Auditor's Annual Report on Cumbria County Council

2022/23

February 2024

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	⟷
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	⟷
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	⟷

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Local Government Reorganisation (LGR) in Cumbria

In July 2021 the Secretary of State announced the outcome of the consultation for Local Government Reorganisation in Cumbria. The seven Councils covering Cumbria were replaced on 1 April 2023 by two new unitary councils – Westmorland and Furness Council covering the previous areas of Barrow, Eden and South Lakeland and Cumberland Council covering the previous areas of Allerdale, Carlisle and Copeland. In addition Cumbria Fire and Rescue Service transferred to be governed by the Police and Crime Commissioner.

Grant Thornton is the external auditor of all seven legacy local authorities in Cumbria, the Police and Crime Commissioner (PCC) for Cumbria and the Chief Constable of Cumbria. During 2022/23, we undertook an over-arching review of LGR as part of our Value for Money work at the seven legacy councils. This included meeting key stakeholders from the two Shadow Authorities, interim and appointed (designate) senior officers from the two new unitary councils and other key stakeholders. We reported our findings to Cumbria County Council's Audit Committee in March 2023.

Our over-arching review considered financial sustainability, governance, and improving economy, efficiency and effectiveness. We found that the move from seven to two councils provided the opportunity to realise financial benefits and improve service delivery and the financial sustainability of local government in Cumbria. However, implementing LGR was complex, time consuming and provided some significant challenges, including a relatively short timescale for implementation whilst delivering business as usual, the need to disaggregate county wide finances and services to align to the geographies of the two new unitaries and undertaking financial and service planning for the new unitary councils when many senior officers were not in role in a timely way to make key decisions.

It was clear from our work that officers and members at the legacy councils and the Shadow Authorities involved in LGR were fully committed to a successful transition and implementation – in particular we often heard that officers had gone "above and beyond" what has been expected of them. The relatively short implementation timescale, resulted in a focus on the new unitaries being "safe and legal" on their vesting days. This focus on ensuring continuity of existing services to residents and businesses in Cumbria meant that the opportunities that should arise from rationalisation and transformation have not progressed and have largely been deferred for decisions to be taken following vesting day.

It will take several years to fully realise the benefits planned from LGR and will require sustained commitment from senior stakeholders to deliver. There remain inherent risks in any LGR implementation and the new unitary councils have significant decisions to take. In summary, we see a number of critical challenges and opportunities, in particular the following are key priorities:

- Financial sustainability pressures with reliance on additional government financial support and use of capital receipts and /or prudential borrowing to fund revenue expenditure.
- Sub-optimal progress on the transformation agenda means the new councils need to act fast, and fully utilise the PMO resource, to drive transformational change to improve service users' experience and generate significant savings.
- Organisational structures, cultures and values need to be agreed and embedded. This will be critical to the effectiveness of the new councils governance and performance management frameworks.
- Structures and key personnel put in place need to be proportionate to the significant scaled up challenges the new councils face.
- Specifying, procuring and successfully implementing new financial systems to replace the work around solution of utilising legacy financial systems. Whilst the work around arrangements are understandable in the context, this represents significant challenges in the short and medium term which will incur additional costs and impact on accounts production, audit, and budget monitoring.

At the same time as successfully managing LGR transition, the two new unitary councils need to manage the business as usual challenges affecting Cumbria, which include improving social care provision, managing increasing demographic pressures, recruitment and retention challenges, and improved working with the NHS.

Grant Thornton is the external auditor of Westmorland and Furness Council, Cumberland Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC). We are closely monitoring progress in the critical challenge areas outlined above and will report our findings to the two new unitary councils and PFCC as part of our 2023/24 audits.

Executive summary (continued)

Overall Summary and way forward

We have not identified any significant weaknesses and related key recommendations. We have identified a small number of financial management, governance and performance related improvement recommendations to further improve the Council's arrangements, which in the context of LGR can be taken into the two new unitary councils and PFCC's arrangements.

This report is being presented to the Audit Committee of the successor organisation Westmorland and Furness Council. It should also be shared with the Audit Committee of Cumberland Council and the Joint Audit Committee of the PFCC to ensure that improvement recommendations are considered and, where relevant, implemented by the three successor organisations. We have raised an overarching improvement recommendation on page 8 that the two new unitary councils and PFCC should put in place arrangements to monitor implementation of these legacy recommendations raised for Cumbria County Council.

Financial sustainability

The Council operated in a challenging and uncertain financial environment. In this context, the Council managed its finances well during 2022/23 to deliver an underspend of £4.4 million which allowed it to strengthen its General Fund reserve balance to £29.5 million. We note, however, that overall earmarked reserves for the Council decreased by £47.6 million during 2022/23, due to planned use of these earmarked reserves. The Council set a balanced budget for the 2022/23 financial year. Whilst the Council ceased to exist on 1 April 2023 due to LGR in Cumbria, a Medium Term Financial Plan (MTFP) has been prepared for the period 2022- 2027, which identified a budget gap of £29.3 million.

Our work has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to arrangements to secure financial sustainability. We have raised an improvement recommendation relating to ensuring that the impact of potential equal pay claims are appropriately reflected in the Council's financial statements and key financial plans. We have also raised an improvement recommendation regarding plans to address the funding gap, which existed in the Council's last MTFP. Improvement recommendations in relation to its Dedicated Schools Grant Deficit and monitoring performance of Cumbria County Holdings Ltd, first raised in 2021/22, are still to be fully addressed. Improvement recommendations in relation to reviewing key budget and MTFP assumptions and monitoring the delivery of the capital plan and savings, first raised in 2020/21 and again in 2021/22, are also still to be fully addressed. Continued failure to implement our recommendations will lead to auditor consideration of escalating the recommendation to a key recommendation. Further details can be seen on pages 9 to 22 of this report.

Governance

The Council continued to have appropriate governance arrangements in place. Our work has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. Improvement recommendations in relation to risk management and register of interests, first raised in 2020/21 and again in 2021/22, are still to be fully addressed. We are also carrying forward our improvement recommendation raised in 2021/22 relating to recruitment processes to senior positions as we think it important that the new Council's have due regard to this for the evidencing of the decision making related to future senior position recruitment. We have also raised a new improvement recommendation that the new unitary councils ensure Internal Audit receive an external assessment demonstrating compliance with Public Sector Internal Audit Standards during 2023/24. Further details can be seen on pages 23 to 31 of this report.

Improving economy, efficiency and effectiveness

The Council continued to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements or need for key recommendations in relation to delivering economy efficiency and effectiveness. As recommended in 2020/21 and 2021/22, the two new unitary councils need to continue to explore opportunities to increase capacity and strengthen the resilience of the County's social care service. Further details can be seen on pages 32 to 37 of this report.

Financial Statements Opinion

Our financial statement audit work is complete. Our audit report opinion will include an emphasis of matter paragraph, which draws attention to Note 3 to the financial statements, which indicates that Cumbria County Council ceased to exist on 31st March 2023. The assets and liabilities of the Council transferred to the new Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We have not made any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We have not issued a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We have not made an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We have not issued any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We have not made an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 38

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

Improvement recommendations

Recommendation 1	The two new unitary councils and PFCC should put in place arrangements to monitor implementation of the legacy recommendations raised for Cumbria County Council
Improvement opportunity identified	We have identified a small number of financial management, governance and performance related improvement recommendations to further improve arrangements, which in the context of Local Government Reorganisation (LGR) can be taken into the two new unitary councils and PFCC's arrangements.
Summary findings	Our review of the County Council's arrangements during 2022/23 identified opportunities for improvement outlined on pages 17,18 and 28. In addition we found that in following up previous improvement recommendations raised in 2020-21 and 2021-22 outlined on pages 19-21, 29-31 and 37 work is ongoing to address these. There are a number of areas where the Council has improved arrangements but further improvements are still required due to the ongoing risks faced such as savings delivery, capital programme delivery, MTFP assumptions review, monitoring of the performance of Cumbria County Holdings Ltd, DSG deficit and social care provisions. For the areas of register of interests and risk management our improvement recommendations are still to be implemented.
Criteria impacted	Financial sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management accepted the recommendation

Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Planning

2022/23 Outturn

The Council's financial planning allowed it to deliver the Council Plan priorities within its resources. This is evidenced by the breakeven position achieved in 2022/23.

The Council's original net budget for 2022/23 was £455.5 million. This was revised to £445.9 million, following adjustments to general grants and transfers to and from reserves. The Council achieved a provisional outturn position of £441.5 million, which was an underspend of £4.4 million. This underspend resulted from net Directorate underspends of £3.2million and increased income of £1.2 million in other corporate budgets resulting from a combination of additional one off Business Rate Grants of £0.8 million, increased Treasury Management savings of £2 million due to higher interest rates, reduction in cost pressures for Waste of £1 million and additional income from fees and charges in highways of £0.5 million and other offsetting over and under spend changes totalling £0.1 million.

