

## ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT CABINET

1.	<b>Meeting:</b>	Cabinet
2.	<b>Date:</b>	9th June, 2010
3.	<b>Title:</b>	Annual Governance Statement 2009/10
4.	<b>Directorate:</b>	Financial Services

### 5 Summary:

The attached Annual Governance Statement (AGS) for 2009/10 outlines the Council's view of the application of good governance standards in Rotherham MBC. The overall picture presented is positive, although three significant issues have been identified for inclusion in the AGS. The Statement also provides an update on the significant issues reported in the 2008/09 AGS.

In line with last year, the draft AGS will be presented to the Audit Committee (on 2 June) to enable the Committee to carry out a review of the AGS and supporting evidence, before the Statement is presented to the Cabinet for agreement. In accordance with proper practice, the Leader of the Council and the Chief Executive will be asked to sign the statement after agreement by Cabinet. The agreed statement will then be presented to the Audit Committee on 30 June for adoption along with the Statement of Accounts.

The Corporate Governance Group and Audit Committee will monitor progress on actions to improve areas included in the 2009/10 AGS and will review the effectiveness of governance arrangements during 2010/11.

### 6 Recommendations

**The Cabinet is asked:**

- **To agree the draft 2009/10 Annual Governance Statement**
- **To note the requirement for the Leader and the Chief Executive to sign the statement after it has been considered by Cabinet and prior to its formal presentation to the Audit Committee on 30 June.**

## **7 Proposals and Details**

### **7.1 General principles**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal control in place, which facilitate the effective exercise of the Council's functions and which include arrangements for the management of risk.

The Council's governance arrangements in place during 2009/10 have been reviewed and an Annual Governance Statement (AGS) has been drafted and is attached to this report at **Appendix A**.

### **7.2 Procedure**

The AGS outlines the Council's view of the application of good governance and internal control in Rotherham MBC in 2009/10.

Proper practice requires the Leader and the Chief Executive to sign the statement to confirm their satisfaction with the governance framework and the procedures for reviewing it, and their acceptance of the significant issues highlighted in the statement, along with actions for tackling the issues raised. The Statement must then be presented to the Audit Committee for its adoption in accordance with the Accounts and Audit (Amendments) (England) Regulations 2006.

Additionally, in line with last year, the draft AGS will be presented to the Audit Committee to enable the Committee to carry out a review of the AGS and supporting evidence, before the Statement is presented to the Cabinet for agreement.

Even though the AGS is incorporated into the Council's Statement of Accounts which is presented to the Audit Committee, the Use of Resources criteria requires the AGS to be considered separately.

### **7.3 Structure of the Annual Governance Statement**

The attached AGS is laid out in accordance with proper practice as set out by CIPFA. There are 5 sections:

- Section 1: Scope of the Council's responsibility
- Section 2: Purpose of the Governance Framework
- Section 3: The Council's Governance Framework which identifies the governance arrangements in place at the Council.
- Section 4: Review of effectiveness. This looks at the process that has been applied in maintaining and reviewing the effectiveness of the governance framework

- Section 5: Significant governance issues. These are the main issues that require improving.

Sections 1 and 2 are standard and replicate the CIPFA 'model' AGS. Sections 3 and 4 highlight the governance arrangements in place at Rotherham (Section 3) and how they have operated during the year (Section 4). Section 5 highlights the significant issues arising this year and provides an update on the significant items reported in 2008/09. **The Cabinet's attention is drawn particularly to Section 5.**

#### **7.4 Significant governance issues**

The overall picture presented by the AGS is positive.

Section 5 of the Statement identifies the significant issues that need to be addressed. The statement includes an update on 5 issues brought forward from 2008/09. Good progress has been made in addressing these issues and it is expected that 4 of these could be removed from the statement next year (they are included this year to provide an update). The remaining item, relating to 2010 Rotherham Ltd, requires further attention and monitoring.

