

## ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	<b>Meeting:</b>	Cabinet
2.	<b>Date:</b>	22 June 2011
3.	<b>Title:</b>	Annual Governance Statement 2010/11
4.	<b>Directorate:</b>	Financial Services

### 5 Summary:

The attached draft Annual Governance Statement for 2010/11 outlines the Council's view of the application of good governance standards in Rotherham MBC. The overall position is positive, with progress being made on the significant issues raised in last year's Statement. There are no additional items added following this year's review.

Proper practice requires the Leader of the Council and the Chief Executive to sign the statement prior to its publication with the Statement of Accounts, in September 2011. Cabinet should consider and agree the Statement before it is signed by the Leader and Chief Executive.

### 6 Recommendations

**Cabinet is asked:**

- **To agree the 2010/11 draft Annual Governance Statement**
- **To note that the draft Statement was presented to the Audit Committee on 1 June 2011 for review**
- **To note the requirement for the Leader and the Chief Executive to sign the statement after its agreement by Cabinet and prior to the publication of accounts in September 2011.**

## 7 Proposals and Details

### 7.1 General principles

The Accounts and Audit Regulations 2011 require local authorities to:

*“conduct a review at least once in a year of the effectiveness of its system of internal control” (Reg 4(2)), and*

*“following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control” (Reg 4(3)).*

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 2010/11 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 2010/11.

'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. This should be done prior to the final approval of the Statement by the Audit Committee and the publication of the Statement in September 2011. Cabinet should consider and agree the Statement before it is signed by the Leader and Chief Executive.

Additionally, in common with last year, the Audit Committee will see the draft AGS in June 2011 to enable the Committee to carry out a review of the Statement and supporting evidence, including Cabinet Members' and Strategic Directors' statements of assurance.

### **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 2009/10.

**Cabinet's attention is drawn particularly to Section 5 of the AGS.**

### **7.4 Significant governance issues**

The overall position is positive, with the review confirming that the Council has appropriate internal control arrangements in place and that the arrangements were found to be operating satisfactorily during 2010/11.

Progress is being made on the significant issues raised in last year's Statement and there are no additional items added following this year's review. Below is an extract from the Section 5 of the Statement, covering these items:

#### **5.2.1 Children and Young People's Service**

During June 2010, the Children and Young People's Service was projecting a significant overspend on Out of Authority placements for Looked after Children. An internal review identified areas where improvements could be made in the processes for managing placements and controlling costs. During the remainder of the year the service implemented revised processes. These will need to be effectively applied to show that the anticipated improvements are being achieved.

#### **5.2.2 Swinton Community School**

A 2009/10 internal audit of the Swinton Community School raised concerns regarding the financial planning and monitoring at the School, which had accumulated an unexpected deficit of £712,000 by March 2010. The deficit has increased to over £800,000 in 2010/11. Joint management of the situation by the Council's Finance and Children and Young People's Directorates and the School has now been put in place to manage the deficit.

### **5.2.3 2010 Rotherham Ltd**

2010 Rotherham Ltd has existed since 2005 to manage the Council's housing stock and deliver the £280m decent homes programme of improvements to council houses in Rotherham. During its life, 2010 Rotherham Ltd has accumulated a significant financial deficit. The Council has recently made a decision to dissolve the company and re-integrate services into the Council. The Council has established plans for managing any deficit that will transfer to the Council on the company's dissolution. The Council is also ensuring there will be appropriate arrangements in place for the effective financial management of the services returning to the Council.

### **7.5 Review and monitoring**

The Corporate Governance Group and Audit Committee will monitor progress on actions to improve areas included in the 2010/11 statement and will review the effectiveness of governance arrangements during 2011/12.

## **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**

Failure to apply sound internal controls and good governance places the Council at greater risk of fraud and/or error. The Council could also suffer significant reputation damage caused by any actual incidences arising out of weaknesses in its arrangements.

Failure to produce an Annual Governance Statement would leave the Council subject to criticism by the external auditor and potential action by the Department for Communities and Local Government.

## **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.

Following consideration by SLT the draft Annual Governance Statement was considered by Audit Committee on 1 June 2011 and Cabinet on 22 June 2011.

Following consideration and agreement by Cabinet the Chief Executive and the Council's Leader will be asked to sign the statement to signify Cabinet's agreement to it, before the statement is published as a final document in September 2011.

**Contact Names:**

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

*Rob Houghton, Governance and Risk Manager, Ext 54424*

**Appendix A**

**Annual Governance Statement 2010/11**

## APPENDIX A

### ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2010/11

#### **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 **Colin Earl on 01709 822033**. This statement explains how Rotherham Metropolitan Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

#### **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 2011 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 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, South Yorkshire Police, Voluntary & Community Sectors, and the National Health Service.

The Local Strategic Partnership has reviewed its priorities and governance arrangements, the purpose of the review being to ensure that the LSPs priorities and arrangements remain relevant and robust in line with current government requirements.

#### **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 and financial management frameworks are linked through the Medium Term Financial Strategy (MTFS).