The outturn position also reflected pressures in demand led services which, in turn are key factors identified as financial pressures requiring management by the two new unitary councils. These pressures included:

- £10.2 million pressure in children looked after placement costs. This is due to five exceptional bespoke packages of care for individuals with very complex needs, an increase in the number of high costs placements and a high number of residential placements
- Net pressure of £7.98 million in the People Directorate being a combination of additional pressures in the areas of inclusive learning and staffing pressures in Childrens resulting from heavy reliance on agency staff to cover vacant social worker posts and an underspend position with older adults due to primarily unmet need within the health and social care system which would have resulted in an overspend had needs been met.

The outturn also reflected the achievement of savings totalling £14.8 million being 91% of the target of £16.2 million. We comment further on savings on page 13.

The table opposite illustrates the Council's outturn performance in 2022/23 and 2021/22.

	2022/23 – draft accounts £million	2021/22 – audited accounts £million
Planned revenue expenditure	£445.9	£ 411.1
Actual revenue expenditure	£441.5	£ 402.8
Underspend	£4.4	£8.3
Planned capital spend	£153.2	£122.2m
Actual capital spend	£108.3	£ 88.6
Slippage	£44.9	£33.6
Planned savings target	£16.2	£30.0
Actual savings delivered	£14.8 (91%)	£24.4 (81%)

Financial sustainability (continued)

Dedicated Schools Grant Deficits

On 12 December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years.

Recent estimates put the total national DSG deficit for local authorities in tens of billions by March 2023. Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystalize as liabilities in 2026 is not clear.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Financial planning (continued)

Ongoing management of Dedicated Schools Grant (DSG) Deficit

At 31 March 2023 the Council had an accumulated net deficit on the Dedicated Schools Grant Balance of £21.7 million excluding balances held in schools. This is an increase of £7 million since 2021/22. The forecast combined deficit at 31 March 2024 for the two new unitary councils is £27.5 million, a further increase of £5.8 million. The deficit is predominantly due to High Need costs continuing to increase linked to increasing number of children and young people requiring independent specialist day placements and increased top ups to support individuals through their Education Health and Care Plans (EHCPs). The Council established a High Needs Board to monitor the High Needs budget and review actions to address the deficit and we understand arrangements continue to manage the deficit at the two new unitary councils vested on 1 April 2023.

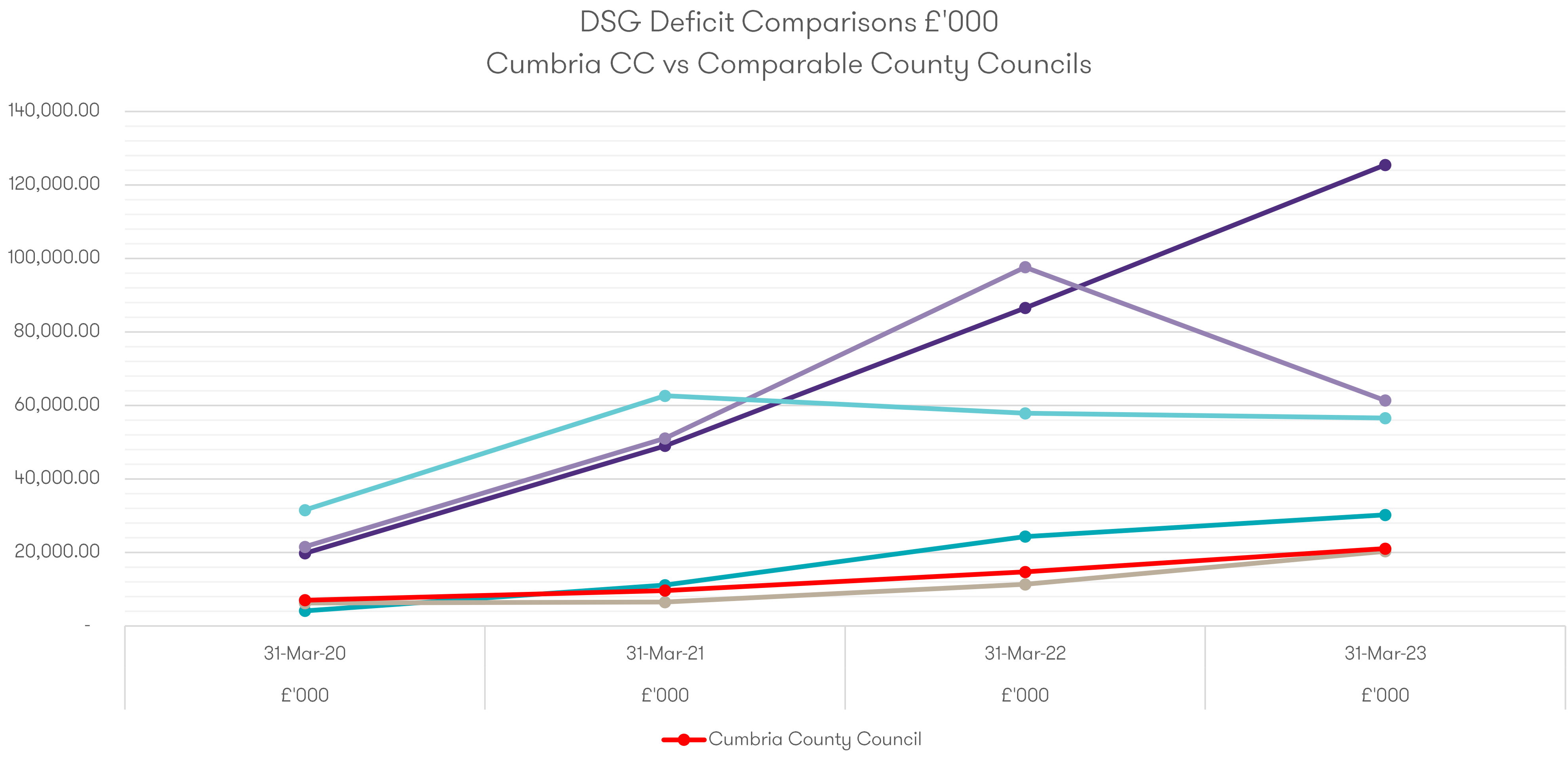
The Council participated in the Department for Education's Delivering Better Value for SEND programme and successfully applied for and received approval for a £1 million grant for each new unitary council to support their improvement plans, the impact of which will be incorporated into Cumberland Council's and Westmorland and Furness Council's DSG management plans in due course.

In November 2020, the government agreed a statutory instrument (SI) meaning that local authorities could transfer DSG deficits to unusable reserves for three years. The Council has taken advantage of this SI and the balance on the DSG Adjustment Account is now £14.7 million. The SI was due to end on 31 March 2023 but has since been extended for a further 3 years through to 2025/26. The SI does not remove the liability for the deficit from the councils concerned. The DSG conditions of grant 2022/23 require that any local authority with an overall deficit on its DSG account at the end of the 2021/22 financial year must be able to present a plan to DfE for managing their future DSG spend.

We acknowledge that this is a national issue facing a number of authorities. We illustrate overleaf the trajectory of DSG deficits for a sample of county councils including Cumbria County Council.

In view of the growing DSG deficit, it is critical that plans are further developed by both two new unitary councils to address the deficit, to avoid this creating a significant financial pressure in 2025/26 on their general fund balances. We have carried forward the improvement recommendation raised in 2021/22 in relation to this point on page 21.

Financial sustainability (continued)



Financial sustainability (continued)

Financial planning (continued)

Dividend Income

For the third consecutive year, Cumbria County Holdings Ltd paid no dividend to the Council. This was despite the Council's 2022/23 budget assuming a £0.5 million dividend. In 2022/23, the company has continued to face challenges associated with inflation and changes to its landfill provision. The directors report in the Company's audited 2021/22 accounts states that they believe the Company is in a strong position to recover pre pandemic levels of trading.

Financial planning for the new unitary councils reflected this with no dividend income from the Cumbria County Holdings Ltd being included in their budgets for 2023/24.

As the Company continues with its post- Covid recovery, it is important that the two new unitary councils continue to closely monitor its financial performance and ensure this is fully reflected in financial plans. We have carried forward our improvement recommendation raised in relation to this on page 21.

Financial Planning

The Council had appropriate financial planning arrangements in place, and there is evidence of financial performance being well scrutinised at Cabinet, Council and Audit and Assurance Committee. Financial risks are being managed, with the Council's corporate risk register including a risk relating to delivering a financially sustainable Council.

In February 2022, the Council set a balanced budget for 2022/23. This included no increase in Council Tax and a precept for Adult Social Care of 2%. The original approved net revenue budget for 2022/23 was £455.5 million, subsequently revised to £445.9 million. Subject to audit, the outturn is an underspend of £4.4 million.

Whilst this was the final budget for Cumbria County Council, financial planning continued through to 2026/27 in order to present the Medium Term Financial Plan (MTFP). The 2023/24 – 2026/27 figures are indicative and provide a guideline for future planning purposes for the two new unitary councils and PFCC arrangements. The Council will not deliver on these assumptions, but they do indicate the approach it would have taken to deliver a balanced budget.

In February 2022 a budget gap of £29.3 million existed for the last four years of the 2022 - 2027 MTFP. Clearly the identification and delivery of future savings will be a key priority for the two new unitary councils and PFCC. This was discussed in more detail in our separate report on LGR issued in February 2023.

