

Auditor's Annual Report on Cumbria County Council

2020-21

December 2021



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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.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Our work on Covid-19 identified one improvement recommendations.



Opinion on the financial statements

We completed our audit of the Pension Fund, Council and Group's financial statements and issued unqualified audit opinions on 30 September 2021, in line with the national deadline. Our findings are set out in further detail on page 5.



Overall commentary

Overall, we have not identified any significant weaknesses and related key recommendations, including the Council's response to COVID 19. We have identified a small number of financial management, governance and capacity related improvement recommendations to further improve the Council's governance and performance arrangements, which management has accepted and will implement.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Cumbria County Council, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. The Council has put forward a series of proposals which forecast a balanced budget for the 2022/23 financial year. In addition, as at 31 March 2021, the Council held general revenue reserves of £141.483 million.

This places the Council in a reasonable financial position. The Council's Medium Term Financial Plan will enable the sensible phasing of proposals to minimise the impact of the financial climate on services to residents. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium Term Financial Plan and monitoring of the delivery of savings and capital plan.

Further details can be seen on pages 7 to 14 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. We have identified opportunities to further enhance the Council's governance arrangements in areas such as registers of gifts and hospitality and upside of risk management. Further details can be seen on pages 15 to 20 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated 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. In the context of COVID 19 and ongoing service pressures, the Council needs 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 21 to 28 of this report.

Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

Appendix C outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and or pervasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020/21 audit year.

The range of recommendations that external auditors can make is explained in Appendix B.



Opinion on the financial statements



Audit opinion on the financial statements

We gave unqualified audit reports on the Pension Fund, Council and Group financial statements on 30 September 2021, in line with the statutory deadline.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements or Annual Report.

Audit Findings Report

More detailed findings can be found in our AFR, which was reported to the Council's Audit and Assurance Committee on 23 September 2021.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

Issues arising from the accounts:

There was an adjustment to the financial statements with regards to the Council's pension liability. This was as a result of an estimated valuation of the pension scheme at 31 March 2021 being used in the accounts on 1 July 2021 with the actual value, received after publication being higher. Disclosure changes were made to the financial statements to improve overall consistency and compliance with the Code. Refer to Appendix C of our Audit Findings Report for more details.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 30. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifies all the significant financial pressures it is facing and builds these into its plans

The Council's financial planning allows it to deliver the Council Plan priorities, within its resources. This is evidenced by the breakeven position achieved in 2020/21 and breakeven budget set for 2021/22. The 2021/22 budget assumed delivery of £17 million of savings and the Council's Medium Term Financial Plan (MTFP) highlights a budget gap of £34 million for the period 2022/23 to 2025/26. This continues to represent a significant financial challenge for the Council.

As outlined on page 25, Covid-19 has had a large impact on the finances of the Council. The 2020/21 outturn included COVID-19 related pressure of £64.9 million, which was partly off-set by specific grant funding of £28.4 million and COVID-19 emergency funding of £30.7 million. There were also one-off delays to expenditure in some directorates, which led to temporary underspending of £35.2 million and permanent underspending of £9.7 million. This underspend was offset by the unfunded COVID-19 pressure of £5.8 million and £10.1 million of other pressures. This allowed the transfers of £11.6 million to the Financial Volatility reserve, £10 million to the General Fund and £3 million to the Strengthening short-term capacity reserve.

We are satisfied that, the Council has robust financial planning arrangements and there is evidence of it being well scrutinised at Cabinet, Council and Audit and Assurance Committee. It is clear that financial risks in the Council are being well managed. The Council's Corporate risk register includes a risk around delivering a financially sustainable Council, which demonstrates that the Council is aware of the significant challenges it continues to face and is actively managing its financial health. The Council is appropriately managing its financial risks in the short, medium and long term. Capital resources are not being used to relieve short term financial pressures.

The Council does not rely heavily on income from commercial activities or its investment portfolio. The Council has included a £0.500 million dividend from Cumbria Holdings Ltd for 2021/22 in its budget. We challenged management whether this was a realistic assumption. In 2019/20 and 2020/21, the company experienced difficult trading conditions, including reporting a loss, and no dividend was paid to the Council. This was mainly due to the impact of Covid-19 on their catering and cleaning contracts, which are mainly with schools. Trading has returned to more normal conditions in 2021/22 and the financial performance of the company is expected to allow for payment of the dividend in full. It is important that management continue to monitor the financial sustainability of the company and ensure this is fully reflected in the Council's financial plans.

