

# Auditor's Annual Report on Rotherham Metropolitan Borough Council

2022-23 VFM arrangements

6 March 2024



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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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# 1. Executive summary



## Value for money arrangements and key recommendations

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 2022-23 is the third 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. We considered the Council's arrangements in respect of the following three themes:

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

Our conclusions are summarised in the table below along with our findings from last year. In the previous two years we have reported a significant weakness in the Council's arrangements regarding Special Educational Needs and Disabilities (SEND) following the Ofsted/CQC Inspection report issued in July 2021. However, based on our review of the actions taken by the Council in response to the findings from the regulators, we are now satisfied that adequate arrangements are in place. As such, the significant weakness and resulting key recommendation has now been downgraded.

Based on our review of the Council's arrangements across the three themes, we have not raised any areas of significant weaknesses. This is a good outcome for the Council. This is not to interpret our findings as the Council is not without risk, clearly the Council in common with most local authorities, is facing a challenging landscape at present, however, based on current arrangements the Council is mitigating those significant risks.

Criteria	Risk assessment	2022-23 Auditor Judgement	2021-22 Auditor Judgement
<b>Financial sustainability</b>	No risks of significant weakness identified.	No significant weaknesses in arrangements identified. Two improvement recommendations have been raised.	No significant weaknesses in arrangements identified. Two improvement recommendations were made.
<b>Governance</b>	No risks of significant weakness identified	No significant weaknesses in arrangements identified. No improvement recommendations have been raised.	No significant weaknesses in arrangements identified. Two improvement recommendations were made.
<b>Improving economy, efficiency and effectiveness (3Es)</b>	Potential significant weakness identified at the risk assessment stage, in relation to the Ofsted/CQC report on SEND, issued in July 2021. This was reported as a significant weakness in our 2020-21 and 2021-22 VFM work.	As a result of the Council's actions since January 2022 to date, we have concluded there is no longer a significant weakness in SEND arrangements as highlighted in Ofsted/CQC report in July 2021. As a result, we have lowered the key recommendation to an improvement recommendation – see further details at page 26.  In addition, two improvement recommendations have been raised in the 3Es theme.	The ongoing significant weakness (from 2020-21) in arrangements as at 31 March 2022 regarding findings from Ofsted / CQC report on SEND arrangements, with an associated ongoing key recommendation action.  In addition, one improvement recommendation was raised.

# 1. Executive summary

## Overall Summary

Like most local authorities, the Council continues to face increasing demands on its services with the context of a challenging and uncertain financial environment. Our work indicates the Council continues to face these challenges with resilience.

Rotherham was named the 'Most Improved Council of the Year' in June 2022 in the Local Government Chronicle (LGC) awards. The Council was also subjected to a Local Government Association led Corporate Peer Challenge in June 2023. The report highlighted, the Council serves the town well and is an 'impressive organisation'. It also indicated that the Council is ambitious and has well-established and robust foundations, along with several notable and commendable practices that other councils could learn from.

## Financial sustainability

**2022-23:** The Council set a balanced revenue budget position for 2022-23 of £259.7m in March 2022. As reported to the Cabinet and Council since March 2022, the global economic position significantly changed with rising inflation and substantial increases in energy prices. A significant overspend was forecast of £18.2m in September 2022, reducing to £8.4m in February 2023 as a result of budgetary controls and financial management, the final outturn was improved further to an overspend of £7.3m. This improved position meant the final call on reserves to balance the Council's outturn position was funded from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m). The Council also delivered the agreed savings target of £4.4m during 2022-23.

**2023-24 year to date position:** The Council approved a balanced budget of £302.2m in March 2023. According to the latest published figures (Q3 - December 2023) finance monitoring report, the Council is predicting an overspend of £1.2m for 2023-24. Overall, this would be a reasonable outcome for the Council considering the wider context of the financial challenges within the local government sector as whole.

**2024-25 Budget and MTFs:** The Council has set a balanced revenue budget of £326.0m for 2024-25 and forms part of the MTFs which also includes the outline 2025-26 position. The Council has not projected its financial position beyond that given the lack of clarity of government funding settlements beyond 2025-26. The Council has a current unfunded gap of £6.6m for 2025-26 that is yet to be determined how it will be resolved. Management is fully aware of this and is confident that a balanced budget can be set, when funding becomes clearer for 2025-26.

The Council continues to have arrangements in place for the medium-term financial planning. The Senior Leadership Team is aware that there are challenges in fully achieving savings targets in the future. This is due to increasing demand for services such as children's services and adult social care, and a lack of clarity on medium term central government funding and other economic constraints such as interest rates and energy prices.

As reported at page 18, the Council has managed to improve and stabilise its General Fund Reserves position over the last 5 years. The Council also continues to have a General Reserve Minimum Balance of £25m (within the General Fund Reserves balance) as a contingency for unforeseen events / exceptional situations. The Council acknowledges that continuous reliance on General Fund Reserves to fill the budget gaps and achieve a balanced budget position is not sustainable financial management. Therefore, the Council continues to work on savings programmes and effective budget setting, monitoring and controls.

We have raised two improvement recommendations (pages 19 and 20) to further strengthen the Council's current arrangements around financial sustainability. They are mainly in respect of improving the reporting content in the Financial Monitoring Reports to the Cabinet during the year. Further details of our financial sustainability work can be seen on pages 11-20 of this report.



# LGA Corporate Peer Challenge

5<sup>th</sup> – 8<sup>th</sup> June 2023



# 1. Executive summary (continued)

## Governance

Overall, the Council continues to have appropriate governance arrangements in place. The Council has risk management and monitoring arrangements in place that are regularly reviewed to detect, update and mitigate risks.

Our work has not identified any significant weaknesses in the governance arrangements at the Council. This is also supported by our detailed review of the Council's 2022-23 Annual Governance Statement and 2022-23 Head of Internal Audit Annual Report.

We have also not identified any improvement recommendations during our 2022-23 work.

Further details can be seen on pages 21 to 24.

## 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 2022-23 work has not identified any significant weaknesses in relation to Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

As the Committee is aware from our previous AARs, during our 2020-21 and 2021-22 VFM work, we reported a significant weakness and an associated key recommendation in respect of the Ofsted/CQC report issued in July 2021, on implementing SEND reforms as set out in the Children's and the Families Act.

Our VFM work in 2022-23 indicated appropriate progress has been made in terms of actioning the key recommendation. Due to the progress made and actions taken by the Council, including proactively working with all stakeholders such as Department for Education, NHS England, and South Yorkshire Integrated Care Board, we no longer consider there is a significant weakness in arrangements in relation to implementing SEND reforms in Rotherham. Therefore, we have lowered this key recommendation to an improvement recommendation. Further detailed information to support our conclusions are included at page 26 of this report.

However, we have raised two improvement recommendations (see pages 31 and 32) to further strengthen the Council's arrangements in relation to new procurement legislation implementation, and the Climate Change action plan challenges. This is to ensure they are more clearly linked to the Council's Corporate Strategic Risk Register.

Further details can be seen on pages 25-32 of this report.



We issued an unqualified 'clean' audit opinion on the Council's financial statements on 11 December 2023.

Our findings are set out in further detail on Section 2.

# 2. Opinion on the financial statements

## Audit opinion on the financial statements

We issued an unqualified 'clean' audit opinion on the Council's financial statements on 11 December 2023. This was a good outcome for the Council considering the levels of delays and backlog in local authority accounts and audit finalisation in recent years in the public sector.

## 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

In summary, there were material audit adjustments in relation to Council's share of South Yorkshire Pension Fund asset. This was a new issue for a number of 2022-23 local authority audits, including Rotherham Council. However, these adjustments and presentational changes did not have any impact on Council's usable or general fund reserves position as at 31 March 2023.

More detailed audit findings can be found in our ISA260 Report, which was reported to the Council's Audit Committee on 28 November 2023 and the final ISA260 Report dated and issued on 11 December 2023, coinciding with the date of our audit opinion on Council's financial statements.

## Preparation of the accounts

We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.

The Council's finance team demonstrated a good level of engagement in the 2022-23 audit process and throughout the year. This is something we have come to expect from the Rotherham finance team. This helped to ensure the audit process progressed as planned and to the agreed timescale.

## 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 (NAO).

The WGA audit guidance for 2022-23 was issued and, as in the prior year, the Council was below the threshold for detailed audit procedures.

We completed the high-level assurance statement on the WGA consolidation pack in line with the national guidance and submitted it to the NAO on 19 December 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.

# 3. Use of auditor's powers

We bring the following matters to your attention of auditor's powers:

## 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 have not issued any statutory recommendations at the Council.

## 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 have not issued any Public Interest Report at the Council.

## 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 have not applied to the Court for any purpose relating to the Council.

## 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 have not issued any advisory notices to the Council.

## 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 have not made an application to court for a judicial review.

# 4. Key and statutory 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'.

As reported at page 3, our 2022-23 work has not identified any significant weaknesses in arrangements to secure value for money.

We did identify a potential significant weakness at the planning stage of our audit, in relation to the Ofsted/CQC report on SEND, issued in July 2021. This was reported as a significant weakness in both our 2020-21 and 2021-22 AARs.

However, as a result of continuing progress made by the Council since January 2022 to date, including proactively working with all stakeholders such as Department for Education, NHS England, South Yorkshire Integrated Care Board, we have concluded, there is no longer a significant weakness in SEND arrangements as highlighted in the Ofsted/CQC report in November 2021.

Therefore, we have lowered the key recommendation to an improvement recommendation during our 2022-23 VFM work. Further details are reported at page 28.