The 3 issues identified from the 2009/10 review, including relating to 2010 Rotherham Ltd, are:

##### **5.2.1 Children and Young Peoples Service**

Ofsted's Annual Assessment (2009) judged Rotherham's Children's Services to be "performing poorly", with particular areas for improvement noted as the need to:

- Increase the percentage of referrals presented for initial assessment
- Increase the percentage of initial assessments that are completed within seven working days
- Increase the percentage of core assessments carried out within 35 working days
- Reduce social worker and team manager vacancies
- Ensure overall improvements are achieved in Children's Services and attainment targets during the life of the notice period
- Produce a plan to reduce the numbers of primary schools under the floor target (i.e. minimum standards) at Key stage 2.

The Council is working with the Department for Education and the Government Office (Yorkshire and Humber) to implement a comprehensive improvement plan designed to achieve rapid improvement.

##### **5.2.2 Swinton Comprehensive School**

An audit of Swinton Comprehensive School highlighted significant weaknesses with the School's financial management. The weaknesses have resulted in the School accumulating a deficit of £712,000 at by March 2010, and this is currently expected to increase further by 31 March 2011, while remedial action is taken.

The deficit was in large part due to spending decisions which created recurring costs, made during the tenure of the School's former Head, who left during 2009.

Work is ongoing between the Children and Young People's Service, Financial Services and the School to implement a robust recovery plan and improve budgetary control.

### **5.2.3 2010 Rotherham Ltd**

2010 Rotherham Ltd is a 100% owned subsidiary of Rotherham Council. The Company has previously reported adverse financial results primarily as a consequence of the financial performance of its in-house service provider, which is responsible for repairs and maintenance and construction work. The Audit Commission Inspection report published in November 2008 highlighted historical weaknesses in the financial management of the in-house service. The Council is working with 2010 Rotherham Ltd to implement management arrangements to improve the Company's position and put in place effective procedures for maintaining a robust financial position.

## **7.5 Review and monitoring**

The Corporate Governance Group and Audit Committee will monitor progress on actions to improve areas included in the 2009/10 statement and will review the effectiveness of governance arrangements during 2010/11.

## **8 Finance**

There are no direct financial implications. Any financial implications arising from any future development of internal controls would feature in subsequent reports to Members.

## **9 Risks & Uncertainties**

The production and inclusion of an Annual Governance Statement in the Council's annual accounts is a statutory requirement. Failure to produce a statement to meet this requirement would adversely affect the 2010 Use of Resources score and the overall reputation of the Council.

## **10 Policy & Performance Agenda Implications**

Good Governance is wholly related to the achievement of the objectives in the Council's Corporate Plan.

## **11 Background and Consultation**

This report has been informed by the views of the Strategic Director of Finance, the Assistant Chief Executives, the Director of Audit and Governance and the External Auditor.

The draft AGS was agreed by the Strategic Leadership Team on 24 May.

### **Contact Names:**

*Colin Earl, Director of Audit and Governance, Ext 22033*

### **Appendix A**

#### **Annual Governance Statement 2009/10**

## APPENDIX A

### **ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2009/10**

#### **1 SCOPE OF RESPONSIBILITY**

Rotherham Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rotherham Metropolitan Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rotherham Metropolitan Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.rotherham.gov.uk](http://www.rotherham.gov.uk) or can be obtained from Rob Houghton on 01709 254424 This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of Regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

#### **2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rotherham Metropolitan Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rotherham Metropolitan Borough Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts

### **3 THE GOVERNANCE FRAMEWORK**

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

#### **3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users**

The Council and its partners have worked together to develop a new vision and community strategy for the Borough which will steer progress over the next 10 years.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners within the Local Strategic Partnership members including local businesses, 2010 Rotherham Ltd, South Yorkshire Police, Voluntary & Community Sectors, and the National Health Service.

#### **3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements**

The Council periodically updates its vision, objectives and performance targets by reviewing the Community Strategy, Corporate Plan and Local Area Agreement. Progress on key priorities is monitored and reported to Members on a regular basis.

#### **3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.**

The Council's performance management framework has been consistently praised by the Audit Commission. The Council has also been active in developing a joint performance management framework within the Local Strategic Partnership. The Council continues to encourage LSP partners to link up with its own performance data system so integrated monitoring can take place across all community strategy and local area agreement objectives.

The Council's performance management and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS). The effectiveness of these arrangements is assessed annually as part of the Audit Commission's Use of Resources assessment.

