

AUDIT COMMITTEE
29th July, 2025

Present:- Councillor Baggaley (in the Chair); Councillors Allen, Blackham, Elliott and McKiernan and Michael Olugbenga-Babalola (Independent Person).

Greg Charnley, Grant Thornton (External Auditors) was also in attendance.

An apology for absence was submitted by Alison Hutchinson (Independent Person).

16. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

17. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

No questions had been received in advance of the meeting nor were there any members of the public or press in attendance.

18. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 26 (Risk Management Annual Summary 2024-25 and Corporate Strategic Risk Register Update) as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

19. MINUTES OF THE PREVIOUS MEETING HELD ON 17TH JUNE, 2025

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 17th June, 2025.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

20. EXTERNAL AUDIT PROGRESS REPORT

Greg Charnley, Audit Senior Manager, Grant Thornton, gave a verbal update on the current position with regard to the External Audit.

The audit had commenced and no additional risks had been identified other than those presented by Michael Green at the June meeting. It was expected to present the findings to the November meeting of the Audit Committee.

21. REVIEW OF SURVEILLANCE AND USE OF REGULATION OF INVESTIGATORY POWERS

Bal Nahal, Head of Legal Services, presented an update on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA).

Since the last report, the Council had used its powers under RIPA to use directed i.e. covert surveillance on one occasion. This was an authorisation for directed surveillance which was approved via the judicial approval process in February 2025 for a period of 3 months. The authorisation was cancelled at the end of the initial 3 month timeframe in accordance with the legislation. The records were retained on a central register by the RIPA Co-ordinator.

The annual statistical return was completed and sent to the Investigatory Powers Commissioners Office on 9th December, 2024.

External training was provided to all officers involved who are likely to be involved in the use of the powers provided under the RIPA legislation on 12th and 26th June, 2024 with a further session being arranged for 2025. The purpose of this was to further reduce any potential risk arising from any unauthorised activity.

In accordance with the revised Home Office Codes of Practice, the use of RIPA and review of the Policy was reviewed and re-adopted by the Audit Committee on 7th August, 2024 and was re-adopted with some minor changes to personnel. The RIPA Policy has been reviewed and, as there had been no changes to guidance or Codes of Practice, the Policy does not require any significant amendment. There were minor amendments only in respect of terminology for the relevant guidance documents and clarity around the point an authorisation commences.

Discussion ensued with the following issues raised/clarified:-

- Had the training for 2025 taken place yet/date arranged
- Details as to the circumstances in which the RIPA powers had been used
- It was clear within the Policy that Magistrates' approval was required (Section 4 – Guide to seeking Magistrates' Approval for RIPA Surveillance) but should it be highlighted earlier in the document

Resolved:- (1) That the Audit Committee note that the Council had made use of surveillance or acquisition of communication data powers under the relevant legislation on one occasion in February, 2025.

(2) That the RIPA Policy with the minor amendments made with the addition of reference to authorisation by Magistrates earlier in the policy be approved.

(3) That the Audit Committee be informed of the dates for external training in 2025.

22. HIGH NEEDS/SAFETY VALVE PROGRAMME - 2024-25

Joshua Amahwe, Head of Finance CYPS, presented a report outlining the 2024/25 performance against the approved Safety Valve Agreement (with the Department of Education) and the recovery plans in place to enable Rotherham to achieve financial sustainability and operate within its annual financial allocation over future years.

The report also highlighted the financial position of the Dedicated Schools Grant (DSG) High Needs Budget in 2024/25 and the projected accumulated deficit position over the life of the Safety Valve Agreement.

Ongoing monitoring had taken place with financial and progress update reports submitted by the Council to the DfE on a quarterly basis to both support delivery and hold accountability of the Agreement. This support and challenge process also allowed emerging challenges to be shared and a vigorous oversight of plans to be undertaken.

Rotherham was on track in 2024/25 and had delivered against all the conditions of its 'Safety Valve' Agreement. In addition, financial performance was on track against the agreed DfE plan and the Agreement.

The report submitted outlined the progress made towards meeting the key conditions in the Safety Valve Agreement as well as Phases 4 and 5 of the SEND Sufficiency Plan.

The Safety Valve Agreement recognised a Phase 5 of SEND Sufficiency the main focus of which would be to provide increased sufficiency of places and condition improvements without Rotherham's specialist provision.

Phase 5 would cover 3 core elements i.e. SEMH growth, Newman School and Pupil Referral Unit Development and schemes were currently in development with delivery phased across the next 2 academic years.

