

## ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	<b>Meeting:</b>	<b>Audit Committee</b>
2.	<b>Date:</b>	<b>12 June 2013</b>
3.	<b>Title:</b>	<b>Draft Annual Governance Statement 2012/13</b>
4.	<b>Directorate:</b>	<b>Environment &amp; Development Services</b>

### 5 Summary:

The attached draft Annual Governance Statement for 2012/13 outlines the Council's view of the application of good governance standards in Rotherham MBC.

The approach to the completion of the Statement has once again included the certification of statements of assurance by Cabinet Members and senior management. The process has, however, been expanded and improved this year, involving Cabinet Members and senior management recording key issues considered during the year. This change is a positive one and is in line with current good practice and a recommendation of the Audit Committee. It enables the Council to show many significant issues it has faced during the course of the year and shows that the issues have been addressed effectively and without any significant weakness in governance.

The overall position is positive, with very good progress being made on the significant issues raised in last year's Statement and no new issues have arisen this year.

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 2013.

### 6 Recommendations

**The Audit Committee is asked:**

- **To approve the 2012/13 draft Annual Governance Statement**
- **To note the requirement for the Leader and the Chief Executive to sign the statement prior to the publication of the Council's accounts.**

## 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 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 Audit Committee is delegated by the Council to approve the Annual Governance Statement (AGS).

'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 after the approval of the Statement and prior to its publication.

The approved and certified AGS must be published alongside the Council's accounts in September 2013.

### 7.2 Structure of the Annual Governance Statement

The draft AGS is attached to this report at **Appendix A**. The format used is in line 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. Section 3 highlights the governance arrangements in place at Rotherham and Section 4 comments on how the arrangements have operated during the year. Section 5 provides an update on the items from the 2011/12 AGS that merited additional assurances and comments on the conclusions of the 2012/13 review of internal control. The Audit Committee's attention is drawn particularly to Section 5 of the AGS.

### **7.3 Process for completion**

The AGS outlines the Council's view of the application of good governance and internal control in Rotherham MBC in 2012/13 and up to the date of the signing of the statement.

The approach to completing the AGS has once again included the certification of statements of assurance by Cabinet Members and senior management. The process has been expanded and improved this year, involving Cabinet Members and senior management recording key issues considered during the year. This is in line with current good practice and a recommendation of the Audit Committee.

In common with recent years and recommended practice, the draft AGS is being presented to the Audit Committee to enable the Committee to carry out a review of the Statement and supporting evidence, including Cabinet Members' and senior officers' statements of assurance, prior to the Statement being signed by the Leader and Chief Executive.

Members' and officers' certificates will be available for the Audit Committee to review during its meeting, but key issues recorded on the certificates are as follows:

- Cabinet endorsed the Council's constitution, which sets down the way in which the Council manages its business in accordance with good governance.
- The Council expects to deliver its budget for 2012/13 by carefully managing spending against budgets.
- The Council has set a balanced budget for 2013/14 after identifying budget reductions while minimising the impact on service provision.
- The Council effectively manages its capital programme, including capital receipts, to deliver priority projects for the benefit of its communities.
- The Council has in place strong arrangements for managing risks. Cabinet reviewed reports relating to the corporate risk register on a regular basis during the year. All other reports presented to Cabinet highlight risks and their mitigation.
- All councillors participate in training and personal development activities to keep up to date with important developments, including relating to governance arrangements, and to ensure they can remain effective in carrying out their role.

- All councillors recognise their corporate parenting responsibilities and ensure, where relevant, any decisions consider the implications for residents who rely on the Council fulfilling its responsibility.
- Pressure on Children's Services spending is expected to be contained within the overall Council budget provision. Work is being done to bring Children's Services spending closer into line with its budget.
- Cabinet considered reports relating to the position of Digital Region Ltd and the Council's management of its commitments relating to the Company.
- Cabinet considered reports on the Government's policies relating to Welfare Reforms, localised business rates, council tax discounts and social fund and the Council's response which is designed to minimise any adverse impact on residents, businesses and the Council.
- The implications of the Government's policy relating to a reduction in benefits for under-occupancy of council housing were considered along with the Council's response which is designed to minimise any adverse impact on tenants.
- The revised funding regime for council housing has been considered, including implications for funding council housing provision.
- The implications for the provision of universal education of the creation of academies was considered along with the Council's response, designed to ensure all pupils could continue to receive a high standard of education irrespective of the service provider.
- The Council conducted a proper and effective review of Libraries Services, leading to focused and tailored provision taking into account funding limitations imposed on the Council.
- The transfer of Public Health services from the NHS into the Council has been completed successfully and a Public Health strategy has been agreed by the Council and its partners. Arrangements are in place for monitoring and ensuring progress.
- The Council continues to consider the implications of wider NHS reforms on its key partnerships with the NHS locally, with a view to maintaining a strategic approach to the provision of health and social care and ensuring local residents have access to relevant care when they need it.
- The Council agreed a major waste management contract in partnership with Doncaster and Barnsley Councils.
- The Council has produced a local plan and core strategy in accordance with Government requirements.
- The Council has continued to support the Waverley Development and ensure the development complies with all relevant planning and development requirements.

