

## ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	<b>Meeting:</b>	Cabinet
2.	<b>Date:</b>	5 September 2012
3.	<b>Title:</b>	Annual Governance Statement 2011/12
4.	<b>Directorate:</b>	Resources

### 5 Summary:

The attached Annual Governance Statement for 2011/12 outlines the Council's view of the application of good governance standards in Rotherham MBC. The process has included the certification of statements of assurance by Cabinet Members and senior management and has taken into account comments made by Members and officers.

The overall position is positive, with good progress being made on the significant issues raised in last year's Statement. Only one additional issue has been added this year, relating to Care Quality Commission outcomes at two care resource centres.

Recommended 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 2012. 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 2011/12 draft Annual Governance Statement**
- **To note that the draft Statement was presented to the Audit Committee on 30 May 2012 for review**
- **To confirm that the Leader and the Chief Executive should sign the statement.**

## 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 2011/12 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 2011/12.

'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. Cabinet should consider and agree the Statement before it is signed by the Leader and Chief Executive.

The process for completing the AGS has included the certification of statements of assurance by Cabinet Members and senior management and has taken into account comments made by Members and officers.

In common with recent years and recommended practice, the Audit Committee received a draft Statement at its meeting on 30 May 2012, to enable the Committee to carry out a review of the Statement and supporting evidence. Councillor Gilding, a member of the Audit Committee, asked for more information to be included about the 2010 Rotherham Ltd deficit which transferred to the Council when the ALMO services were re-integrated (Section 5.1.2 of the

Statement refers – see extract below). The majority of Audit Committee members did not feel this was necessary as the deficit transfer essentially represented an internal transaction between the Council and the ALMO. Consequently, and after further review by officers, the draft statement presented to the Audit Committee has not been revised.

### **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 items from the 2010/11 AGS that merited additional assurances.

**The Strategic Leadership Team'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 2011/12.

Positive progress has been made on significant issues raised in recent years' Statements (see items 5.1.1 to 5.1.3 below). Only one further issue has been added this year (see 5.2.1 below):

#### **5.1.1 Swinton Community School**

Swinton Community School has made positive progress in addressing a sizeable deficit accumulated over the previous 3 years. An internal audit of the Swinton Community School raised concerns regarding the financial planning and monitoring at the School, which had accumulated a deficit of over £876,000 by 31 March 2011.

Following a collective approach to the management of the situation by the School and the Council's Resources and Children and Young

People's Directorates, the School has reduced the deficit to £512,000 and expects to achieve a balanced position by the end of the 2013/14 financial year.

#### **5.1.2 2010 Rotherham Ltd**

2010 Rotherham Ltd existed from 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 accumulated a significant financial deficit.

During 2010/11 the Council made a decision to dissolve the company and re-integrate services into the Council during 2011/12. The company has now been wound up and all debts have been accounted for. Financial arrangements are now managed directly by the Council and it is anticipated that there will be a positive financial outcome in 2012/13.

#### **5.1.3 Children and Young People's Services**

There continues to be significant financial pressure on Children's Services. In response the Council is providing additional investment in the services and is carrying out work to move towards a more cost-effective prevention and early intervention approach.

#### **5.2.1 Health and Wellbeing**

All social care facilities are subject to external inspection by the Care Quality Commission. During the year two of the Council's establishments; Treefields and Quarry Hill Resource Centres, had some areas of non-compliance with the CQC's standards. These are subject to improvement plans and will be re-inspected by the Care Quality Commission in due course.

### **7.5 Review and monitoring**

The Audit Committee will monitor progress on actions to improve areas included in the 2011/12 statement and will review the effectiveness of governance arrangements during 2012/13.

## **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 Chief Executive, Strategic Directors, Service Directors and the External Auditor.

Following consideration by SLT the draft Annual Governance Statement will be considered by the Audit Committee and Cabinet.

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, before the statement is published as a final document in September 2012.

### **Contact Names:**

*Colin Earl, Director of Audit and Asset Management, Ext 22033*

*Andrew Shaw, Insurance and Risk Manager, Ext 22088*

## **Appendix A**

### **Annual Governance Statement 2011/12**

## APPENDIX A

### ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2011/12

#### **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:

<http://intranet.rotherhamconnect.com/C6/Risk%20Management/Strategic%20Documents/CIPFA-SOLACE%20Delivering%20Good%20Governance%20Framework.pdf>

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 2012 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 Act abolishes the requirement for councils to have a statutory standards committee, although it is still a statutory requirement to have a code of conduct for councillors, the only stipulations being that the code when viewed as a whole must comply with the seven principles of public life (the Nolan Committee principles) and contain appropriate provisions in relation to pecuniary and non-pecuniary interests.

The Council has resolved to have a voluntary standards committee to replace its statutory standards committee when the standards provisions in the new Act come into force, and its standards arrangements are currently being reviewed in light of the changes made by the Act.