This is a positive outcome for the Council to have no significant weaknesses or resulting key recommendations arising from our 2022-23 VFM arrangements review.

Section 3 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.

As reported at Section 3, 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 2022-23 audit year.

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





# 5. Securing economy, efficiency and effectiveness in the Council's 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 A.

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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties, including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 33.

# 6. The current LG landscape

## National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. By January 2024, it has reduced to 4.2%. Overall, this highlights the volatility in the economic conditions and the markets forces, where public services are provided. This Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

# 7. Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Identifying significant financial pressures and building them into Council plans

As in previous years, the Council continues to use the Annual Budget and the Medium-Term Financial Strategy (MTFS) to capture the significant financial pressures. Once built into the budget, the financial plans are regularly monitored, scrutinised, reported and published. The Council's budgets and MTFS are presented, discussed and formally approved by full Council and the Cabinet prior to start of the new financial year in April.

It is clear from the budget report and MTFS, the funding settlements are appropriately captured as much as possible, and financial challenges are identified, as reported in this section.

As required by section 25 of the Local Government Act 2003, the s151 officer clearly indicates the robustness of the estimates made and the adequacy of the proposed financial reserves in the budget report.

For example, the 2024-25 budget, the latest available at the time of this report, highlights Council Tax increase of 1.5% in the basic rate of Council Tax (excludes precepting bodies) and a 2% Adult Social Care Precept on Council Tax. In terms of business rates, the budget highlights, the Government compensates the council for years in which they apply an indexation cap, (below the annual increase in the Retail Price Index). The associated Top-up Grant is reported in relation to business rates in the budget. This additional grant is c£2m for 2024-25 based on the indications in the Financial Settlement that compensates for the business rates freeze in 2024-25. These have been appropriately captured and reported in the budget.

The agreed Budget for 2024-25 and MTFS reflects the Council's priorities as set out in the Council Plan 2022-2025 and Year Ahead Delivery Plan.

The development of the Budget proposals for 2024-25 and the MTFS take into account prevailing economic factors and demand pressures, notably inflation fluctuations and its impact for Children and Young People Services (CYPS) placements. It also captures increase in food prices for schools catering and increased base costs across Council services, for example, significant increased demand for Home to School Transport and associated costs.

In common with a number of local authorities, CYPS placements continue to be a key challenge for the Council. The Council is committed to protecting the most vulnerable children and adults and delivering the improved cost effectiveness of these services. CYPS placements remain a budget risk with a projected overspend of £3.4m in 2023-24 due to rising market costs and challenges faced delivering the in-house residential homes programme.

The demand pressures that the Council has previously seen have reduced and the Looked After Children numbers continue to fall, greater than forecast when the 2023-24 Budget was set. Market pressures remain a budget risk whilst the Council is delivering its CYPS placement savings, as such, the Council has built in a Social Care Contingency of £3.4m in each of 2024-25 and 2025-26. budget plans.

The Council also continues to have a General Reserve Minimum Balance of £25m as a contingency for unforeseen events / exceptional situations. This can only be drawn-out with the agreement of the Leader of the Council, Chief Executive and the Strategic Director Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Council's Constitution.

Overall, the s151 officer responsibilities in relation to section 25 of the Local Government Act have been clearly highlighted in the annual budget report and we have not observed any significant weaknesses on such arrangements and reporting. This is clearly evident by the annual budget report, MTFS and regular budget monitoring activities that are reported to the Cabinet.

There is no evidence from our review that financial risks are being managed in the short term only. For example, from the budget reports, the Council is not seeking to make significant use of capital resources, such as asset sales, to relieve short-term revenue pressures. The budget and financial monitoring shows that short term revenue pressures are managed through revenue funding, efficiency programmes and, when necessary, use of general fund earmarked reserves, although not the utilisation of the £25m General Reserve Minimum Balance, which is earmarked for exceptional situations as mentioned above.

# Financial sustainability

## Plans to bridge funding gaps and identify achievable savings

As highlighted at page 10, the Local Government Association estimates that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by a further £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, with demographic pressures increasing the demand for services such as children's services and adult social care.

Therefore, identifying and delivering achievable recurrent savings targets are essential part of, not only bridging the funding gaps but also sustainable financial management. The Council is fully aware that setting achievable and realistic savings targets are part of prudent financial and general fund reserves management in the medium to longer term. If not, bridging the budget gaps through general fund reserves is not financially sustainable.

## Savings targets and achievements

The Council continues to progress in delivering the identified savings, under challenging economic and operational environment. Nationally, whilst inflation has more than halved from c11% in January 2023 to c4% in January 2024, economic growth is lower than what was expected. In the absence of an increase in non-ring-fenced departmental budgets, this is placing significant pressures on public services, including at this Council.

The Council has two sets of savings targets based on when they were approved /re-profiled by the Council. They are; (a) previously approved savings targets prior to 2023-24 budget, (see this page) and (b) savings approved as part of 2023-24 budget, see page 13.

### Previously approved savings (prior to 2023-24 budget):

The Budget and Council Tax Report 2022-23 agreed at Council in March 2022 indicated that £11.5m of approved budget savings and cost reductions were still to be delivered. It was agreed by the Council to re-profile these savings delivery across the financial years 2022-23 to 2024-25. The Council successfully delivered £4.4m of this in 2022-23 as highlighted at page 4.

Therefore, the remaining £7.1m (Figure 1) is to be delivered across 2023-24 and 2024-25. These approved budget savings are an essential part of the Council's approved MTFS position and bridging the funding gaps.

Figure 1 summarises the achievement of remaining previously approved savings targets of £7.1m (£11.5m - £4.4m delivered in 22-23), as at the end of December 2023.

Figure 1

Savings , agreed to be delivered	2023-24 (£'000)	2024-25 (£'000)	Total
CYPS	3,713	2,672	6,385
R&E	388	22	410
R&E, customer and digital	300	0	300
<b>Total Savings</b>	<b>4,401</b>	<b>2,694</b>	<b>7,095</b>
<b>Delivered by 31 Dec 2023</b>			
CYPS	1,594	N/A	1,594
R&E	24	N/A	24
R&E, customer and digital	300	N/A	300
<b>Delivered by 31 Dec 2023</b>	<b>1,918</b>	<b>N/A</b>	<b>1,918</b>
<b>Remainder to be delivered</b>	<b>2,483</b>	<b>2,694</b>	<b>5,177</b>
<b>Delivered against the target</b>	<b>44%</b>	<b>N/A</b>	

From Figure 1, it is noted that 44% (£1,918k) of the total savings target for 2023-24 has been delivered by 31 December 2023, leaving over half of the savings to be delivered in the final quarter. Discussions with management indicates that further £364k of savings can be potentially achieved by end of 2023-24 and the remainder (£2,219k) to be reprofiled to 2024-25.

The key savings challenge is in relation to CYPS savings, where £1,594k (43%) has been delivered and the remaining £2,119k (53%) still outstanding. This £2,119k is c85% of total outstanding savings as at 31 December 2023 and is a potential risk to be delivered by 31 March 2024.

According to senior management, whilst placement costs have been reduced in CYPS recently due to reduction in children numbers (see page 11), market pressures are continuing. With an anticipated better economic outlook with less inflation in 2024-25 and greater progress on the creation of in house residential homes, management believes there is more scope to achieve these savings in 2024-25. However, any under-achievement of these savings will place further pressures on the Council's reserves to cover this.

We will continue to monitor these as part of our 2023-24 VFM work.



# Financial sustainability

## Plans to bridge funding gaps and identify achievable savings (continued)

### Savings approved as part of 2023-24 budget:

As part of the Budget and Council Tax Report 2023-24 a further round of savings were approved, totalling £4.344m. This is in addition to previously brought forward savings as reported at page 12.

See Figure 2 (in £'000) for such saving targets, approved for 2023-24 and 2024-25.

There has been good progress made against these new saving targets as at the end of December 23. From Figure 2 below, it is noted that c87% (£3,797k) of 2023-24 total savings have been delivered by December 2023. It is estimated that 97% of these savings (£4,214k) are on target for delivery by 31 March 2024 with the remaining 3% (or £149k) still expected to be delivered in 2024-25.

Directorate	2023/24	2024/25	Secured as at 31 <sup>st</sup> December 2023
Finance and Customer Services	308	238	362
Assistant Chief Executive	303	407	153
Children's and Young Peoples Services	1,348	1,059	1,348
Adult Care, Housing and Public Health	1,224	1,998	961
Regeneration and Environment	1,161	1,001	973
<b>Total</b>	<b>4,344</b>	<b>4,703</b>	<b>3,797</b>

Figure 2

### 2022-23 outturn position:

The Council set a balanced revenue budget position for 2022-23 of £259.7m, which was approved at Council meeting in March 2022. As reported to the Cabinet and Council, the global economic position significantly changed with rising inflation and substantial increases in energy prices. As a result, significant overspends were forecast during 2022-23 in line with many other local authorities across the Country.

The Financial Monitoring Report for Q3 of 2022-23 (December 2023) outlined the Council was predicting an overspend of £8.4m. Earlier Cabinet reporting in September 2022 indicated even higher overspend of £18.2m.

As a result of budgetary controls and financial management, the final outturn was an improvement at £7.3m but an overspend nonetheless. There was a call on reserves to balance the Council's outturn position from the Transformation Reserve (£4.1m) and Budget and Financial Strategy Reserve (£3.2m). As indicated at page 12, the Council delivered the agreed savings target of £4.4m during 2022-23.

