assess the effectiveness of the area in implementing the special educational needs and/or disabilities reforms as set out in the Children and Families Act 2014. The inspection was led by Ofsted, supported by a team of inspectors from Ofsted and the CQC. The report was issued in November 2021.

Inspectors interviewed children and young people with SEND, parents and carers, and the Council's and National Health Service (NHS) officers. They visited a range of providers and held discussions with senior management, staff and governors about how they were implementing the SEND reforms.

The inspection did highlight some strengths in the service, however, there were four areas for improvement. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCI) determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness identified in implementing SEND reforms, specifically in four areas, in Rotherham.

HMCI also determined that the Council and the Clinical Commissioning Group are jointly responsible for submitting the written statement to Ofsted. In reaching their judgements, inspectors took account of the impact of the Covid-19 pandemic on the SEND arrangements in the borough. More detail findings of this inspection and the full report can be obtained from Ofsted's website.

As a result of these findings from Ofsted and CQC, our view is there is a significant weakness in arrangements in relation to improving economy, efficiency and effectiveness in Rotherham in implementing special educational needs and /or disabilities (SEND) reforms as set out in the Children's and the Families Act 2014.

This has led to a **Key recommendation** in this report in relation to the need to respond accordingly to the main findings of the review and the need to implement a clear action plan (WSOA) to drive the necessary improvements in SEND reform arrangements.

### Health and Safety Executive Investigation: November 2021:

On 29 November 2021, the Health & Safety Executive made the Council aware of an investigation it is undertaking. This was reported in the Council's 2020-21 financial statements under the contingent liabilities note.

We have undertaken a review of this investigation since we issued our accounts audit opinion. The work undertaken by the HSE is still ongoing and they have not reached any decisions or conclusions at this stage.

Therefore we are unable to and cannot make any judgements or conclusions on this this matter as part of our 2020-21 VFM review. No further work will be performed until the investigation is completed and HSE publish a final report.

We will continue to monitor this matter in 2021-22, as part of our 2021-22 financial statement audit and VFM work.

# Improving economy, efficiency and effectiveness

## Partnership working

Throughout the Covid pandemic the Council's responses have been guided by working in partnership with a host of organisations. One such example is the administration of business support grants in a consistent manner across the Sheffield City Region (SCR). This has been established through the local authorities of the SCR working in partnership to set out the aims of any discretionary funding, consistent processes and linked communications. Officers groups, S151 groups, Chief Executive groups and Council Leader groups were established or used to ensure joined up thinking and a joined up approach. This approach led to the SCR as one of the areas to disperse a significant amount of government funding early, to support impacted businesses.

We also noted Ofsted's Focused Visit conducted in October 2020, on Children's Services (see page 24) which highlighted effective partnership working with multi agencies helping to identify vulnerable children. The report also highlighted good partnership working with schools which has supported children's learning when they have not been in school due to the Covid 19 pandemic.

For any significant partnership working that generates a key decision, a report to carry out any actions would need Cabinet approval. As such, Cabinet would be consulted on any plans and the monitoring arrangements that would be in place for any such partnership working. The Council's work with Voluntary Action Rotherham, for example, is reported through Cabinet on a regular basis.

Our review did not highlight any improvement areas in partnership working and it indicated that the Council has appropriate arrangements in place for key partnership working.

## Procurement arrangements

The Council's procurement rules are captured within the Financial and Procurement Procedure Rules (FPPR). The latest Procurement Procedure Rules (PPR) were approved in 2021, the Council is currently working to fully embed these revised rules and procedures.

There have been other formal procedures in place at the Council prior to rolling out of current PPRs. Some of these were formal mechanisms for approval of exemptions, waivers to FPPRs, reporting of exemptions to the Strategic Leadership Team (SLT), formally implementing the use of procurement business cases and tender evaluation reports within the procurement process.

For the last two years (2020 and 2021), the Council has provided an annual procurement update to SLT. This report generally covers, the exemptions in the last 12 months, processes and procedures in place, social value consideration and forward plans on procurement.

In summary, there have been arrangements in place and risks mitigated before the new FPPRs were rolled out in 2021. We also understand that Internal Audit is undertaking work in this area during 2022-23 in relation to embedding the latest procurement rules and procedures within the Council.

Considering this is an important area for the Council in terms of compliance of regulation and legislation, and in terms of value for money in using its resources, going forward, we would recommend the Council to put in place:

- A structured system to monitor and report compliance with the latest Procurement Procedure Rules and take corrective actions as applicable
- Annual Reporting to the Cabinet on compliance with latest Procurement Procedure Rules summarising any key matters.

We consider this would further enhance application of Council's procurement arrangements and demonstrate sound accountability and transparency.

## Conclusion – Improving economy, efficiency and effectiveness:

Overall, we are satisfied the Council has appropriate arrangements in place in relation to improving economy, efficiency and effectiveness except for arrangements in implementing special educational needs and / or disabilities (SEND) reforms as set out in the Children's and the Families Act 2014. We consider there is a significant weakness in these arrangements as highlighted by Ofsted and the CQC in their report in November 2021. We have raised a Key recommendation on this.