Financial sustainability

The Council has 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 has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. The Council engaged a third party to undertake a review of their income streams, assumptions and bases to ensure these remain up to date and accurate as possible. There is no evidence that the Council's MTFP is based on unrealistic assumptions.

The MTFP is reviewed annually as part of the annual budget setting process. The Council is currently updating inflation associated costs and sources of funding as part of the 2022/23 budget setting process. Changes are made to the in year budget, with overspends managed by underspends, reserve virements and use of contingencies built into the budget. Given recent rises to inflation and other macro-economic uncertainty, a formal mid-year review of the in-year MTFP, including assumptions, would help improve the accuracy of forecasts and financial plans. This is reflected in our improvement recommendation on page 13.

The budget is developed each year considering cost pressures which are clearly outlined within the budget. This is particularly important for care services, where an analysis of the number of known cases coming through, information from other services areas, historic and more recent trends are used to estimate the demand for services. The Council also considers changes in the demography of the population. This has fed into financial plans, with a £0.500 million spending pressure for demographic growth in older adults per year reflected in the MTFP.

Cash forecasts have been prepared for a two year period covering the 2021/22 and 2022/23 financial years. Cash flows are highlighted as actual, known or known but estimated. The forecasts include both planned/ routine and unplanned/ unusual items for the main sources of income and expenditure for each month. The cash flow forecasts indicate that the Council's cash balance will remain positive throughout 2021/22 and 2022/23 with no cash flow difficulties identified.

A budget report was presented to Council in February 2021. In line with Section 25 of the Local Government Act 2003, the report confirmed the Council Tax calculation for 2021/22 and MTFP are based on robust estimates. The report also set out what are considered the key assumptions and discussed the adequacy of the general fund balance in particular, with the aim of increasing the balance to £25 million in 2021/22. This was achieved at 31 March 2021. The budget report clearly identifies the need to build up the Council's reserves to support uncertainty in the short and medium term.

Financial sustainability

Plans to bridge its funding gaps and identify achievable savings

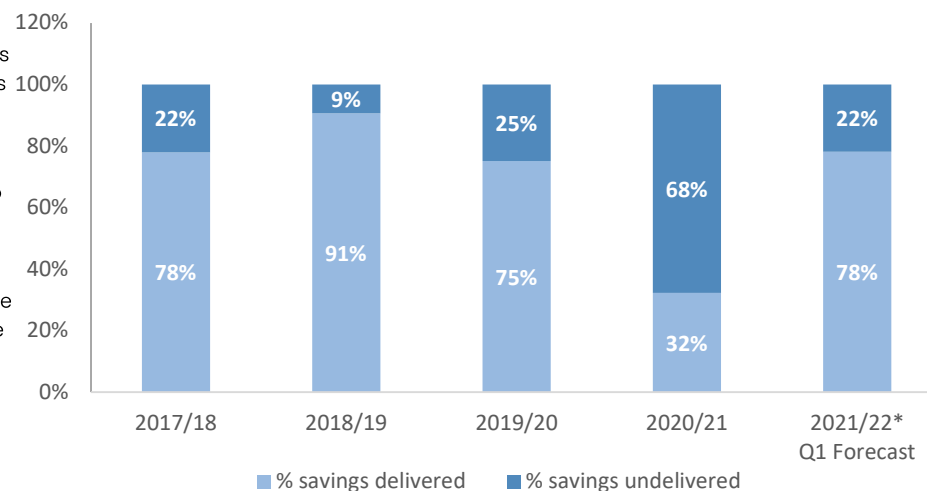
The MTFP sets out that savings of £51.1 million are required for the period 2021/22 to 2025/26, of which £34.0 million (67%) are still to be identified. Since 2011/12, the Council has delivered £272.8 million of savings. The most recent forecast of 2021/22 savings propositions is delivery of £17.2 million against a savings target of £22.1 million - 78% delivery. This is understandable in the context of the unforeseen pressures brought by Covid-19 and associated impact on Council priorities and staff availability. To mitigate against the undelivered savings there are temporary underspends and a drawdown from the COVID-19 Emergency Grant Earmarked Reserve.