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

The overall position is good, 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 2012/13.

Considerable progress has been made on significant issues raised in recent years' Statements (see items below).

### **Swinton Community School**

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young People Services Directorate, the School has made substantial progress and anticipates achieving a balanced position for the 2013/14 financial year.

### **2010 Rotherham Ltd**

Legacy financial issues relating to the former ALMO have all now been fully resolved. A positive financial outcome has been achieved for the Housing Revenue Account in 2012/13.

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

There continues to be significant financial pressure on Children's Services. Investment in placement services and improved commissioning of contracts has resulted in significant cost avoidance.

There continues to be a focus on the move towards a more cost-effective prevention and early intervention approach which should achieve further cost reductions in to the longer term.

### **Health and Wellbeing**

During 2011/12 two of the Council's establishments – Treefields Resource Centre and Quarry Hill Resource Centre - had some areas of non-compliance with the Care Quality Commission's (CQC) standards. As a consequence, they were subject to improvement plans and the requirement to be re-inspected by the CQC.

They were re-inspected in 2012/13 and both were deemed to be fully compliant with the CQC's standards. The CQC reports are available for public inspection via the CQC website.

**Following the review of arrangements during 2012/13 and any issues arising, no further significant weaknesses have been added this year.**

## **7.5 Review and monitoring**

The Audit Committee will monitor progress on actions to improve areas included in the 2012/13 statement and will review the effectiveness of governance arrangements during 2013/14.

## **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 and agreement by the Audit Committee, the Chief Executive and the Council's Leader will be asked to sign the statement before its publication in September 2013.

### **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 2012/13**

## APPENDIX A

### ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2012/13

#### **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 on-going 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 2013 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 keeps up to date its corporate plan and strategy which set out what the priorities will be for the borough and how the Council aims to contribute to these.

To deliver improved quality of life and services that meet local needs, the Council works with a range of partners including local businesses, South Yorkshire Police, Voluntary & Community Sectors, and the 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. 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'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 behavior 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 18 members comprising of:

- 8 Councillors (6 Labour and 2 Conservative)
- 5 Independent Members
- 5 Parish Council Representatives

### **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 Director of Financial Services 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 Director of Financial Services 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 optimizes the utilization 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 organization 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.

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

## **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 senior officers 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 Strategic Leadership Team**

The Council's Strategic Leadership Team (SLT), chaired by the Chief Executive, is responsible for putting in place corporate governance arrangements that will safeguard the Council's financial transaction, its assets and its reputation.

SLT reviews all key reports before they are presented to Members, including many of the reports listed below, to ensure the Council's standards, policies and procedures are complied with.

### **4.2 The Executive (Council / Cabinet)**

Cabinet has continued to update the Corporate Plan and the Council's Policy Framework is reviewed annually.

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.

During 2012/13 the Cabinet considered and reviewed the following good governance related issues:

**Vision / Strategy:**

- Amendments to the Scheme of Delegation
- Publication Core Strategy
- Update on the Sheffield City Region Local Enterprise Partnership LEP
- Public Health Functions of RMBC
- The Localisation of Business Rates – Statement of Intent May 2012
- Discharge of Homelessness Statutory Duty
- Localisation of Support for Council Tax (Council Tax Benefit) and Council Tax Technical Changes
- Interim Waste Management Contract with Sterecycle
- Public Health Contracts
- Groundwork Trusts/ Groundwork Trusts Panel
- Housing Strategy
- Rotherham's Joint Health and Wellbeing Strategy
- Local Plan Next Steps
- Focused Changes to Rotherham's Core Strategy
- Rotherham's Strategic Tenancy Policy
- Housing Rent Increase 2013/14
- Sheffield Region Combined Authority
- Health Protection and Local Government
- Healthcare Public Support to Rotherham Care Commissioning Group 2012-15
- Local Welfare Provision – Fund for Change
- Digital Region
- Council Tax Discretionary Relief Policy 13A(1)(C)