We have also made two improvement recommendations for improving economy, efficiency and effectiveness.

# Key recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>  <b>[July 2021 Ofsted/CQC report on SEND]</b>	<p>Following the Ofsted and CQC SEND inspection, the Council should:</p> <ul style="list-style-type: none"> <li>• have a clear “Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014</li> <li>• a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC</li> <li>• The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission.</li> </ul>
<b>Why/impact</b>	<p>Under the NAO’s guidance for external auditors on value for money arrangements reviews, we are required to take into account the findings of other regulators and inspectors to inform our VFM work.</p> <p>If a robust action plan was not put in place and rigorously monitored, there is a risk to the impact on vulnerable members of the borough and a potential reputational and financial risk to the Council.</p>
<b>Auditor judgement</b>	<p>We consider this as a significant weakness in arrangements to implementing special educational needs and /or disabilities reforms as set out in the Children's and the Families Act 2014.</p>
<b>Summary findings</b>	<p>In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. The inspection did highlight some strengths although there were many areas for improvement. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty’s Chief Inspector (HMCI) has determined that a Written Statement of Action (WSOA) is required because of significant areas of weakness identified in the service.</p>
<b>Management comment</b>	<p><i>The Leadership Team both in the Council and CCG have provided a clear action plan that addresses the four areas identified in the WSOA. This has been submitted to Ofsted and this was accepted by them. Governance has been strengthened across the partnership in order to ensure pace and delivery of improvements that are required. Senior management are leading this from the two organisations.</i></p>

The range of recommendations that external auditors can make is explained at Appendix C.



# Improvement recommendation



Improving economy, efficiency and effectiveness

<b>Recommendation</b>	As part of Council's continuous performance improvement agenda, it should consider:
<b>(Performance management)</b>	<ul style="list-style-type: none"> <li>In future performance reports the Council should ensure that the benchmarking data is clearly visible, where it is relevant, for each of the performance measures, by referencing in the scorecard . To help demonstrate how the Council is performing comparatively and identify any opportunities to further improve performance.</li> </ul>
<b>Why/impact</b>	Having this information more clearly presented in performance report will help the Council understand how it performs comparatively.
<b>Auditor judgement</b>	Our recommendation is not evidence of any significant weakness in the Council's performance monitoring framework. Our intention is to enhance the current arrangements in place at the Council.
<b>Summary findings</b>	The Council has a performance monitoring system that is published on the Council's website.
<b>Management comment</b>	<i>The Council intends to ensure the benchmarking data it holds is more clearly visible, where relevant, for each of the performance measures, by referencing in the scorecard.</i>



The range of recommendations that external auditors can make is explained at Appendix C.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b> <b>(procurement arrangements)</b>	<p>Going forward, we would recommend the Council to put in place:</p> <ul style="list-style-type: none"> <li>• The Council should identify the key control areas of the Procurement Procedure Rules and create a structured system to monitoring compliance and take corrective actions as required.</li> <li>• Annual Reporting to the Cabinet on compliance with latest Procurement Procedure Rules summarising key matters.</li> </ul>
<b>Why/impact</b>	<p>Procuring services from external suppliers are needed when carrying out Council activities. In some cases there could be significant financial amounts involved. Ensuring the right quality, good value for money and consideration of social values are important part of local authority procurement.</p> <p>Compliance with applicable procurement legislation is important in order to minimise the Council's risks and exposure.</p>
<b>Auditor judgement</b>	Our recommendation is not evidence of any significant weakness in the Council's procurement arrangements . Our intention is to enhance the current arrangements in place at the Council and going forward, formally monitor the compliance with Council's latest Procurement Procedure Rules .
<b>Summary findings</b>	The Council introduced new set of approved Procurement Procedure Rules in 2021.
<b>Management comment</b>	<i>The Council will aim to identify the key control areas of the Procurement Procedure Rules and create a structured system to monitoring compliance and seek to take corrective actions as required. The Council's priority, however, given the improvement journey the Council is on with procurement will be to embed the new FPPR's through training and communications of key messages ahead of delivery of new monitoring processes.</i>



The range of recommendations that external auditors can make is explained at Appendix C.