Monitoring of savings delivery is one of the key areas of focus for the Financial Challenge Group, co-chaired by the Deputy Chief Executive and Director of Finance, and all Executive Directors, Deputy s151 Officer, the Monitoring Officer and Assistant Directors as key service representatives. Savings delivery is also monitored quarterly by Cabinet.

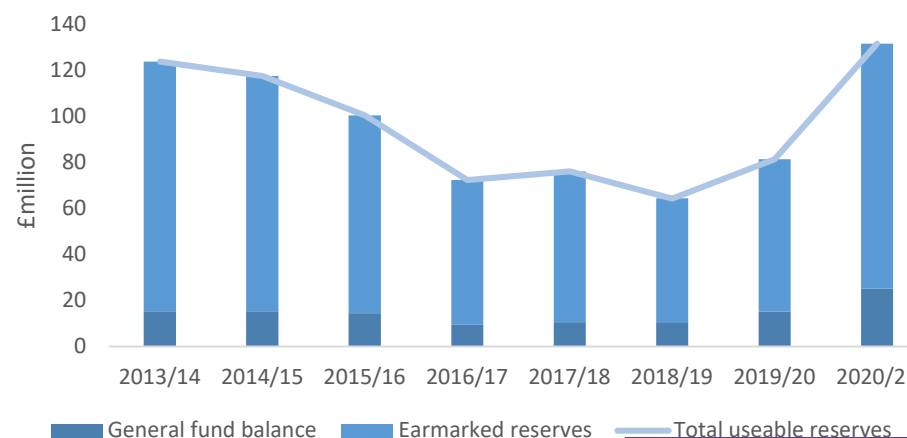
We have analysed the Council's delivery of savings over the past five years since 2017/18. This analysis shows that the Council has not delivered their saving target over the past five years. We acknowledge that savings delivery has been challenging in the context of the pandemic in Q4 2019/20, 2020/21 and 2021/22. However, there is a trend of underdelivered savings prior to this, with delivery of 91% in 2018/19 and 78% in 2017/18. For the period 2011/12 to 2020/21, the Council has needed to identify savings of £282 million, with a significant £272.8 million of these savings being delivered. Our experience in the sector is that in sustained periods of austerity, savings become harder to deliver over time. This is likely to be the case for the Council, given the impact of 10 years of funding reductions, the scale of savings already delivered and continuing impact of the pandemic. In this context, we recommend that the Council refine its existing arrangements for monitoring savings, to ensure they support delivery of the £51.1 million savings required in the period 2021/22 to 2025/26. We have raised an improvement recommendation in relation to this on page 14.

As discussed on page 6, the Council was able to strengthen its useable reserves position during 2020/21, contributing to earmarked reserves and increasing the general fund balance to target levels. This provides a buffer in case the Council fails to deliver savings or future uncertainties arise in the medium term. On page 8, we have undertaken a sensitivity analysis on the Council's MTFP. If the Council's funding reduced by 5% and the Council fails to deliver savings, the Council's reserve position will be at risk by 2023/24. A similar at risk position is identified if expenditure increased by 5%. In this context, it is important that the Council continues to focus on the delivery of savings and strengthening its usable reserves.