The Local Authority would continue to update the DSG management plan as part of the Safety Valve Agreement to reflect changes in the Council's deficit recovery plan. Ongoing monitoring would be in place across the lifespan of the programme with quarterly submissions to the DfE on progress and any risks it faced.

The key points were:-

- The 'Safety Valve Agreement' would provide Rotherham £20.5M over the 5 year period to 2025/26 based on satisfactory achievement of the conditions in the agreement
- The DSG reserves position by the end of 2024/25 compared favourably to the assumed position in the Safety Valve Agreement. This was mainly due to the use of other DSG balances
- The DSG reserves position had moved from a cumulative deficit position of £12.8M at the end of 2021/22 to a cumulative deficit of £2.5M at the end of 2024/25, reflecting the impact of the Safety Valve monies from the DfE and efforts made by the Council to reduce in-year deficits
- A cumulative deficit was currently anticipated in the DSG reserves (£3.8M) in 2025/26 (last year of Safety Valve Agreement) compared to a balanced position assumed in the signed Safety Valve Agreement. The increased deficit in 2025/26 was due to continued demand challenges facing the SEND system, inflationary pressures and increasing cost of supporting complex needs pupils in specialist provision
- The current statutory deficit over-ride/protections would cease on 31st March, 2028 (it had been extended by the Government for another 2 years). This provided flexibility for the Council to carry forward the 2025/26 year end DSG reserve deficit of £3.8M
- DfE had asked the Council to submit a DSG plan covering the next 5 years. This would show the financial trajectory (costs and funding) beyond the Safety Valve Agreement and whether financial sustainability could be achieved in the medium term

Discussion ensued with the following issues raised:-

- No increase had been seen in the number of young people placed outside of the Borough in 2024/25
- Positive work with the mainstream schools to better manage permanent exclusion numbers
- A free school opened in October 2022 which was now up to full capacity in 2024/25. This was supporting a lot of SEND young people in Rotherham who would otherwise have been placed outside of the Borough
- Support provision developed in mainstream schools and also work with schools through the Educational Psychologist Service and Inclusion Services in terms of supporting teachers so they could support/keep children and young people in school

- In spite of the above, an in-year deficit of £3.7M was reported for 2024/25. However, this could have been a lot higher if the steps/action had not been taken to mitigate that. The High Needs budget position for Rotherham compared favourably when compared to other local authorities in England
- The Council continued to experience year-on-year growth in the number of pupils with Education Health Care Plans (EHCPs). Rotherham had a higher proportion of pupils with EHCPs in both mainstream and special schools compared to national and neighbouring authority averages. Managing the increased demand for assessments and EHCPs from parents, carers and schools was becoming increasingly challenging
- The Government would be publishing a SEND White Paper in the early autumn which would outline actions to improve the SEND system. The Transformation Fund would put money into the system to support local authorities implement the changes
- The statutory override and deficit protection had been extended to 2027/28 allowing local authorities to carry forward DSG deficits annually until then. Rotherham was currently reviewing financial projections to better understand its future position. This remained a significant national issue
- A suggestion was put forward that future reports should illustrate what the position would have been without the Safety Valve funding and actions taken. This would show the level of savings or cost avoidance achieved by the Council in the year
- The DSG plan covering the next 5 years, as requested by the DfE, would be completed in the next couple of months and submitted to the DfE in the next quarterly progress update in December 2025
- There had been a significant increase in the number of mediation cases in the last 12 months as well as a high number of appeals and disputes with carers/parents relating to assessment/SEND placement decisions
- The Safety Valve actions had not adversely affected the quality of provision or the support available to children and young people with SEND and their families. This was evidenced by the outcome of the most recent Ofsted inspection of SEND Services which confirmed that Rotherham's practices and the support offer remained robust and effective

Resolved:- (1) That the progress in the recovery actions being taken via the Safety Valve Programme to manage the Dedicated School Grant (DSG) deficit in Rotherham be noted.

(2) That the 2024/25 financial position of the DSG High Needs Budget and accumulated DSG deficit at the end of the Safety Valve Programme be noted.

23. TREASURY MANAGEMENT UPDATE – QUARTERLY REPORT (Q1)

Natalia Govorukhina, Head of Corporate Finance, reported that the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommended that Members be updated on Treasury Management activities at least quarterly. The submitted report was the quarter 1 review for 2025/26 which detailed performance against Treasury and Prudential Indicators.

The report incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's Prudential Indicators (PIs). It was also explained that it was a requirement that any proposed changes to the 2025/26 Prudential Indicators were approved by Council.

