

**AUDIT COMMITTEE
30th July, 2024**

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

Apologies for absence were received from Councillor Elliott and Alison Hutchinson (Independent Person) and Grant Thornton (External Auditors).

14. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

15. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no members of the public or press present at the meeting.

16. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 22 (Risk Management Annual Summary 2023-24 and Corporate Strategic Risk Register Update) as defined in Paragraph 3 of Part I of Schedule 12A of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

17. MINUTES OF THE PREVIOUS MEETING HELD ON 25TH JUNE, 2024

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 25th June, 2024.

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

18. HIGH NEEDS/SAFETY VALVE PROGRAMME - 2023/24

Joshua Amahwe, Head of Finance CYPS, presented a report outlining the 2023/24 performance against the approved Safety Valve Agreement (with the Department of Education) and the recovery plans in place to enable Rotherham to achieve financial sustainability and operate within its annual financial allocation over future years.

The report also highlighted the financial position of the Dedicated Schools Grant (DSG) High Needs Budget in 2023/24 and the projected accumulated deficit position over the life of the Safety Valve Agreement.

Ongoing monitoring had taken place with quarterly meetings between the DfE (assigned SEND advisor) and the Council to both support delivery and hold accountability of the Safety Valve Agreement. This support and challenge process also allowed emerging challenges to be shared and a

vigorous oversight of plans to be undertaken.

Rotherham was on track in 2023/24 and had delivered against all the conditions of its Agreement. Financial performance was also on track against the agreed DfE plan and the Agreement.

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

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

Discussion ensued with the following issues raised:-

- As at July 2024 the projected deficit was as estimated, however, it was a forecast and there were still pressures within the system/increase in numbers/continual submission of cases of EHCP assessments/inflation etc. all of which created uncertainty and something that had to continue to be managed
- The deficits were included in CYPS budgets because of the DSG. It was ringfenced funding and sat outside the Council's General Fund budget and services funded by Council Tax payers although the Council was still accountable for how the funding was used. At this point in time the legislation and regulation required local authorities to treat them as 2 separate budget streams, ringfenced in terms of DSG, however, it was expected that that protection would cease next year and become part of the Council to manage from the deficit point of view
- The deficit was already allowed for within the CYPS budget and there was no additional risk or pressure for the Council. This was a national issue and not just Rotherham. Many local authorities had not received the Safety Valve funding and when the Government removed the DSG override it would put many councils in significant difficult financial positions
- There was close work with schools with regard to the budget. Schools needed to ensure that they used resources appropriately in the right place for children and address value for money

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

(2) That the 2023/24 financial position of the DSG High Needs Budget and accumulated DSG deficit at the end of the Safety Valve Programme be noted.

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

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

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify the Investigatory Powers Commissioners Office of the number of directed surveillance/CHIS authorisations granted in each financial year. Since the last report, the Council had not used its powers under RIPA to use directed surveillance, covert human intelligence sources or to acquire communications data. A statistical return was completed and submitted to the Investigatory Powers Commissioners Office (IPCO) on 7th December, 2023.

External training was provided to all officers involved or likely to be involved in the use of the powers provided under the RIPA legislation on 13th and 14th June, 2023. More recently, and to ensure that this training was up-to-date and new staff joining were aware of their roles, a further session was held on 12th and 26th June, 2024. The purpose of this was to further reduce any potential risk arising from any unauthorised activity.

In accordance with the revised Home Office Codes of Practice, the use of RIPA and review of the Policy was reviewed and re-adopted by the Audit Committee on 27th July, 2023 consisting of minor changes to personnel and references to revised Codes of Practice. The Policy had been reviewed and, as there had been no changes to guidance or Codes of Practice, it had not required any significant amendment, only minor amendments in respect of personnel.

Resolved:- (1) That the Audit Committee note that the Council had not made use of surveillance or acquisition of communication data powers under the relevant legislation since it was last reported on 25th January, 2023.

(2) That the RIPA Policy with the minor amendments relating to personnel and references to the Code of Practice be approved.

20. TREASURY MANAGEMENT OUTTURN 2023-24 AND SUMMARY PRUDENTIAL INDICATORS ROTHERHAM MBC

Consideration was given to the report presented by Natalia Govorukhina, Head of Corporate Finance, which detailed how the Council approved the Treasury Management Strategy in March, 2023 and received a mid-year

report in November 2023, representing a mid-year review of treasury activity during 2023/24.

The Annual Treasury Management report was the final treasury report for 2023/24. Its purpose was to review the treasury activity for 2023/24 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2023/24 in accordance with the requirements of the Prudential Code. Presentation of the report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix 1 of the report submitted gave a summary of the Prudential Indicators for the Council.

The underlying economic and financial environment remained difficult for the Council to predict. The Bank of England Base Rate increased from 4.25% to 5.25% during 2023/24 as the Bank of England increased interest rates to control inflation. Whilst inflation was reducing, the Bank of England Base Rate was being held, keeping borrowing and investment rates high.

In 2023/24 the Council continued its strategy of utilising cash balances to minimise the requirement for additional borrowing. The Council has held significant cash balances and has been able to invest them for a greater return given current high interest rates which generated additional interest income during the year.

Taken together, the reduced borrowing need, additional returns on investments, and further slippage on the Council's Capital Programme had enabled the Council to transfer £11.3m to support the Council's Budget and to support the Council's Medium Term Financial Strategy to 2026/27 as approved within the Council's Budget and Council Tax Report 2024/25.

It was noted that the report had been considered by Cabinet at its meeting on 29th July, 2024.