#### **3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The Council's Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are

efficient, transparent and accountable to local people. The Constitution sets out the basic rules governing the manner in which the Council conducts its business.

The Constitution includes a Scheme of Delegation whereby functions and decision-making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards and committees and officers.

The Council has a Member/officer protocol which has been provided to all Members of the Council and forms an appendix to the Officer Code of Conduct. The protocol encourages the effective transaction of business by setting out the respective roles of Members and officers and guidelines for good working relationships between them.

The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet, and Chief Officers under their delegated powers.

**3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Codes of Conduct for Members and Officers are monitored by the Standards Committee. The Standards Committee comprises Councillors and external Members. It is cross-party (2 Labour, one Conservative, one Independent). It has a majority of non-Council Members, including both the Chair and Vice-Chair.

The Council has agreed revised membership arrangements for the Standards Committee and for the creation of sub-committees in order to deal with the additional functions of assessing all allegations that Members may have breached the Code of Conduct, which came into force in May 2008.

**3.6 Reviewing and updating Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The financial management of the Council is conducted in accordance with the rules set out in the Constitution, Standing Orders and Financial Regulations. The Council has designated the Strategic Director of Finance as the officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

The Council has in place a 3-year Medium Term Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

The Council is required to set a budget in line with its objectives which is both balanced and sustainable, and takes account of advice given by the



Strategic Director of Finance on the appropriateness of the level of the Council's reserves following an assessment of the risks inherent within the proposed budget. Once the budget has been agreed each service area monitors and manages its spending and income to remain within the allocated budget.

Asset management planning optimises the utilisation of assets in terms of service benefits and financial return.

The Council has a robust system for identifying, evaluating and managing all significant risks. The Council maintains and reviews a register of its corporate business risks linking them to strategic objectives and assigning ownership for each risk. All service plans identify risks which service directors are actively managing.

### **3.7 Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

The Council's Chief Financial Officer:

- Is a key member of Leadership team, helping it to develop and implement strategy and resource to deliver the Council's strategic objectives sustainably and in the public interest
- Is actively involved in and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the Council's financial strategy
- Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Leads and directs the finance function that is resourced to be fit for purpose
- Is professionally qualified and suitably experienced

### **3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The Council's Audit Committee provides independent assurance of the adequacy of the audit and risk management frameworks and the associated control environment. The Audit Committee also oversees the financial reporting process and provides independent scrutiny of the Council's financial and non-financial performance.

### **3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has designated the Assistant Chief Executive - Legal and Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations.

All reports to Cabinet requiring decisions take account of a range of control factors including risks and uncertainties, financial implications, and policy and performance implications.

**3.10 Whistle-blowing and for receiving and investigating complaints from the public**

The Council has a Confidential Reporting code for staff and a comprehensive Complaints Procedure.

**3.11 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training**

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance and Development Review Scheme. Individuals' targets are derived from service and team plans. The Council has a partnership with Leeds Metropolitan University for the provision of bespoke and accredited management training.

Induction courses and e-learning packages are available for new Members and officers. A comprehensive programme of development activities (including induction) and training are specifically designed to improve the knowledge, skills and abilities of elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members' individual development needs are identified in personal development plans.

A programme of seminars is run each year on topical governance issues for both Members and officers.

**3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council entered into a range of public consultation exercises in developing the vision for Rotherham. The Corporate Plan reflects important issues identified by local communities.

Rotherham's Communications and Marketing Strategy is aimed at ensuring that citizens link continuous service improvements with the Council's core and associated brands, leading to increased satisfaction rates and enhanced reputation.

**3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.**

The Council has issued comprehensive guidance to Directors covering expected good practice in respect of managing the four key areas of Partnerships risk:

- Governance Arrangements
- Financial Management Arrangements
- Performance Management Arrangements
- Ethical Arrangements

The guidance was updated in January 2009 and detailed self assessments were undertaken by lead officers of significant partnerships.

#### **4 REVIEW OF EFFECTIVENESS**

Rotherham Metropolitan Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below in relation to the role of:

##### **4.1 The Authority (Council / Cabinet)**

Cabinet has continued to update the Community Strategy, Corporate Plan and Local Area Agreement. The plans have been updated in line with the 2008 -11 Local Area Agreement timeframe. The Council's Policy Framework is reviewed annually.