Delivery of savings target

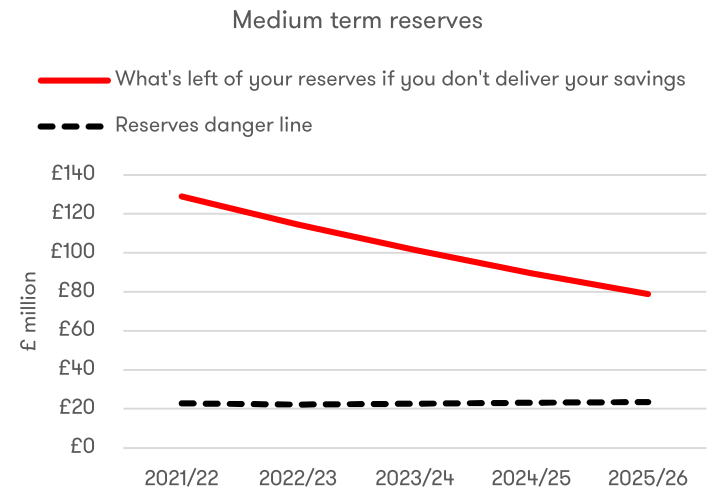


Useable reserves

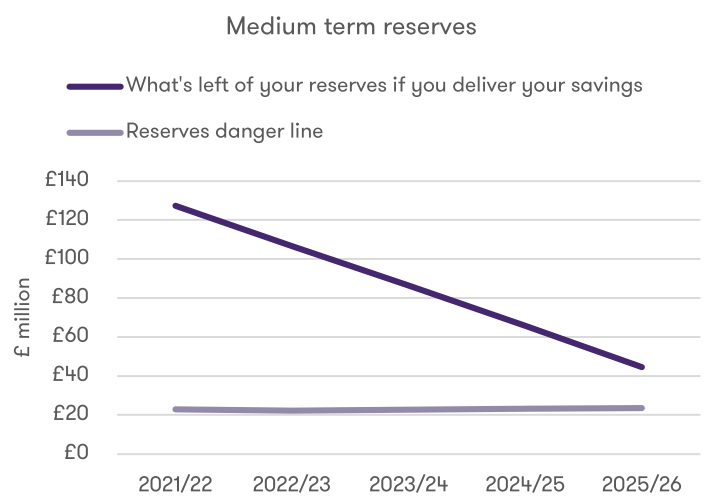
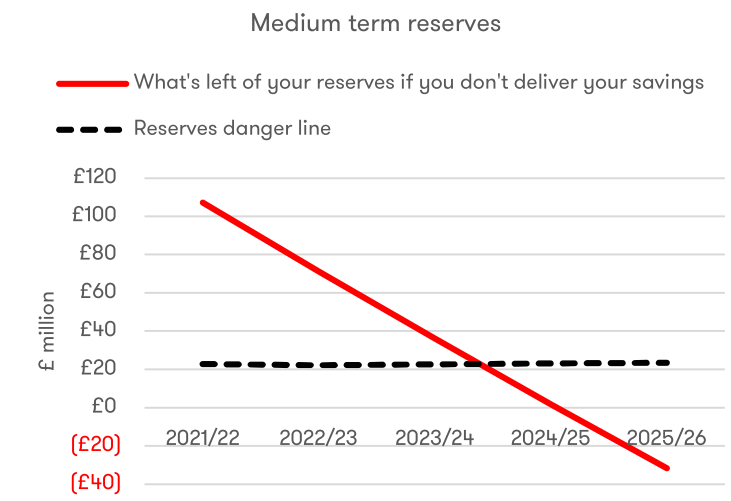


Financial sustainability

Per Current MTFP



5% Reduction in Funding



Financial sustainability

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our discussions with management indicate that the Council has an understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend. We understand that in recent years the Council undertook an exercise to establish all discretionary spend as part of a response to specific financial pressures. This is not clearly differentiated in the financial planning reports which underlie the budget and MTFP on the basis that all spend is directed towards the delivery of core services and achievement of Council Plan priorities.

There is 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" link to the principles in the MTFP, which are "Supporting communities to thrive", "Focusing on the most vulnerable" and "Promoting independence and managing demand". As the County transitions towards 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 2021. The Capital Strategy identifies 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 link clearly to the Council Plan. The strategy also links to government policy, key partnerships and other relevant internal strategies and plans.

The Capital Strategy includes planned capital expenditure over the five year period 2021-2026. Capital expenditure is analysed by year and directorate. The capital programme is also detailed within the MTFP by project and directorate. The MTFP provides details on how some of the projects link to Corporate Plan and Capital Strategy outcomes. For example, a further £2 million investment in Cumbria Care Home properties has been made in order to meet the Council vision of ensuring people in Cumbria are healthy and safe.

The capital budget appears to support the delivery of strategic priorities. To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within the Council Plan. This will demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme.

