

Auditor's Annual Report on Rotherham Metropolitan Borough Council

2021-22 VFM arrangements

6 March 2023



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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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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 Council 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

Overall commentary

We have noted the improvement journey the Council has been on and this continued in 2021-22 – with a notable success of winning the ‘most improved council of the year’ at the Local Government Chronicle Awards in July 2022. The Council’s financial position is strengthening, albeit the level of useable reserves in proportion to the Council’s spend is lower than most of its peer authorities. The announcement that the Council was awarded £20.5m in ‘safety valve’ funding to deal with its significant deficit on the Dedicated Schools Grant reserve was a good outcome for the Council and a reflection of the DfE’s assessment in the Council’s arrangements. Governance arrangements continue to be appropriate and the only significant weakness we have identified is in relation to the findings of the Ofsted/CQC inspection on Special Educational Needs and/or Disabilities (SEND) from 2021 – which we reported in our 2020-21 Auditor’s Annual Report in March 2022 and remains relevant to this review of the Council’s arrangements to 31 March 2022.

We have identified a small number of improvement recommendations to further improve the Council’s finance, governance and performance arrangements and also documented our follow up of the recommendations raised in the prior year within Section Eight of this report.

Financial sustainability

As with all local authorities, the Council was operating in an increasingly uncertain financial environment for the 2021-22 financial year, the Council will need to continue to plan with little certainty over funding in the medium term. Despite this uncertainty, and the ongoing challenges posed by Covid-19, the Council is building an improved financial position. The Council has put forward a series of proposals which originally forecast a balanced budget for the 2022-23 financial year. As of September 2022, the Council estimated an overspend of £18.2m for the financial year 2022-23, including a core directorates forecast year-end overspend of £8.1m on the General Fund and £10.1m of estimated unbudgeted cost resulting from the wider financial impact of the war in Ukraine, inflation, energy price increases and the impact of the 2022-23 pay award.

In addition, as at 31 March 2022, the Council held general revenue reserves of £65.8m (2020-21 £53.9m). This places the Council in an improving financial position, although one that will have to deal with an overspend at the year-end. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium Term Financial Plan and monitoring of the delivery of capital plan. We note the Council’s latest forecast position is an overspend of £8.4m, an improvement of nearly £10m from the September forecast position. This is a result of savings across a range of areas, including vacancy controls, a review of grants, treasury management and corporate budgets, and improvements noted within the Children’s placement budget.

Further details can be seen on pages 8 to 14 of this report.

Governance

Our work on business as usual governance has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. We have identified opportunities to further enhance the Council’s governance arrangements with regard to risk monitoring and by identifying the benefits and upside of risk management.

Further details can be seen on pages 15 to 19 of this report

Improving economy, efficiency and effectiveness

The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has included the significant weakness from our prior year work in relation to the regulatory inspection of SEND as noted above. We note the actions taken in relation to the findings from the SEND review and will continue to monitor this matter as part of our 2022-23 VFM work. We have not identified other any significant weaknesses in arrangements or need for key recommendations in relation to delivering economy efficiency and effectiveness.

We have proposed an improvement recommendation to streamline and further enhance the Council’s arrangements with regard to performance reporting.

Further details can be seen on pages 20 to 24 of this report.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions are summarised in the table below.

Criteria	Risk assessment 2021-22	2020-21 Auditor Judgment	2021-22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendations made.	A No significant weaknesses in arrangements identified, but an improvement recommendation made.	↔
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendation made.	A No significant weaknesses in arrangements identified, but an improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	A possible ongoing significant weakness identified in relation to the Ofsted/CQC report on SEND.	R Significant weaknesses in arrangements identified and key recommendation made in relation to the findings from Ofsted/CQC on SEND.	R The ongoing significant weaknesses in arrangements as at 31 March 2022 regarding the SEND report, and an improvement recommendation made.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

2. Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses in 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'.

Our work has not identified any new significant weaknesses in arrangements and therefore we have not made any new key recommendations. However, as noted previously, the significant weakness and associated key recommendation on SEND, raised in our 2020-21 auditor's annual report in March 2022, remains relevant in our review of the Council's arrangements to 31 March 2022.

Appendix B 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.

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 2021-22 audit year.

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



3. Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified audit opinion on the Council's financial statements on 16 January 2023, following the publication of the Statutory Instrument on infrastructure accounting. Our audit work was completed by the end of November 2022, with the exception of the national issue on infrastructure.

Other key findings

We have not identified any significant findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings (ISA260) Report

More detailed findings can be found in our ISA260 Report, which was reported to the Council's Audit Committee on 29 November 2022.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it. The Council's finance team demonstrated a good level of engagement in the 2021-22 audit process and throughout the year. This helped to ensure the audit process progressed smoothly.

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.

The WGA audit guidance for 2021-22 has recently been issued and, as in the prior year, the Council falls below the threshold for detailed audit procedures. We will complete the high-level assurance statement on the WGA consolidation pack in line with the national guidance. We expect to complete this work in March 2023.

Grant Thornton provides an independent opinion on whether the accounts are:

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



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

All Councils 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. The Council's responsibilities are set out at Appendix C.

Councils 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) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council 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 is set out on pages 8 to 24. Further detail on how we approached our work is included at Appendix B.

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.

Identifies all the significant financial pressures it is facing and builds these into its plans

The Council set a balanced budget for 2021-22, which included the use of £7.5m from the Budget Strategy Reserve. The Council carried forward Covid-19 emergency support funding from 2020-21 to support ongoing service Covid costs and income losses.

In addition, further emergency support funding was received during 2021-22 and the Government confirmed the co-payment mechanism for irrecoverable sales, fees and charges income continued into Quarter 1 in 2022-23. The Council has monitored and managed this Covid funding carefully to ensure there was sufficient resources available to manage the financial implications of the continuing impact on services throughout the pandemic. The Council incurred significant direct additional costs and income losses over the financial year 2021-22 and diverted resources to different priorities to support activity in relation to the pandemic.

The updated position on delivery of savings was presented to Cabinet in December 2021, as part of the Medium Term Financial Strategy (MTFS) update, this outlined £11.5m of agreed savings to be delivered over the MTFS period. These savings are listed by Directorate below:

- Adult Social Care £2.8m
- Children's Social Care £7.4m
- Regen & Environment – savings on operational budgets £0.8m
- Regeneration & Environment (R&E) Customer Services & Digital Programme efficiencies £0.5m

Our work highlighted this package of savings from a combination of Directorates is considered to be appropriate, is deliverable over the medium term and supports the forecasted balanced position shown in the Budget and MTFS over the next three financial years.

The Council's 2021-22 outturn position (reported in July 2022) highlighted a final position of a £2.4m underspend, this was achieved by the Council being able to apply more Government funding to the outturn position than had originally been planned.

The MTFS set out the range of key assumptions that the Council has made in developing its medium term financial plans which included inflationary assumptions, independent sector care bandings, changes to existing MTFS savings and delivery of savings and sources of income (e.g. precepts and levies, draft grant settlements and fees and charges income).