Cabinet has considered the findings from reviews undertaken by the External Auditor and other Inspectors.

The Council has reviewed its Local Code of Corporate Governance and has paid particular attention to ensuring that the Council's financial management arrangement conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Cabinet received regular Revenue and Capital Budget Monitoring Reports throughout the financial year. The Council responded positively to the Credit Crunch and the Economic Downturn, including making budget provision to support the response.

Cabinet receives regular progress reports on the implementation of the Local Development Framework, which that is a key driver to delivering sustainable development.

Council seminars that took place during the year included: Safeguarding Adults; The Members Role in the Appeals Process; Changes to the Constitution; Finance; Planning and Local Development Framework; Code of Conduct; Community Cohesion.

#### 4.2 The Corporate Governance Group

Cabinet established a Corporate Governance Group to oversee the effective application of governance arrangements and to review specific corporate governance issues in detail. During the year, the group looked at:

- The Local Code of Corporate Governance
- Risk management strategy
- Corporate risk register
- Partnerships' governance
- Significant governance issues reported in the Annual Governance Statement
- Audit and inspection activity and reports.

#### 4.3 The Strategic Leadership Team

During the past year the Strategic Leadership Team received reports regarding the management of the following good governance related issues:

<p><b>Vision / Strategy:</b></p> <ul style="list-style-type: none"> <li>• Community Strategy / Corporate Plan / LAA</li> <li>• Rotherham Town Centre</li> <li>• Local Development Framework</li> <li>• Rotherham Partnership</li> <li>• Service Planning</li> <li>• Customer Access Strategy</li> <li>• Policy Review</li> </ul>	<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate priorities – Plan on a Page</li> <li>• Annual Audit Plan</li> <li>• Audit &amp; Inspection recommendation monitoring</li> <li>• Quarterly performance reports</li> <li>• Use of Resources Self Assessment</li> <li>• National Indicator Set</li> <li>• Comprehensive Area Assessment</li> <li>• Data Quality Management</li> <li>• CAA Framework</li> </ul>
<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Accounts &amp; Audit Regulations</li> <li>• Area Based Grant</li> <li>• Base Budget Review</li> <li>• Medium Term Financial Strategy</li> <li>• Revenue &amp; Capital Outturn</li> <li>• Revenue Budget Monitoring</li> <li>• Capital Monitoring</li> <li>• Treasury Management</li> <li>• Statement of Accounts</li> <li>• Capital &amp; Asset Management Plan</li> <li>• Budget Processes</li> <li>• Value For Money Gains</li> <li>• Revenue Budget</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Flooding Action Plan</li> <li>• Corporate Risk Register</li> <li>• Consultation on Environmental Climate Change</li> <li>• Prevent Strategy</li> <li>• Managing the risk of fraud</li> <li>• Pandemic Exercise</li> <li>• Review of Road Safety outside Schools</li> </ul>
<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Review of Framework for producing Annual Governance Statement</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Management Development</li> <li>• Worksmart Flexible Working</li> </ul>

<ul style="list-style-type: none"> <li>• Strengthening Local Democracy</li> <li>• Annual Governance Statement</li> <li>• Partnerships' Governance</li> <li>• Local Code of Corporate Governance</li> <li>• Delegation of Powers Review</li> <li>• Parish Council Governance</li> <li>• Electoral Software System</li> <li>• Information Governance Unit</li> </ul>	<ul style="list-style-type: none"> <li>• Skills for life</li> <li>• Employee Opinion Survey</li> <li>• Learning &amp; Development Review</li> <li>• Corporate Workforce Strategy</li> <li>• Induction Audit</li> <li>• Equal Pay</li> <li>• Investors In People</li> <li>• E-Learning</li> <li>• Employee Involvement Programme</li> </ul>
<p><b>External Inspections / Reviews :</b></p> <ul style="list-style-type: none"> <li>• Fostering Inspection</li> <li>• Inspection of Contact Referral and assessment -CYPS</li> <li>• Children's Service Inspection</li> <li>• External Audit Plan</li> <li>• Treasury Management</li> <li>• Annual Audit &amp; Inspection Letter</li> <li>• Review of CYPS</li> <li>• Care Quality Commission Inspection of Safeguarding Services for People with Disabilities and Sensory Impairment</li> </ul>	<p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Communication and Marketing</li> <li>• Enhancing Reputation</li> <li>• Freedom of Information</li> <li>• Place Survey</li> <li>• Publication of Annual Report</li> <li>• Communicating One Council</li> <li>• Best Practice in Marketing and Communication</li> </ul>
<p><b>Internal Audit :</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report</li> <li>• Internal Audit Plan</li> <li>• Audit Committee Annual Report</li> <li>• Annual Review of the effectiveness of the system of Internal Audit</li> </ul>	<p><b>Commissioning / Procurement :</b></p> <ul style="list-style-type: none"> <li>• Commissioning Framework</li> <li>• Procurement Strategy</li> <li>• NRF Future commissioning</li> </ul>