The Council has responded to the Government's consultation process on the Single Data Set identifying which indicators are most relevant to Rotherham. The Council's performance management system is linked to corporate priorities and reports are aligned to corporate plan priorities.

### **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 operates what is known as the "strong leader" model of local government following changes arising from the Local Government and Public Involvement in Health Act 2007.

The Council's Constitution sets out how the Council operates regarding 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**

The Localism Bill, expected to receive Royal Assent in 2011, contains proposals to abolish the Standards for England regime. Councils will no longer be required to have a local standards committee and the national code of conduct for elected members being dispensed with.

However, local authorities will be free, should they choose, to establish voluntary standards committees and be free to adopt their own, voluntary code of conduct should they so wish. The Council may decide to proceed with these options and is currently awaiting the final details for the Localism Bill to be released.

The Standards Committee currently comprises of Councillors and external Members. It is cross-party and has 15 members comprising of:

- 4 Borough Councillors (2 Labour and 2 Conservative)
- 8 Independent Members ( Chair and Vice - Chair)
- 3 Parish Councillors



### **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 Executive (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.

#### 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>• Corporate Plan</li> <li>• Rotherham's Local Economic Assessment</li> <li>• Local Development Framework</li> <li>• Rotherham Partnership</li> <li>• Service Planning</li> <li>• Policy and Performance Review</li> <li>• 5 Year Change Agenda plan</li> </ul>	<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate priorities</li> <li>• Annual Audit Letter</li> <li>• Audit &amp; Inspection recommendation monitoring</li> <li>• Quarterly performance reports</li> <li>• Government Single Data Set</li> <li>• Review of Policy and Performance</li> <li>• Scrutiny Work Programme</li> </ul>
<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Suggested VFM Reviews</li> <li>• Revenue Budget and Council Tax for 2011/12</li> <li>• 2010 Rotherham Ltd Funding Strategy</li> <li>• Capital Receipts and Council Tax</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Risk management and Insurance Update</li> <li>• Information Security Policy Revision</li> <li>• Floods and Water Management Act 2010, Flood Risk Regulations 2009 Review</li> <li>• Corporate Risk Register</li> </ul>

<ul style="list-style-type: none"> <li>• Prudential Indicators and Treasury Management and Investment Strategy</li> <li>• Economic Downturn Review</li> <li>• Statement of Accounts</li> <li>• Capital and Asset Management Strategies, Plans and Programmes</li> <li>• Budget Proposals &amp; action plans</li> <li>• Revenue Budget</li> </ul>	
<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Partnerships' Governance</li> <li>• Local Code of Corporate Governance</li> <li>• Information Governance Unit</li> <li>• Scrutiny Review of Debt Recovery</li> <li>• Publication of spend over £500</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Sheffield City Region Leadership Programme.</li> <li>• Rotherham Council Workforce Issues Update</li> <li>• Employee Suggestion Scheme</li> </ul>
<p><b>External Inspections / Reviews :</b></p> <ul style="list-style-type: none"> <li>• Youth Offending Services Inspection</li> <li>• RMBC Notice to Improve Action Plan</li> <li>• Inspection of safeguarding and looked after children services</li> </ul>	<p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Customer Feedback Annual Report</li> <li>• Customer Service Excellence Standard</li> <li>• Review of the Council's Communications and Marketing Function</li> <li>• Customer Services Consolidation Programme</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 The Audit Committee

During 2010/11 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>• Annual Fraud Report</li> <li>• Risk Management Update</li> <li>• Localism Bill - Standards Regime</li> <li>• Managing the Risk of Fraud</li> <li>• Significant Partnerships Governance</li> <li>• Corporate Risk Register</li> <li>• RMBC Health and Safety Management Arrangements</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>• International Financial Reporting Standards</li> <li>• Requirement to Publish spend above £500</li> <li>• Final Accounts Closedown</li> <li>• Statement of Accounts</li> </ul>
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<p><b>Internal Audit :</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Strategy and Audit Plan</li> <li>• Audit Committee Workplan</li> <li>• Audit Committee Self Assessment</li> <li>• Annual Review of Internal Audit</li> <li>• Audit Committee Annual Report</li> <li>• Internal Audit Annual Report</li> <li>• Joint Audit Committee Activity</li> </ul>	<p><b>External Audit :</b></p> <ul style="list-style-type: none"> <li>• KPMG Annual Audit Letter</li> <li>• Audit &amp; Inspection Plan</li> <li>• Audit and Inspection recommendations update</li> <li>• Statement of Accounts</li> </ul>
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#### 4.5 Performance Scrutiny and Overview Committee