The Council has updated its financial plans for inflation associated costs and sources of funding (some grants received are linked to indexation) as part of the 2023-24 budget setting process. The 2023-24 budget was approved by Cabinet in February and Full Council on 1 March 2023. The November 2022 MTFS update highlighted the MTFS included resource forecasts based on estimated increases to core funding streams that are inflated annually by CPI. These resource assumptions were reviewed again as part of the assessment of the Provisional Local Finance Settlement 2023-24.

Financial sustainability (cont.)

Identifies all the significant financial pressures it is facing and builds these into its plans (cont.)

No changes were made to the in year (2021-22) budget, with expenditure overspends offset by expenditure underspends, reserves and contingency built into the budget. However, given current levels of inflation are significantly higher than the assumed levels set out in the MTFS, a formal mid-year review of MTFS, including assumptions, assisted the accuracy of forecasts.

We are satisfied that the Council has appropriate financial planning arrangements in place, and there is evidence of it being well scrutinised at Cabinet, Full Council and Audit Committee. Financial risks are being managed and the Council identifies the strategic risks in the delivery of the MTFS, which includes quantification and detailed explanation of the risks.

There is no evidence that the Council is using capital resources to relieve short term pressures. The Council does not rely significantly on income from commercial activities or its investment portfolio.

Financial Planning

The Budget and Council Tax Report 2022-23, presented to Cabinet in February 2022, highlighted the Council Tax calculation for 2022-23 and over the MTFS period. Successful delivery of the MTFS assumptions is predicated on Directorates progressing all necessary activity to ensure spend is delivered in line with budgets during 2022-23, including delivery of the agreed savings and cost reductions, in particular:

- Reducing the number of exceptionally high cost placements and also reducing the unit cost of placements, within Children's Social Care. Also significantly increasing the number of foster care placements in line with budgeted plans.
- Successful management of the demand, market and provider pressures in Adult Social Care within the budget allocated, ensuring appropriate care and support is in place in accordance with the service development programme.
- A successful resolution to the remaining budget pressures within the Regeneration and Environment Directorate which require the Directorate to identify actions to ensure that services can be provided within the available funding envelope.

The report also highlighted the revised Reserves Strategy detailing the General Reserves Minimum Balance remains at £25m over the MTFS period. The report clearly identified a strategy of building up the Council's reserves to support uncertainty in the short and medium term.

As already noted, the Council has updated inflation associated costs and sources of funding as part of the 2022-23 budget setting process. The budget is developed each year considering cost pressures and priorities affecting services, including children's and adult social care services.

As of September 2022, the Council estimated an overspend of £18.2m for the financial year 2022-23. Whilst the core directorates services have a forecast year end overspend of £8.1m on the General Fund, there is also £10.1m estimated overspend in relation to the wider financial impact of the war in Ukraine on inflation, energy price increases and national pay award.

These financial challenges are being considered as part of the Council's ongoing Medium Term Financial Planning. Whilst the Council's MTFS did have inflationary impacts and estimated pay award at the time of setting the 2022-23 Budget, the current rises are far above what the Council could have anticipated. An update on the Council's MTFS was provided within the November Cabinet agenda.

Along with most Councils across the UK, the Council assumed a 2% pay award for 2022-23 in the budget. However, the national local government pay settlement provided a pay award well in excess of the 2% modelled within the Council's MTFS. It is not expected that the Council will be provided with additional funding for 2022-23 or within the financial settlement for 2023-24, in order to support the application of this pay award. The financial impact of this pay award is £6.1m greater than the budget assumed within the Council's MTFS.

The Council manages its cashflow on a daily basis to take account of income received from grants, fees and charges, local taxation and borrowing alongside its outgoings due to the expenditure the Council incurs, such as salaries and supplier payments. The Council has been able to manage cashflow levels without significant difficulty.

The greater pressure from a cashflow perspective has been how to invest additional cash balances for a reasonable investment return when interest rates have been low. The Council has held additional cash, as a result of taking out £227m of Public Works Loan Board (PWLB) borrowing over a 48-50 year period in 2021-22 to take advantage of low interest rates to replace short term borrowing and reduce the Council's interest rate risk. In addition, Government has also provided significant grants for the management of Covid-19 and support to businesses which has also resulted in temporary additional cash balances.

Overall income and expenditure is totalled for each month to present a grand total (net cash flow position). This is used to forecast an opening and closing cash balance for each month (adjusted closing balance).

The cash flow forecasts indicate that the Council's cash balance will remain positive throughout the MTFS period and no cash flow difficulties are identified. It is important to note that the Council has not been required to take out significant levels of borrowing at a time when rates have been increasing for local authorities.

Figure 1

Plans to bridge its funding gaps and identify achievable savings

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

There were £2m savings delivered in 2021-22 and a savings target of £11.5m is profiled from 2022-23 in the updated MTFS period. The November 2022 update report to Cabinet highlighted that of the planned savings to be delivered over the medium term (to 2024-25) of £11.5m over a third (£4.2m) had been delivered by September 2022. The MTFS shows a total of £29.5m savings from the original £34m package will have been delivered by 2024-25. The remaining balance is covered by additional corporate income from Treasury Management. This is a reasonable target based on previous performance (detailed in 2021-22 Treasury Out-turn report) where the Council's strategy, with the use of short term borrowing has generated significant short term savings for the Council's budget allowing the Council to transfer £5.6m of treasury savings into the Treasury Management reserve.

Since the Council's 2022-23 Budget was approved, there have been significant changes that could not have been anticipated at the time of budget setting. An update provided to Cabinet in November 2022 highlighted the revised in-year funding gap for 2022-23 to be £18m. The Council forecast that the overspend of expenditure would be funded using £17.8m Budget & Financial strategy reserve.

The forecast budget gap for the MTFS period details further budget deficits of 2023-24 of £9.7m, 2024-25 - £9.4m and 2025-26 - £12.9m.