The financing of the five year capital programme is included in the MTFP and is supported by the Treasury Management Statement. The Council's capital budget underspent in 2020/21 by £27.2 million. This represents 23% of the budget underspent. 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 context of the Covid-19 pandemic, high slippage is expected due to national lockdowns, restrictions, new site operating procedures, contractor/subcontractor furloughing staff and the Council's own staff being redeployed to urgent work associated with the pandemic response. However, from review of the outturn report, the underspend and slippage due to Covid-19 is not quantified exactly. In the context of the historic under delivery of the capital programme, we have raised an improvement recommendation on page 14 that the Council refine its existing monitoring arrangements in this area.

Financial sustainability

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's MTFP sets the framework for how the Council plans to use its financial resources to fund the activity to deliver on the Council's outcomes. The MTFP is fully integrated with the Council Plan and Strategic Workforce Plan. The Council Plan sets the Council's long term vision, priorities for the four years 2018-2022 and steps to achieve them. The Strategic Workforce Plan provides 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 Council continue to engage in proactive workforce planning and develops its own people through investment in apprenticeships and other on the job training/ professional qualifications.

The ongoing revenue costs of major capital investments are fully reflected in revenue budgets. Capital project proposals are considered by the Strategic Investment Group. The Group considers how each proposal will help to deliver corporate priorities, savings and the revenue implications of the project. Whilst there was slippage on the 2020/21 capital programme, there is no evidence of major capital investment being postponed or cancelled without sound rational.

The Council has a Treasury Management Strategy, which sets out the balance between optimising return and mitigating risk. The Council continues to adopt a low risk investment strategy.

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

identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated into the MTFP. There is a section entitled 'How will the Council Manage Financial Risk? This section of the MTFP discusses 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 deliver of savings (£5 million), demand for services (£7.750 million) and Covid-19 (£10 million). The draft MTFP was presented and discussed by Cabinet before presentation to Council February 2021.

The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to members. As in the prior year (see page 30), we recommend that the Council introduce 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. This will provide transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability. This is reflected in the improvement recommendation on page 13.

There is no evidence of the body failing to update financial plans to reflect changes in government policy. For example, the Council has incorporated costs in relation to transition arrangements in respect of LGR. Where required, the Council has sufficient provisions in place to take into account the impact of legal and regulatory proceedings.

Improvement recommendations



Financial sustainability

Recommendation	<p>Introduce a formal agile mid-year review of in year MTFP assumptions with appropriate reporting to Members.</p> <p>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.</p>
Why/impact	Regular review of MTFP assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting a mid-year review of MTFP assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improved the accuracy of forecasting.
Auditor judgement	Greater agility on financial management is required given current financial uncertainties, regular review and challenge of MTFP assumptions to help ensure financial forecasts remain accurate.
Summary findings	<p>MTFP assumptions are updated annually as part of the annual budget setting process.</p> <p>Sensitivity analysis and scenario planning is undertaken as part of the development of the budget, however this analysis is not formally presented to members.</p>
Management comment	<p>Assumptions within the MTFP are regularly reviewed as part of the budget monitoring process and the development of the Medium Term Financial Plan but it is accepted that these are not fully reported to Members in a public forum as they are presented and discussed in development sessions. A more detailed update on these assumptions and sensitivity analysis will be included in the annual budget development report received by Cabinet in November of each year.</p> <p>In future the sensitivity analysis which is undertaken will be formally reported to Members during the regular development of the Medium Term Financial Plan update meetings which take place annually during September and October.</p>



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Financial sustainability

Recommendation	<p>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.</p> <p>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.</p>
Why/impact	<p>Active monitoring and appropriate re-profiling of capital project budgets will help to ensure the delivery of the capital programme and capital strategy.</p> <p>Sufficient and appropriate arrangements to monitor, manage and address slippages will improve savings delivery and reduce pressure on the Council's useable reserves.</p>
Auditor judgement	<p>Ensuring robust monitoring and management of the capital programme will support the deliver of the capital strategy.</p> <p>There is a risk that MTFP savings become harder to identify and deliver over the medium-term.</p>
Summary findings	<p>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.</p> <p>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.</p>
Management comment	<p>Monitoring arrangements in place for the capital programme will be reviewed and refined with the aim of identifying variances to profiled spend at an earlier point within individual capital schemes and improved explanation around slippage in the capital programme.</p> <p>It is recognised that the delivery of MTFP savings is a key component in the delivery of a financially sustainable organisation hence the significant scrutiny, analysis, monitoring and reporting of the development and delivery of savings that takes place at all levels within the Council. It is also accepted that given the significant financial challenge facing the Public Sector continual review and refinement of underpinning processes is appropriate and so management will commit to reviewing the process in place to identification and monitoring of MTFP savings within the Council and implement any resulting recommendations.</p>