### 2023-24 year to date position:

The Council approved a balanced budget of £302.2m in March 2023. According to the latest published finance monitoring report (Q3 - December 2023), the Council is predicting an overspend of £1.2m. Whilst this is another overspend with a resulting draw on reserves to fund it, the projection is reasonable in the context of economic challenges facing the local government Sector.

### 2024-25 Budget and MTFS:

The Council has set a balanced budget of £325.6m for 2024-25 with a savings target brought forward of £2,694k (see page 12, Figure 1) plus any unachieved savings from 2023-24 year (see page 12) as the year is yet to be completed at the time of this report.

In addition, there is a further savings target of £359k (see Figure 2 : £4,703-£4,344) which were approved when setting 2023-24 budget. In total, £3,053k of savings are required (£2,694k + £359k) to deliver the balance budget, although this could be increased, if there is any carried forward of savings not achieved in 2023-24.

The MTFS only includes the following year, 2025-26, at this stage. This is due to lack of government funding settlement announcements available beyond 2025-26. There is an unfunded gap of £6.6m for 2025-26 that yet to be determined how this will be addressed. Management is confident a balanced budget can be set for 2025-26 when more certainty on funding is made available.

The Council continues to have arrangements in place for medium-term financial planning. The SLT is aware that there are significant challenges in fully achieving savings targets in the future. This is due to increasing demand, lack of clarity on medium term central government funding and other economic constraints such as interest rates and energy prices.

Overall, there are adequate arrangements in place in terms of identification and delivery of savings targets and we have not identified any significant weaknesses in this area.

# Financial sustainability

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

The Council's key financial planning document of any year is the annual budget which highlights how key services are to be funded and costed. The proposals identified within the budget provide the foundation for the Rotherham Council Plan 2022-25 and Year Ahead Delivery Plan, which is published before start of the budget year.

The annual budget captures the spending plans for each of the six service directorates as indicated at Figure 3 – extracted from the 2024-25 budget report.

Such budget planning highlights an understanding of the cost of delivering core Council services to the local communities in Rotherham. The actual spend against these core services is then monitored and reported through quarterly financial monitoring reports to the Cabinet. These reports include any key variations against the budget as applicable, alongside respective reasons for such variations whilst highlighting any mitigating actions.

These six, core services (see figure 3) feed into Council's longer-term strategy under five key themes as noted in Figure 4 below.



Figure 4

This is a clear indication that the Council continues to plan its finances to support sustainable delivery of key services in accordance with strategic and statutory priorities, that are clearly captured in figure 3.

Figure 3

	<b>Proposed Budget 2024/25</b>
	<b>£'000</b>
<b>Adult Care, Housing &amp; Public Health</b>	122,096
<b>Children &amp; Young People's Service</b>	65,060
<b>Regeneration &amp; Environment Services</b>	54,825
<b>Finance, Customer Services</b>	21,349
<b>Assistant Chief Executive</b>	7,280
<b>Central Services</b>	55,445
<b>TOTAL NET REVENUE BUDGET</b>	<b>326,054</b>

#### Dedicated Schools Grant (DSG) deficit:

As reported in our previous AARs, the Council was awarded Safety Valve Funding of £20.53m over a five-year period starting from 2021-22. This is a programme which provides support to local authorities which have large DSG deficits. This was a positive outcome for the Council as a result of effective cooperation with various stakeholders, including the DfE.

The DSG deficit was £5.9m at the end of 2022-23. This is a reduction of £15.4m when the DSG deficit was at £21.3m at end of year 2020-21. The Council has already received £14.5m of this funding as at 31 March 2023. According to management, the DSG Management plan is on track with the initial financial assumptions specified by the DfE when the funding was provided. The estimated outturn for the DSG reserve 2023-24 is a £3m deficit (after including £2m of Safety Valve funding for 2023-24). As part of the Safety Valve process, the Council meets quarterly with DfE to present current progress on the management plan and the financial position over the duration of the programme. Like many other local authorities in England, Rotherham has key challenges when providing core services in accordance with key priorities. This is due to increasing demands and stretched funding. However, our work indicates the Council identifies these challenges promptly and puts in place arrangements to address them.

Overall, the council has arrangements in place to support sustainable delivery of services in accordance with its strategic objectives.

# Financial sustainability

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

The latest 2024-25 Budget report sets out the Capital Strategy and proposed Capital Programme up to 2027-28. This highlights the future capital investment strategy for Rotherham. These plans support investment decisions that are aligned with the Council's strategic priorities, vision for Rotherham and the Council Plan.

The Council's Capital Strategy and Capital Programme up to 2025-26 was initially approved by Council in March 2023, within the Budget and Council Tax 2023-24 Report. This Plan has been further refreshed and updated as part of above mentioned 2024-25 Budget.

The Capital Programme approved as part of 2023-24 budget was duly monitored and regularly reported to the Cabinet and Council throughout 2023-24.

The outturn on the Capital Programme for 2022-23 was £130.3m, an increase of £25.4m or 24% over 2021-22 (£104.9m). The approved Capital Programme for 2022-23 was £156.1m. Therefore, this was an underspend and slippage of £25.9m (or 16%). As reported to the Cabinet, the programme was ambitious, however, the impact and recovery from the pandemic along with rising inflation and an overloaded construction industry has impacted its 2022-23 delivery programme. The slippage is re-profiled into future year programmes (2023-24 onwards) and reported to the Cabinet and Council.

Our work highlighted that, the Capital Programme continues to be closely monitored, and its performance is reported quarterly to the Cabinet via Financial Monitoring Reports (FMR).



Our review of quarterly 2023-24 FMR has highlighted, the approved budget numbers of the Capital Programme are updated during a specific budget year.

For example, the 2023-24 Capital Programme was updated following the 2022-23 final outturn and also based on latest information on capital projects' actual delivery during the year. This is understandable - in any good budget monitoring process as changes are needed to initial estimates based on actual delivery and operational circumstances. However, the reports only provide the updated/revised position rather than any mention of the approved budget at the start of the year, making the link to the originally agreed programme unclear.

For example, the approved capital budget at start of 2023-24 was £252m. When this was revised during 2023-24, for perfectly valid reasons, the approved budget position of £252m is not mentioned in the FMR. The only mention is the revised updated Capital Programme position. For example, according to the latest 2023-24 FMR for Q3 (December 2023), the revised Capital Programme for 2023-24 is £152.3m. There is no mention of the original approved Capital Programme (£252m) for 2023-24.

Whilst the updated position is important to be reported, as part of transparency and accountability in financial reporting, it is also important to understand the changes / variations against the approved budget at the start of the year. This would provide more information for meaningful comparisons and future informed decision making. We have raised an improvement recommendation to include the approved budget numbers in the FMR, when changes are being made to the Capital Programme during the year.

### People:

The Council recognises that its workforce is critical to delivering the Council's priorities. The workforce strategy aims to ensure that staff feel valued, supported and empowered as they continue to deliver the best possible services for local people.

These are measured through annual performance reviews and overall Council performance, including external recognition - such as the 'Most Improved Council' in 2022, awarded by the Local Government Chronicle. It is noted that staff satisfaction was a factor that was been considered as part of this assessment.

In addition, the Council was subjected to Local Government Association led Corporate Peer Challenge in June 2023 (see further details at page 23). The report indicated that:

*"..the peer team met some really good quality staff from across the Council. They were motivated, dedicated and determined to deliver the best outcomes for residents. They knew the priorities of the Council and wanted to do their best to deliver against them.."*

# Financial sustainability

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

## Borrowings:

The annual treasury management report indicates that the Council continues to work within its borrowing limits for the year ended 31 March 2023. However, as reported in our previous VFM Reports, the Council has relatively higher levels of borrowing compared to similar metropolitan borough councils in England. This is demonstrated by figure 5 below which compares long term borrowings against long term assets (excluding Pension Asset which is not a cash related liquid asset and an unusable reserve) of similar entities. The information for this graph has been obtained from published accounts for 2022-23.

The % for Rotherham (blue vertical line) is 40.9% whereas the average is 28% (orange dotted line). It should be noted that long term and short-term borrowings have reduced by £26.2m and £87.7m respectively at the Council (a total reduction of £113.9m) compared to 2021-22. The Council continues to maintain an under-borrowed position against the capital financing requirement issued by CIPFA’s prudential code.

The Council borrowed £227m of long term PWLB funds during 2021-22 and took advantage of the low PWLB interest rates available at the time, before interest rates were increased. This was at an average 1.53% interest rate across the £227m borrowing, which now looks a good outcome in the current economic climate. This funding was replacing short-term borrowing as it matured. As a result, the Council did not need to borrow during 2022-23 (when interest rates have significantly increased) as the Council has held cash balances remaining from the borrowing undertaken in 2021-22. This has reduced the interest rate risk at the Council during a volatile economic period.

In terms of borrowing profile, 86% of Council’s total borrowing (£566m) at end of 2022-23 was at a fixed interest rate, with the remaining 14% (92m) at a variable rate. Again, this has reduced the Council’s exposure to variable interest rate risks.

We will continue to monitor Council’s borrowing patterns, possible risks associated with that and arrangements in place to mitigate those risks, as part of sustainable financial management and report to the Audit Committee in future VFM work.

We have not identified any significant weaknesses in relation to the Council’s treasury management arrangements.