During 2010/11 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>• Review of PE and Sport in Schools</li> <li>• Community Legal Advice Services</li> <li>• Scrutiny Review – Personal, Social, Health and Economic Education</li> <li>• Health Issues</li> <li>• Local Government Reform Implementation Plan - Direction of New Government</li> <li>• Rotherham Partnership Review</li> <li>• LTP3 Transport Strategy and Implementation Plan</li> <li>• Corporate Plan</li> </ul>	<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• RBT Performance</li> <li>• Payment of Invoices Within Thirty Days</li> <li>• Procurement Local Performance Indicators</li> <li>• Council Performance</li> <li>• Sector Self Regulation and Improvement</li> </ul>
<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Budget</li> <li>• Economic Downturn</li> <li>• Supporting the Local Economy</li> <li>• Requirement to Publish spend above £500</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register</li> <li>• Floods and Water Management Act 2010 and Flood Risk Regulations 2009</li> </ul>
<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Local Government Reform Implementation Plan</li> <li>• Future of Overview and Scrutiny</li> </ul>	<p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Equality Monitoring of Complaints</li> </ul>
<p><b>Commissioning / Procurement :</b></p> <ul style="list-style-type: none"> <li>• Local Performance Indicators</li> <li>• Procurement Strategy Action Plan</li> </ul>	

#### 4.6 The Standards Committee

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

<b>Corporate Governance :</b> <ul style="list-style-type: none"><li>• Review of Local Code of Corporate Governance</li><li>• Review of Complaints against Elected Members</li><li>• Partnerships' Governance</li><li>• Protocols for Local Authority Partnership Working</li><li>• Localism Bill</li><li>• Confidential Reporting Code</li></ul>	<b>Capacity and Capability :</b> <ul style="list-style-type: none"><li>• Review of the Local Standards Framework</li><li>• Standards Board for England Bulletins</li><li>• Standards Committee Annual Report</li><li>• Annual Return and Guidance Notes</li><li>• Standards Committee Workplan</li></ul>
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#### 4.7 Internal Audit

During 2010/11 Internal Audit reviewed all the Council's main financial systems, including Council Tax; Business Rates; Creditors; Payroll; Benefits; Housing Rents and Debtors. KPMG's 2010 review of the section found that the section met all eleven standards in CIPFA's code of practice for Internal Audit (see 4.9.1).

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

**4.8.1** KPMG's review of "Internal Audit" concluded that the section was an integral part of Rotherham MBC and made a positive contribution to the overall internal control arrangements. KPMG added that Internal Audit had developed good practice in a number of areas.

**4.8.2** The Ofsted 2010 Inspection of "Fostering Services" concluded that 'Rotherham MBC operates a satisfactory fostering service that provides good outcomes for children in many respects. Children are well supported with their health and well consulted on the care provided for them. The authority has made a good start in involving looked after young people in the running of the authority and provides fostered children with strong support for their education'.

**4.8.3** The Care Quality Commission's inspection of "Safeguarding and looked after children services" concluded that the overall effectiveness of safeguarding services was adequate. Statutory requirements were met and there were recognisable improvements in safeguarding since the Government issued a Notice to Improve in December 2009. The Notice to Improve was removed in December 2010.

## **5 SIGNIFICANT GOVERNANCE ISSUES**

### **5.1 Follow up on the 2009/10 significant governance issues**

The significant issues raised in the 2009/10 Annual Governance Statement were:

#### **5.1.1 Children and Young Peoples Service**

The Council has worked with the DFE to produce improved performance. Confirmation of removal of the Notice to Improve was received on 13 January 2011. However, further evidence is required to provide assurance that effective budgetary controls are in place. An update of this is provided in 5.2.1.

#### **5.1.2 Swinton Comprehensive School**

Corporate working arrangements were in place to alleviate the budget deficit. There are still significant issues. These are described in 5.2.2.

#### **5.1.3 2010 Rotherham Ltd**

The in-house service provision for repairs and maintenance has been outsourced, alleviating some of the financial pressures being experienced by 2010 Rotherham Ltd. However, the current deficit and the reintegration of the service back into the council will present significant governance issues. An update is provided in 5.2.3.

### **5.2 Significant governance issues arising from the 2010/11 review of the effectiveness of the governance framework.**

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

During June 2010, the Children and Young People's Service was projecting a significant overspend on Out of Authority placements for Looked after Children. An internal review identified areas where improvements could be made in the processes for managing placements and controlling costs. During the remainder of the year the service implemented revised processes. These will need to be effectively applied to show that the anticipated improvements are being achieved.

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

A 2009/10 internal audit of the Swinton Community School raised concerns regarding the financial planning and monitoring at the School, which had accumulated an unexpected deficit of £712,000 by March 2010. The deficit has increased to over £800,000 in 2010/11. Joint management of the situation by the Council's Finance and Children and Young People's Directorates and the School has now been put in place to manage the deficit.

#### **5.2.2 2010 Rotherham Ltd**

2010 Rotherham Ltd has existed since 2005 to manage the Council's housing stock and deliver the £280m decent homes programme of improvements to council houses in Rotherham. During its life, 2010 Rotherham Ltd has accumulated a significant financial deficit. The Council has recently made a decision to dissolve the company and re-integrate services into the Council. The



Council has established plans for managing any deficit that will transfer to the Council on the company's dissolution. The Council is also ensuring there will be appropriate arrangements in place for the effective financial management of the services returning to the Council.

**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