The range of recommendations that external auditors can make is explained in Appendix B.

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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has an established risk management framework in place. The arrangements include reports to Corporate Management Team (CMT) and Cabinet, reports to Service and Directorate Management Teams (DMT) meetings and scrutiny reports and meetings. The Council maintains a Corporate Risk Register, which is 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 Council has a Risk Owners Group (ROG), which operated throughout 2020/21. The ROG challenges and approves the quarterly Corporate Risk Register before presenting it to DMTs, CMT and the Audit and Assurance Committee. The ROG is responsible for the annual refresh of the Corporate Risk Register, this was supported by a Horizon Scan provided by Zurich Municipal.

The Corporate Risk Register is clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The Council provides appropriate training on risk management. The Council's Risk Appetite was unchanged throughout 2020/21. 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, in risk registers. The Council's pandemic response and shift to new ways of working has identified a number of opportunities to refine and improve the way the Council delivers its services. It is important that, these opportunities are captured, so change can be embedded and monitored going forward. We are aware that the upside element of risks and the development of opportunities is managed through Directorate development plans and investment to deliver opportunities provided through the Innovation Fund, which has been in place since 2019/20. Applications to the Innovation Fund are managed through the Council's Financial Challenge Group, where discussion takes place regarding the project, the costs and the benefits.

The impacts of the pandemic can be seen throughout the Corporate Risk Register. The Council's highest rated corporate risks are in line with expectations, being in relation to;

- delivering a financially sustainable Council;
- workforce capacity, skills, relationships, safety and wellbeing;
- resilience of the care sector and impact on meeting care needs;
- health and social care demand and system failure;
- increasing demand on Children's Services;
- the impact of COVID-19 on the provision of Council services;
- Cumbria COVID-19 Local Outbreak Control Plan; and
- information security arrangements.

The Council has continued its work on improving risk management at a directorate level. This has included the development of directorate risk registers. However, 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 have also recommended that the Council should ensure that service / operational risks are reviewed regularly and that mitigation of risks are always documented in risk registers. Internal Audit reflected that whilst COVID-19 has impacted on the frequency of the updating of service/ operational risk registers, attendance at Silver Command meetings indicates that real time, responsive risk management has been taking place. Examples of this include Personal Protective Equipment (PPE) availability and managing COVID-19 outbreaks in care homes. We have included improvement recommendations to ensure the Council continues to formalise its risk maturity and risk management arrangements at directorate, service and operational level.

Governance

Assurance over the effective operation of internal controls

In developing its 2020/21 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. This included;

- an assessment by each Assistant Director of internal controls in their service areas against the required standards;
- review of minutes of Audit and Assurance Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed;
- review of the overall opinion of the Group Audit Manager (Head of Internal Audit);
- assessment of the Audit and Assurance Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police;
- review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit;
- review by the Pensions Committee of the Cumbria Local Government Pension Scheme (LGPS) Fund Policy documents;
- review of the 2019/2020 Statement of Assurance in respect of Cumbria Fire and Rescue Service, which is the latest Statement, approved in November 2020; and
- HMICFRS assessment of Cumbria Fire and Rescue Services response to the pandemic.

This robust exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2020/21 year. This was corroborated by our 2020/21 financial statements audit and review of the 2020/21 Annual Governance Statement.