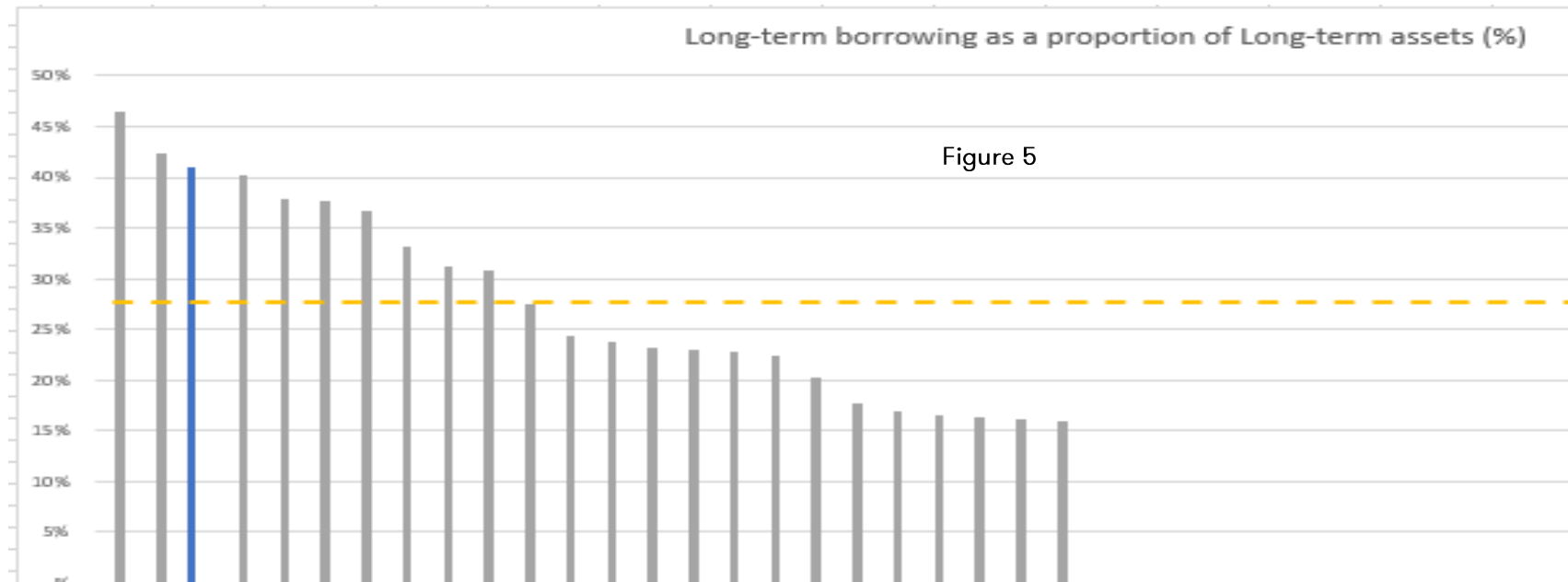


Figure 5



# Financial sustainability

## Identifies and manages risk to financial resilience

The key initial tool the Council uses to manage risk to financial resilience is the annual budget report. That is then followed by regular financial monitoring and reporting to the Cabinet via Financial Monitoring Reports (FMR).

The budget document is detailed, covering assumptions, risks, demographic and other cost pressures such as interest rates, inflation, savings targets and available reserves. The Section 25 report from the s151 officer captures the commentary on the robustness of the estimates included in the budget and the adequacy of the reserves.

In line with the performance and control framework, the Council is required to produce regular and timely reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance so that, where necessary, actions can be agreed and implemented to bring expenditure in line with the approved budget for the financial year. This is done through FMR. The reports monitor the performance against the budget, and contain the following:

- Key issues comparing the actual performance against the revenue and capital budget and reasons for the variations
- Performance and mitigating actions taken as and when necessary, on service delivery challenges, covering key service areas such as Children and Young People's Services, Adult Care, Housing & Public Health
- Key risks and assumptions to service delivery as applicable
- Savings targets, delivery to the date, risks to achieving savings targets and estimated delivery of savings at the year end
- Dedicated Schools Grant (DSG, see page 14) performances for the year
- Report implications (if any) for matters such as, Legal, Human Resources, Children and Young People and Vulnerable Adults, Equalities and Human Rights, CO2 Emissions and Climate Change and any other partner body/organisations.

Overall, we found this report to be comprehensive and identifies and manages risk to financial resilience.

We identified one reporting improvement in quarterly FMR, which would further enhance transparency of reporting in relation to the initially agreed budget allocations for the Council's Directorates.

Our review of quarterly 2023-24 FMRs on revenue budget highlighted that, whilst the FMR correctly and consistently captures the approved overall budget for 2023-24, for example, in this case, £302.2m in all quarterly reports, there is an inconsistency in individual directorate budgets compared to what was initially approved at the start of the year.

For example, the 2023-24 approved budget had allocated £64.5m for Children and Young People's (CYPS) Services. According to the latest Q3 (December 2023) FMR, this indicates a budget of £67m for CYPS.

Our discussions with management indicated this is due to a transfer of budgets within Council's directorates, due to demand pressures during the year. Whilst we do understand this and the Council is fully permitted to do this, we have raised an improvement recommendation to highlight this going forward and explain the reasons for any such significant inter-directorate budget transfers in the FMRs.

As reported in our previous AARs, the Council continues to have sufficient arrangements in place in relation to identifying and managing financial risks through the budget, strategic risk register (see governance section, page 21) and via regular monitoring and reporting (FMR).

# Financial sustainability

## General Fund Reserves:

The Council has managed to improve and stabilise its General Fund Reserves position over the last 5 years (see Figure 6), although the reserves remain low when compared to other metropolitan councils. Please note, 2023-24 to 2025-26 are estimated figures from the latest 2024-25 budget and the MTFs published. Considering the budget setting and monitoring process we have observed in the past few years at the Council, we have no evidence to suggest these estimations from 2023-24 to 2025-26 are not prudent.

Year	General Fund Reserves ( excluding DSG and Covid Grants as relevant ) £ million
2018-19 (actual)	38.1
2019-20 (actual)	34.0
2020-21 (actual)	53.9
2021-22 (actual)	65.8
2022-23 (actual)	62.6
2023-24 (estimated)	59.4
2024-25 (estimated)	53.1
2025-26 (estimated)	52.7

Figure 6

The Council also continues to hold a General Reserve Minimum Balance of £25m (which is within the General Fund Reserves balance of £62.6m for 2022-23) as a contingency for unforeseen events / exceptional situations. This can only be drawn-out with the agreement of the Leader of the Council, Chief Executive and the Strategic Director Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Council’s Constitution.

Whilst the Council has managed to improve and stabilise the General Fund Reserves position over the last five years as reported above, as previously noted in our AARs, the Council’s General Fund Reserves position, compared with net cost of services of similar councils, is below average.

According to Figure 7, the average for this ratio (general fund reserves as a percentage of net cost of services) is 48% (orange dotted line) whereas the Council has a ratio of 28% (Blue line). The Council is fully aware of this position and continues to manage its resources in a sustainable manner which has resulted the above stabilisation of general fund reserves position, over the last five years.

The Council acknowledges that continuous reliance on General Fund Reserves to fill the budget gaps and achieve a balanced budget position is not sustainable financial management. Therefore, the Council continues to work on savings programmes (see pages 12 and 13) which are continually reviewed and reported to the Cabinet. We will continue to review these in our future VFM work.

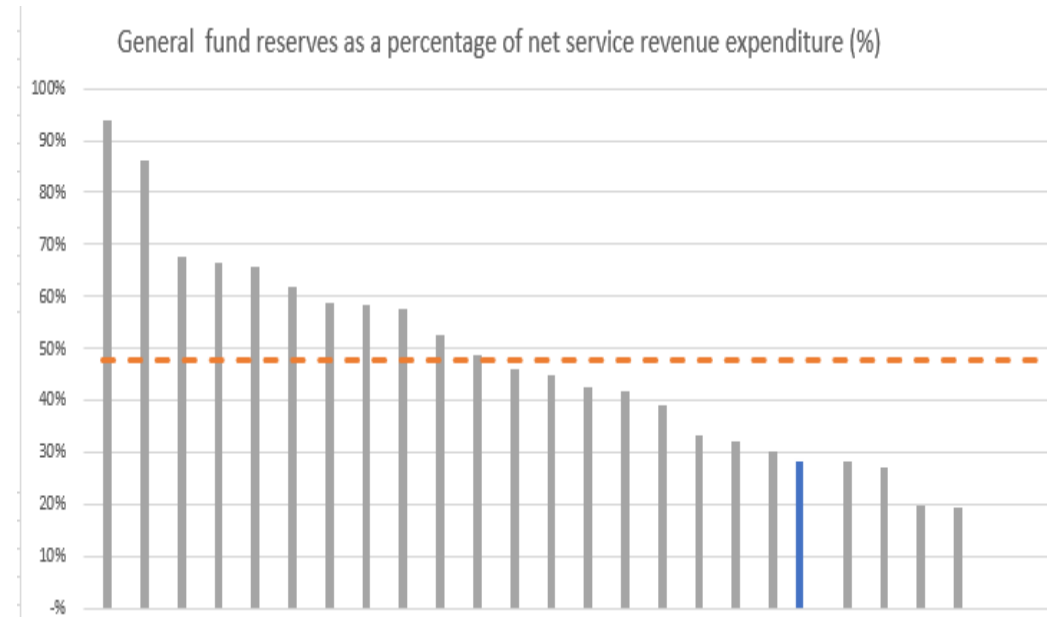


Figure 7

### Conclusion – financial sustainability:

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses. However, we have identified two improvement recommendations which are set out overleaf. In addition, we have followed up progress against our 2021-22 recommendations at Section 10 of this report.