#### 4.4 Corporate Improvement Board

During 2009/10 the Corporate Improvement Board received reports on the following good governance related issues:

<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• Use of Resources</li> <li>• Inspection Plan</li> <li>• Children's Review</li> <li>• Audit and Inspection Activity</li> <li>• Local Area Agreement</li> <li>• Performance Clinics</li> <li>• Comprehensive Area Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Unannounced Inspection of Contact, Referral and Assessment Arrangements within Local Authority Children's Services</li> <li>• Adult Social Care Services Annual Performance Assessment</li> <li>• Children and Young People's Improvement Plan</li> </ul>
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#### 4.5 The Audit Committee

During 2009/10 the Audit Committee provided independent assurance about the following good governance related issues:

<p><b>Internal Control, Corporate Governance &amp; Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Fraud survey</li> <li>• Survey of Ethical Arrangements</li> <li>• Insurance Performance and Current Issues</li> <li>• Corporate Risk Register</li> <li>• Accounts &amp; Audit Regulations</li> <li>• Annual Statement of Assurance</li> <li>• Annual Governance Statement</li> </ul>	<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Treasury Management</li> <li>• Final Accounts Closedown</li> <li>• Accounting Policies</li> <li>• Prudential Indicators</li> <li>• Overarching Charging Policy</li> <li>• Proposed Changes to Capital finance system</li> <li>• Role of the Chief Finance Officer</li> <li>• Statement of Accounts</li> </ul>
<p><b>Internal Audit :</b></p> <ul style="list-style-type: none"> <li>• Review of progress against the Internal Audit Plan</li> <li>• Joint Audit Event with Partners</li> <li>• Audit Committee Workplan</li> <li>• Annual Review of Internal Audit</li> <li>• Review of Financial Regulations</li> <li>• Audit Committee Annual Report</li> <li>• Internal Audit Annual Report</li> <li>• Internal Audit Plan</li> <li>• Anti fraud and Corruption Strategy</li> </ul>	<p><b>External Audit :</b></p> <ul style="list-style-type: none"> <li>• Audit Commission Annual Audit &amp; Inspection Letter</li> <li>• Audit &amp; Inspection Plan</li> <li>• Audit and Inspection recommendations update</li> <li>• Use of Resources Judgement</li> <li>• KPMG Progress Report</li> <li>• KPMG Grants Report</li> <li>• Statement of Accounts</li> </ul>

#### 4.6 Performance Scrutiny and Overview Committee

During 2009/10 the Performance and Scrutiny Overview Committee considered and reviewed the following good governance related issues:

<p><b>Vision / Strategy :</b></p> <ul style="list-style-type: none"> <li>• Local Area Agreement / Community Strategy Refresh</li> <li>• ICT Strategy</li> <li>• Health Issues</li> <li>• Review of Children &amp; Young People</li> <li>• Local Area Agreement</li> <li>• Area Assemblies proposals</li> <li>• School Council Principles</li> <li>• Review of Debt Recovery</li> <li>• Review of Choice Based Lettings</li> <li>• Yorkshire South Tourism</li> </ul>	<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• Comprehensive Area Assessment</li> <li>• RBT Performance</li> <li>• Use of Resources</li> <li>• Local Area Agreement</li> <li>• Council Performance</li> <li>• Scrutiny Complaints Review</li> <li>• Scrutiny Annual Report</li> <li>• Corporate Improvement Plan</li> </ul>
<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Budget</li> <li>• Economic Downturn</li> <li>• Credit Crunch Impact Assessment</li> <li>• Efficiency &amp; Value for Money</li> <li>• Treasury Management</li> <li>• Major External Funding Programme</li> <li>• Devolved Budget Proposals</li> <li>• Value For Money Reviews</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register</li> <li>• Floods 2009</li> <li>• Prevent strategy</li> </ul>