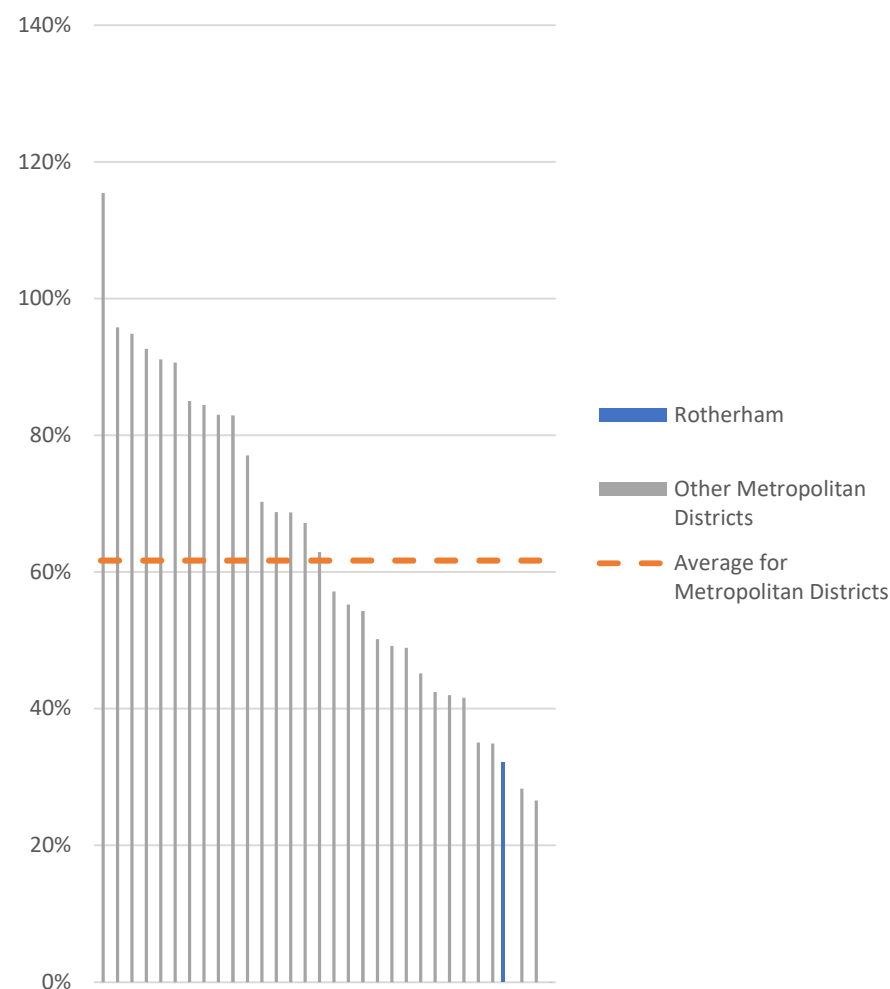
The Council's General Fund minimum balance has remained at £25m as planned and set out within the Council's Reserves Strategy reported to Cabinet July 2022 in the Budget and Council Tax Report 2022-23. This reserve balance is held to protect the Council against unforeseen events and realisation of contingent liabilities. This provides a contingency in case the Council fails to deliver savings or future uncertainties in the medium term.

Based on the Council's reserves position and MTFS, the Council has sufficient reserves if the Council fails to fully identify the required savings. The MTFS update in November 2022 was updated to take into account these pressures and built into the MTFS. This will be subject to review in 2023-24 depending on the prevailing economic conditions.

Whilst the Council will aim to mitigate the current in year pressures, it is anticipated that a significant level of the Council's reserves will be required to fund the 2022-23 revenue outturn position, although the position has improved based on the January and February 2023 Cabinet Reports.

Figure 1 compares general fund and earmarked reserves against Net service revenue expenditure, the Council is below the average (for other district councils) of 62%.- with the Council's corresponding ratio at 32%., Rotherham is shown in the blue line. The graph shows the Council needs to maintain its positive journey on financial sustainability going forward, given it is still at the more vulnerable end in terms of level of reserves.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial Sustainability (cont.)

Plans to bridge its funding gaps and identify achievable savings (cont.)

The MTFS sets out the Council's policy on reserves, including the General Fund and all other Earmarked Reserves. In respect of the General Fund, the Council aims to establish reserves based on financial risk and limit the use of reserves to support on-going spending. General Fund reserves effectively exist to ensure that the risks do not destabilise the services that are being provided during the year. The Council has set a target level of £25m for the General Fund, stating that 'every opportunity must be taken to supplement reserves in the medium term'.

The MTFS highlights the Council's reserves form an important role in managing uncertainty. In particular, the MTFS outlines key areas of uncertainty identified. Useable Reserves balances at 31 March 2022 were £65.8m, which is £6.1m more than the £59.7m estimated in the Budget. The individual reserve balances include General Reserves of £40.8m, and the General Fund of £25m.

The 2022-23 budget planned for a £7.1m use of reserves in 2022-23. Based on the 2021-22 Outturn position, this would leave a total of £58.7m corporate reserves at the end of the financial year. As noted on the previous page, the Council is towards the lower end of the level of available reserves compared to its peers, so this is an area that officers and Members should continue to monitor.

DSG Deficit

Our work highlighted the Dedicated Schools Grant (DSG) net reserve position is a £12.8m deficit (deficit as at 31st March 2021 £21.3m) following receipt of £8.5m Safety Valve funding. The Council delivered a broadly breakeven position (£95k deficit) for the 2021-22 in year DSG performance (as required by the recovery plans agreed with the DfE).

As reported to Audit Committee in July 2022 following significant negotiations between the Council and Department of Education (DfE), a Safety Valve Intervention agreement was developed to support the Council to address its long term issues linked to High Needs funding deficit, including investment from DfE of £20.53m across the five years of the agreement. The represented a good outcome for the Council and showed a level of assurance from the DfE in the Council's arrangements in order to award this funding.

The Council also requested capital investment to deliver its long term strategic plan and was awarded £4.3m above the annual High Needs capital allocations (circa £9m, split £3m over the next three years). Due to the scale and remit of the project, the Council also requested funding for a team to deliver the project. As part of the agreement the Council will receive recurrent funding of £385k per annum across the next four years of the Safety Valve. As part of this investment the Council is looking at supporting delivery of the project through a dedicated resource to project manage the programme and enhance the SEND commissioning offer in the Borough.

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

The Council's total planned capital expenditure for 2021-22 was £144.3m and actual expenditure was £104.9m, resulting in slippage and underspend of £39.4m.

The pandemic has had a significant effect on the delivery of a number of schemes, mainly due to Covid-19 restrictions impacting how works were undertaken, as well as an effect on the cost of materials and supply and demand in the market. However, capital expenditure (programme delivery) in 2021-22 has achieved a higher level (72.6% of planned budget expenditure) than in previous years.

For comparison, in 2020-21 the Council delivered 64% of the capital programme expenditure, against a budget of £125.3m. The level of slippage on the Capital Programme is reflective of the delivery challenges that the Council faced due to build up demand in the supplier market due to Covid-19 and the increasing inflationary challenges noted in 2022.

In the context of the historic under delivery of the capital programme (in common with what we see at a number of local authorities), and given the capital delivery is one of the key objectives for the Council in 2023 and beyond, we have raised an improvement recommendation on page 14. The recommendation proposes the Council refines its existing monitoring arrangements on the capital programme to ensure the spend profile and timing of capital expenditure remains accurate, proposed actions are noted for any significant underspends or delays, and supports delivery of the programme and the wider Council Plan.

Expenditure categories are clearly differentiated in the financial planning reports which underlie the budget and MTFS on the basis that all spend is directed towards the delivery of core services and achievement of Council Plan priorities.

Financial sustainability (cont.)

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont.)

The Council Plan 2022 – 2025 sets out priority outcomes which are aligned to budgets in the MTFS. The key priorities are:

- Every Neighbourhood Thriving
- People are Safe, healthy and Live well
- Every child able to fulfil their potential
- Expanding economic opportunity
- A cleaner, greener local environment
- One council.

Clear priorities for future service delivery are set out within the Council Plan 2022-2025 and Year Ahead Delivery Plan, which was agreed at Council in January 2022.

New revenue investment priorities have been identified for 2022-23 to 2025-26 totalling £9.3m (of which £2.7m relates to 2022-23). These are set out in the MTFS. For each of these there is a clear justification and rationale. During 2022-23, £371k of the proposed investments are to be funded on a one off basis via the Covid Recovery Fund with the balance (of £2.35m) from the General Fund.