We are satisfied that the MTFP and Budget reflected the significant financial pressures faced by the Council. For example:

- an allowance is made for demographic growth for older adults, with a pressure of £0.5 million in 2022/23 rising to £1.5 million in 2026/27;
- a 2022/23 pressure is included for continuing adults and continuing children of £2 million and £3 million respectively to reflect the ongoing Covid impact on these services;
- a social care provider uplift of £3.9 million has been included for each year through to 2026/27; and
- an allowance for inflation, rising to £2 million (pay and on costs) and £4.8million (non pay costs) in 2026/27.

The Council had arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income.

Financial sustainability (continued)

Financial planning (continued)

The MTFP was reviewed annually as part of the annual budget setting process. Given recent rises to inflation and other macro-economic uncertainty, assumptions within the MTFP were regularly reviewed as part of the budget monitoring process and the development of the MTFP. These were fully reported to Members with a detailed update on these assumptions and sensitivity analysis included in the annual budget development report received by the shadow unitary council cabinets in November 2022.

Since the Council set its 2022/23 Budget, there has been further macro-economic uncertainly. This has included increasing rates of inflation; cost of living crisis; supply chain disruption and contractual delivery risks. Demand for Council services has also risen. The Council has been able to fund some of the pressures through its reserves but financial risks remain for the two new unitary councils and PFCC.

Cash forecasts have been prepared for a two year period covering the financial years to 2023/24. Cash flows were highlighted as actual, known or known but estimated. The forecasts included both planned/ routine and unplanned/ unusual items for the main sources of income and expenditure for each month. No cash flow difficulties were indicated in these.

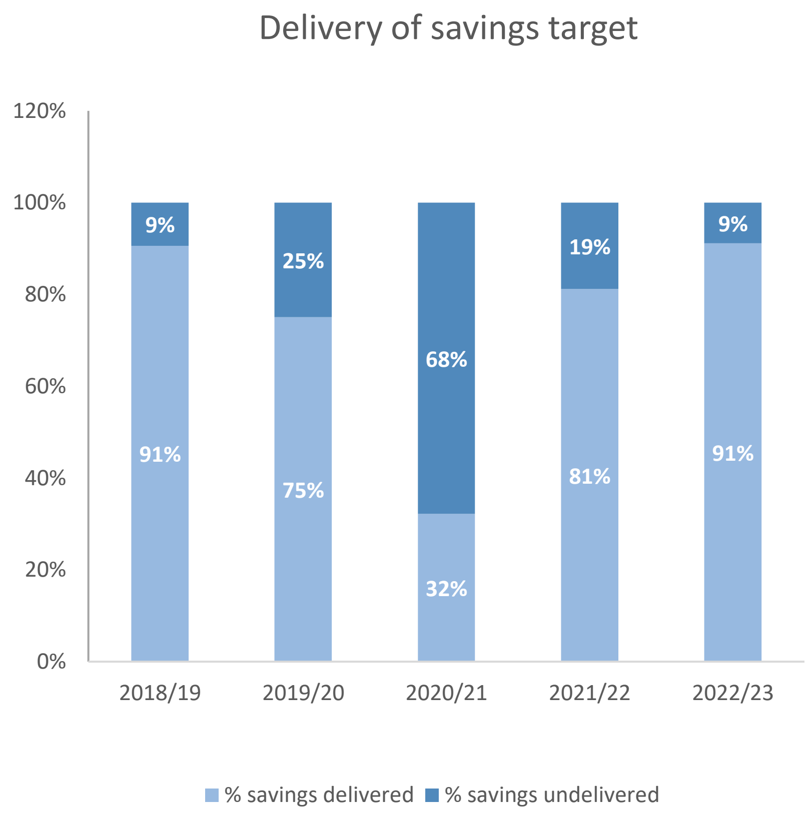
Identifying savings and plans to bridge funding gaps

Since 2011/12, the Council delivered £289 million of savings. A further £14.8 million of savings were delivered in 2022/23, the financial plans of the two new unitary councils indicate the need to identify further substantial savings in the period to 2026/27.

In 2022/23 the Council delivered savings of £14.8 million (91.1%), leaving £1.4 million of undelivered savings from the target of £16.2 million. This adds to the volume of savings already identified in the MTFP period.

We have analysed opposite the Council's delivery of savings over the past five years. This analysis shows that the Council did not deliver their saving target over the past five years. We acknowledge that savings delivery has been challenging in the context of the pandemic in 2019/20, 2020/21 and 2021/22. As we have articulated earlier in this report, the two new unitary councils and PFCC face an uncertain financial environment. In this context, full delivery of savings will be key to supporting the financial sustainability of the new councils.

In the prior year we carried forward an improvement recommendation from 2020/21 relating to refining existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered. As outlined on page 20 we are not satisfied that this has been fully addressed and believe that this recommendation should be carried forward to the 2 new unitary councils and PFCC.



Financial sustainability (continued)

Identifying savings and plans to bridge funding gaps continued

Reserves

The MTFP 2022/23 to 2026/27 set out the Council's policy on reserves, including the General Fund, Earmarked Reserves, Schools Balances, Dedicated Schools Grant (DSG) Reserve, Modernisation Reserve, Innovation Fund Reserve, Revenue Grants Reserve and Other Earmarked Reserves. This indicated a planned use of reserves to support the financial position. In respect of the General Fund, the MTFP states:

"The Council aims to establish reserves based on financial risk and limit the use of reserves to support on-going spending. General Fund reserves effectively exist to ensure that the risks do not destabilise the services that are being provided during the year. Reserves form an important part of the financial strategy, allowing the authority to manage uncertainty, change and risk without undue impact on Council Tax."

The Council set a target level of £25 million for the General Fund, review of the draft accounts confirms this level was increased to £29.5 million as at 31 March 2023. The draft accounts state that overall earmarked reserves for the Council have decreased by £47.6 million during 2022/23. This excludes the deficit on the DSG Reserve (£21.031 million) as at 31st March 2023 which is held as an unusable reserve as required by regulation. The most significant movements in earmarked revenue reserves are explained in Note 32 to the accounts reflecting these were planned use of reserves. We note that the financial plans of the two new unitary councils and PFCC include the use of reserves and, for the two unitary councils, exceptional financial support to support financial sustainability. We have raised an improvement recommendation on page 17 for the two unitary councils to closely monitor financial sustainability and identify ways to address funding gaps.

Financial planning and strategic priorities

The Council understood the cost of delivering core statutory services as distinct from discretionary areas of spend. There was a clear link between the Council's budget and MTFP and its Council Plan priorities. The Outcomes in the Council Plan; "People in Cumbria are Healthy and Safe", "Places in Cumbria are Well-Connected and Thriving" and "The Economy in Cumbria is Growing and Benefitting Everyone" linked to the principles in the MTFP, which were "Supporting communities to thrive", "Focusing on the most vulnerable" and "Promoting independence and managing demand".

Post LGR, it is important that financial plans continue to be underpinned by these principles, with early intervention and demand management being key to securing the long-term financial sustainability of the County's services.

The Council approved its Capital Strategy in February 2022. The Capital Strategy identified key outcomes, which include maintaining existing assets and statutory compliance, enabling achievement of Council Plan outcomes and enterprise driven investment to deliver savings or generate sustainable income streams. These outcomes linked clearly to the Council Plan. The strategy also linked to government policy, key partnerships and other relevant internal strategies and plans. The Capital Strategy included planned capital expenditure over the five year period 2022 to 2027. Capital expenditure was analysed by year and directorate. The capital programme was also detailed within the MTFP by project and directorate. The MTFP provided details on how some of the projects link to Corporate Plan and Capital Strategy outcomes such as a £4 million investment to modernise the Council's estate to meet the Council's vision of ensuring people in Cumbria are healthy and safe.

The Council approved a Capital Programme in February each year and subsequent changes were then made throughout the year. The financing of the five year capital programme was included in the MTFP and is supported by the Treasury Management Statement.

Financial sustainability (continued)

Financial planning and strategic priorities continued

The Council's revised Capital programme 2022-2027 was £439.9 million, with a 2022/23 budget of £193.5 million subsequently revised to £152.6 million following a profiling review. The 2022/23 provisional outturn expenditure on the Capital Programme was £108.3 million (71% of approved budget). The variance includes underspends of £0.5 million and slippage of £48.5 million and accelerated spend of £3.7 million. The reason for delays covered a wide range of scenarios, including adverse weather conditions, supplier or contractors having longer than anticipated lead-in times, re-scheduling work to future financial years as a result of changes to the scope of schemes or due to the on-going impact of COVID. From review of the past five financial years, the Council has experienced slippage greater than 15% of budget, except for in 2018/19 when slippage was only 11% of budget.

In the prior year we carried forward an improvement recommendation from 2020/21 relating to refining existing arrangements relating to monitoring delivery of the capital programme. Given the significance of the capital programme through to 2027, It is important that this continues by the two new unitary councils and PFCC. See page 19 for further details.