<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• New Scrutiny Functions &amp; Regs.</li> <li>• Partnerships' Governance</li> <li>• Review of Local Code of Corporate Governance</li> <li>• Future of Scrutiny- tackling the big Issues</li> </ul>	<p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Council Annual report</li> <li>• Strengthening Local Democracy</li> <li>• Place Survey Actions</li> <li>• Duty to respond to petitions</li> </ul>
<p><b>Commissioning / Procurement :</b></p> <ul style="list-style-type: none"> <li>• Review of use of Consultants</li> <li>• Local Performance Indicators</li> <li>• Refresh of Procurement Strategy</li> <li>• Procurement Strategy Action Plan</li> </ul>	

#### 4.7 The Standards Committee

During the last year the Standards Committee considered and reviewed the following good governance related issues:

<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Roles of Standards Committee,</li> <li>• Ethical Audit</li> <li>• Review of Local Code of Corporate Governance</li> <li>• Annual Governance Statement</li> <li>• Review of Complaints against Elected Members</li> <li>• Partnerships' Governance</li> <li>• Confidential Reporting Code</li> <li>• Freedom of Information Requests</li> <li>• Fraud Survey</li> <li>• Anti Fraud and Corruption Strategy</li> <li>• Annual Fraud Report</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Standards Board for England Bulletins</li> <li>• Annual Return and Guidance Notes</li> <li>• Standards Board Corporate Plan</li> <li>• Assessing the Impact of Standard Committees</li> <li>• Joint Standard Committee Guidance</li> <li>• Local Standards National Perspective</li> <li>• Standards Committee Workplan</li> </ul>
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#### 4.8 Internal audit

During 2009/10 Internal Audit reviewed all the Council's main financial systems, including Council Tax; Business Rates; Creditors; Payroll; Benefits; Housing Rents and Debtors.

#### 4.9 External Audit (and other external review / assurance mechanisms)

4.9.1 Rotherham Council was judged as "performing adequately" in the **2009 Comprehensive Area Assessment (CAA)**, with an overall score of 2 out of 4. Two elements made up this overall score, and they were rated as follows:

- Managing Performance (**performing adequately**) 2 out of 4
- Use of Resources (**performing well**) 3 out of 4

The Use of Resources element is further analysed into three areas. Performance in these areas was as follows

- Managing finances 3 out of 4

- Governing the business 3 out of 4
- Managing resources 3 out of 4

**4.9.2** The Care Quality Commission's service inspection of adult social care judged that Rotherham was performing well in safeguarding adults, performing adequately in supporting improved quality of life and performing well in supporting increased choice and control.

**4.9.3** The Care Quality Commission's service inspection of adult social care for people with physical and or sensory disabilities judged that Rotherham was performing well in safeguarding adults, performing adequately in supporting improved quality of life and performing well in supporting increased choice and control.

**4.9.4** The 2009 Ofsted report on Fostering Services gave an overall quality rating of satisfactory. See also Section 5.1.4.

**4.9.5** A Council sponsored review of Rotherham's Children's services by 'Mouchel' consulting and business services highlighted a number of weaknesses in the working practices between the Council and NHS Rotherham. Thirty five recommendations were made to improve outcomes and ensure the safety of young children in Rotherham. Following the annual Ofsted assessment, the Council was required to produce an improvement plan to improve a range of services for Children. See also Section 5.2.1

## **5 SIGNIFICANT GOVERNANCE ISSUES**

### **5.1 Follow up on the 2008/09 significant governance issues**

The significant issues raised in the 2008/09 Annual Governance Statement have been addressed as follows:

#### **5.1.1 I.T. Business Continuity**

During 2008/09 Internal Audit reviewed access controls / business continuity plans for the Authority's principal IT applications. The review found gaps in business continuity arrangements for these applications.