# Improvement recommendations

<b>Recommendation 1</b>	<i>When the approved Capital Budget Programme is updated during the year, we recommend the Council continues to report the initially approved Capital Budget Programme amount alongside the revised numbers in the quarterly Financial Monitoring Reports (FMR) – in order that stakeholders can track the changes from the original Programme approved by Members.</i>
<b>Improvement opportunity identified</b>	Improve transparency and accountability in financial reporting. This would also support meaningful comparisons and support informed decision making.
<b>Summary findings</b>	Our review of quarterly FMRs in 2023-24 has highlighted the approved budget value of the Capital Programme is updated during the year. For example, the 2023-24 approved Capital Budget Programme (originally totalling £252m) was revised to £152.3m in the latest 2023-24 Q3 FMR. This was following the 2022-23 final outturn and also based on latest information on capital projects actual delivery during the year. This is fully understandable in any good budget monitoring process as changes are needed to initial estimates based on actual delivery and circumstances. However, the reports only provide the updated or revised position rather than any mention of the approved budget at the start of the year.
<b>Criteria Impacted</b>	Financial Sustainability
<b>Auditor Judgement</b>	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
<b>Management Comments</b>	<i>Agreed. This is possible but the Council must be guarded against making the financial reporting a lengthy monologue of changes approved during the year. As such the Council can make an amendment to flag the original capital programme budget but keep the narratives in the financial monitoring reports to explaining the variations that need to be agreed as part of that Cabinet report only. This will need consideration to set in a sensible and helpful way but is felt to be a positive addition.</i>

# Improvement recommendations

<b>Recommendation 2</b>	When transfer and virements of budgets between Council's directorates occur during the course of the financial year, the Financial Monitoring Reports (FMR) should include the initially approved budget for relevant directorates, and the reason for the transfer, alongside the revised position.
<b>Improvement opportunity identified</b>	Improved financial reporting to the Cabinet members by enhancing consistency between key Council documents such as the Budget Report and quarterly Finance Monitoring Reports.
<b>Summary findings</b>	<p>Our review of the quarterly 2023-24 FMRs highlighted that, whilst the FMR correctly and consistently captures the approved overall budget for 2023-24, in all quarterly reports there is an inconsistency in individual directorate budgets compared to what was initially approved at the start of the year – with no clear narrative explaining the movement from the original approved directorate budget.</p> <p>Our discussions with management indicated this is due to transfer of budgets within Council's directorates, due to demand pressures during the year. We do understand the Council is entitled to process such transfers based on demand pressures. Our work indicated, the FMRs do not currently highlight why inter-directorate budgets have changed during the year from the initially approved budget position - hence this recommendation.</p>
<b>Criteria Impacted</b>	Financial Sustainability
<b>Auditor Judgement</b>	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
<b>Management Comments</b>	Agreed. This can be factored into the Financial Monitoring reports to Cabinet and will be a helpful addition to the reporting structure.



# 8. Governance

## We considered how the Council:

- monitors and assesses risks and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance / Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests)

## Assessing risks, monitoring and effective operation of internal control

The Council continues to have internal processes in place to assess and monitor risks as well as gain assurances over effective operation of internal controls, including arrangements to prevent and detect fraud.

The key such processes include:

- The Corporate Strategic Risk Register (CSRR)
- Internal Audit Function and progress reports to Audit Committee on effective operation of internal controls
- Annual Governance Statement (AGS) and Head of Internal Audit Annual Report.

## Risk Management and Corporate Strategic Risk Register (CSRR)

The Council's Risk Management Policy and Guide states that risk management is the responsibility of all Council officers. This is further set out in the Policy where the specific responsibilities of all members and officers are detailed. All employees are required to:

- Understand risk and their role in managing risks in their daily activities, including the identification and reporting of risks and opportunities.
- Support and undertake risk management activities as required.
- Attend relevant training courses focussing on risk and risk management.

The Council has a group of Risk Champions. Each Directorate has at least one Risk Champion who leads on risk for their Strategic Director. The Risk Champions, Assistant Chief Executive and the Corporate Improvement and Risk Manager form the Risk Champions Group. This group is responsible for co-ordinating risk management across the Council.

There are Risk Champions in place for the following Directorates and Services:

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

In most cases, each Directorate also has a substitute or deputy Risk Champion who can stand in for the primary Risk Champion when required. The Risk Champions' Group meets bi-monthly and has done so consistently over the past twelve months.

The CSRR captures all the key Corporate Risks and is developed using a Red, Amber, Green (RAG) rated system and regularly reviewed by the Senior Leadership Team.

As of December 2023, there were 16 key risks in the CSRR. A risk report is presented to each Audit Committee for check and challenge. This would either cover a Directorate Risk Register or a Corporate Risk Register. The Corporate Improvement and Risk Manager runs through a summary of risks, focusing on any developments since the previous Audit Committee and takes questions alongside the s151 Officer who also attends each Audit Committee.

Our observations from attending Audit Committee meetings indicate there is good check and challenge system by the Members as well as open and transparent discussions to identify, control and mitigate key strategic risks to the Council. These processes would in turn provide assurances over effective operation of internal controls, including arrangements to prevent and detect fraud.

We have not identified any significant weaknesses in this area.

# Governance

## Internal Audit:

The Council has an established Internal Audit Function. The annual Head of Internal Audit (HoIA) report continues to provide assurances on anti-fraud work during the year. For 2022-23, the HoIA reported the Council had an “overall an adequate and effective framework of governance, risk management and control”.

Each Audit Committee is provided with an Internal Audit progress update against the Annual Internal Audit Plan. These reports include work completed since the previous Committee, recommendations arising, including any outstanding recommendations. Any red rated recommendations are clearly highlighted in these progress reports. We have observed constructive challenges by Members of these reports through our Audit Committee attendance. This helps to promote good governance.

A long standing HoIA retired during 2023-24. The Council appointed a new HoIA before that departure to help ensure a smooth handover. The current HoIA attended Audit committee meetings alongside the departing HoIA. From our knowledge and experience, there has been a good hand over of work to ensure the continued delivery of the 2023-24 Internal Audit Plan. We have no concerns to highlight in this report in relation to the Internal Audit function.

We have continued our relevant discussions with the new HoIA as part of our ongoing accounts audit and VFM work. Overall, there are arrangements in place within the Internal Audit Plan to capture the required work on effective operation of internal controls at the Council.

## Annual Governance Statement (AGS):

The Council continues to produce an AGS which complies with required guidance. It captures and summarises the overall governance framework at the Council, assurances obtained, action plans on matters that need to be followed up, together with timescales for those actions.

The AGS is supported by Council’s Local Corporate Governance Code. The Local Code is the overall statement of the Council’s corporate governance principles and commitments. This is based on CIPFA’s publication “Delivering Good Governance in Local Government: Framework” (2016) – which sets out the standards for local authority governance in the UK.

As part of our financial statement audit and VFM work, we review Council's AGS and provide comments as necessary. There are no specific areas we need to report or include on this as part of our VFM work. We have not identified any significant weaknesses in Council's AGS reporting and the overall framework.

From our observations of attending Audit Committee meetings and conducting the Council’s financial statement audit, our view is the AGS further strengthens the Council’s arrangements around risk assessment, monitoring and effective operation of internal controls.

## Budget setting process and budgetary controls

The Council’s budgetary controls and regular monitoring are covered under the financial sustainability section of this report and are not repeated here. This section covers some background on how the budget is set at the Council and the wider stakeholder participation.

The Council continues to consult the public and other stakeholders in the budget setting process. For example, for the 2024-25 budget, the public consultation took place from 8 December 2023 to 14 January 2024. The outcome is publicly available and published as an appendix to the 2024-25 Budget report to the Cabinet in February 2024. This is a demonstration of transparency and accountability by the Council and considered good practice.

The online budget consultation had five questions, which allowed for “free text” responses. They were:

1. What would be your spending priorities for the Council?
2. Where would you suggest the Council could reduce spending?
3. Do you have any concerns about the Council’s current budget?
4. Council Plan budget priorities
5. Do you have any other thoughts on the budget?

Question four was sub-divided into five separate questions, with respondents asked to give their budget priorities for the five themes in the Council Plan 2022-25:

- 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

A total of 112 people completed the online consultation, this was an increase on the 76 responses that were received on the budget consultation in the previous year (2023-24). For example, one area most commonly mentioned in the consultation feedback was, the maintenance of roads and pavements. These comments mostly related to repairing potholes and improving the condition of roads and pavements which were taken on board by the Council.

From our cumulative knowledge and experience as reported in previous AARs, the Council has sufficient governance arrangements in place regarding budget setting, monitoring and reporting.

# Governance

## Making properly informed decisions, supported by appropriate evidence

The Council continues to have a Committee Structure comprising:

- Full Council
- Cabinet
- Health and Wellbeing Board
- Nine Regulatory Committees, including the Audit Committee
- Four scrutiny committees, including the Overview and Scrutiny Management Board
- Three liaison meeting committees including, Rotherham Town Deal Board which comprises various stakeholder groups including South Yorkshire Mayoral Combined Authority
- Two joint committees, including the Barnsley, Doncaster and Rotherham joint waste board.

Minutes of these meetings are published on the Council's website. These minutes indicate that relevant information continues to be provided to decision makers before major decisions are made, alongside the impact of these decisions on key Council priorities.