The narrative of the MTFS, provides details on how the projects link to the Council Plan and Capital Strategy outcomes, for example, Neighbourhoods Road Safety Measures Phase 2 - £3.3m - to support the delivery of locally defined road safety schemes.

The Council approved the Capital Strategy (2022-23 to 2025-26) in February 2022. The Capital Strategy details outcomes which the capital programme is designed to achieve:

- maintaining existing assets and statutory compliance - covers all assets
- as an enabler to achieve Council Plan outcomes (transforming our services and organisation)
- enterprise driven investment to deliver savings or generate sustainable income streams.

These outcomes link clearly to the Council's Plan. The strategy also links to other external influences such as UK government policy and external partnerships.

The capital strategy includes planned capital expenditure over the period from 2022-26 by year, split by directorate. The capital programme is also detailed within the MTFS by project and by directorate.

The financing of the capital programme is included in the MFTS and is supported by the Treasury Management Statement, also approved by Council in February 2022.

MTFS Capital strategy and programme

The proposed 2022-2026 capital programme in the MTFS, includes a temporary capital inflation contingency of £10m, to support the Council with the significant inflationary pressures facing capital delivery at present due to increased costs from resources and materials.

The capital budget supports the delivery of the Council strategic priorities, highlighted in the current Council Plan.

Financial sustainability (cont.)

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's MTFS sets the framework for how the Council plans to use its financial resources to fund the activity to deliver on the Council's Plan outcomes. Our work highlighted the MTFS is fully integrated with the Workforce Plan (detailed as part of the Council Plan). The Council Plan sets the Council's long term vision, priorities for the years 2022-25 and steps to achieve them. Given historic challenges facing local authority sector recruitment in a number of services, particularly social care and specialist areas such as finance, it is important that the Council continue to engage in proactive workforce planning and develops its own people through investment in apprenticeships and other on the job training/ professional qualifications.

Our work highlighted the Council approved capital programme includes an allowance for the minimum revenue position (MRP) for the cost of borrowing within the MTFS and supported by Treasury Management Strategy this updates the budget to reflect both latest capital programme and actual borrowing to date.

Capital project proposals are considered by the Cabinet, which considers how each proposal will help to deliver priorities, savings and the revenue implications of the project. Whilst there was slippage on the 2021-22 capital programme, there is no evidence of major capital investment being postponed or cancelled without sound reasoned explanation.

The Council has a Treasury Management Strategy, which sets out the balance between optimising return and mitigating risk. The Council continues to adopt a low risk investment strategy.

Our work has not identified instances of services developing plans in silo or producing conflicting/ competing elements. Budgetary information reported in year is consistent with the financial position as reflected in the financial statements.

Manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated into the MTFS, and the draft MTFS was discussed by Cabinet in February 2022 allowing for scrutiny and questioning (before presentation to Council). Risks discussed as part of this scrutiny included, for example, the a need to recognise escalating demands and market costs within the budget, relating in particular to transitions and the upward trend in the costs of adult care, which required the Council to provide for £11m extra costs in the budget for Adult Social Care services in 2022-23.

Taking into account the complex pressures within Adult Social Care, this service presents the most significant financial risk within the Council's Budget and MTFS (albeit the Council's costs in this area are lower than their peer authorities, as shown in the table on page 22). The 2022-23 Budget and MTFS also take account the general upward cost pressures impacting on the costs of all services, including current high levels of inflation and market and supply chain issues, driving cost increases.

The potential impact of changes of various estimates and assumptions is discussed with the Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to all Members. The Council may wish to consider the introduction of formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS. This could provide increased transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability.

There is no evidence of the Council failing to update financial plans to reflect changes in government policy. Where required, the Council has sufficient provisions in place to take into account the impact of legal and regulatory proceedings.

Conclusion

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified an improvement to strengthen the monitoring and delivery of the capital plan, particularly given the number of key capital schemes the Council is planning to deliver in the coming years.

Improvement recommendation 1



Financial sustainability

Recommendation	<p>We recommend the Council refines its existing arrangements for monitoring the capital programme to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the programme and Council Plan.</p> <p>Timely reporting of any significant slippage and delays within the capital programme should be made, together with any implications for service delivery and council tax payers arising from this, and actions to be taken to address the issues.</p>
Why / impact	<p>Active monitoring and appropriate re-profiling of capital project budgets will help to ensure the delivery of the capital programme and capital strategy.</p> <p>Sufficient and appropriate arrangements to monitor, manage and address slippages should improve delivery, lead to better outcomes against the Council's key capital objectives, and may reduce pressure on the Council's useable reserves.</p>
Auditor judgement	Ensuring enhanced, robust monitoring and management of the capital programme will support the delivery of the Council's capital strategy.
Summary findings	<p>From review of the 2021-22 Capital programme outturn report, the underspend and slippage due to Covid-19 is not quantified exactly. The Capital Programme 2021-22 totalled £144.3m split between the General Fund £92.2m and HRA £52.3m. As at the financial year end 31 March 2022, the capital programme had expenditure of £104.9m, with underspend and slippage of (£39.4m).</p> <p>The outturn position detailed 72.6% of the capital programme expenditure was delivered against the budget. Comparatively, in 2020-21 the Council delivered 64% of the capital programme expenditure, against a budget of £125.3m – suggesting scope to enhance the budgeting and profiling of the capital programme, especially at a time when the Council has a number of key capital delivery objectives.</p>
Management comment	<p><i>Agreed. The Council recognises this challenge and has been actively working towards improving the quality of capital budget profiling and with it the pace of delivery on the capital programme. The inclusion of the Capital Programme Monitoring and Delivery Board has helped to focussed officers on the key issues around slippage and start to gradually introduce new processes to manage budget setting in order to mitigate against slippage, however, the Council recognises that it is still on an improvement journey in this regard.</i></p> <p><i>The Council will continue to make improvements in this area and has recently commissioned a piece of work to be undertaken by an external consultant to review the delivery side of the capital programme in Regeneration and Environment, the biggest element of the programme, in order to identify areas for improvement.</i></p>

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 effectiveness processes and systems are in place to ensure 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's Corporate Strategic Risk Register (CSRR) is clearly set out, with a risk owner, concise description and key controls to manage each risk. The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The Council provides appropriate training on risk management to staff. Our work highlighted the Council's level of risk appetite was unchanged throughout 2021-22. The CSRR quarterly performance monitoring report is formally reviewed both at joint Senior Leadership Team (SLT)/Assistant Director (AD) performance management meetings and at separate SLT meetings. Most recently, our work confirmed the CSRR had been reviewed at SLT in June 2022 and SLT/AD in July 2022, with both meetings making substantial comments on the document highlighting good oversight and challenge.

All corporate risks at the end of Quarter 4 (2021-22) had been reviewed by the Risk Champions Group, SLT and considered at Audit Committee. The July 2022 CSRR (reviewed by the Council Strategic Leadership Team and presented to the Audit Committee) provided assurance that the Council's current risk management arrangements are robust, responsive and effective. It is important that, these opportunities are captured, so change can be embedded and monitored going forward. We have made an improvement recommendation on page 19 relating to risk monitoring and reporting development.