Consistency of financial plan with other plans such as workforce, capital, investment and other operational planning

The Council's MTFP was fully integrated with the Council Plan and Strategic Workforce Plan. The Council Plan set out the Council's long term vision, priorities for the four years 2018-2023 and steps to achieve them. The Strategic Workforce Plan provided an organisation wide framework to develop the workforce to achieve the Council's priorities.

Given historic challenges in recruitment in a number of services, particularly care and specialist areas such as finance, it is important that the two new unitary councils continue to engage in proactive workforce planning and develop their own people through investment in apprenticeships and other on the job training/ professional qualifications. This will avoid costly reliance on agency staff.

The ongoing revenue costs of major capital investments were fully reflected in revenue budgets. Capital project proposals were considered by the Strategic Investment Group. The Group considered how each proposal will help to deliver corporate priorities, savings and the revenue implications of the project. Whilst there was slippage on the 2022/23 capital programme, there is no evidence of major capital investment being postponed or cancelled without sound rational.

The Council had a Treasury Management Strategy, which set out the balance between optimising return and mitigating risk. The Council continued to adopt a low risk investment strategy.

Our work did not identify any instances of services developing plans in silo or producing conflicting/ competing elements. Budgetary information reported in year was consistent with the financial position as reflected in the financial statements.

Financial sustainability (continued)

Managing risks to financial resilience

Risks were incorporated into the MTFP. There was a section entitled 'How will the Council Manage Financial Risk? This section of the MTFP discussef key risks to delivery of the MTFP and the actions to mitigate each risk identified. The total cost of these risks is £25 million, with the highest value risks being in relation to delivery of savings (£1 million), demand for services (£7.8 million) and capacity to deliver LGR and Council Services (£4 million).

The potential impact of changes in various estimates and assumptions was discussed with Cabinet as part of the briefing process in the development of the budget. Given recent rises in inflation and other macro-economic uncertainty, assumptions within the MTFP were regularly reviewed as part of the budget monitoring process. In 2021/22 we raised an improvement recommendation that, the Council introduces a formal agile mid-year review of in year MTFP assumptions with appropriate reporting to Members and refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. Given the level of uncertainty in the wider economy, we believe that this recommendation should be carried forward to the two new unitary councils and PFCC. See page 20 for further details.

There was no evidence of the Council failing to update financial plans to reflect changes in government policy. For example, the Council incorporated costs in relation to transition arrangements in respect of LGR.

Equal Pay Claims

We are aware that there are potential equal pay claims being brought against Westmorland and Furness and Cumberland Council which relate to services at Cumbria County Council prior to LGR. Further information related to the Council's assessment of the financial impact and potential liabilities is awaited at the time of writing this report. We have raised an improvement recommendation on page 18 that the two new unitary councils should quantify the financial impact of potential equal pay claims, so that any potential liabilities can be factored into medium term financial plans. The new unitary councils should also assess whether a provision or contingent liability should be disclosed in their financial statements and consider creating a specific reserve to address this risk. We also recommend the councils ensure there is proactive monitoring of compliance with pay equality legislation to identify potential issues re equal pay promptly.

Conclusion

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability at the former Cumbria County Council, but we have raised one improvement recommendation relating the need to address future funding gaps, and one improvement recommendation related to the financial impact of equal pay claims and have carried forward 4 improvement recommendations from the prior year, which if implemented will strengthen arrangements at the two new unitary councils and PFCC as detailed on pages 17 to 21.

Improvement recommendations

Improvement Recommendation 1	Work should continue to address forecast funding gaps and the impact on financial sustainability of the two new unitary councils should be closely monitored.
Improvement opportunity identified	The sustainable addressing of the forecast funding gaps will mitigate the risk to the ability to deliver statutory responsibilities, the risk that reserves are depleted to an unmanageable and unsafe level and the risk to delivering transformation in a measured and strategic way.
Summary findings	In February 2022 a funding gap of £29 million existed for the last four years of the 2022-2027 MTFP. We note that the financial plans of the two new unitary councils and PFCC include the use of reserves and, for the two unitary councils, exceptional financial support such as capitalisation directions to support financial sustainability.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management accepted the recommendation.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2	The two new unitary councils should quantify the financial impact of potential equal pay claims, so that any potential liabilities can be factored into medium term financial plans. The new unitary councils should also assess whether a provision or contingent liability should be disclosed in their financial statements and consider creating a specific reserve to address this risk. We also recommend the new unitary councils ensure there is proactive monitoring of compliance with pay equality legislation to identify potential issues re equal pay promptly.
Improvement opportunity identified	Early identification of emerging issues and considering the impact of these on financial plans, maintaining good industrial relations with staff
Summary findings	See page 16
Criteria impacted	Financial sustainability; Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management accepted the recommendation.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendation

Financial sustainability

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Financial Sustainability The Council has reported slippage of its capital budget over the past five years, particularly in 2020/21 due to the impact of Covid-19. The impact of Covid-19 has also had a significant impact on delivery of MTFP savings plans. At the time of writing, the most recent reporting forecast 78% delivery of 2021/22 MTFP savings. *Recommendation* Refine existing arrangements for monitoring the capital programme to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the programme and Council Plan. Refine existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered or where circumstances change to affect delivery these are clearly reported, especially for those in relation to early intervention and demand management.	2020-21	The Council's revised Capital programme 2022-2027 was £439.9 million, with a 2022/23 budget of £193.5 million subsequently revised to £152.6 million following a profiling review. The 2022/23 provisional outturn expenditure on the Capital Programme was £108.3 million (71% of approved budget), thus there was slippage of £44.3 million. In 2022/23 the Council delivered savings of £14.8 million (91.1%), leaving £1.4 million of undelivered savings from the target of £16.2 million. This adds to the volume of savings already identified in the MTFP period.	On-going	Delivery of significant savings and monitoring a large capital programme will be key priorities for the two new unitary councils and PFCC. This recommendation should be carried forward to these bodies.

Follow-up of previous recommendation

Financial sustainability

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Financial Sustainability MTFP assumptions are updated annually as part of the annual budget setting process. Sensitivity analysis and scenario planning is undertaken as part of the development of the budget, however this analysis is not formally presented to members. *Recommendation* Introduce a formal agile mid-year review of in year MTFP assumptions with appropriate reporting to Members. Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP	2020-21	A mid year review was introduced in 2022/23, indicating the scale of the challenge ahead to maintain financial sustainability	On-going	Given the level of uncertainty in the wider economy, and the scale of the challenge to maintain financial sustainability we believe that this recommendation should be carried forward to the two new unitary councils and PFCC.

Follow-up of previous recommendation

Financial sustainability

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Financial Sustainability For the third consecutive year, Cumbria County Holdings Ltd has paid no dividend to the Council. This was despite the Council's 2021/22 budget assuming a £0.5 million dividend. Whilst turnover increased by 27% in year to £58.5 million, group operating profit has fallen from a profit of £0.8 million in 2020/21 to a loss of £1.8 million in 2021/22. This was attributed to difficult trading circumstances as a direct result of COVID-19 in the first half of 2021/22, increases to the aftercare provision for closed landfill sites of £1.4 million and a contract dispute reducing turnover by £2.4 million. ***Recommendation*** Closely monitor the financial performance of Cumbria County Holdings Ltd and ensure this is fully reflected in council financial plans.	2021-22	The financial plans for the two new unitary councils do not include dividend income for the company.	On-going	As the Company continues with its post- Covid recovery, it is important that the two new unitary councils continue to closely monitor the Company's financial performance and ensure this is fully reflected in financial plans.
Financial Sustainability At 31 March 2022 the Council had an accumulated net deficit on the Dedicated Schools Grant Balance of £14.7 million excluding balances held in schools. This is an increase of £5.1 million since 2020/21. The forecast deficit at 31 March 2023 is £21.7 million, an increase of £7 million since the start of the year. ***Recommendation*** Develop realistic plans to address the County's growing Dedicated Schools Grant deficit by 31 March 2026	2021-22	At 31 March 2023 the Council had an accumulated net deficit on the Dedicated Schools Grant Balance of £21.7 million excluding balances held in schools. This is an increase of £7 million since 2021/22. The forecast deficit at 31 March 2024 is £27.5 million, a further increase of £5.8 million. Work is continuing to address the deficit, although, in common with other Councils, the increasing challenge to meet High Needs remains.	On-going	Given the ongoing challenge to address the Dedicated Schools Grant deficit, we believe that this recommendation should be carried for to the two new unitary councils.

Financial governance

Annual budget setting

The Council had an established process for developing its annual budget and MTFP. The development of the budget commenced with the rolling forward of the Budget Model from the prior year. The model was updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions were reviewed, including inflation rates and Council Tax base. Updates were then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base. The Model was then frozen to prepare the February Cabinet Report. Any changes to funding as a result of the final Local Government Finance Settlement were transferred to/ from the Volatility Reserve.

The 2022-23 Budget and Medium Term Financial Plan to 2022- 2027 was agreed by Council on 10 February 2022. Our work demonstrated good engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process. The Council had arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation.