The Council's current statutory Standards Committee comprises of councillors, parish council representatives and independent 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 Director of 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 City College 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 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>• Local Development Framework</li> <li>• Rotherham School Partnership</li> <li>• Service Planning</li> <li>• Commissioning, Policy and Performance Review</li> <li>• Work Programme to Achieve Efficiencies in CYPS 4 Year Strategy</li> <li>• Deprivation Strategy</li> <li>• RMBC ICT Strategy 2011 to 2015</li> <li>• LDF – Publication Core Strategy</li> <li>• Rotherham/Sheffield Emergency Planning Shared Service</li> <li>• Business Support Redesign Update</li> <li>• Procedures for Dealing with Government Consultations</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>• Consultation of Council Tax Base for 2012/13</li> <li>• Capital Programme – Capital Receipts Update</li> <li>• Budget Proposals &amp; action plans</li> <li>• Property Revenue Savings Target</li> <li>• Outturn of Major External Regimes</li> <li>• PCT Non Recurrent Money</li> <li>• Reserves &amp; Balances</li> <li>• Academies Funding School Crossing Patrol – Funding Requirements</li> <li>• Costs of Childcare Proceedings</li> <li>• Rotherham 2010 Implications</li> </ul>
<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• Audit &amp; Inspection Update</li> <li>• Quarterly performance reports</li> <li>• Corporate Performance Report</li> <li>• Schools Performance</li> <li>• RBT</li> <li>• Delivering the Important Things Well, with Far Less Money</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register</li> </ul>
<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Partnerships' Governance</li> <li>• Localism Act</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Corporate Workforce Strategy Refresh</li> <li>• Rotherham School Improvement Partnership Model</li> <li>• Sustaining School Improvement</li> </ul>

<p><b>External Inspections / Reviews :</b></p> <ul style="list-style-type: none"> <li>• Operational Estate Review</li> <li>• Management Review</li> <li>• Financial Services Review</li> <li>• Localities Review Update</li> <li>• Savings Management &amp; Business Administration Reviews</li> <li>• Annual Review of Councils Website</li> <li>• Scrutiny Review Regeneration Funding &amp; Neighbourhood Renewal</li> <li>• Leisure &amp; Green Spaces &amp; Community Delivery Review</li> <li>• Cross Cutting Savings and Staffing Reviews</li> <li>• Winter Weather Scrutiny Review</li> <li>• Children's Peer Challenge October 2011</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>• Customer Services Consolidation Review</li> <li>• Consultation on the future of Public Audits</li> <li>• RMBC Customer Access Strategy 2011-12</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</li> </ul>

#### 4.3 The Audit Committee

During 2011/12 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 – Anti Fraud and Corruption Arrangements /Strategy</li> <li>• Significant Partnerships Governance</li> <li>• Corporate Risk Register</li> <li>• Annual Statement of Assurance</li> <li>• Annual Governance Statement</li> <li>• Reintegration of 2010 Rotherham Ltd with RMBC</li> <li>• Better Governance Forum</li> <li>• Customer Inspection Service</li> </ul>	<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Treasury Management Report, Actual Prudential Indicators/ and Investment Strategy</li> <li>• Mid Year Treasury Management Report Prudential Indicators Monitoring Report</li> <li>• International Financial Reporting Standards</li> <li>• Final Accounts Closedown</li> <li>• Statement of Accounts and Unaudited Statement of Accounts</li> <li>• Sundry Accounts</li> <li>• Bribery Act</li> </ul>
--	---

<p><b>Internal Audit :</b></p> <ul style="list-style-type: none"> <li>• Internal Audit Strategy and Audit Plan</li> <li>• Audit Committee Work Plan</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>• Communities and Local Government - Consultation and on the Future of Local Public Audit and Response to the Consultation</li> <li>• Protecting the Public Purse – Fighting Fraud Against Local Government</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 and Unaudited Statement of Accounts</li> <li>• KPMG Grants Report</li> <li>• KPMG Interim External Audit Report</li> </ul>
--	--

#### 4.4 Overview and Scrutiny Management Board

During 2011/12 the Overview and Scrutiny Management Board 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>• Scrutiny Review</li> <li>• Scrutiny and Health Reforms</li> <li>• Rotherham Partnership Community Strategy</li> <li>• 11 million take over day</li> <li>• Overview and Scrutiny Management Board Work Programme</li> <li>• Review of Overview and Scrutiny</li> <li>• Preparing Overview and Scrutiny for the “New Localism”</li> <li>• Local Democracy Campaign 11/12</li> <li>• Scrutiny Review – Winter Weather</li> <li>• NHS Winter Plan</li> <li>• Scrutiny Review – Private Rented Sector in Rotherham</li> <li>• Designated Public Place Order and Results of Consultation</li> <li>• Consultation on a New Mandatory Power of Possession for Anti Social Behaviour</li> <li>• Consultation – Allocation of Accommodation and Social Housing Fraud</li> <li>• School Councils</li> <li>• Home Office Consultation – Police Powers to Promote and Maintain Public Order</li> </ul>	<p><b>Performance Management :</b></p> <ul style="list-style-type: none"> <li>• RBT Performance</li> <li>• Council Performance</li> <li>• Sector Self Regulation and Improvement</li> <li>• Best Value – New draft Statutory</li> <li>• Regeneration Review</li> <li>• CYPS Peer Review</li> <li>• Regeneration Review</li> </ul>
---	---