The monitoring, as set out in Appendix A, highlighted the key changes to the Council's capital activity (the PIs) and the actual and proposed Treasury Management activity (borrowing and investment). The review indicated performance was in line with the plan and there were no proposals to vary the approach for the remainder of the year.

Reference was made to the key messages for investments, borrowing and governance.

With regard to investments, the primary governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

The Council would maintain its strategy of being under-borrowed against the Capital Financing Requirement (CFR). The Council had borrowed £50M in the year to date which had been used to refinance short term borrowing as it matured as well as the Capital Programme.

It was anticipated that further borrowing would be required before the end of 2025/26. As reported previously, the Council would predominantly adopt a short term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There was a discounted rate with the PWLB for borrowing long term funds specifically for Housing Revenue Account purpose. This was available until March 2026. Depending upon the prevailing interest rate position, the Council may utilise this rate for some long term borrowing, however, the borrowing position would remain under review.

Whilst the Council's approach to Treasury Management in recent years, utilising short-term borrowing in particular, had generated significant savings for the Council, it was essential to achieve balanced budgets, the

future outlook was more challenging. It was expected that borrowing rates had now peaked and would reduce over the next couple of years linked to the recent return of inflation back down towards the Bank of England's target 2% level.

The Council had undertaken £50M of new borrowing in the year to date. This had been used to refinance existing borrowings as they matured as well as financing capital activity.

The continuing approach to Treasury Management had been discussed with the Council's external Treasury Management Advisers, Link Asset Services, who had confirmed this was a prudent approach given current market conditions. Link Asset Services would continue to monitor borrowing rates and inform the Council if there were opportunities to borrow at advantageous rates.

Discussion ensued with the following issues raised/clarified:-

- Treasury Management looked at the overall borrowing requirements as they matured and refinanced that debt based on the cash flow position, the level of cash expected month by month and the expected expenditure. Plans were in place to refinance the debt as it matured
- The Strategy for short term borrowing was to reduce the cost of interest and gave an opportunity to keep a watching brief. At this point in time it was the right approach to take
- When a local authority wanted to borrow cash, an offer was put to the market and prospective lenders would suggest an interest rate. The local authority did not set the rates it would pay. If the rate was comparable to the wider market and it was within the Treasury Management Strategy it would be taken up. In the same month there would be differences between what one authority would offer and what another would
- In December 2024 the Council exercised an option for a one year extension until January 2026 of the contract for Treasury Management advice provided by Link Asset Services Treasury Solutions (LAS), who were appointed for a 3 year term in January 2022. Procurement options for this service were currently being explored and the Audit Committee would be updated in due course.

Resolved:- That the report be received and the contents noted.

24. EXTERNAL INSPECTIONS, REVIEWS AND AUDITS UPDATE

Consideration was given to a report, presented by Oscar Holden, Corporate Improvement Officer, which provided details of recent external inspections, reviews and audits as well as a summary of progress against the recommendations from all external inspections, reviews and audits

setting out details of arrangements for ensuring the accountability and governance around their implementation.

Since the last report to Committee in January 2025, 6 new external inspections, reviews and audits had taken place. There were 19 recommendations/areas for improvement which remained ongoing and one was yet to start. Of those ongoing, 2 had been delayed, however, none were delayed by more than 12 months.

The report set out details of the 7 inspections, reviews and audits that had taken place since January 2025 in Finance and Customer Services and Assistant Chief Executive.

In addition, there were 3 annual audits that remained ongoing.

Discussion ensued with the following issues raised/clarified:-

- Ofsted Area SEND inspection of Rotherham Local Area Partnership – the start date for “area for improvement 2” was March 2026. There were some issues and awaiting data from the ICB but at the moment Children and Young People’s Services were stating that there was no issue with the start date
- Adult Social Care Peer Review – the last time it was considered at the Strategic Leadership Team May 2025 was the target date for completion. Adult Social Care was currently subject to an inspection so the target date would be followed up before the next Committee
- 2024/24 Value for Money arrangements – recommendation KR1 had “tbc” assigned to it. Although situated under Finance and Customer Services for the purpose of reporting, Housing Services were responsible for implementation of the recommendation. A date was awaited from Housing Services

Resolved:- (1) That the external inspections, reviews and audits that had taken place since the last report be noted.

(2) That the governance arrangements currently in place for monitoring and managing the recommendations be noted.

(3) That the Audit Committee continue to receive regular reports in respect of external inspections, reviews and audits and the progress made.