Budgetary control

There were good systems in place for oversight of the budget. The Finance Department engaged at least monthly with budget holders. There was monitoring at a service, directorate and corporate level.

There was stringent in year oversight of the budget at a high level, with quarterly budget monitoring reports taken to Cabinet. These reports included outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget were also communicated through this report. There was clear reporting on the forecast outturn and the impact on useable reserves. An update was also provided against the Capital Programme, with revisions also communicated.

Review of Cabinet minutes indicated that quarterly budget monitoring reports were subject to appropriate challenge and scrutiny. Financial monitoring reports and minutes demonstrate that in year forecast variances were picked up promptly, and budget holders were held to account for delivering to budget. This was clearly reported via in year monitoring and year end outturn reports. We are satisfied that appropriate arrangements were put in place to allow for challenge and scrutiny of these key documents.

Conclusion

Our work did not identify any significant weaknesses in arrangements to secure sound financial governance at the Council.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

Monitoring and assessing risk

The Council had an established risk management framework in place. The arrangements included reports to Corporate Management Team(CMT) and Cabinet, reports to Service and Directorate Management Teams (DMT) meetings and scrutiny reports and meetings. The Council maintained a corporate risk register, which was reviewed regularly by CMT and the Audit and Assurance Committee. Deep dive reviews of the critical risks were presented to the Audit and Assurance Committee throughout the year, allowing for more detailed and effective oversight and challenge.

The corporate risk register was clearly set out, with a risk owner, concise description and key controls to manage the risk. A summary page showed for each high/medium rated risk the risk owner, current and prior quarter score, target score, direction of travel, summary changes to risks since last report and horizon scanning and emerging risks. A risk profile was also included, providing a concise view of the Council's top risks to facilitate prompt identification of risks needing focus. This is illustrated below:

	CORPORATE RISKS	Risk Owner	Q2	Q3	Target	DOT
1	Capacity across the Care Sector & impact on meeting care needs	JA	25	25	25	→
2	Unsustainable ASC demand outstripping capacity	CW/FM	25	25	25	→
3	Workforce Capacity	LR/PR	20	20	20	→
4	Become a Net Zero Climate Resilient Council	AH	20	20	20	→
5	Increasing Demand on Children's Services	LB	16	16	16	→
6	LGR Organisational Risk	CMT	16	16	8	→
7	Information Security Arrangements	PR/CP	15	15	15	→
8	Safeguarding Adults	CW/FM	15	15	15	→
9	Deliver a Financially Sustainable Authority	JM	20	12	12	↑
10	Cost of living Crisis	CMT	12	12	12	→
11	Management of Significant Contracts	JA	10	10	10	→
12	Safeguarding Children	LB/FM	10	10	10	→
13	Resurgence of significant COVID-19 variant	CCC	10	10	10	→
14	Impact of COVID-19 on the provision of Council Services	ELT	9	9	9	→

CORPORATE RISK PROFILE
(Risk Score = Likelihood x Impact)

L'hood \ Impact	1	2	3	4	5
5					1, 2
4				5, 6	3, 4,
3			14	9, 10	7, 8
2					11, 12, 13
1					

Summary changes to risks since last report.	Horizon scanning and emerging risks
At the end of Quarter 3 – The risk that *the County Council's revenue and capital budget is insufficient to fund current services* has reduced in score from 20 to 12. – There have been no new risks added to or removed from the register during Q3. –There has been no change to risk descriptions.	**During Quarter 4** – At the end of Q4 most risks are projected to remain at the same score as that of Q3 except the LGR risk which will reduce in score from 16 to 8. – All corporate risks will be considered for ongoing relevance into the two new Councils.

↑ improving direction of travel → sustained direction of travel

Governance (continued)

Risk management and internal controls continued

Monitoring and assessing risk continued

The Council had a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all directorates. The Council provided appropriate training on risk management. The Council's risk appetite was unchanged throughout 2022/23.

There continued to be scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks in risk registers. The Council's pandemic response identified a number of new ways of working, which can be carried forward to the two new unitary councils and PFCC. LGR itself will create many more opportunities to achieve transformational change. The new Councils' and PFCC's risk management arrangements should have regard to this and support the achievement of their corporate objectives.

The Council had an established risk management framework in place. The arrangements included reports to Corporate Management Team (CMT) and Cabinet, reports to Service and Directorate Management Teams (DMT) meetings and scrutiny reports and meetings. The Council maintained a corporate risk register, which was reviewed regularly by CMT and the Audit and Assurance Committee. Deep dive reviews of the critical risks were presented to the Audit and Assurance Committee throughout the year, allowing for more detailed and effective oversight and challenge.

The corporate risk register was clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council had a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all directorates. The Council provided appropriate training on risk management. The Council's risk appetite was unchanged throughout 2022/23.

A summary of the high rated risks during 2022/23 is listed below:

1. Capacity across the Care Sector and impact on meeting care needs
2. Unsustainable Adult Social Care demand outstripping capacity
3. Workforce Capacity, Skills, Relationships, Safety & Wellbeing
4. Become a Net Zero and Climate Resilience Council
5. Increasing Demand on Children's Services
6. LGR Organisational Risk
7. Information Security Arrangements
8. Safeguarding of adults

Governance (continued)

Risk management and internal controls continued

Monitoring and assessing risk continued

The Council continued its work on improving risk management at a directorate level. This included the ongoing development of Directorate Risk Registers, especially within the Economy & Infrastructure (E&I) Directorate during 2022/23 where management of the Directorate risk register was embedded as part of performance management arrangements. Work continued on improving operational risk management by supporting various directorate and service areas.

In 2021/22 we carried forward an improvement recommendation from 2020/21 relating to formalising the Council's risk maturity and risk management arrangements at directorate, service and operational level. Our work suggests that there is still scope to strengthen arrangements in this area. In particular, Internal Audit identified a mixed picture on service/operational risk management across the council. Key areas for improvement include ensuring risks are documented, evidence of regular review is clearly documented and mitigation of risks is always documented in risk areas.

We consider that our prior year recommendation along with actions to implement Internal Audit's improvement areas should be carried forward to the two new unitary councils and PFCC. We have thus carried forward the improvement recommendation raised in 2021/22 in relation to this point on page 29.

Assurance over the effective operation of internal controls

In developing its 2022/23 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance.

The Council also carried out a comprehensive review of the effectiveness of its governance framework including its system of internal control. The Council also assessed itself against sector guidance and industry best practice, including CIPFA Guidance for Audit Committees, CIPFA Statements on the Role of the Chief Financial Officer and Head of Internal Audit and the CIPFA Financial Management (FM) Code. No significant areas of departure from the FM Code were identified. Additional assurance was provided by Internal Audit who provided 'Reasonable Assurance' (frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them) over the exercise.

The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	Reasonable	Reasonable

Governance (continued)

Informed decision making including the Audit Committee

Internal Audit

The Council's Internal Audit service was provided by an in-house team.

The 2022/23 Internal Audit Annual Report provided "reasonable assurance" over the effectiveness of the Council's arrangements for governance, risk management and internal control.

Of the 27 completed reviews during 2022-23, 70% received a substantial or reasonable rating. No audit reviews in 2022/23 were given the lowest assurance level of 'limited' .

Internal Audit have a Quality Assurance and Improvement Programme, which ensures work is compliant with Public Sector Internal Audit Standards (PSIAS). Internal Audit had its last formal External Quality Assessment against the Public Sector Internal Audit Standards in November 2017. There is evidence that all actions have been addressed. In line with the PSIAS 5 year cycle, Internal Audit was due an external review in 2022/23. Following consideration of CIPFA's view on the reasonableness to postpone due to LGR, the Audit and Assurance Committee approved the proposal not to undertake the review during 2022/23, with the review planned to take place during 2023/24.

We have thus raised an improvement recommendation on page 28 that the two new unitary councils and PFCC ensure Internal Audit receive an external assessment demonstrating compliance with Public Sector Internal Audit Standards as planned during 2023/24 and that sufficient internal quality assurance process are maintained pending this external assessment.

Counter Fraud

The Council sought to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption polices were kept under close review. The Council also participated in the National Fraud Initiative (NFI). The Council had a Whistleblowing policy and a Speak Up statement, which complemented the Whistleblowing policy and encouraged individuals to raise issues of concern in a safe environment. The Council had good working relationships with the District Councils and information in respect of potential fraud risks was shared through various groups, for example the Cumbria Chief Finance Officers group. The Council did not identify any material frauds in year.

Leadership and committee effectiveness/decision making

The Council operated a Leader and Cabinet form of executive. In addition, there was a scrutiny committee which held the Cabinet to account. The work of the Council's committees was governed by the constitution. The constitution was regularly reviewed and updated. The constitution was shared with all staff members on joining and was openly available on the Council's website. The Council's AGS set out how the Council operated, how decisions were made and how the policies were followed to ensure that these are efficient, transparent and accountable to local people.

Our review of minutes and papers for the Audit and Assurance Committee indicates that key strategic decisions were subject to healthy challenge and are supported by detailed papers. Senior officers were open to conversations during committee meetings. Senior officers attended to present their own area items and to field any questions. We saw no evidence of discussions not being open. The Audit and Assurance Committee provided appropriate challenge of financial and non-financial items. The members of the Committee had a good mix of experience and expertise. The Committee was well attended with minimal absences.