The impacts of the pandemic can be seen throughout the Corporate Risk Register. There are 14 risks on the Quarter 4 (2021-22) corporate risk register, 1 high risk and 9 medium risks. Risks highlighted in the summary included:-

- Children's safeguarding
- Failure to deliver the Council Plan due to the pressures generated by the cost-of-living crisis
- Making sustainable improvement in Children's Services and Impact of the Covid-19 pandemic.

The 2021-22 Risk Management Annual summary showed that Covid-19 had continued to dominate the refreshed 2021-22 risk register, impacting the delivery of services either directly or indirectly. The Council has commenced with testing of an online risk management training tool. Our review highlighted Internal Audit had completed their annual review of Corporate Risk Management and three out of the four recommendations (arising from a previous Internal Audit review) had been implemented and the fourth was in progress.

The report presented an overall picture of the Council's risk profile which was improving. Each Directorate has a formal (identified) Risk Champion, with some Directorates choosing to have additional Risk Champions in place for specific areas. Whilst the Risk Champion ensured risk registers were updated, it was clarified that the responsibility for the risk stayed with the manager. The title of 'Risk Champion' was created in 2016, with the Council having 'Champions' in other areas. Our work concluded the Council has an established risk management framework in place. The arrangements include reports to SLT, Audit Committee and Cabinet. Deep dive reviews of the critical risks were presented to the Audit Committee throughout the year, allowing for more detailed and effective oversight and challenge.

The Council's own risk management guide highlights the possible opportunities that can arise from a degree of risk appetite. The Council could consider in its risk reporting where there could be a favourable impact on achieving the Council's objectives by accepting an element of upside of taking some managed risk. As the Council's guide notes, risk management, if used effectively, can help the Council to pursue innovative opportunities with higher levels of risk because exposure to risk is understood and managed down to acceptable levels.

However, from a review of the Council's CSRR, we believe there is scope for the Council to bring out within its risk reporting the degree of risk appetite and the possible upside of taking on a degree of risk, within the Council's approach and published risk management documentation. We have raised an improvement recommendation on this issue on page 19.

Governance (cont.)

Assurance over the effective operation of internal controls

In developing its 2021-22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. Our work highlighted the effectiveness of the Council's governance framework including its system of internal control, this included review of minutes of Audit Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed.

Our work included the review of the overall opinion for 2021-22 of the Head of Internal Audit; an assessment of the Audit and Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities; the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. This provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021-22 year. This was corroborated by our 2021-22 financial statements audit and review of the 2021-22 AGS.

The AGS was prepared in accordance with the guidance set out in CIPFA Bulletin 10 – Closure of the 2021-22 Financial Statements.

The AGS sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year by the Assistant Director - Legal Services (Monitoring Officer). To ensure all statutory requirements have been met, the statement was produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The AGS is approved by the Audit Committee.

Internal Audit

The Council has appropriate Internal Audit arrangements in place which are provided by an in-house team. Despite the impacts of Covid-19, sufficient work was carried out across the Council's directorates to support the opinion given. The Head of Internal Audit reported the Council had overall an adequate and effective framework of governance, risk management and control during 2021-22.

Internal Audit did not issue any "No Assurance" audit opinions during the year and gave an opinion of 'partial assurance' in four areas subject to audit, none of these were considered serious enough for inclusion in the Annual Governance Statement. Based on the 48 reviews completed (against a planned total of 51) there are 85% which have received a substantial or reasonable rating. The 2021/22 Internal Audit plan highlighted delivery of 95% (target 90%) of audits delivered within timetable. The Internal Audit annual report also makes reference to Internal Audit's Quality Assurance and Improvement Programme (QAIP), which ensures work is compliant with Public Sector Internal Audit Standards (PSIAS).

The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. The PSIAS are based on the international standards. The Standards require the Head of Internal Audit to develop a QAIP, designed to enable an evaluation of Internal Audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years. Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity
- Periodic self-assessments.

An external assessment (led by the Head of Internal Audit of a Metropolitan Borough Council based in the Yorkshire region) was completed in November 2020 with the results reported to the Audit Committee in January 2021. The Internal Audit Service was assessed as generally conforming to the Standards. The assessment resulted in the development of a QAIP for 2021. An internal assessment was completed in January 2022, which showed that General Conformance with the standards had been maintained. Nine of the eleven actions from the external assessment had been implemented, along with three of the four actions from the previous year. The QAIP was then updated for 2022.

The Internal Audit function, as with a number of public sector finance and audit related departments, faces some challenges in terms of recruitment and retention of full time equivalents to maintain their full establishment.

The Council will need to continue to monitor the establishment levels within Internal Audit to ensure any vacancy gaps do not become excessive and therefore impact on the level of internal audit coverage across the Council's controls and processes, and the ability of the Head of Internal Audit to be able to issue his annual opinion.

Governance (cont.)

Counter Fraud

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council also participates in the National Fraud Initiative (NFI). The Council has a Whistleblowing policy and encourages individuals to raise issues of concern in a safe environment. The Council has good working relationships with relevant stakeholders and partners and information in respect of potential fraud risks is shared through various groups. The Council has not been subject to any material frauds in year.

Leadership and committee effectiveness/decision making

The Council operates a Leader and Cabinet form of executive. In addition, there are scrutiny committees which hold the Cabinet to account. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The constitution sets out how the Council operates, how decisions are made and the policies that are followed to ensure that these are efficient, transparent and accountable to local people.

Our review of minutes and papers for the Audit Committee and review of other committee minutes indicates that key strategic decisions are subject to effective discussion and are supported by detailed papers. Senior officers attend to present their own items and to answer any questions. The Audit Committee provides appropriate questioning and assurance of financial and non-financial items. The members of the Committee have a good mix of experience and expertise.

Budget Setting Process

The Council has an established process for developing its annual budget and MTFS. The development of the budget commences with the rolling forward of the Budget Model from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates.

Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base.

The Model is frozen to prepare the February Cabinet Report. As previously noted, the Council's MTFS covers a rolling four year period. A report was brought to Cabinet in December 2021 which outlined the approach to updating the MTFS. This report contained the financial planning assumptions for the period of the new four-year MTFS set within this Council Plan. It updates the budget planning position and proposes the approach that will be taken to deliver the savings required to achieve a balanced budget over the five year period. The report identified the savings of £2m to be made in 2021-22 with a range of options. The report is clear on the challenges facing the Council, which include the ongoing impact of the pandemic, pressure on services and uncertainty about central government funding.

The 2021-22 Budget and MTFS 2022-26 was agreed by Council in March 2022. Our work highlighted there is a good level of engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process. The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation (although the pay award in year was significantly higher than the sector expected).

The MTFS sets out the range of key assumptions that the Council has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. Risks are incorporated into the MTFS. There is a section of the MTFS highlighting key risks to delivery of the MTFS and the actions to mitigate each risk identified.

The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to all Members.

Governance (cont.)

Budget Setting Process (cont.)