**Corporate Governance :**

- Localism Act 2011 and Code of Conduct for Members and Co-opted Members
- Localism Act 2011 and Standards Regime
- Welfare and Benefits Reform
- Annual Governance Statement
- Supporting People Programme – Proposed Governance Arrangements

**Commissioning / Procurement :**

- Maltby Academy – Procurement of Maltby Academy Capital Project

**Financial Management :**

- Capital Receipts Update
- Capital Programme Outturn 2011/12 and Updated Estimates 2012/13 to 2014/15
- Revenue Account Outturn 2011/12
- CYPS Budget 2012/13
- Delegation of Power – Revenues
- Budget Setting Process – Report of Self-Regulation Budget Sub-Group
- Revenue Budget Monitoring
- Capital Programme Monitoring 2012/13 and Capital Programme Budget 2013/14 to 2014/15
- EU Funding and Priorities for the 2014-20 Programme
- NNDR1 Return
- Treasury Management Strategy & Prudential Indicators 2013/14
- RBT Liquidation
- Award of Insurance Contracts

**Inspections / Reviews :**

- Health Inequalities Scrutiny Review BMI>50
- Scrutiny Review Regeneration Funding and Neighbourhoods Renewal
- Discretionary Rate Relief Review
- Review of the Library and Information Service
- Local Development Framework Spotlight Review
- Sheffield Region Governance Review
- Review of Enabling Service
- Scrutiny Review – Role of School Governors
- Ofsted Inspection of Local Authority Arrangements for the Protection of Children
- Scrutiny Review of Continuing Healthcare
- Scrutiny Reviews of RMBC'S District Heating Schemes
- No Stone Unturned in Pursuit of Growth – The Heseltine Review
- Scrutiny Review – Fuel Poverty
- Celebratory Services – Relocation and Fees Review
- Magna Trust Loan Request

**Risk Management :**

- Corporate Risk Register

**Internal Audit :**

- Audit Committee Annual Report 2011/13

<b>Performance Management :</b> <ul style="list-style-type: none"> <li>• Members Training and Development Panel</li> </ul>	
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#### 4.3 The Audit Committee

During 2012/13 the Audit Committee provided independent assurance about the following good governance related issues:

<b>Internal Control, Corporate Governance &amp; Risk Management :</b> <ul style="list-style-type: none"> <li>• Annual Fraud Report</li> <li>• Risk Management Update</li> <li>• Localism Act Update</li> <li>• Managing the Risk of Fraud – Anti Fraud and Corruption Arrangements /Strategy</li> <li>• Anti-Fraud and Corruption Action Plan</li> <li>• Corporate Risk Register</li> <li>• Annual Governance Statement</li> <li>• Transfer of Public Health Services to the Council – Risk and Risk Management Arrangements</li> <li>• Risk Management and Mitigation in the Housing Revenue Account 30 Year Business Plan</li> <li>• Welfare Reform Impact on Rotherham</li> <li>• Annual Review – Insurance and Risk Management Performance</li> </ul> <b>Internal Audit :</b> <ul style="list-style-type: none"> <li>• Audit Committee Work Plan</li> <li>• Audit Committee Annual Audit Report</li> <li>• Internal Audit Annual Report</li> <li>• Audit Commission - National Fraud Initiative – Review and Developments</li> <li>• Audit and Inspection Recommendations Update Report</li> <li>• Internal Audit Progress Report</li> </ul>	<b>Financial Management :</b> <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</li> <li>• Final Accounts Closedown</li> <li>• Statement of Accounts</li> <li>• Budget Settlement</li> </ul> <b>External Audit :</b> <ul style="list-style-type: none"> <li>• KPMG Annual Audit Letter</li> <li>• KPMG External Audit Plan</li> <li>• KPMG Grants Report</li> <li>• KPMG Interim External Audit Report</li> <li>• External Auditor’s Annual Governance Report</li> <li>• External Audit Fees Letter</li> </ul>
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#### 4.4 Overview and Scrutiny Management Board

During 2012/13 the Overview and Scrutiny Management Board considered and reviewed the following good governance related issues:

<b>Vision / Strategy :</b> <ul style="list-style-type: none"> <li>• Scrutiny and Health Reforms</li> <li>• Preparing Overview and Scrutiny for the “New Localism”</li> </ul>	<b>Performance Management :</b> <ul style="list-style-type: none"> <li>• Safer Rotherham Partnership – Performance Update</li> </ul>
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<ul style="list-style-type: none"> <li>• Scrutiny Review – Winter Weather</li> <li>• Scrutiny Review – Private Rented Sector in Rotherham</li> <li>• Scrutiny Annual Report</li> <li>• Learning Lessons from Serious Case Reviews</li> <li>• Scrutiny Review of the Council’s Budget Setting Process</li> <li>• Sheffield City Region Combined Authority</li> </ul> <p><b>Corporate Governance :</b></p> <ul style="list-style-type: none"> <li>• Localism Act 2011</li> <li>• Housing Benefit Reform</li> <li>• Legislative Programme 2012/13</li> </ul> <p><b>Communications and Engagement :</b></p> <ul style="list-style-type: none"> <li>• Equality Act</li> <li>• Scrutiny Review of Regeneration Funding and Neighbourhoods Renewal</li> </ul>	<p><b>Financial Management :</b></p> <ul style="list-style-type: none"> <li>• Economic Downturn</li> <li>• Fuel Poverty – Review of Fuel Poverty</li> <li>• Department for Education Consultation – Improving Assurance System for Financial Management in Local Authority Maintained Schools</li> <li>• Department for Education Consultation on Reform of Alternative Provision and School Funding Reform</li> <li>• Budget Report from the Self-Regulation Select Commission</li> <li>• Revenue Budget and Council Tax Setting 2013/14</li> </ul> <p><b>Risk Management :</b></p> <ul style="list-style-type: none"> <li>• Corporate Risk Register</li> <li>• Draft Local Flood Risk Management Strategy for Rotherham</li> </ul>
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#### 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>• Localism Act and Standards Regime</li> <li>• Revised Code of Conduct/ Amendments to Code of Conduct</li> <li>• Monitoring Officer Update – Ballot of Parish Councils, Dispensations and the report of the Committee on Standards in Public Life, Standards Matter/Referral of matters under the Code of Conduct</li> </ul>	<p><b>Capacity and Capability :</b></p> <ul style="list-style-type: none"> <li>• Draft Report on the Standards Regime</li> </ul>
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#### 4.6 Internal Audit

During 2012/13 Internal Audit reviewed all the Council’s main financial systems, i.e. Council Tax; Business Rates; Creditors; Debtors; Payroll; Housing and Council Tax Benefits; Housing Rents. Internal Audit concluded that the overall control environment was satisfactory in all of these systems.

An overall inadequate opinion in one area was reported during the period. This was relating to the Community Care Direct Payments system. Direct Payments are made to people who have been assessed as needing Social Services support, but who have chosen to arrange their own care instead of receiving this from a local authority provided or commissioned service. The audit highlighted that insufficient checks were being undertaken on the usage of Direct Payments

and, as a result, there is an increased risk that the Council could fail to detect instances where monies were not being used on their intended purpose. An Action Plan has been agreed with management that will be monitored closely to ensure improved procedures are implemented.

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

KPMG carried out an interim audit and highlighted only one process weakness regarding control over access to systems to the Audit Committee.

KPMG has still to complete its audit of the Council's accounts.

### **5 SIGNIFICANT GOVERNANCE ISSUES**

#### **5.1 Follow up on the 2011/12 significant governance issues**

The 2011/12 AGS highlighted three significant issues remaining from earlier years that merited further assurances, plus one new issue. Considerable progress has been made in these areas during 2012/13, as follows:

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

Swinton Community School had accumulated a deficit of over £876,000 at 31 March 2011.

Following a collective approach to the management of the situation involving the School, the Council's Financial Services function and the Children and Young People Services Directorate, the School has made substantial progress and anticipates achieving a balanced position for the 2013/14 financial year.

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

Legacy financial issues relating to the former ALMO have all now been fully resolved. A positive financial outcome has been achieved for the Housing Revenue Account in 2012/13.

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

There continues to be significant financial pressure on Children's Services. Investment in placement services and improved commissioning of contracts has resulted in significant cost avoidance.

There continues to be a focus on the move towards a more cost-effective prevention and early intervention approach which should achieve further cost reductions in to the longer term.

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

During 2011/12 two of the Council's establishments – Treefields Resource Centre and Quarry Hill Resource Centre - had some areas of non-compliance with the Care Quality Commission's (CQC) standards. As a consequence, they



were subject to improvement plans and the requirement to be re-inspected by the CQC.

They were re-inspected in 2012/13 and both were deemed to be fully compliant with the CQC's standards. The CQC reports are available for public inspection via the CQC website.

**5.2 Review of arrangements 2012/13**

Following the review of arrangements during 2012/13 and any issues arising, no further significant weaknesses have been added this year.

**6 LEADER AND CHIEF EXECUTIVE ASSURANCE STATEMENT**

We are satisfied that this Annual Governance Statement fairly reflects the governance arrangements in place at Rotherham Council and the operation of the arrangements during the year.

We are satisfied that there are no significant weaknesses to be reported in the Statement.

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

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