Governance (continued)

Informed decision making including the Audit Committee continued

Leadership and committee effectiveness/decision making continued

The Council's Chief Officers' Committee was responsible for the appointment of the Chief Executive, Executive Directors and Statutory Officers. In 2021/22 we reported that we found one example where a decision taken during 2021/22 exposed the Council to a financial risk in 2022/23, incurring additional costs of circa £0.3 million, which could have possibly been avoided had other options been pursued. In this instance, we were not satisfied that there was sufficient evidence of informed decision making and that overall VFM, from a financial cost perspective, had been achieved for local taxpayers. We also found that a decision taken by the Committee was not supported by comprehensive minutes, which document key discussions and considerations taken. For example, interchangeable use of important terminology on permanent versus fixed term contract.

We found no evidence of the committee not being provided with appropriate evidence to inform decision making during 2022/23. Review of documentation confirmed adequate provision of information such as costs and differences between temporary and permanent arrangements and justification of proposals. Given the ongoing importance of transparency and demonstrating value for money we have carried forward the recommendation to ensure recruitment decisions taken by the relevant committees of the two new unitary councils and PFCC are fully documented and provide explicit estimated direct and attributable costs in order to ensure ongoing consideration of value for money and demonstrate due process in recruitment decisions on page 31.

Register of Interests/ Gifts Hospitality

The Council maintained a record of member interests and gifts and hospitality on its website. There was a requirement, carried forward in the two new councils' constitutions, for members to reconfirm their interests within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. We acknowledge that, the Council completed an annual exercise to inform the related party disclosures in the financial statements, although this is not integrated into other central or departmental registers.

Member Register of Interests are available on the two new unitary council's websites via each councillor's home page. Review of these indicates they were refreshed when members were elected to the two new unitary councils prior to or just after vestment on 1 April 2023. In line with the constitutions these need to be registered upon election and then updated as there are changes to their interests. In line with the Localism Act 2011, Section 30: Member's must disclosure pecuniary interests within 28 days of taking office and then update as necessary; with the onus of offence of not declaring an interest being on the individual Members.

Our work has not identified instances of interests not being declared which have caused damage to the body's reputation or had any other significant impacts on the body.

In 2021/22 we carried forward an improvement recommendation from 2020/21 to ensure that a Register of Interest and Gifts/Hospitality is maintained and regularly updated for all Directors, Assistant Directors and Senior Managers. Our work suggests that there is still scope to strengthen arrangements in this area. As outlined on page 30, this recommendation should be carried forward to the two new unitary councils and PFCC.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it made informed decisions and properly managed its risks. We continue to identify opportunities for further improvement, set out on pages 29 to 31 and identified a further improvement opportunity to ensure continued quality assurance arrangements for Internal Audit pending the PSIAS external assessment due to take place in 2023/24.

Improvement recommendation

Improvement Recommendation 3	Ensure Internal Audit receive an external assessment demonstrating compliance with Public Sector Internal Audit Standards as planned during 2023/24 and that sufficient internal quality assurance process are maintained pending this external assessment.
Improvement opportunity identified	Maintenance of internal audit quality assurance processes
Summary findings	In line with the Public Sector Internal Audit Standards 5 year cycle, Internal Audit was due an external review in 2022/23. Due to LGR this was postponed to 2023/24 following the receipt of CIPFA's view on the reasonableness of this.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Management accepted the recommendation.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Governance There is scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks. The Council has continued its work on improving risk management at a directorate level. This has included the development of directorate risk registers. The Economy and Infrastructure Directorate did not have a fully developed risk register in year, although this is being addressed in 2021/22. The Corporate Customer and Community Services Directorate risk register has also not been updated since early 2020, although key risks are already captured on the Corporate risk register. Internal Audit has also recommended that the Council should ensure that service / operational risks are reviewed regularly and that mitigation of risks is always documented in risk registers. ***Recommendation*** Develop the Council's risk maturity and duality of risk by formally documenting consideration of opportunities to exploit as well as a focus on downside risks, to build on how the Council is currently managing risk. Ensure directorate and service risk registers are regularly maintained and updated on a timely basis.	2020-21	Our work during 2022/23 suggests that there is still scope to strengthen arrangements in this area. In particular, Internal Audit identified a mixed picture on service/operational risk management across the council. Key areas for improvement include ensuring risks are documented, evidence of regular review is clearly documented, and mitigation of risks is always documented in risk areas.	On-going	This recommendation should be carried for to the two new unitary councils and PFCC.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Governance The Council maintains a record of Member Interests and Gifts and Hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. Review of the Council's website shows that some members have not updated their declared interests for a number of years. Whilst compliant with the Council's constitution, the process could be strengthened by requesting members to confirm regularly that their register of interests and gifts/ hospitality is up to date, the website could then be updated to reflect this. We acknowledge that the pandemic has meant that few gifts/ hospitality have needed to be declared during 2020/21. The Council has not been able to demonstrate that a register of interests and gifts and hospitality register has been maintained and updated for all Directors, Assistant Directors and Senior Managers. ***Recommendation*** Request Members to re-confirm that their register of interests and gifts and hospitality is complete and up to date. Ensure that a Register of Interest and Gifts/Hospitality is maintained and regularly updated for all Directors, Assistant Directors and Senior Managers.	2020-21	Member Register of Interests continue to be available on the two new unitary council's websites. In line with the constitution these only need to be registered upon election and then updated as there are changes to their interests. In line with the Localism Act 2011, Section 30: Member's must disclosure pecuniary interests within 28 days of taking office and then update as necessary; with the onus of offence of not declaring an interest being on the individual Members. Our work has not identified instances of interests not being declared which have caused damage to the body's reputation or had any other significant impacts on the body, although there is scope to ensure regular declarations of interests and gifts/hospitality continue to be made.	ongoing	This recommendation should be carried for to the two new unitary councils and PFCC,

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Governance Our review of key decisions taken by the Council's Chief Officer's Committee found one example where a decision taken during 2021/22 exposed the Council to a financial risk in 2022/23, incurring additional costs of circa £0.300 million, which could have possibly been avoided had other options been pursued. In this instance, we were not satisfied that there was sufficient evidence of informed decision making and that overall VFM, from a financial cost perspective, had been achieved for local taxpayers. We also found that a decision taken by the Committee was not supported by comprehensive minutes, which document key discussions and considerations taken. For example, interchangeable use of important terminology on permanent versus fixed term contract. ***Recommendation*** Ensure recruitment decisions taken by the Council's Chief Officer's Committee are fully documented and provide explicit estimated direct and attributable costs.	2021-22	We found that the three recruitment decisions taken by the Committee during 2022/23 were fully documented providing detailed information to support the Committee's decisions. We consider that this recommendation should be carried forward in order to ensure ongoing consideration of value for money and demonstrate due process in recruitment decisions	ongoing	This recommendation should be carried for to the two new unitary councils and PFCC.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council's performance against the Council Plan Delivery Plan was reported on a quarterly basis to Cabinet. As a result of LGR, a 12 month extension to the existing Council Plan 2018-2022 was agreed by Cabinet in February 2022. A new Council Plan Delivery Plan 2022-23 was also agreed. Reporting of the new Council Plan Delivery Plan 2022-23 was implemented in Quarter 4 2021/22 and the previous 50 actions and 41 performance measures were replaced with 67 broader indicators.

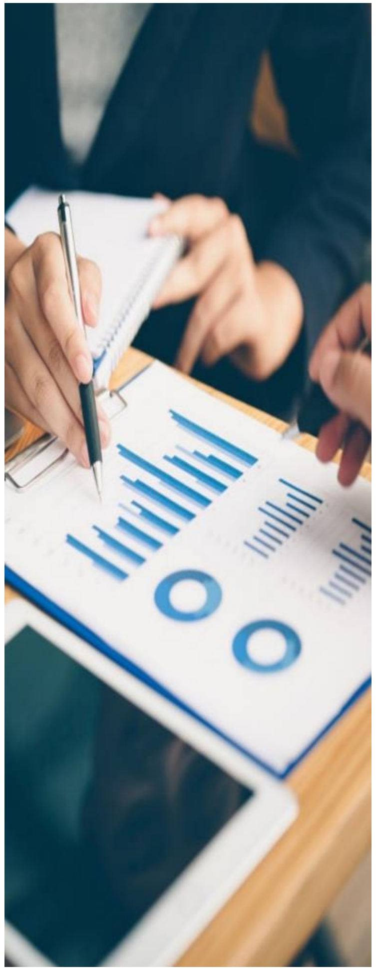
These 67 indicators were categorised into eleven new themed areas split across the existing four Council Plan outcomes. There was also a set of new 'context indicators' - indicators that the council contributed to but did not fully own, providing context for the performance landscape of the Council.

