AUDIT COMMITTEE
28th July, 2026

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

An apology for absence was received from Alison Hutchinson (Independent Person).

Also present:-
Joshua Amahwe, Head of Finance CYPS
Judith Badger, Executive Director, Corporate Services
Greg Charnley, Grant Thornton (External Auditor)
Niall Devlin, Service Director, Education and Inclusion
Natalia Govorukhina, Head of Corporate Finance
Louise Ivens, Head of Internal Audit
Rob Mahon, Service Director, Financial Services
Michelle Scales, Service Manager, Litigation and Practice
Katie Stead, Policy, Improvement and Risk Manager
Dawn Mitchel, Governance Officer

18. APPOINTMENT OF VICE-CHAIR FOR THE 2026/27 MUNICIPAL YEAR

Following the resignation of Councillor Lelliott, there was now a vacancy on the Committee and the position of Vice-Chair.

The vacancy presented an opportunity for the Council to maintain the effectiveness of the Audit Committee by appointing a replacement Member and Vice-Chair. This would ensure that the Committee continued to operate with its full complement of Members, maintain appropriate leadership resilience and was able to effectively discharge its responsibilities in relation to governance, risk management, internal control, financial reporting and audit matters.

Resolved:- That Councillor Ismail be appointed Vice-Chair of the Audit Committee for the remainder of the 2026-27 Municipal Year.

19. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

20. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

21. 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. 28 (Risk Management Annual Summary 2025-26 and Corporate Strategic Risk Register) as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

22. MINUTES OF THE PREVIOUS MEETING HELD ON 16TH JUNE, 2026

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 16th June, 2026.

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

23. EXTERNAL AUDIT UPDATE

Greg Charnley, Grant Thornton (External Auditor), reported that the External Audit field work had commenced at the beginning of July and was currently on track to submit a detail report to the September Audit Committee meeting and the November meeting for sign off

There had been a slight change in the audit materiality which had reduced from £16.7M to £16M which reflected some of the adjustments in the previous financial year e.g. Forge Island.

Resolved:- That the update be noted.

24. UPDATE REPORT ON THE USE OF SURVEILLANCE

Michelle Scales, Service Manager, Litigation and Practice, 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).

Since the last report, the Council had not used its powers under RIPA to use directed (covert) surveillance, covert human intelligence sources and informants or to acquire communications data. The annual statistical return was completed and sent to the Investigatory Powers Commissioners Office on 5th January, 2026.

External training was provided to all officers who were likely to be involved in the use of the powers provided under the RIPA legislation on 21st October, 2025, 13th January and 11th February, 2026. To ensure that training was up-to-date and new staff joining were aware of their roles, further training sessions would be arranged for 2026. The purpose of this was to further reduce any potential risk arising from any unauthorised activity.

The revised Home Office Codes of Practice advised that the elected members of a local authority should review the authority's use of RIPA and set the Policy at least once a year and consider internal reports on the use of RIPA on a regular basis to ensure that it was being used consistently with the local authority's policy and that the policy remained fit for purpose.

On 8th December 2025, the Council received notification from the IPCO regarding its mandatory inspection. The Council provided the information requested on 14th January, 2026, with a meeting then taking place with the Inspector from the IPCO.

On 27th January, 2026, the Council received notification that the IPCO was satisfied with regard to the Council's ongoing compliance with RIPA 2000 and the Investigatory Powers Act 2016.

The RIPA Policy was reviewed by the Audit Committee at its meeting on 29th July, 2025 (Minute No. 21 refers) and was re-adopted with some minor amendments to provide clarity and the use of accurate terminology when referencing guidance documents. The RIPA Policy had been reviewed and, as there had been no changes to guidance or Codes of Practice, did not require significant amendment.

Discussion ensued with the following issues raised/clarified:-

- Requests for the use of RIPA were submitted to Legal Services and reviewed in accordance with the Policy, Legislation and Code of Practice and the powers utilised if deemed appropriate. However, it was seen as a last resort and other means of gathering evidence should be used. There was a lot to consider in terms of the impact on Human Rights etc.

- There was a distinct difference between covert and overt surveillance. RIPA covered covert surveillance only, looking at targeted surveillance which met the particular criteria under the Legislation. Overt surveillance e.g. cameras which would catch people flytipping did not fall under RIPA and was governed by other Legislation and Codes of Practice

- Any decisions on the provision of overt cameras in areas that were experiencing particular problems/increase in the number of cameras was an issue for the respective Service

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.

(2) That the findings of the inspection by the IPCO and that the next inspection would take place in 2029 be noted.

(3) That the RIPA Policy with the minor amendments made to provide clarity and use of accurate terminology when referencing the relevant guidance documents be approved.

25. HIGH NEEDS/SAFETY VALVE PROGRAMME - 2025-26

Joshua Amahwe, Head of Finance CYPS, together with Niall Devlin, Service Director, Education and Inclusion, reported that the 5 year Safety Valve Agreement had ended on 31st March, 2026. The submitted report outlined the performance against the approved Safety Valve Agreement (with the Department of Education) over the 5 years of the Programme as well as the recovery plans in place to enable Rotherham to achieve financial sustainability.