The Council consulted stakeholders (local residents, local businesses and other local partners including NHS bodies) on their draft budget for 2022-23. The consultation focused on the proposed Council Tax increase of 1.5% and an Adult Social Care precept of 3%. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with trade unions; engagement with Area Management Teams; posts on the internet; intranet and use of social media. A total of 36 individual responses were received. However, the Council did not consult on savings.

Given the limited engagement achieved in 2021-22, the Council could consider how it can enhance its stakeholder engagement to ensure this is a meaningful process, which supports the development of the budget, MTFS and savings.

Budget Control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level.

There is in year oversight of the budget at a high level, with regular budget monitoring reports taken to Cabinet. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves.

Review of Cabinet minutes indicate that regular budget monitoring reports have been subject to appropriate challenge and scrutiny. Financial monitoring reports and minutes demonstrate that in year forecast variances are being picked up promptly, and budget holders are being held to account for delivering to budget. This was clearly reported via in year monitoring and year end outturn report. At Cabinet in June 2022, the 2021-22 year end Financial Outturn and Corporate Performance Reports were approved. We are satisfied that appropriate arrangements were put in place to allow for challenge and scrutiny of these key documents.

Register of Interests/ Gifts Hospitality

The Council maintains a record of member interests and gifts and hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, although this is not integrated into other central or departmental registers.

In terms of Member Register of Interests, these continue to be available on the Council's website. In line with the constitution, these need to be registered upon election and then updated as and when there are changes to their interests. In line with the Localism Act 2011, Section 30: Member's must disclose pecuniary interests within 28 days of taking office and then update as necessary; with the onus of offence of not declaring an interest being on the individual Members.

Our work has not identified instances of interests not being declared which have caused damage to the body's reputation or had any other significant impacts on the body.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified an opportunity for further improvement relating to risk register development, set out overleaf.

Improvement recommendation 2



Governance

Recommendation	In line with the Council's own risk management guide, we recommend the Council draws out in the Corporate Strategic Risk Register and associated published risk management reporting, the degree of risk appetite and the possible upside of taking on a degree of managed risk. This should help highlight to Members the possible favourable benefits of a degree of managed risk, and impact this could have on the achievement of the Council's objectives.
Why / impact	There is scope to increase the Council's risk maturity by formally considering in risk registers the opportunities to exploit, as well as a focus on downside risks. For example, the Council's pandemic response and shift to new ways of working has identified a number of opportunities to refine and improve the way the Council delivers its services.
Auditor judgement	There is scope to enhance the risk information reported to members in the CSRR by including potential upside factors to accepting a degree of risk in order to achieve certain objectives.
Summary findings	<p>The Council's own risk management guide highlights the possible opportunities that can arise from a degree of risk appetite – where there could be a favourable impact on achieving the Council's objectives by accepting an element of upside of taking some risk. As the Council's guide notes, risk management, if used effectively, can help the Council to pursue innovative opportunities with higher levels of risk because exposure to risk is understood and managed down to acceptable levels.</p> <p>However, from a review of the Council's CSRR, we believe there is scope for the Council to bring out in its risk reporting, the degree of risk appetite and the possible upside of taking on a degree of risk.</p>
Management comment	<i>Agreed. In line with the Council's risk management policy, the Council will look to draw out in risk reporting how the Council has been able to pursue innovative opportunities with higher levels of risk because exposure to risk has been understood and managed down to acceptable levels.</i>

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 and assessment

The Council's performance against the delivery of the Council Plan is reported to Cabinet. A separate performance report is presented to Cabinet, which includes information about service activity and workforce. The Council Plan 2022-25 and Year Ahead Delivery Plan quarterly progress report for the period since January 2022 and 2021-22 year-end performance was presented to Cabinet June 2022.

The report focuses on progress made in delivering the 92 priority actions/milestones contained within the Year Ahead Delivery Plan and the 66 headline performance measures that best demonstrate progress in achieving the 26 key priority outcomes. It also brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities.

Performance reporting provides details of the overall status in relation to the Council Plan performance measures, of the 92 priority actions 62 (67%) are on track, 11 (12%) have a known delay, 1 (1%) will not be met within 3 months of planned date, 15 (16%) have been completed and 3 (3%) are not due to start. Delivery of the Council Plan will also be underpinned by the implementation of a new Workforce Plan which was launched in June 2022.

The Council should consider whether it can streamline this report to provide more summarised and integrated performance, finance and risk reporting, this would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet. We have made an improvement recommendation for this on page 24.

Regulatory Reports

In July 2021, Office for Standards in Education, Children's Services and Skills (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. Our work highlighted the Leadership Team in the Council have an action plan that addresses the four areas identified in the written statement of action (WSOA). This has been submitted to Ofsted and was accepted by them. The Cabinet reviewed the action plan at six monthly intervals most recently in September 2022 this highlighted governance has been strengthened across the partnership in order to ensure pace and delivery of improvements that are required. Formal internal governance arrangements are in place to review and challenge progress made against the actions. The SEND Executive Board meets bi-monthly to review and hold accountability against progress.

Under the terms of the NAO's VFM guidance, we believe it is appropriate to still report this matter as a significant weakness in the Council's arrangements as at 31 March 2022. As such, the resulting key recommendation [detailed at page 25] remains relevant to our 2021-22 VFM work. We note the actions taken by the Council during 2022-23 and we will further consider these as part of our 2022-23 VFM work later this year.

In November 2021, the Health & Safety Executive (HSE) made the Council aware of an investigation it was undertaking. This was reported in the Council's 2020-21 financial statements under the contingent liabilities note. We have undertaken a review of the latest status of the report for this investigation, as at December 2022, the HSE has not formally reported any decisions or conclusions at this stage. The Council has undertaken pro-active improvement action to address the informal feedback received from HSE. We are unable to and cannot make any judgements or conclusions on this this matter as part of our 2021-22 VFM review. No further work will be performed by us until the investigation is completed and HSE publish a final report, which is expected in 2023.

Improving economy, efficiency and effectiveness (cont.)

Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. The Council is one of a number of organisations - including major public bodies, local businesses and the voluntary and community sector - working together as "The Rotherham Together Partnership" to deliver improvements for local people and communities by combining their knowhow and resources.

The Partnership works within the framework of the Rotherham Plan 2025: a new perspective, which sets out a framework for its collective efforts to create a Borough that is better for everyone who wants to live, work, invest or visit.

The Rotherham Together Partnership Chief Executives agreed an outline for the Rotherham Together Plan in March 2022. Focus groups took place late April/early May 2022 to consider programmes to deliver the priorities detailed in the Rotherham Plan ("the Plan") which provides a framework for partners' collective efforts to create a borough that is better for everyone who wants to live, work, invest or visit.

Stakeholder Engagement

The Council consulted stakeholders on their draft budget for 2022-23. The online consultation was open from December 2021 to January 2022 and the online form had four questions, which allowed for "free text" responses:

1. What would be your spending and saving priorities?
2. Do you have any concerns about the Council's current budget?
3. Do you have any other thoughts on the budget?
4. Council Plan budget priorities

The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with Trade Unions, engagement with Area Management Teams. The survey was available to download or as an online survey and paper copies within the main libraries, together with use of social media.

Responses were also received to the letter sent to key partners. These included Rotherham Clinical Commissioning Group, Rotherham NHS Foundation Trust and Voluntary Action Rotherham.