The quarterly performance reports showed the latest assessment of the Council's performance indicators using a Red, Amber or Green rating. At the end of Quarter 3 2022/23, 36 of the 63 (57%) Council Plan Delivery Plan indicators had delivered, met or were on track to meet the planned milestone and rated green, 16 (25%) were in progress and at risk of missing the milestone and rated amber. For the same period 11 indicators (17%) were expected to miss a key milestone or not fully deliver as intended and therefore rated red. Compared to Quarter 2 2022/23 this was a worsening position, with six more indicators RAG rated red and 1 less indicator RAG rated green. The outcome of council plan outcome areas 'The economy in Cumbria is growing and benefits everyone' had the highest proportion of green RAG rated indicators (75%) whereas 'Places in Cumbria are well connected and thriving' had the highest proportion of red RAG rated indicators (32%)

Where performance was flagged red, amber or deteriorating in performance direction of travel, it was anticipated that service managers in the two new unitary councils will consider options to ensure performance is back on track, within target, or to increase the pace of improvement. Where performance was flagged green, it is anticipated that service managers in the two new unitary councils will consider the options for delivering further improvement, setting more ambitious targets, or reducing performance in some areas to an acceptable level to invest in other lower performing services.

We noted benchmarking was referenced in the performance reports to identify improvement opportunities or provide assurance that the Council was not an outlier.

Looking ahead to the two new unitary councils and PFCC, there is scope to streamline performance reporting, to provide more summarised and integrated performance, finance and risk reporting. This would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet and equivalent fora for the PFCC.



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council's Constitution set out how it engaged with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. The Council was an active member of key economic partnerships including the Cumbria Local Enterprise Partnership with the Leader of the Council acting as Vice-Chair.

The Council was a key partner in the Borderlands Inclusive Growth Deal. During 2022/23 the Council has worked with Carlisle City Council, Dumfries & Galloway Council, Northumberland County Council and Scottish Borders Council to promote economic growth across the English/Scottish borders. The Borderlands Growth partners are working together to deliver transformative change across the region to maximise the benefits of growth. This includes two key economic challenges - the need for population growth and improved productivity. We note that from 1st April 2023, the two new unitary councils became partner authorities, replacing the sovereign Cumbria County Council and Carlisle City Council.

The Council led the production of the Cumbria Joint Public Health Strategy in 2019 which made a commitment to action on climate change. The council is working to achieve a low/net zero carbon economy by 2050. The council chaired the Cumbria Climate Change Working Group (CCWG) that brought together partners across the public, private and third sectors. The CCWG reported into the Cumbria Chief Executives Group and the Cumbria Leaders Board. The successor Zero Carbon Cumbria Partnership is working towards the shared aim of making Cumbria the first carbon neutral county in the UK, by 2037. The Partnership brings together nearly 70 organisations spanning the public, private and third sectors. The two new Councils are represented by the Zero Carbon Cumbria Partnership Manager, based at Cumberland Council.

Health and Social Care

The Health and Social Care Act established Integrated Care Systems (ICS). The Council was a member of two: Lancashire and South Cumbria (L&SC) and North East and North Cumbria (NE&NC). Within the ICSs, the Health and Care Act sets out required governance structures. These are the Integrated Care Board (ICB) and Integrated Care Partnership (ICP).

The ICBs established on 1 July 2022 are accountable for NHS spend and performance and responsible for the day to day running of the NHS in the ICS Areas. There is local government representation on both ICBs.

The Health and Care Act requires ICBs and local authorities to jointly establish a Integrated Care Partnership for each ICS to address population health and wellbeing, health inequalities, and developing an integrated care strategy. The intention is that they will tackle issues that are better addressed on a bigger area to address longer-term challenges.

As these arrangements continue to evolve, the two new unitary councils will need to contribute to the development of appropriate governance structures, culture, behaviour, trust and stakeholder empowerment arrangements with ICS partners and take ownership for helping the system stay within its financial capital and revenue envelopes.

Improving economy, efficiency and effectiveness (continued)

HMICFRS

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) independently assesses the effectiveness and efficiency of police forces and fire and rescue services in the public interest.

They assess and report on the efficiency, effectiveness and people of the 44 fire and rescue services in England.

External Auditors consider the outcome of HMICFRS assessments when performing our VFM work. Particularly in assessing fire and rescue services' arrangements to assess performance and identify areas for improvement in outcomes.

Fire and Rescue Service response to His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) reported on their 2021/22 inspection of Cumbria FRS in January 2023.

The report rated the FRS as inadequate for efficiency (the previous rating had been good). The report noted that the rating was not reflective of a failing of the service but related to "a near unprecedented uncertainty about its future governance" due to LGR and at the time of the inspection during summer 2022, when it was far from clear what these arrangements would be. It further reported that "these unusual circumstances have restricted the FRS's ability to have financial plans in place" and for this reason, the Inspectorate was unable to grade the service as anything other than inadequate.

At that stage, the Inspectorate could not guarantee there would be no risk to the public as a consequence of the changes. The report noted that it had "obviously been impossible for the service to do the sort of financial planning we would normally expect."

The report went on to note that a further visit took place in November 2022 and the FRS had carried out significant work since the initial inspection, but there remained a risk that the transfer to new arrangements will not go as smoothly as the service expects.

The FRS submitted documents to HMICFRS showing how it would address the areas of concern and the recommendations. These included the service's 2023/24 budget and financial forecasts, and an action plan to improve how risk-critical skills are maintained by operational staff.

On 28 and 29 March 2023, HMICFRS revisited the service to review progress. HMICFRS interviewed staff responsible for the transition of governance arrangements and those responsible for developing and implementing the action plan.

On 24 May 2023 HMICFRS discharged both causes of concern and changed the service's grading for overall efficiency and its work to ensure its affordability now and in the future from inadequate to requires improvement. The decision was based on HMICFRS' review of the arrangements in place during 2022/23 to prepare for their revisit in March 2023 and review of documents prepared. The Fire and Rescue Service thus demonstrated adequate arrangements were in place during 2022/23 to secure improvement in areas where HMICFRS had identified weaknesses in terms of service performance. We are therefore satisfied that there was no significant weakness in arrangements.

HMICFRS stated it will continue to monitor the service's progress as part of their next scheduled inspection of the service. It is therefore key that the new PFCC continues to evidence ongoing continuous assessment ahead of the next inspection.

Improving economy, efficiency and effectiveness (cont.)

Response to other Regulatory Reports

Care Quality Commission (CQC)

All of Cumbria Care's regulated services were rated Good or Outstanding by the CQC in 2021/22. All but one of the County's 20 residential services are rated good or outstanding, with one rated requires improvement. Support at Home Services and Disability and Mental Health Services are all rated as Good. The Council's Extra Care Housing was rated as requires improvement.

Ofsted

The County's children's services were inspected in September 2022. Children's services were last inspected in November 2017 when it was found that services overall had improved from inadequate to requires improvement. Focused visits in 2019 and 2021 reported progress in some key areas, with more to do to ensure consistency in the quality and impact of work with some children.

The overall effectiveness rating given was 'Requires Improvement'. The report found that the Council had continued to strengthen the impact of relationships with key partners. Disabled children in need of help and protection benefit from effective support. The majority of children in care and care leavers live in good quality, stable placements that meet their needs. However, the report also state that despite these improvements, and taking into consideration the context of COVID-19 and LGR, the pace of service improvement in some areas has been too slow. Children were not receiving a consistently good response to meet their needs. Assessments and plans for children in need of help and protection were not always thorough and child-focused and there was not a sufficiently robust response to reducing risks for vulnerable groups of children.

The report acknowledged that there are firm plans to address the areas that need further improvement, including those identified at previous inspections and visits.

In December 2022 Ofsted and the CQC revisited the County's SEND services to decide whether sufficient progress has been made in addressing each of the areas that required improvement identified in their May 2019 inspection report. This inspection found that sufficient progress had been made in addressing seven of the areas requiring improvement. There were two areas where, although some progress had been made, work was still required to fully address these, which were:

- A lack of trust and faith in the local area's work from too many parents and carers.
- Weaknesses in the approach to supporting the emotional health and wellbeing of children and young people with SEND, particularly those with autism spectrum disorder (ASD) who face challenges in relation to their social, emotional and mental health.

Due to the ongoing arrangements in place to improve performance resulting in seven out of nine improvement areas (referred to as "significant weaknesses" by Ofsted/CQC) being deemed as addressed, and some progress being noted in relation to the other two areas, we are satisfied that adequate arrangements were in place during 2022/23 to secure improvement in areas where Ofsted/CQC had identified weaknesses in terms of service performance. Therefore we are satisfied that there was no significant weakness in arrangements.

Our view is that the Council used reports from regulators appropriately and improved services as a result. The work of the CQC and Ofsted indicate an improving trajectory of performance, which should be carried forward by the two new unitary councils.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

The Council had an extensive and detailed Sustainable Procurement Strategy. The aims of the policy were to support the Council's long term financial sustainability and drive efficiencies, support local economic growth whilst responding to commissioning requirements and to optimise the opportunities for delivering social value opportunities through procurement. There were detailed KPIs in the procurement strategy and there was quarterly monitoring against these at Cabinet.

We identified examples of monitoring the performance of service providers which identified areas for improvement as well as acknowledging service delivery.