25. RISK MANAGEMENT ANNUAL SUMMARY 2024-2025 AND CORPORATE STRATEGIC RISK REGISTER UPDATE

Simon Dennis, Corporate Improvement and Risk Manager, submitted the Risk Management Annual Summary 2024-25 and Corporate Strategic Risk Register update.

The report summarised the principal risk management activity that had been carried out in the Council throughout the past financial year. It also summarised the key movements in strategic risks that had occurred over the period and updated the Committee on the current risks on the Corporate Strategic Risk Register (CSRR).

The heat map derived from the Corporate Strategic Risk Register update at the end of 2024/25 showed the risk profile. The total number of strategic risks had increased to 14 from 13 over the period April 2024 to March 2025 with one risk removed. Of the risks that remained on the strategic register, 4 had increasing risk scores, one saw an increase in its risk score and 9 remained constant.

This year's position showed a slight increase in risk profile throughout the year for the first time in 3 years.

The current heat map as at 3rd June, 2025, showed no risks had been removed and one risk had been added. Compared to the risks reported in January 2025's CSSR, one risk had been removed from the risk register (SLT38 closure of the Public Service Telephone Network) and one risk had been added (SLT41 risks associated with the reduction in funding of the Integrated Care Board).

The long term pattern of assessed risk level had slightly increased over the last 2 years reflecting the continued increasing grasp on the key risks that needed to be managed at a strategic level and the improved risk position following the end of the Covid pandemic. Since December 2023, just over 20% of risks monitored at a strategic level had reduced in assessed level, 46% had remained stable and 33% had either increased or were new to the register.

The rollout of the online training was the final element in the refresh of the Council's training provision together with the recent introduction of a face-to-face option for the M2 manager course. The impact of both options would need to be evaluated over the next 12 months.

Discussion ensued with the following issues raised/clarified:-

- 81 managers had attended the M2 manager course since July 2024. Overall 360 managers had completed the training since its relaunch in January 2022 with the remaining 4 courses scheduled for 2025 close to full capacity
- The online risk management training course for all staff had seen increasing take-up since its relaunch in 2023. The short e-learning tool was required to be completed by all staff within 3 months of joining the Council. Staff were also expected to complete a refresh once every 3 years. As at the end of July 2025 84% of staff had completed the course

- SLT38 (Business Continuity – Closure of the PTSN Network) – had been removed from the Corporate Strategic Risk Register at the last review, however, it remained on the Finance and Corporate Services Risk Register
- SLT27 (Health and Safety and operational risks from property) – Property Services had moved to the Finance and Customer Services Directorate. A full overview of the Service had identified a number of complex issues which had been reflected accordingly on the Risk Register. The input of targeted resources had seen a much improved position resulting in the reduced risk level
- Elected Member training last took place in 2022. It was included on the Member Development schedule

Resolved:- That the annual summary of risk management activity and updates to the Corporate Strategic Risk Register be noted.

(Appendix 1 was exempt under Paragraph 3 (information relating to the financial or business affairs of any particular person (including the Council) of Part 1 of Schedule 12A))

26. AUDIT COMMITTEE ANNUAL REPORT 2024-25

Consideration was given to a report presented by Louise Ivens, Head of Internal Audit, which summarised the work undertaken by the Audit Committee. Production of this report complied with current best practice for audit committees. It allowed the Audit Committee to demonstrate it had fulfilled its terms of reference and share its achievements with the Council.

The Audit Committee Annual Report 2024/25 included details of the main outcomes and improvements, Committee membership during that period, a summary of the work undertaken, information on self-assessment evaluation and training and development along with listing the Committee's Terms of Reference. The updated Terms of Reference had been approved at Council on 19th July, 2023 (Minute No. 219 refers). Minor amendments have been made to them to change the reference to the new Global Internal Audit Standards (UK Public Sector).

Resolved: That the draft Audit Committee Annual Report 2024/25 be approved for submission to Council.

27. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for September 2025 to June 2026. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

Resolved: That the Audit Committee forward work plan, as now submitted, be approved.

28. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

29. URGENT BUSINESS

(The Chair authorised consideration of the following item to enable the Committee to be fully informed).

Regeneration and Environment - Home to School Transport Service
Louise Ivens, Head of Internal Audit, gave the Committee a brief overview of the outcome of the recent routine audit undertaken of the Home to School Transport Service.

A report following the outcome of the audit was to be presented to the September meeting of the Audit Committee by the Assistant Director.

(This item was considered in the absence of the press and public in accordance with Paragraph 7 of the Act (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)).