Discussion ensued on the report with the following issues raised/clarified:-

- It was normal practice to borrow from other local authorities/mayoral combined authorities and was in line with the Council's Treasury Management Strategy
- During the year a total of £31.2m of principal on existing loans had been repaid. This has been refinanced by £55m of new loans. The

Council would continue to monitor the interest position with a view to take out further long term borrowing if there were dips in the long term borrowing rates but currently was utilising short term borrowing to cover immediate borrowing need in anticipation of lower rates in the future

- Interest rates were monitored regularly

Resolved:- That the Financial Outturn 2023/24 – Treasury Management and Prudential Indicators - be noted.

21. EXTERNAL INSPECTIONS, REVIEWS, AND AUDITS UPDATE

Consideration was given to a report, presented by Tanya Lound, Corporate Improvement and Risk Officer, providing details of recent external inspections, reviews and audits as well as a summary of progress against the recommendations from all external inspections, reviews and audits setting out details of arrangements for ensuring the accountability and governance around their implementation.

Since the last report to Committee in January 2024, 11 external inspections, reviews and audits had taken place. In total 17 recommendations/areas for improvement had been completed since the last report and 6 had been closed. There were 19 recommendations/areas for improvement which remained ongoing, 5 of which were delayed, however, none were delayed more than 12 months.

The report set out details of the 11 inspections, reviews and audits that had taken place since January 2024 in Children and Young People's Services, Adult Care, Housing and Public Health, Regeneration and Environment Services and Finance and Customer Services.

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

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

(2) That the progress made in relation to recommendations/areas for improvement and the governance arrangements in place be noted.

(3) That the Audit Committee continue to receive regular reports.

22. RISK MANAGEMENT ANNUAL REPORT AND STRATEGIC RISK REGISTER

Simon Dennis, Corporate Improvement and Risk Manager, submitted the Risk Management Annual Summary 2023-24 and Corporate Strategic Risk Register update.

The report summarised the principal risk management activity that had

been carried out in the Council throughout the past financial year. It covered a wider range of topics than the regular report on the Corporate Strategic Risk Register and aimed to cover both the movements in strategic risks that had occurred over the period and the key elements of the Council's risk management activity throughout the year.

The heat map derived from the Corporate Strategic Risk Register update at the end of 2023/24 showed the risk profile. The total number of strategic risks remained at 13 over the period April 2023 to March 2024 with 2 risks removed in the year and 2 new risks added. Of the risks that remained on the strategic register, 4 had decreasing risk scores, one saw an increase in its risk score and 6 remained constant.

The current heat map as at 16th July, 2024, showed no risks had been removed and one risk had been added. It showed that the long term pattern of assessed risk level had continued to broadly reduce over the last 2 years. This reflected the continued increasing grasp on the key risks that needed to be managed at a strategic level and the improved risk position following the end of the Covid pandemic. Since December 2022 approximately 43% of risks monitored at a strategic level had reduced in assessed level, 37% had remained stable and 20% had either increased or were new to the register.

The rollout of the online training was the final element in the refresh of the Council's training provision. 91 M2 managers had attended training courses since the 2023 report with 280 having completed the training since its relaunch in January 2022. The remaining 4 courses scheduled for the remainder of the calendar year were close to full capacity. A face-to-face option has recently been introduced for the M2 manager course. The impact of both options would need to be evaluated over the next 12 months.

Discussion ensued with the following issues raised/clarified:-

- SLT09 (Hope and Confidence in Rotherham) – consideration should be given to increasing the impact score from 2
- The reasons for the downgrading of risk rating for SLT10 (Business Growth)

Resolved:- (1) That the annual summary of risk management activity and updates to the Corporate Strategic Risk Register be noted.

(2) That the Head of Communications/Assistant Chief Executive give consideration to increasing the impact score relating to SLT09 (Hope and Confidence in Rotherham) and report back to the September meeting of this Committee.

(3) That the rationale for the downgrading of the risk rating for SLT10 (Business Growth) be submitted to the September meeting of this Committee.

(4) That the Assistant Director, Customer Information and Digital Services, be invited to the September meeting of the Committee to present a report on PSTN (Public Switched Telephone Network).

(Appendices 1 and 2 were exempt under Paragraph 3 (information relating to the financial or business affairs of any particular person (including the Council) of Part 1 of Schedule 12A))

23. AUDIT COMMITTEE ANNUAL REPORT 2023-24

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

The Audit Committee Annual Report 2023/24 included details of the main outcomes and improvements, Committee membership during that period, a summary of the work undertaken, information on self-assessment evaluation and training and development along with listing the Committee's Terms of Reference. The updated Terms of Reference had been approved at Council on 19th July, 2023 (Minute No. 219 refers).

It was noted that a self-assessment had been carried out in March 2024 against checklists from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The last evaluation of Audit Committee Members' Knowledge, Skills and Training Needs was undertaken some time ago. The CIPFA 2022 guidance recommended such an evaluation be carried out within a 2 year period and, as the membership had changed significantly, an evaluation will be completed in 2024 with the results feeding into the training and development plan.

Resolved: That the draft Audit Committee Annual Report 2023/24 be approved for submission to Council.

24. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for September 2024 to June 2025. The plan showed how the agenda items related to the objectives of the Committee. It was presented for review and amendment as necessary.

Resolved: That the Audit Committee forward work plan, as now submitted with the addition of a report on PSTN to the September meeting, be approved.

25. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

26. URGENT BUSINESS

There was no urgent business for consideration.