The report also highlighted the financial position of the Dedicated Schools Grant (DSG) High Needs Budget in 2025-26 and the cumulative deficit position in the last year of the Safety Valve Programme.

The Safety Valve Agreement had provided a clear and ambitious framework for developing enhanced inclusive provision to meet children's SEND across the Borough. Rotherham had delivered all the conditions of its Safety Valve Agreement and had made significant progress in meeting the agreed financial recovery plan. Key achievements against the agreed conditions over the 5 year period were set out in the report but included focus on strengthening mainstream inclusion, increased specialist provision as well as improving the financial sustainability of the whole High Needs SEND budget.

Over the 5 year period, the whole Programme had been closely monitored by the Council and the submission of quarterly reports/various challenge sessions with the DfE. There had been growth in local capacity in terms of the number of SEND places in Rotherham with in excess of 500 special school places created in Rotherham as well as the creation of 10 SEND resource basis within mainstream schools and the extension of some special schools and the PRU.

Massive inroads had been made in mainstream schools by improving the level of inclusion. A high number of pupils were now supported within mainstream provision opposed to placement in specialist provision although there continued to be an increase in specialist school provision.

At the outset of the SVA, there had been a cumulative deficit of approximately £21.2M; part of that reduction stemmed from the financial support received as well as the recovery actions. A financial deficit of £3.6M was reported for the High Needs Budget for 2025-26 and had been transferred to the DSG reserves account. This reflected increased demand within the SEND system including rising numbers of pupils with

EHCPs in mainstream and specialist settings alongside inflationary cost pressures. Under the current regulations, the deficit was carried forward into the next financial year as part of the statutory protection the Government had put in place to ensure local authorities were not burdened with the deficit in DSG.

The Government had announced a High Needs Stability Grant which would fund up to 90% of historic DSG deficits accumulated by 31st March 2026 with local authorities expected to fund the remaining 10%. Based on the proposed funding methodology, the Council was expected to receive approximately £0.6M reducing its residual DSG deficit of £2.9M as at 31st March 2026.

The Grant formed part of the transition to a reformed SEND system and complemented the continuation of the statutory DSG deficit override which remained in place until 31st March 2028. Access to the Stability Grant would be conditional on each authority submitting a Local SEND Reform Plan and securing approval from the Department for Education.

Local authorities were required to submit their Local SEND Reform Plan by 19th June 2026 setting out how they would transition to the reformed SEND system and increase early intervention, inclusion and mainstream capacity. Plans must demonstrate a clear pathway towards the Government's vision for a more inclusive SEND system.

It was expected that the Stability Grant funding would continue during the transition although funding would be proportionate rather than unlimited. Local authorities would be required to maintain robust financial management whilst continuing to deliver appropriate, high quality support for children and young people with SEND. Delivery of approved Local SEND Reform Plans would be a key component of the approach. Given the funding uncertainty, it was difficult at present to assess how much the DfE would support the ongoing in-year High Needs deficits. The position would continue to need to be closely managed and factored into the Council's budget setting processes.

Discussion ensued with the following issues raised:-

- Approval of the Local SEND Reform Plan was important as it released future funding in terms of addressing the cumulative deficit

- Modelling work had been carried out to assess what the next 2-3 years would look like based on projected numbers of pupils expected to be in the system and accessing support. It was expected to be in the region of £19M and took account of the recovery actions of the plans in place

- The £19M was made up of the £2.9M carried forward from 2025/26, anticipated £7M for 2026/27 and approximately £9M for 2027/28

- The Government had indicated that it was looking to provide financial support up to 2027/28 in terms of the High Needs Stability Grant

- Based on Government guidance, there was a complicated formula for SVA authorities which did not give 90% funding for 2025/26 but would be applicable once out of the SVA

- The expectation that the 90% would be ongoing came from the Fair Funding Review, discussions with the DfE and the need to address the ongoing pressure on the system

Resolved:- (1) That the performance against the Safety Valve Agreement and the recovery actions to manage the Dedicated School Grant (DSG) deficit in Rotherham be noted.

(2) That the 2025/26 financial position of the DSG High Needs Budget and cumulative DSG deficit at the end of the Safety Valve Programme be noted.

26. TREASURY MANAGEMENT MONITORING REPORT Q1 2026-27

Natalia Govorukhina, Head of Corporate Finance, presented the 2026-27 quarter 1 review as recommended by CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021. The submitted report detailed performance against Treasury Management activities as well as incorporating the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's Prudential Indicators.

It was also explained that it was a requirement that any proposed changes to the 2026/27 Prudential Indicators were approved by Council.

The monitoring, as set out in Appendix A, highlighted the key changes to the Council's capital activity (the PIs) and the actual and proposed Treasury Management activity (borrowing and investment). The review indicated performance had not changed from that set out in the approved Treasury Management Strategy.

Reference was made to the key messages for investments, borrowing and governance.

With regard to investments, the primary governing principle remained security over return and the criteria for selecting counterparties continued to reflect this.

The Council would maintain its strategy of being under-borrowed against the Capital Financing Requirement (CFR). The Council had refinanced £50M of temporary borrowing in the year to date.