Benchmarking

Our review of the Council's Corporate Performance monitoring reports indicates that, where relevant, the Council measures its performance with reference to national benchmarks.

As part of our audit work, we have benchmarked the Council's total net expenditure by service on a unit cost basis with all other metropolitan district councils. This analysis is provided page 22 shows that the Council has a very low total overall unit cost when compared to other metropolitan borough councils. However unit costs are higher than other metropolitan authorities for children's social care which is a key demand led service delivered by the Council.

This unit cost table shows the budgeted spend per 'Service Line'. We have then associated a unit to the service line to calculate a unit cost e.g. for Children's Social Care this is population aged 0-17, or for Adult Social Care this is population aged 18+. A 'Very High' score would place the authority in the top 20%, with 'Very Low' placing it in the bottom 20%.

The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance, including:

- Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations
- Regional Policy forums to discuss topical issues for example managing flood risks and actions to be taken
- Yorkshire and Humber Leaders network on developments and good practice
- South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities.

National Award

We also note that the Council was named as 'the most improved council in the country' at the Local Government Chronicle (LGC) Awards in 2022. The award recognised the improvement journey the Council has made over recent years, and the leadership it has shown to deal with the challenges to help turn the Council's performance around. It was noted that the Council has 'bounced back' and the award was a recognition of this.

Improving economy, efficiency and effectiveness (cont.)

Rotherham	2022-23 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
Total Education Services (RA) £/aged 0-18	108,521	60,286	1750.34	Very Low
Total Highways Roads & Transport Services (RA) £/head	7,595	264,984	28.66	Average
Total Children's Social Care (RA) £/aged 0-17	73,701	57,453	1282.81	Very High
Total Adult Social Care (RA) £/aged 18+	99,929	207,531	481.51	Very Low
Total Cultural and related services (RA) £/head	9,999	264,984	37.73	Very Low
Total planning and development services (RA) £/head	2,003	264,984	7.56	Very Low
Total Housing Services (GFRA only) (RA) £/head	2,400	264,984	9.06	Very Low
Total Environmental and Regulatory services (RA) £/head	16,529	264,984	62.38	Very Low
Total Public Health (RA) £/head	17,210	264,984	64.95	Very Low
Total Services Expenditure (RA) £/head	342,424	264,984	1292.24	Very Low

Improving economy, efficiency and effectiveness (cont.)

Procurement and Capital Programme monitoring

The Council has an extensive and detailed Sustainable Procurement Strategy. The aims of the policy are to support the Council's long term financial sustainability and drive efficiencies, support local economic growth whilst responding to commissioning requirements and to optimise the opportunities for delivering social value opportunities through procurement.

There is detailed monitoring of all contracts via a contract register, which identifies when existing contracts will need to be retendered.

Our work has not identified extensive use of consultants, and the Council has a workforce strategy in place to ensure development of the Council's own workforce in procurement matters.

The Social Care market has been significantly impacted by the pandemic and wider workforce pressures. Homecare and care home providers are struggling to recruit and retain sufficient staff to deliver Council contracts. Mandatory vaccination requirements has led some staff to leave the sector.

At the Council in depth consultation has been undertaken with contracted home care and support providers to analyse care worker pay rates in the sector. The average basic hourly pay rate of care workers has been compared against pay for work in similar work roles and types in the Rotherham jobs market. Analysis shows that advertised pay can be significantly higher for work that is either similar or requires less skill and/or physical demand indicating an extremely competitive jobs market.

A recent Cost of Care exercise has been undertaken with intensive dialogue taking place with the market. This has led to proposals within the budget setting process to substantially revise the contracted hourly rate (increase of 20.3% - median). It is expected that this will lead to an improved pay rates and will incentivise recruitment and increase retention. Commissioners are looking at other opportunities to increase the 'pull' for job seekers to attract further take up of care worker roles.

The Home Care and Support Service was secured via a competitive tender in 2019 and mobilised in April 2020 at the onset of the pandemic.

The Council considers the risk and rewards when undertaking significant commercial ventures, outsourcing, shared service arrangements or partnerships. The Council has not taken on significant new services in year, and our work has found that the Council has adapted well to the pandemic and established effective new ways of working.

The number of providers appointed to the flexible purchasing system (FPS) has increased from 13 to 14 providers to accommodate growing demand. In July 2021 it was necessary to further increase the number of formal arrangements with providers to rapidly assuage both the impact of the pandemic and in preparation for winter pressures expected to reduce both capacity and resilience in the market. Currently there are 17 providers responding to request for service, although meeting demand remains an ongoing challenge. Attracting sufficient numbers of people to work in home care and support services is a key challenge for the sector.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

Improvement recommendation 3



Improving economy, efficiency and effectiveness

Recommendation	The Council should consider whether it can streamline the KPI performance report to provide more summarised and integrated performance, finance and risk reporting. The Council should consider reducing the volume of KPIs and targets to a more manageable level to assist clearer reporting of actions for any KPIs/targets not delivering.
Why / impact	A streamlined summary would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet.
Auditor judgement	Concise information is a key element to assist good decision making, the current performance report is very detailed with key messages not brought to attention of members in a summary of key points.
Summary findings	The Council's performance against the Council Plan Delivery Plan is reported on a quarterly basis to Cabinet. The report focuses on progress made in delivering the 92 priority actions/milestones contained within the Year Ahead Delivery Plan and the 66 headline performance measures that best demonstrate progress in achieving the 26 key priority outcomes. It also brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities. The report format would benefit with the inclusion of a dashboard executive summary.
Management comment	<p><i>Noted. However, the Council has already amended the format and layout of the report at member's request to gather all the Council Plan theme summaries into one section as such a further summary in front of that would not be suitable at this time.</i></p> <p><i>With regards to reducing the number of KPI's, at present that also isn't suitable as the Council is currently being asked to publish more rather than less. The Council recognises that some reduction in KPI's might create efficiencies and perhaps therefore help to focus more clearly, as such this might be something that the Council revisits in the future.</i></p>



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

8. Follow-up of previous recommendations

Key Recommendation 1	Year raised	Progress to date from management:	Addressed?	Further action?
<p>Improving economy, efficiency and effectiveness</p> <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.</p> <p>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> <p>Recommendation:</p> <p>Following the Ofsted and CQC SEND inspection, the Council should:</p> <ul style="list-style-type: none"> • 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 • a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC • The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission. 	2020-21 (raised in March 2022)	<p><i>The Leadership Team both in the Council and CCG (now part of the South Yorkshire ICS) have provided a clear action plan that addresses the four areas identified in the Written Statement of Action (WSOA). This was submitted to Ofsted (22nd January 2022) and accepted by them.</i></p> <p><i>The WSOA was jointly developed with the CCG and sets out the key actions and timelines to address the following areas of improvement:</i></p> <ul style="list-style-type: none"> • <i>The variability in the quality of Education, Health and Care plans, including the contribution of health and social care partners</i> • <i>The effectiveness of the graduated response to identify and meet children and young people's needs, especially in key stages one and two</i> • <i>The quality of provision for children and young people's preparation for, and transition to, adulthood</i> • <i>Communication with all parents and carers of children and young people with SEND about the local offer, and the accessibility of the very valuable information included within the local offer.</i> <p><i>As we reported to the Audit Committee in January 2023, progress has been made in respect of all recommendations. The first monitoring meeting has been held with the Department for Education (DfE) and NHSE who monitor operational delivery of the WSOA - feedback has been provided by DfE that assurance is in place and that Rotherham has met requirements of implementation of its WSOA.</i></p> <p><i>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. Formal internal governance arrangements are in place to review and challenge progress made against the actions. The SEND Executive Board meets bi-monthly to review and hold accountability against progress.</i></p> <p><i>The target date for the actions relating to all of the WSOA actions is September 2023.</i></p>	On-going	<p>Under the terms of the NAO's VFM guidance, we believe it is appropriate to still report this matter as a significant weakness in the Council's arrangements as at 31 March 2022. As such, this resulting key recommendation remains relevant to our 2021-22 VFM work.</p> <p>We note the actions taken by the Council during 2022-23 and we will further consider these as part of our 2022-23 VFM work later this year.</p>