<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Budget</li> <li>• Economic Downturn</li> <li>• Fuel Poverty</li> <li>• Transfer of Private Sewers to Water Companies</li> </ul>	<p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register</li> <li>• Flood Risk Assessments</li> </ul>
<p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Future of Overview and Scrutiny</li> <li>• Localism Bill</li> <li>• Localism Act 2011</li> <li>• Housing Benefit Reform</li> </ul>	<p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Equality Act</li> <li>• Public Engagement and Co-option</li> <li>• Scrutiny Review of Regeneration Funding and Neighbourhoods Renewal</li> <li>• Right To Buy Consultation</li> <li>• Localizing Support for Council Tax</li> </ul>

#### 4.5 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>• Review of Complaints against Elected Members</li> <li>• Partnerships' Governance</li> <li>• Localism Bill</li> <li>• Confidential Reporting Code</li> <li>• Annual Governance Statement</li> <li>• Parish Compact Questionnaire</li> <li>• Voluntary Code of Conduct</li> <li>• Bribery Act 2010</li> <li>• Localism Act 2011</li> <li>• Independent Persons</li> <li>• Register of Gifts and Hospitality</li> <li>• ACSES Draft Code of Conduct</li> <li>• ACSES Description of Independent Person</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Standards Committee Annual Report</li> <li>• Standards Committee Work plan</li> <li>• Maintaining High Ethical Standards in Local Government</li> <li>• Future of the Standards Committee</li> <li>• Standards Committee Terms of Reference</li> <li>• Independent Members Forum</li> </ul>
--	--

#### 4.6 Internal Audit

During 2011/12 Internal Audit reviewed all the Council's main financial systems, i.e. Council Tax; Business Rates; Creditors; Payroll; Housing and Council Tax Benefits; Housing Rents. Internal Audit concluded that the overall control environment was satisfactory in all of these systems. One report is to be completed on debtors where the audit found opportunity to strengthen current recovery procedures relating to outstanding accounts.

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

KPMG carried out a review of the work undertaken by Internal Audit. This included an assessment of audit files, continual liaison with key personnel, review of documents and attendance at Audit Committee. They concluded that Internal Audit was compliant with the Code of Practice for Internal Audit in Local Government. KPMG did not identify any significant issues with internal audit's work and were able to place reliance on internal audit's work on the key financial systems. KPMG has also commended the Council's financial systems and arrangements leading to the preparation of the Council's accounts.

### **5 SIGNIFICANT GOVERNANCE ISSUES**

#### **5.1 Follow up on the 2010/11 significant governance issues**

Although the 2010/11 AGS did not identify any additional governance issues, three significant issues have remained from earlier years that merited further assurances. Further positive progress has been made in these areas during 2011/12, as follows:

##### **5.1.1 Swinton Community School**

Swinton Community School has made positive progress in addressing a sizeable deficit accumulated over the previous 3 years. An internal audit of the Swinton Community School raised concerns regarding the financial planning and monitoring at the School, which had accumulated a deficit of over £876,000 by 31 March 2011.

Following a collective approach to the management of the situation by the School and the Council's Resources and Children and Young People's Directorates, the School has reduced the deficit to £512,000 and expects to achieve a balanced position by the end of the 2013/14 financial year.

##### **5.1.2 2010 Rotherham Ltd**

2010 Rotherham Ltd existed from 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 accumulated a significant financial deficit.

During 2010/11 the Council made a decision to dissolve the company and re-integrate services into the Council during 2011/12. The company has now been wound up and all debts have been accounted for. Financial arrangements are now managed directly by the Council and it is anticipated that there will be a positive financial outcome in 2012/13.

##### **5.1.3 Children and Young People's Services**

There continues to be significant financial pressure on Children's Services. In response the Council is providing additional investment in the services

and is carrying out work to move towards a more cost-effective prevention and early intervention approach.

**5.2 Significant governance issues arising from the 2011/12 review of the effectiveness of the governance framework.**

The following issue is raised for the first time this year:

**5.2.1 Health and Wellbeing**

All social care facilities are subject to external inspection by the Care Quality Commission. During the year two of the Council's establishments; Treefields and Quarry Hill Resource Centres, had some areas of non-compliance with the CQC's standards. These are subject to improvement plans and will be re-inspected by the Care Quality Commission in due course.

**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