It was anticipated that further short term borrowing would be required before the end of 2026/27. As reported previously, the Council would predominantly adopt a short term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There was a discounted rate with the PWLB for borrowing long term funds specifically for Housing Revenue Account purpose. This was available until March 2027. Depending upon the prevailing interest rate position, the Council may utilise this rate for some long term borrowing, however, the borrowing position would remain under review.

Whilst the Council's approach to Treasury Management in recent years, utilising short-term borrowing, had generated significant savings for the Council, it was essential to achieve balanced budgets, the future outlook was more challenging. There was increased uncertainty around the future direction of interest rates as markets responded to the recent conflict in Iran.

The Council had undertaken £50M of temporary borrowing in the year to date of which £20M was refinanced with the existing lender.

The continuing approach to Treasury Management had been discussed with the Council's external Treasury Management Advisers, MUFG, who had confirmed this was a prudent approach given current market conditions. MUFG would continue to monitor borrowing rates and inform the Council if there were opportunities to borrow at advantageous rates.

It was noted that this was Natalia's last meeting as she was leaving the Authority. Joshua Amahwe would be taking over Natalia's role.

Resolved:- (1) That the report be received and the contents noted.

(2) That the Committee's thanks be placed on record and Natalia wished all the best in her future employment.

27. EXTERNAL INSPECTIONS, REVIEWS, AND AUDITS UPDATE

Consideration was given to a report presented by Katie Stead, Policy, Improvement and Risk Manager, which provided 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 2026 (Minute No. 64 refers), 6 new external inspections, reviews and audits had been completed. In total 37 recommendations or areas of improvement were listed on the tracker of which 21 had been completed since the last report; 16 remained ongoing of which 7 were delayed including 2 that were delayed by more than 12 months. The reasons for the delays were summarised within Appendix 1 of the report submitted.

There had been 2 inspections to Rotherham residential children's homes since January both of which identified significant improvements achieved.

Discussion ensued with the following issues raised/clarified:-

- The reasons behind the ongoing delay in implementing the 2 improvements identified at the 2024 Ofsted SEND visit were complex and regularly discussed by management

- A revised target date for completion of the 2023/24 Value for Money arrangements had been agreed (September 2026)

Resolved:- (1) That the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in January 2026 be noted.

(2) That the governance arrangements that were currently in place for monitoring and managing the recommendations be noted.

(3) That the Audit Committee continue to receive regular reports in respect of external inspections, reviews and audits and the progress made.

28. RISK MANAGEMENT ANNUAL SUMMARY 2025-2026 AND CORPORATE STRATEGIC RISK REGISTER UPDATE

Katie Stead, Policy Improvement and Risk Manager, submitted the Risk Management Annual Summary 2025-26 and Corporate Strategic Risk Register (CSRR) update.

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

Risk Management
As set out in the Risk Management Policy and Guide, individual Service Management Teams and Directorate Leadership Teams had reviewed their risk registers in line with the Policy and Strategy.

Corporate Strategic Risk Register
The Register was formally reviewed by the Strategic Leadership Team at quarterly meetings.

The programme of Audit Committee risk register reviews for the 2025-26 financial year was completed as planned. A new annual cycle had been established under which the Committee reviewed all Directorate risk registers at least once during the next 12 months and the CSRR twice within the same period.

Movements in the heat map were compared to the risks on the CSSR reported to Committee in January, 2026. At the start of 2025/26 the CSRR had comprised of 14 risks with none assessed as red. The total number of strategic risks had increased to 16 with 5 risks added and 3 removed following successful management. Of those risks, one was raised and removed within 2 reporting points.

By the end of 2025/26, 4 risks on the CSRR were rated as red 3 of which related to new risks that had been escalated up to the CSRR during 2025/26 whilst the remaining risk was escalated from amber to red throughout the year.

In 2024/25 there had been a slight increase in the risk profile throughout the year for the first time in 3 years; this had continued into 2025/26 and active management throughout the year had supported the successful management of this profile.

Appendix 1 contained the complete CSRR including information on current mitigations in place and what were still to be delivered. It also set out the current target level of risk for each risk.

Discussion ensued with the following issues raised/clarified:-

- Further discussion would take place as to whether hanging baskets off lighting columns was to be included within SLT45 (highways structures inspection regime)

- SEND education/financing was included within SLT16 (financial plans and budget gap) and incorporated the financial position and sustainability of the Council

- Work was on track to meet the timetable set by the Chief Executive with regard to the review of failure to manage and deliver regeneration programmes (SLT37)

- The equal pay litigation was a lengthy and legal process with the risk being assessed along the way

It was hoped that a member and development training session would take place in September on risk management

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

(Appendix 1 was 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))

29. DRAFT AUDIT COMMITTEE 2025-26 ANNUAL REPORT

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 2025/26 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.

Resolved: That the draft Audit Committee Annual Report 2025/26 be approved for submission to Council.

30. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work plan for the Audit Committee for September 2026 to July 2027. 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, be approved.

31. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

32. URGENT BUSINESS

There was no urgent business to be considered.