Evaluation of Services provided to assess performance and identify areas for improvement

Social Care Services

The County's Social Care services continued to face significant pressures. There was significant demand on adult and children's care, exacerbated by the Council's historic challenges to recruit to social care vacancies. The Council historically had in excess of 300 people awaiting commencement of a homecare package, which was above normal rates and received a number of requests from providers to hand packages back due to a shortage in available carers. This pressure continues for the two new unitary councils.

Providers were unable to recruit and retain sufficient permanent staff to deliver care, this was mitigated by the use of agency staff. During 2022/23, the Council implemented a series of in-year contract fee uplifts to run alongside a number of other financial assistance and grant programmes for adult social care providers. Although the Council was able to utilise its allocation from the Market Sustainability and Fair Cost of Care Fund 2022-23 to partially fund these increases, the overall level of investment required significantly exceeded the funding received from Central Government, meaning that much of the additional cost was being funded from Council core funding.

Budget monitoring as at December 2022 referred to the ongoing pressures. At that time, contracted packages of care being delivered in Adult Social Care were lower than in 2021/22. It was acknowledged that this was partly as a result of an increase of unmet need, being due to individuals awaiting assessment as a result of continuing capacity issues and challenging provider market conditions. As reported on page 9, the Council's 2022/23 outturn reflected ongoing social care cost pressures. In view of these continuing pressure, we are carrying forward the improvement recommendation raised in 2021/22 that the two new unitary councils should continue to explore opportunities to increase capacity and strengthen the resilience of the County's Social Care services.

Conclusion

Overall, we are satisfied the Council had appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We continue to identify an opportunity for further improvement, as set out overleaf.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Care Market As can be seen in Grant Thornton's Covid-19 index, Cumbria has a very high social care risk across all areas. The County's social care market has been significantly impacted by the pandemic and wider workforce pressures. Homecare and care home providers are struggling to recruit and retain sufficient staff to deliver Council contracts. Mandatory vaccination requirements has led some staff to leave the sector. The Council has in excess of 300 people awaiting commencement of a homecare package which is above normal levels and have received a number of requests from providers to hand packages back due to a shortage in available carers. There is a significant risk that the Council will not be able to meet its statutory duties without corrective action. Providers have reported that they have been unable to recruit / retain sufficient staff to deliver care and that the position is worsening. Due to a shortage of homecare provision, a significant proportion of the available Reablement capacity provided by Cumbria Care is being utilised to deliver homecare. If these packages could be moved on from Reablement, capacity within that service would be released to support community Reablement activity and ensure independence for individuals is maximised. ***Recommendation*** Continue to explore opportunities to increase capacity and strengthen the resilience of the County's Social Care services.	2020-21	This remains a priority for the Council with a significant amount of work being undertaken to increase capacity and strengthen the resilience of social care services.	In progress	This will continue to be a key priority and this improvement recommendation should be carried forward to the two new unitary councils.

Cumbria Local Government Pension Scheme

The Council was the Administering Authority for the Cumbria Local Government Pension Scheme (LGPS), which was managed by the Council on behalf of 125 employers, across the County. Cumbria LGPS is part of the Local Government Pension Scheme which is available to employees in local government or working for eligible employers participating in the Scheme. It is a defined benefit scheme.

As Administering Authority, the Council was responsible for two key functions:

- Administering the Scheme in Cumbria, for example - collecting employer and employee contributions, maintaining member records and paying out benefits. Much of this was done in conjunction with Local Pensions Partnership Administration (LPPA). The arrangement with LPPA is through a formal delegation of powers pursuant to section 101 of the Local Government Act 1972 to Lancashire County Council.
- Investing the accumulated contributions of Cumbria LGPS until they are used to pay the benefits.

The Cumbria Pensions Committee is responsible for ensuring that these functions are discharged in accordance with the relevant regulations and that appropriate governance arrangements are in place and operating effectively. The Cumbria Local Pension Board was responsible for assisting the County Council in securing compliance with regulations, legislation and the requirements of the Pensions Regulator; to ensure the effective and efficient governance and administration of Cumbria LGPS.

Our review of committee minutes, discussions with officers and work on the 2022/23 financial statements audit indicates that the fund had appropriate arrangements in place which supported the making of informed decisions and management of risk.

The Fund used information about its costs and performance to improve the way it managed and delivers its service. Representatives from the fund attended a quarterly regional Pensions Officer Group and an annual LPP Client Forum, which provided the Fund with the opportunity to share best practice with other LGPS Funds.

At 31 March 2023 the value of the Fund's net assets was £3.2 billion, a decrease of £154.4 million from 31 March 2022. This represented a funding level of approximately 106% based on the assumptions adopted by the Actuary for the last full actuarial valuation as at 31 March 2022.

As a long term investor the fund is primarily focussed on longer-term performance. The fund outperformed both its three and 10 year benchmarks and matched its five year benchmark.

We note that the annual review of the Cumbria LGPS Policy Document was refreshed during 2022/23 and approved by the Cumbria Pensions Committee in March 2023. The document reflects the governance arrangements within Westmorland and Furness Council's (WMC) constitution from 1 April 2023 due to WMC becoming the administering authority of the pension fund from that date.

Conclusion

We are satisfied the Council had appropriate arrangements in place to discharge its functions as Administering Authority of Cumbria LGPS. Administering Authority of the fund was vested to Westmorland and Furness Council on 1 April 2023. The new council should look to build on the already strong arrangements which are already in place at the Scheme.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our financial statement audit work is complete and there are no matters that would require modification of our audit opinion or material changes to the financial statements, subject to the resolution of the outstanding matters outlined on page 3 of our Audit Findings Report. Our audit report opinion will include an emphasis of matter paragraph, which draws attention to Note 3 to the financial statements, which indicates that Cumbria County Council ceased to exist on 31st March 2023. The assets and liabilities of the Council transferred to the new Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

Further information on our audit of the financial statements is set out overleaf.

Opinion on the financial statements

Timescale for the audit of the financial statements

- Our Audit Plan was issued in September 2023 and was presented to the Audit Committee of Westmorland and Furness Council.
- Our final accounts audit work was completed remotely between July and December 2023.
- As highlighted on page 5 of our Audit Findings Report, we have faced audit challenges in a number of areas. This has had a corresponding impact on the time required to complete our work and has resulted in increases to our audit fee..
- We anticipate issuing an unqualified audit opinion.

Whole of Government Accounts

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.

Findings from the audit of the financial statements

We identified one adjustments to the financial statements which increased the Council's net pension liability disclosed in the balance sheet. This adjustment does not impact the Council's usable reserves. A number of disclosure changes were also made to the notes to the financial statements following audit. We have also raised a recommendation for management to ensure that manual journals are reviewed on a monthly basis.

We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies were identified. A small number of changes were made to the Narrative Report and Annual Governance Statement to improve readability. We plan to issue an unmodified opinion in this respect.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 11 December 2023. Requests for this Audit Findings Report should be directed to the Council.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

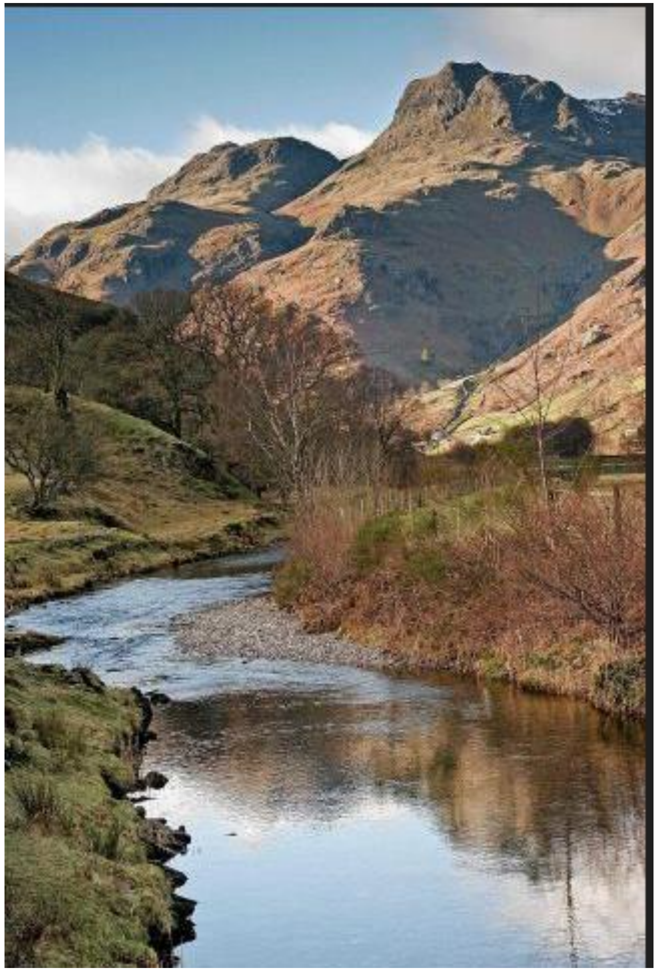
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:
An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	8, 17-21, 28-31, 37

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