Follow-up of previous recommendations

Improvement Recommendation 1	Year raised	Progress to date from management:	Addressed?	Further action?
<p>Financial Sustainability</p> <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.</p> <p>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> <p>Recommendation</p> <p>Going forward, the Council should improve its 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.</p>	2020-21 (raised in March 2022)	<p>We are satisfied that we have set realistic savings for the Council over the medium term and have delivered on our budgetary commitments.</p> <p>However, we did accept that the clarity of reporting delivery of savings could be enhanced and have sought to take action on this during 2022-23. We introduced revised and clearer reporting of our savings going forward.</p>	Yes	<p>N/A. Our work highlighted reporting of the savings target and delivery thereof, to have sufficient detail - with any changes highlighted with appropriate commentary in reports.</p> <p>Our review of Cabinet papers highlight this has been addressed through the Council's Financial Monitoring Reports to Cabinet, this report now includes a dedicated section the delivery of the agreed savings within the Council's Budget and MTFS.</p>

Follow-up of previous recommendations

Improvement Recommendation 2	Year raised	Progress to date from management	Addressed?	Further action?
<p>Governance</p> <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> <p>Recommendation</p> <p>The Council should have a formal process of sharing the Strategic Risk Register (SRR) with the Cabinet for consideration and discussion at least annually.</p>	2020-21 (raised in March 2022)	<p><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></p>	On-going	We have made a follow-up improvement recommendation relating to risk register development in the governance section of this report.

Follow-up of previous recommendations

Improvement Recommendation 3	Year raised	Progress to date from management	Addressed?	Further action?
<p>Governance</p> <p>Our work in this area identified some inconsistencies which we have discussed with management:</p> <ul style="list-style-type: none"> 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. <p>Recommendation</p> <p>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.</p>	2020-21 (raised in March 2022)	<p><i>The ROI form has been 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.</i></p> <p><i>The ROI process notes have been updated to address the recommendations as set out and gifts and hospitality declared will all be held online moving forwards.</i></p>	Yes	N/A. Review of declarations of interest made at each committee meeting are appropriately recorded with sufficient detail highlighting compliance with expected process requirements. The updated Council Constitution (March 2022) includes an updated Code of Conduct with guidance for registering interests.

Follow-up of previous recommendations

Improvement Recommendation 4	Year raised	Progress to date from management:	Addressed?	Further action?
<p>Improving economy, efficiency and effectiveness</p> <p>The Council has a performance monitoring system that is published on the Council's website.</p> <p>Recommendation</p> <p>As part of Council's continuous performance improvement agenda, it should consider:</p> <ul style="list-style-type: none"> 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. 	2020-21 (raised in March 2022)	<i>The Council has made the benchmarking data it holds more clearly visible, where relevant, for each of the performance measures, by referencing in the scorecard.</i>	Yes	<p>N/A. The Council's performance against the delivery of the Council Plan is reported every two months to Cabinet. A separate performance report is presented to Cabinet, which includes information about service activity and workforce. The Council Plan 2022-25 and Year Ahead Delivery Plan quarterly progress report for the period since January 2022 and 2021-22 year-end performance was presented to Cabinet in June 2022.</p> <p>The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance, including:</p> <ul style="list-style-type: none"> Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations Regional Policy forums to discuss topical issues for example, managing flood risks and actions to be taken Yorkshire and Humber Leaders network on developments and good practice South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities.

Follow-up of previous recommendations

Recommendation 5	Year raised	Progress to date from management:	Addressed?	Further action?
<p>Improving economy, efficiency and effectiveness</p> <p>The Council introduced new set of approved Procurement Procedure Rules in 2021.</p> <p>Recommendation</p> <p>Going forward, we would recommend the Council to put in place:</p> <ul style="list-style-type: none"> 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. Annual Reporting to the Cabinet on compliance with latest Procurement Procedure Rules summarising key matters 	2020-21 (raised in March 2022)	<p>The Council has identified the key control areas of the Financial & Procurement Procedure Rules (FPPR) and created 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 has been to embed the new FPPR's through training and communications of key messages ahead of delivery of new monitoring processes.</p> <p>During the latter end of 2021 and through 2022, the procurement team focussed resources on training to key officers across the Council. Initially this was via a targeted approach with 281 Officers having been trained on the Council's Procurement Procedure Rules. This specific training is now scheduled to be delivered quarterly for staff to book onto themselves (i.e. if they are new to the organisation or feel they would benefit from a refresher). The delivery of this training will be kept under review as the Procurement Bill progresses and the Council's processes and procedures needs to be amended to reflect these requirements.</p> <p>In addition to the above, Social Value in Contract Management training has also been delivered to 40 Contract Managers across the Council to ensure that social value commitments made by bidders are realised</p>	Yes	<p>N/A. Our review of FPPR highlighted procurement procedures in place. There is detailed monitoring of all contracts via a contract register, which identifies when existing contracts will need to be retendered.</p> <p>Discussions with officers has not identified extensive use of consultants, and the Council has a workforce strategy in place to ensure development of the Council's own workforce in procurement matters.</p>

Appendices

Appendix A - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report?	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	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 Council. We have defined these recommendations as 'key recommendations'.	Yes	Please see comments on page 25 in the follow up of prior year recommendations section. The key recommendation relates to the significant findings arising from the Ofsted/CQC review of SEND. We note the actions the Council and its partner have taken but as at 31 March 2022 this remained a significant weakness. We will follow up this matter as part of our 2022-23 VFM work.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	<ul style="list-style-type: none"> Financial sustainability – page 14 Governance – page 19 3Es – page 24

Appendix B - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

Public interest report

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.

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

Application to the Court

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.

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

Advisory notice

Under Section 29 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:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- 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
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

Judicial review

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.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Appendix C - Responsibilities of the Council



Role of the S151 Officer (Strategic Director Finance & Customer Services for Rotherham MBC):

- Preparation of the statement of accounts
- Assessing the Council'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 Chief Financial Officer (or equivalent) 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 Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent 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 Chief Financial Officer (or equivalent) is responsible for assessing the Council'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 Council will no longer be provided.

The Council 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.