The S151 Officer is a key member of the Council's Senior Management Team (SMT) and all key decisions are subject to legal approval by the Monitoring Officer. The SMT meets on a regular basis to discuss key decisions. These are then progressed to formal approval as necessary via the Council and the Cabinet.

Our observations from attending the Audit Committee meetings are that sufficient evidence is provided to Members to support proposed recommendations or seek approval of the Committee papers.

The Audit Committee is currently made up of four elected councillors and two newly recruited independent members, who are not elected councillors. Out of four elected councillors, one is an independent member with no affiliation to any political party. The recruitment of two independent members is a positive move by the Council and is in line with CIPFA's direction of travel and good practice for local authority audit committee membership.

Our attendance of Audit Committee meetings indicate that there is an environment of independent challenge and scrutiny on the Council's governance, risk management and assessing effective operation of internal controls, although attendance of some elected members could be more consistent throughout the year – something the Council has acknowledged and is keen to improve into 2024-25.

Overall, our work indicates, the Council continues to have arrangements in place, to make properly informed decisions, supported by appropriate evidence.

## Local Government Association (LGA), Corporate Peer Challenge

The Council was subject to an LGA Corporate Peer Challenge review during June 2023. The peer challenge was undertaken by a team of six experienced reviewers drawn from the local government sector. The review included gathering information from a wide range of sources as well as attending various meetings, interviewing staff, councillors, external auditors and other stakeholders. The review was performed across a number of key areas, such as:

- Local priorities and outcomes
- Governance and culture
- Capacity for improvement.
- Organisational and place leadership
- Financial planning and management

The outcome and feedback of the review was published in September 2023, and was a positive report. Some highlights from the report are captured below:

- *"The Council serves the town well and is today an impressive organisation It highlighted that the Council is ambitious and has well-established and robust foundations, along with several notable and commendable practices that other councils can learn from*
- *There is strong and visible political and managerial leadership in the council at borough and sub regional level. The Leader and the Chief Executive have demonstrated drive in bringing about the necessary change across the Council to get it to the position it is today. There are excellent and effective Member and officer relationships built on mutual trust at a variety of levels*
- *The staff were motivated, dedicated and determined to deliver the best outcomes for residents. They knew the priorities of the council and wanted to do their best to deliver against them.*
- *There is also good evidence of effective governance and a positive and healthy organisational culture that supports the council in delivering some good quality services".*

As in any such inspection, there were some improvement recommendations to further enhance Council's arrangements. The Council was prompt to devise an action plan to implement these recommendations and this plan was reported to the Cabinet in September 2023, alongside the LGA report. These are available on the Council's website.

We will follow up the progress against these seven recommendations during our 2023-24 VFM work.

# Governance

## Maintaining and monitoring appropriate standards

The Council continues to have various means to monitor and ensure that appropriate standards are followed and reported to key committees. Some of these include:

- The Constitution
- Local Code of Corporate Governance
- Annual Governance Statement
- Health and Safety arrangements and compliance with legal obligations as a Council
- Customer Compliments and Complaints reporting to Cabinet and
- Register of Members interest and code of conduct for Members and all employees
- Head of Internal Audit work through the Internal Audit Plan
- Corporate Strategic Risk Register, identifying and monitoring key risks which include ensuring appropriate standards are monitored and reduce the risk of those adversely impacting the Council's objectives.

The Monitoring Officer (one of the three key statutory positions) continues to be responsible for ensuring that key standards are followed and complied with at the Council, including:

- promoting and maintaining high standards of financial conduct including maintaining the Register of Members' Interests which members and co-opted members are required to complete under the terms of the Council's Code of Conduct for Members and Co-opted Members
- ensuring that procedures for recording and reporting key decisions are operating effectively
- provide advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and the budget and policy framework, and will support and advise councillors and officers in their respective roles.

The Council has a Code of Conduct for officers and Code of Conduct for Members.

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

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

The Members Code of Conduct, has been designed to support the Council's democratic role, encourage good conduct and safeguard the public's trust in local government and the Council. We made an improvement recommendation during our 2020-21 VFM work to further strengthen the management of Members Code of Conduct. Our follow up work during 2021-22 VFM work indicated that, management has actioned our recommendation.

Overall, the Council continues to have arrangements in place to monitor appropriate standards that promotes good governance.

## Conclusion – Governance

Overall, we are satisfied the Council has appropriate governance arrangements in place and we have not identified any significant weaknesses in the Council's arrangements.

Our 2022-23 work has not identified any improvement recommendations. We have followed up the Council's progress against our 2021-22 governance recommendations in Section 10.

# 9. 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Management and monitoring

As reported in our previous AARs, the Council continues to have an established performance management framework in place. There have not been any significant changes to this process during 2022-23 and to date in 2023-24. Performance is reported to the Cabinet through six monthly progress Reports on Council Plan and Year Ahead Delivery Plan.

In January 2022, the Council adopted a Council Plan for 2022-25 as well as a Year Ahead Delivery Plan for the period up to 31 March 2023.

The Council Plan 2022-25 is a key document which sets out the Council's vision for the Borough and priorities for serving residents and communities. The Plan provides the medium-term basis for targeting resources, informing the budget-setting process including planning cycles, and ensuring that residents can hold the Council to account for delivery.

The Year Ahead Delivery Plan (which is updated annually) for 2023-24 was approved by the Cabinet in April 2023.

The process for monitoring performance is set out in the Council's Performance Management Framework (PMF) which is also unchanged from last two years. This explains how performance monitoring should be carried out. The PMF is linked to the five key themes in the Council Plan 2022-25 (Figure 8). There are Key Performance Indicators for each of these themes in the Council's PMF.

The final yearly performance report for 2022-23 was reported to the Cabinet in July 2023. The 2023-24 half year performance was also reported to the Cabinet in January 2024. Therefore, there are regular reporting to the Cabinet on these performance targets.

We have reviewed the final performance report for 2022-23 and 2023-24 half year performance report. There are no performance issues that would indicate any significant weaknesses at the Council. This is in line with our cumulative knowledge of the Council that is supported by information gathered through our meetings with senior management and review of key meeting minutes such as Cabinet and the full Council. This is also supported by the LGA Corporate Peer Review, as reported at page 23.

From these Cabinet reports which are publicly available, there is sufficient evidence to conclude the Council has arrangements in place for performance monitoring to achieve its Council objectives. Further, the communication and reporting of the Council's performance is open for check and challenge.

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

Figure 8



# Improving economy, efficiency and effectiveness

## Evaluates the services it provides to assess performance and identify areas for improvement

In addition to Council's own performance management and monitoring arrangements as reported at page 25, the Council also uses other means of evaluation of services, such as (not limited to):

- External inspections and reports
- Internal Audit reports in relation to the internal control environment linked to Council services – for example, Collection Fund internal audit may highlight control environment improvement areas such as control reconciliations and debt collection. Actioning these will further improve services related to revenue tax collections.

## External inspections and reports:

### Ofsted/CQC Report July 2021:

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. This was to assess the effectiveness of the borough in implementing the SEND reforms as set out in the Children and Families Act 2014.

The inspection was led by Ofsted, supported by a team of inspectors from the CQC. The report was also issued in July 2021. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCI) determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness in the borough's practices and arrangements.

As a result of these findings from Ofsted and CQC, our view was there was a significant weakness in the Council's arrangements for 2020-21 and 2021-22 in relation to improving economy, efficiency and effectiveness in Rotherham, in implementing SEND reforms as set out in the Children's and the Families Act. As such, we raised a key recommendation on this issue in both our 2020-21 and 2021-22 VFM reports.

The key recommendation was:

- 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 Commission.

Our work in this area in 2022-23 indicates that good progress has been made in actioning Ofsted/CQC report recommendations. Some of those actions taken by the Council include:

- submitting a detailed WSOA in January 2022.
- creation of a SEND Executive Group that includes RMBC Directors of Children's and Adult Services; senior leaders from across a range of health partners and other leaders across education and health to deliver on the WSOA
- working with all key stakeholders to action the WSOA. This includes, DfE, CQC, NHS England, and Schools Forum
- monitoring the progress against the WSOA during regular meetings attended by all stakeholders, including representatives from key external stakeholders and senior officers from the Council
- reporting to the Cabinet and Improving Lives Commission, updating the progress in delivering the WSOA.

We have reviewed the meeting minutes prepared by the SEND and disability program adviser from the SEND and Alternative Provision division of DfE. Our minutes review has highlighted that:

- Rotherham Local Area continues to make sound progress with respect to their WSOA actions. Leadership is strong and shared across the Local Area including parents / carers and this is considered to be a strength in Rotherham
- The Local Area is already reporting on impact measures where this is appropriate, and this is evidenced in the written submissions. There are no significant delays in implementation. This is to be commended
- Improvements related to all areas are now established. In Rotherham there is much that is now securely established, especially in relation the Local Offer
- SEND Resources are now 'live' on the Local Offer and are available to all school/setting staff, families and young people. Development of SEND Champions within Social Care has increased knowledge of SEND processes and resources
- Rotherham's Preparation for Adulthood is now in a good position with WSOA implementation and implementation of SEND reforms
- 92.9% of actions are now completed as detailed within the WSoA, all WSoA areas have been presented to the Evidence Challenge Panel for formal sign off. Following support and challenge meeting 5 (June 2023) it was confirmed that Rotherham would not be subject to a re-visit inspection on implementing SEND reforms based on progress against the Written Statement of Action.