## 8. COVID-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

### Responding to new risks facing from 2020-21 onwards in respect of Covid-19

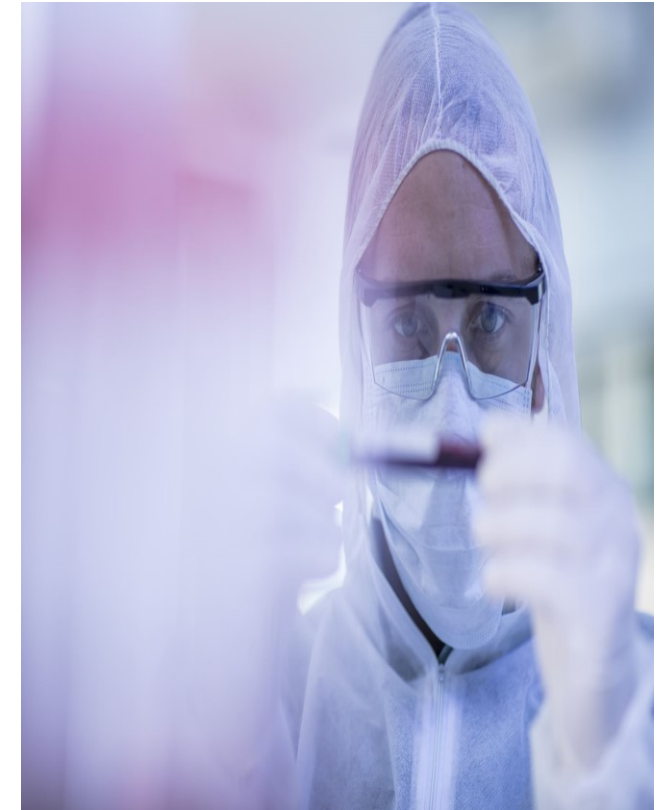
The Council, like all authorities across the country, faced significant financial challenges arising from the pandemic, from additional Covid related costs and lost income impacting on the Council's ability to manage its budget position for 2020-21.

However, the Council was able to mobilise financial resources to manage these pressures, establishing monitoring tools to track, report and control Covid-19 related pressures, gaining an understanding of emergency Covid-19 funding and the wide variety of new Covid specific grant streams so that they could be effectively deployed.

The Council was able to deliver in excess of £85m of business support grants to over 5,000 local businesses, £2.8m of Council Tax relief to over 15,000 households through the Government's Hardship Grant and £0.8m Test and Trace payments to over 1,500 individuals required to self-isolate.

Through the redeployment of staff during the pandemic to the services required to manage the Council's response, the possibility of additional costs of agency workers have been prevented.

Looking ahead, whilst the financial impacts of Covid-19 will continue and the speed of recovery is unknown, the Council is meeting these challenges from a position whereby Council's reserves, whilst lower than other metropolitan authorities, have increased over recent years.



# COVID-19 arrangements

## Arrangements in place to identify and monitor additional costs, controls and procurement

From the outset of the pandemic the Council established a process of tracking all Covid related expenditure and income losses.

This information is identified through a variety of sources; finance teams, service budget holders, through the emergency response groups and Gold reports. This information was collated for internal reporting and externally to the Department for Levelling Up, Housing and Communities (DLUHC), as part of the monthly Covid impact returns. The information was also able to identify the use of Covid grants and ensure where possible they are maximised.

Additional expenditure related to Covid went through a defined approval process, through the Council's Tactical and Gold boards. These meetings were established as part of the Council's emergency response procedures and remained in place throughout the pandemic to ensure that the Council's response was efficiently controlled and that financial impacts of any decisions were understood.

## Governance, internal controls and distributing of grants

The reporting throughout the pandemic required the relevant Head of Finance to approve spend in their area. All the key activities responding to the pandemic were put in place in line with the Council's emergency planning protocols which were approved by the Gold Board from the early stages of the pandemic. Therefore, the approach was in place in terms of how the Council would look to govern itself and take key decisions on timely basis.

From the outset of the Government's announcement of the intention that local authorities would administer distribution of the grants, the Council created a team of finance staff, supported by audit, business, communications and IT teams that could establish an appropriate process for allowing businesses to come forward and apply for grant support.

By the time that local authorities were able to make the first payments to businesses on the 1 April 2020, the Council had its online application form up and running and had received a number of applications, which had been already checked and were ready to be paid. The Council followed government instructions and guidance to ensure that businesses were checked against the criteria of the grants provided.

Overall there were appropriate arrangements in place to distribute the grants.



## Conclusion – Covid -19 arrangements:

Our review has not identified any significant weaknesses in the Council's arrangements in relation to responding to the Covid-19 pandemic.

# Appendices



# Appendix A - Responsibilities of the Authority



## Role of the Strategic Director – Finance and Customer Services

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Strategic Director - Finance and Customer Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director – Finance and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director - Finance and Customer Services is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Strategic Director - Finance and Customer Services is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No Statutory recommendations have been raised in 2020-21.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as ‘key recommendations’.	One key recommendation has been raised in 2020-21.	24
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	Five improvement recommendations have been raised. One on financial sustainability, two on governance and two on improving economy, efficiency and effectiveness.	14, 19, 20, 25, 26

# Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

<p><b>Statutory recommendations</b> Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	<p>We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014</p>
<p><b>Public interest report</b> Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p><b>Application to the Court</b> Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.</p>
<p><b>Advisory notice</b> Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	<p>We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.</p>
<p><b>Judicial review</b> Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p>