During 2009/10 Internal Audit undertook a wider review of business continuity planning, comparing the Council's arrangements with industry best practice. This audit concluded that arrangements and funding had been put in place to bring the Council's arrangements into line with British Standard (BS 25999). Arrangements now need to be fully implemented and tested once complete.

#### **5.1.2 Asset Management**

A review of the Authority's arrangements for the management of its land and buildings highlighted shortcomings in the information flows from Property Services to the Insurance Section, leading to a risk that not all assets were considered for insurance purposes. Mitigating action was being taken by management.



Improvement continues to be made with the provision of information from the Property Services to the Insurance Team. Regular liaison meetings between the relevant teams are also now taking place. As a result of these actions, this issue is no longer regarded as a significant weakness.

### **5.1.3 Bereavement Project.**

During 2008/09 Internal Audit carried out a review of the contract management arrangements and identified a number of shortcomings relating to performance monitoring, contingency planning and processes supporting price changes.

Following the review of significant partnerships carried out by the Governance and Risk Manager actions have been put in place to strengthen governance, contingency plans and risk management arrangements relating to the Dignity Partnership. As a result of these actions, this issue is no longer regarded as a significant weakness.

### **5.1.4 Fostering**

In 2008 Ofsted rated the Council's Fostering Services as inadequate following its Inspection of the service. Weaknesses highlighted included overcrowding, risk assessments, monitoring systems and clarity of roles. The Council has implemented a wide range of actions to deliver the required improvements. Subsequently, the 2009 report by Ofsted on Fostering Services gave an overall quality rating of satisfactory. Progress is continuing to be monitored by the Council.

### **5.1.5 2010 Rotherham Ltd**

The Audit Commission Inspection report published in November 2008 highlighted historical weaknesses in the financial management of the in-house service. An update on this matter is provided in Section 5.2.3.

## **5.2 Significant governance issues arising from the 2009/10 review of the effectiveness of the governance framework.**

### **5.2.1 Children and Young Peoples Service**

Ofsted's Annual Assessment (2009) judged Rotherham's Children's service to be "performing poorly", with particular areas for improvement noted as the need to:

- Increase the percentage of referrals presented for initial assessment
- Increase the percentage of initial assessments that are completed within seven working days
- Increase the percentage of core assessments carried out within 35 working days
- Reduce social worker and team manager vacancies
- Ensure overall improvements are achieved in Children's Services and attainment targets during the life of the notice period
- Produce a plan to reduce the numbers of primary schools under the floor target (i.e. minimum standards) at Key stage 2.

The Council is working with the Department for Children, Schools and Families and the Government Office (Yorkshire and Humber) to implement a comprehensive improvement plan designed to achieve rapid improvement.

### **5.2.2 Swinton Comprehensive School**

An audit of Swinton Comprehensive School highlighted significant weaknesses with the School's financial management. The weaknesses have resulted in the School accumulating a deficit of £712,000 at by March 2010, and this is currently expected to increase further by 31 March 2011, while remedial action is taken.

The deficit was in large part due to spending decisions which created recurring costs, made during the tenure of the School's former Head, who left during 2009.

Work is ongoing between the Children and Young People's Service, Financial Services and the School to implement a robust recovery plan and improve budgetary control.

### **5.2.3 2010 Rotherham Ltd**

2010 Rotherham Ltd is a 100% owned subsidiary of Rotherham Council. The Company has previously reported adverse financial results primarily as a consequence of the financial performance of its in-house service provider, which is responsible for repairs and maintenance and construction work. The Audit Commission Inspection report published in November 2008 highlighted historical weaknesses in the financial management of the in-house service. The Council is working with 2010 Rotherham Ltd to implement management arrangements to improve the Company's position and put in place effective procedures for maintaining a robust financial position.

## **6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....  
Councillor Roger Stone, Leader, Rotherham Metropolitan Borough Council

Signed .....  
Martin Kimber, Chief Executive, Rotherham Metropolitan Borough Council