Further to our review of this evidence and discussions with Grant Thornton's public sector VFM consistency panel, we no longer consider there is a significant weakness in arrangements in relation to implementing SEND reforms in Rotherham. Therefore, we have now lowered this key recommendation to an improvement recommendation to be monitored in future VFM work. See section 10. This is a good outcome for the Council.

# Improving economy, efficiency and effectiveness

As part of our 2022-23 VFM review, we have considered the following two Ofsted reviews.

## (1) Inspection of Rotherham Metropolitan Borough Council local authority children's services by Ofsted – dates of visit 27 June – 1 July 2022 and report date July 2022.

In summary the overall rating was 'good', and Ofsted covered the following areas alongside awarding a rating:

- The impact of leaders on social work practice with children and families – good
- The experiences and progress of children who need help and protection – good
- The experiences and progress of children in care and care leavers – good
- Overall effectiveness - good

Overall, this was a very good outcome for the Council in terms of children's services provision, and demonstrates the progress made by the Council in this area in recent years.

## (2) Inspection by Ofsted of Coleridge Children's Centre Day-Care – operated by the Council. Inspection date 28 November 2023

In summary, again the overall rating was 'good', and Ofsted covered the following areas alongside awarding a rating:

- The quality of education – Good
- Behaviour and attitudes – Good
- Personal development – Good
- Leadership and management – Good
- Overall effectiveness at previous inspection – Good

Again, this was considered a good outcome for the Council and a good indicator and feedback for the services it provides, from an independent and key public sector regulator.

## Partnership working

Rotherham Council Plan 2022-25 continues to be a key demonstration of how the Council works with various partners to achieve its vision to improve services to its local residents. In the Council Plan, the partnership working is recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and helping to strengthen communities.

The Council continues to work in partnership with the following organisations and government departments to move forward its vision for the borough. For example, working with:

- Barnsley and Doncaster Councils which together run a Waste Partnership called BDR Partnership. This continues to manage waste recycling across the three boroughs
- The South Yorkshire Mayor and South Yorkshire Mayoral Combined Authority (SYMCA) senior executives to develop the borough infrastructure and access to required funding such as Gainshare.
- Government departments such as Department for Levelling Up, Housing and Communities (DLUHC), Department for Work and Pensions, Department for Education (DfE). Good examples of demonstrating the collaborative partnership working with government departments are the Council's successful access to Safety Valve Funding amounting £20.53m over five-year period started in March 2022 (page 14) and working with DfE regarding SEND reforms in Rotherham (page 26)
- South Yorkshire Integrated Care Board in respect of the response to the Written Statement of Action (WSOA) as a result of Ofsted/CQC report on SEND
- South Yorkshire Police and Fire and Rescue Services regarding Safeguarding Children
- As part of Rotherham Town development project, the Council has set up "Rotherham Town Deal Board" where various partners are included and working together to progress the town regeneration. Meeting minutes of the Town Deal Board are published on Council website. The Board includes prominent local business organisations, local MPs, key Councillors, SYMCA, NHS bodies in Rotherham, and Rotherham Chamber of Commerce.

The Council's partnership working was also highlighted in the LGA Corporate Peer Challenge (page 23), where the report highlighted that *"..the Council has forged robust partnerships and cultivated good working relationships that have stood the test of time.."*

Overall, the Council has arrangements in place for partnership working and continually demonstrates a good level of collaborative working with local and national partners.

# Improving economy, efficiency and effectiveness

## Procurement

More than a third of all UK government spending on goods and services is spent by local government, so it is important for local authorities to have effective arrangements in place for procurement and contract management.

The local authority sector's ongoing focus on efficiency, and other priorities, such as net zero and local growth, mean that local government procurement has a real opportunity to make a difference to the wider efficiency, growth and environmental agenda.

Strategic planning, internal controls, technical expertise, commercial awareness and contract management are all key attributes for effective procurement. Appropriate governance arrangements and deploying appropriate skills and resources are critical for successful procurement that is compliant with legislation. Where things go wrong, there are potentially significant risks to public money, service delivery and reputation.

The Council spends in excess of £350m per annum on a wide range of goods, works and services ranging from construction, transport and regeneration activity, to commissioned care services for vulnerable children and adults through to business and professional services such as food, consultancy and ICT. The Council's Procurement Strategy is included in Financial and Procurement Procedure Rules (FPPRs). There are regular updates that are presented to the Audit Committee on the Council's procurement arrangements, and we have not noted any significant weaknesses in these arrangements.

### New Procurement Legislation - Transforming Public Procurement

Procurement rules and legislation are continually changing. In October 2023, the Procurement Act 2023 received Royal Assent and will act as the new framework for the Council when conducting most procurement activities. The implementation date of the Act is still to be confirmed but estimated as October 2024.

Until such a date is confirmed the current regime still applies. The Government has indicated that there will be a six months' notice period before the legislation goes into operation in local government. The Procurement Act 2023 moves procurement activity away from what can be considered as a transactional function into a strategic space, with focus now being given across the entire procurement lifecycle rather than just the procurement stage.

The Act introduces several new requirements for publishing notices throughout the procurement lifecycle from planning through to contract expiry. This is with a view to increasing transparency, but this may make aspects of the overall process more administratively burdensome, particularly during the life of a contract.

Some examples are:

- **Pipelines of future procurement opportunities:** As the Council spends over £100m per annum, there will be a new requirement to publish pipelines of future procurement opportunities (minimum 18 months – ideally 3-5 years) at the start of each financial year (as a minimum).
- **Transparency notices on the direct award of a contract:** In all instances of direct award, a mandatory transparency notice will be required to be published before the award is made, setting out the intention to make the award and the reasons for doing so without competition.
- **Mandatory contract change notices.** Whilst the provisions around when contract amendments are permissible are not significantly changing, there will be a requirement to publish contract change notices and a redacted copy of the modified contract.
- **New mandatory Contract Termination notices.** These are required for all contracts irrespective of whether the contract has expired naturally, or it has been terminated early. Where a supplier has breached contract, and this has resulted in termination of the contract, the award of damages or a settlement between the supplier and contracting authority must be included in this notice
- **Key Performance Indicators (KPIs) :** Another key and potentially administrative change is for contracts of £5m+ the Act will require the Council to publish a redacted copy of the contract and details of 3 KPIs that will be used in the management of the contract, those that are the most material to the performance of the core contractual obligations. During the term of the contract, there is an expectation that these KPIs are monitored and recorded, and the performance information is published annually via a new Contract Performance notice.

## Public procurement policy



# Improving economy, efficiency and effectiveness

## Procurement (continued)

Our discussions with senior management indicates that the Council is working on getting 'match fit' for these key changes that may go live before the end of 2024. The Council is fully aware of the expected significant impact of the changes. In January 2024, the Senior Leadership Team (SLT) was presented with a detailed paper of key changes of the legislation and challenges for the procurement team.

The Council is working on:

- Reviewing current contracts, determine which fall in scope of the new regime for additional transparency reporting
- Reviewing internal guidance, policies, procedures and template documentation. A significant update to Finance and Procurement Procedure Rules will be required
- Ensuring procurement systems are updated
- Ensuring roles and responsibilities are clearly understood.

We know the Council is on a journey in implementing these changes and getting ready for the new legislation when it goes live.

One of the key findings from our discussions with senior management is the additional administrative tasks which could be more detailed and time consuming. In such a significant change, we consider identifying clear roles and responsibilities for the directorates is key for successful operation of these changes. It may be significantly challenging for the procurement team to cover the whole process from awarding a contract to expiry or termination.

For example, KPI monitoring may potentially be a service directorate related task, where senior officers from respective directorates would be more familiar with how the service provider is performing against the set KPIs. Our work indicated that currently there is no such operational plan with clear roles and responsibilities for the wider Council directorates.

We have raised an improvement recommendation, to develop an operational plan with clear roles and responsibilities to action the issues arising from the change in procurement legislation, allocated appropriately to directorates and senior management.

We believe this would support and strengthen the Council's arrangements in preparing for the new legislation and associated procurement activities at the Council.

## Climate Change

During October 2019, the Council declared a Climate Emergency and set out its Climate Emergency Action Plan. In March 2020, the Cabinet approved the following targets:

- The Council's carbon emissions to be at net zero by 2030 (NZ30)
- Borough-wide carbon emissions to be at net zero by 2040 (NZ40)

The Council's action plans have been updated yearly to reflect the progress made. Annual progress reports are presented to the Cabinet alongside the revised Action Plans. The latest progress report was presented to the Cabinet in February 2024.

The Council's climate change strategy is captured by eight policy themes as follows:

- Monitoring and measurement
- Energy decarbonisation
- Transport
- Housing
- Waste
- Built & Natural Environment
- Influence & Engagement
- Adaptation.

The progress reports and action plans capture these eight themes in detail, including additional data and progress on following key areas which are also integral to achieving Council targets.

- Carbon Emissions Data Summary
- Single Use Plastic Action Plan
- Equalities Impact Assessment
- Carbon Impact Assessment.



# Improving economy, efficiency and effectiveness

## Climate Change (continued)

The Council continues to engage with regional and local partners to achieve its net zero targets, including the Rotherham Together Partnership, the Rotherham Growth Board, South Yorkshire Mayoral Combined Authority, South Yorkshire Sustainability Centre, the Yorkshire and Humber Climate Change Commission, the Local Government Association, and the Rotherham Youth Cabinet.

The latest climate action plan presented to the Cabinet highlights some red risks on delivery. A red risk means, “action will not be/has not been met within three months of the original target date”.

In summary, some key challenges according to the latest progress report and action plans are around themes such as Housing, Waste (red risks) and Energy Decarbonisation of Council buildings, where the risk is considered Amber.

According to the Council’s latest Corporate Strategic Risk Register (December 2023) the risk has not materially changed since July 2022, and there is no indication of any key challenges faced by the Council in achieving this Net Zero target by 2030 and potential red risks, where delivery is behind target.

Our review of reports and discussions with management indicate, some of these delays are in relation to increased budget requirements and funding to implement change and achieve the Net Zero 2030 targets. Considering the current local authority financial landscape, it is a balancing act between delivery of Council’s statutory services to the local population and achieving an ambitious Net Zero target. In Rotherham’s case, Net Zero for the Council in 2030 is only six years away.

We have raised an improvement recommendation in this area.

Considering the Council’s Net Zero target is only six years away, it is important to identify key challenges and risks to delivery. Based on that review, the Council should assess if it is on track to deliver this target by 2030. The Council needs to capture any risks to 2030 delivery, on a timely and appropriate basis in the Council’s Corporate Strategic Risk Register. This would provide essential information for Members and officers to make informed decision making around delivery targets as well as gaps in delivery.

### Conclusion – Improving economy, efficiency and effectiveness:

Overall, we are satisfied the Council has appropriate arrangements in place in relation to improving economy, efficiency and effectiveness.

As highlighted at page 26, there is a positive direction of travel in terms of the key recommendation we have previously raised in relation to arrangements in implementing SEND reforms. Due to the progress made and actions taken by the Council, we no longer consider this as a significant weakness in arrangements in place at the Council. Therefore, we have lowered this key recommendation to an improvement recommendation to be monitored. This improvement recommendation is followed up at Section 10.

We have also raised two improvement recommendations which are set out overleaf.



# Improvement recommendations

<b>Recommendation 1</b>	<i>We recommend the Council develops an operational plan with clear roles and responsibilities to implement the key changes and developments arising from the new procurement legislation (the Procurement Act 2023).</i>
<b>Improvement opportunity identified</b>	By identifying clear roles and responsibilities for the wider Council directorates and executing that at operational stage would improve the Council's preparedness and compliance with the new legislation and future procurement monitoring framework.
<b>Summary findings</b>	<p>As reported at pages 28 and 29, one of the key findings of this new legislation is additional administrative tasks which could be more detailed and time consuming. It may be significantly challenging for the procurement team to cover the whole process from awarding a contract to expiry or termination.</p> <p>For example, KPI monitoring may potentially be a service directorate related task, where senior officers from respective directorates would be more familiar with how the service provider is performing against the set KPIs. Our work indicated that currently there is no such operational plan with clear roles and responsibilities for the wider Council directorates.</p>
<b>Criteria Impacted</b>	Improving economy, efficiency and effectiveness.
<b>Auditor Judgement</b>	Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.
<b>Management Comments</b>	<i>Agreed. The Council recognises the need to respond proactively to the new procurement legislation and is actively planning for its implementation. The recommendation will help to focus the wider Council's attention on this key legislative update and recognise the role they need to play in delivery against this.</i>



# Improvement recommendations

## Recommendation 2

*We recommend the Council sets out the key actions and challenges in achieving Net Zero 2030 and updates the Council's Corporate Strategic Risk Register (CSRR) accordingly on a timely basis. The Council needs to clearly articulate what actions are required in order to still deliver on this key environmental objective.*

## Improvement opportunity identified

This action will play a key role in supporting the Council's key objective of delivering net zero for the Council by 2030.

## Summary findings

Our review of reports and discussions with management indicate some of the challenges on delivering this target are in relation to increased budget requirements and funding to implement change and achieve the net 2030 targets.

Considering the current local authority financial landscape, it is a balancing act between delivery of Council's statutory services to the local population and achieving an ambitious Net Zero target. In Rotherham's case, Net Zero for the Council in 2030 is only six years away.

## Criteria Impacted

Improving economy, efficiency and effectiveness

## Auditor Judgement

Our work has enabled us to identify an opportunity for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making further improvements.

## Management Comments

*Agreed. The Council can add the key actions and linked challenges to the Risk in the Council's Risk Register and will consider the inclusion of this risk at Corporate Strategic level in consultation with the Strategic Leadership Team.*

# 10. Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date from management:</b>	<b>Addressed?</b>	<b>Further action?</b>
1	<p><b>Financial Sustainability - monitoring the capital programme</b></p> <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. 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>	Improvement	March 2023	<p>The Council continues to work hard to address the challenges in profiling capital expenditure and keeping major capital projects and programmes on track. The delivery of capital spend is increasing year on year reflecting the improvements being made but more is to be done.</p> <p>New business case risk adjusted spend profiles are not being used for all new projects and new funding is placed at the back of the programme until a fully designed scheme is brought forward.</p> <p>There is also a wider review of capital project/programme management underway to ensure the process is smooth and challenges can be escalated for resolution.</p>	Ongoing	Complete the review of capital project governance and reporting. To be followed up further during our 2023-24 VFM work
2	<p><b>Governance – Risk Management</b></p> <p>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.</p>	Improvement	March 2023	<p>The Council is beginning to draw out in risk reporting how the Council can pursue appropriate innovative opportunities with higher levels of risk because the risk has been understood and managed down to acceptable levels.</p>	Yes	No

# Follow-up of previous recommendations

3	Recommendation	Type of recommendation	Date raised	Progress to date from management:	Addressed?	Further action?
3	<p><b>Improving economy, efficiency, effectiveness – Enhancements in relation to Key Performance Indicators</b></p> <p>The Council should consider whether it can streamline the KPI performance report to provide more summarised and integrated performance, finance and risk reporting.</p> <p>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.</p>	Improvement	March 2023	<p><i>Management Response March 2023</i></p> <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> <p><i>Management Response March 2024:</i> The Council remains comfortable with its approach to the reporting of KPI’s.</p>	Yes	No

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date from management:	Addressed?	Further action?
4	<p><b>Improving economy, efficiency, effectiveness: Ofsted / CQC report on SEND - July 2021:</b></p> <p>Following the Ofsted and CQC SEND inspection, the Council should:</p> <ul style="list-style-type: none"> <li>• have a clear “Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014</li> <li>• a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC</li> <li>• The action plan should be subject to formal monitoring and challenge by the Improving Lives Select Commission.</li> </ul>	Key (2020-21 and 2021-22)	March 2022 and March 2023	<p>The Council has work hard to build and develop stronger and more pro-active working relationships with all stakeholders such as Department for Education, NHS England and the South Yorkshire Integrated Care Board.</p> <p>The Council submitted a detailed WSOA in January 2022 as required, along with the creation of a SEND Executive Group that includes RMBC Directors of Children’s and Adult Services, senior leaders from across a range of health partners and other leaders across education and health to deliver on the WSOA. The Council continues to work with all key stakeholders to action the WSOA. This includes, DfE, CQC, NHS England, and Schools Forum.</p> <p>The Council continues to monitor the progress against the WSOA during regular meetings attended by all stakeholders, including representatives from key external stakeholders and senior officers from the Council and report to the Cabinet and Improving Lives Commission, updating the progress in delivering the WSOA.</p>	Yes – sufficient progress can be demonstrated by the Council in order to reduce this matter from a key recommendation. See page 26.	We will maintain a watching brief on this issue as part of our 2023-24 VFM work to ensure the progress is maintained.

# Appendices



# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are account 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.



# Appendix B – 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.	No statutory recommendations have been raised in 2022-23.	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’.	No key recommendations have been raised in 2022-23. Our previous key recommendation on SEND issues following the CQC/Ofsted Report has now been downgraded.	See commentary on pages 3, 5, 8, 26 and 35, in respect of the downgrading of the previous key recommendation.
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. There are four improvement recommendations that have been raised in this report. Two on financial sustainability and two on improving economy efficiency and effectiveness.	Financial sustainability: pages 19, 20 3Es: pages 31, 32

# Appendix C – Key sources of evidence

In undertaking our work, we have considered a range of key sources of evidence and obtained information from or met with various Council Officers, including the following:



## Key Staff involved

- Chief Executive
- Section 151 Officer
- Assistant Director Financial Services
- Head of Internal Audit
- Head of Procurement
- Corporate Improvement and Risk Manager
- Climate Change Manager



## Key Documents Reviewed

- Annual Budgets 2021-22, 2022-23, 2023-24 and 2024-25
- Quarterly Finance Performance Reports for 2022-23 and 2023-24
- Outturn report for 2022-23
- Treasury Management ( TM) Strategy and TM reports to the Cabinet and Audit Committee
- Corporate Strategic Risk Register
- Council Constitution
- Council Plan and Year Ahead Plans 2022-23 and 2023-24
- Quarterly Finance Monitoring Reports for 2022-23 and 2023-24 to date
- Annual Governance Statement 2022-23
- Head of Internal Audit Annual Report 2022-23
- Mid-Year Report on Council Plan and Year Ahead Delivery Plan Progress for 2023-2024.
- Procurement Procedure Rules and paper to SLT on Changes in Procurement Legislation
- Ofsted / CQC report on SEND - issued in November 2021 and various evidence on progress made during 2022-23 to date including evidence from Ofsted/CQC
- Latest Climate Change Action Plans, past Climate Change Annual Reports and Climate Change Progress reports to the Cabinet



## Key Meetings Observed

- Attendance of Audit Committee meetings by the Key Audit Partner and Senior Audit Manager during 2022-23 and 2023-24
- Minutes review of the Cabinet and Council 2022-23