Internal Audit

The Council has appropriate Internal Audit arrangements in place. Internal Audit services are provided by an in-house team. Despite the impacts of Covid-19, sufficient work was carried out across the Council's 5 directorates to support the opinion given. The Group Audit Manager provided "reasonable assurance" over the effectiveness of the Council's arrangements for governance, risk management and internal control. 74% of audits with an assurance rating, including schools, received a substantial or reasonable rating. No audit reviews in 2020/21 were given the lowest assurance level of 'limited'. The Group Audit Manager also attended COVID-19 Silver Command for Finance during the year. This, combined with the completed reviews in year, gave an appropriate level of coverage across the Council to provide this Head of Internal Audit opinion.

The Head of Internal Audit's annual opinion has been produced in line with mandatory Public Sector Internal Audit Standards (PSIAS). The annual report also makes reference to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with 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 is due an external review in 202/23.

Governance

Counter Fraud

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council also participates in the National Fraud Initiative (NFI). The Council has a Whistleblowing policy and a Speak Up statement, which complements the Whistleblowing policy and encourages individuals to raise issues of concern in a safe environment. The Council has good working relationships with the District Councils and information in respect of potential fraud risks is shared through various groups, for example the Cumbria Chief Finance Officers group. The Council has not been subject to any material frauds in year.

Leadership and committee effectiveness/decision making

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

Our attendance at Audit and Assurance Committee and review of other committee minutes indicates that key strategic decisions are subject to healthy challenge and are supported by detailed papers. Senior officers are open to conversations during committee meetings. Senior officers attend to present their own area items and to field any questions. We have not seen evidence of discussions not being open. The Audit and Assurance Committee provides appropriate challenge of financial and non-financial items. The members of the Committee have a good mix of experience and expertise. The Committee is well attended with minimal absences.

There have been a number of changes to the Council's Corporate Management Team during the first 8 months of the 2021/22 financial year, this has included two changes at Chief Executive and a change of Director of Finance and Monitoring Officer. Interim arrangements have been put in place to ensure these statutory posts are filled. In view of the loss of these experienced officers, it is important that the Council continues to put arrangements in place to ensure there is continuity in the leadership of the Council and no loss of corporate memory. We are satisfied that the recent changes to the leadership team have been well managed, with continuity maintained and corporate knowledge retained. This has been supported by stability at Assistant Director level. Continuity and retention of corporate knowledge will become increasingly important as the Council transitions towards LGR with inevitable further changes at all levels. The Council recognises this risk and plans to reflect this within its LGR corporate risk.

Register of Interests/ Gifts Hospitality

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 members 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 annually that their register of interests and gifts/ hospitality is up to date, the website could then be updated to reflect this.

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. The Council's process is to maintain a register at Directorate level and work is planned to ensure these registers are proactively managed. We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, although again this is not integrated into other central or departmental registers. We have raised an improvement recommendation in relation to the Council's arrangements for maintaining a register of interest and gifts/ hospitality for senior managers and officers.

Governance

Budgetary Setting Process

The Council has an established process for developing its annual budget and Medium Term Financial Plan (MTFP). The development of the budget commences with the rolling forward of the Budget Model from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are 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 is frozen to prepare the February Cabinet Report. Any changes to funding as a result of the final Local Government Finance Settlement are transferred to/ from the Volatility Reserve.

The Council's MTFP covers a rolling five year period. A report was brought to Cabinet in November 2020 which outlined the approach to updating the MTFP. This report contained the financial planning assumptions for the period of the new five-year MTFP set within this Council Plan. It updates the 2020-2025 Budget Planning position and proposes the approach that will be taken to deliver the savings required to achieve a balanced budget over the five year period. The report identified the savings of £17 million to be identified in 2021/22 with a range of options. The report is clear on the challenges facing the Council, which include the ongoing impact of the pandemic, pressure on services and uncertainty about central government funding. The 2021-22 Budget and Medium Term Financial Plan to 2021- 2026 was agreed by Council on 18 February 2021.

The Council consulted stakeholders on their draft budget for 2021/22. The consultation focused on whether or not Council Tax should be increased by 1.99%. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with Trade Unions; engagement with Area Management Teams; posts on the internet; intranet and Your Cumbria news website and use of social media. There was also consultation with all Chief Executives in the Cumbria Executives Group, Cumbria Association of Local Councils, Schools Forum, Chambers of Commerce and Cumbria County Council Joint Consultative Group. 201 Individuals responses were received, 65.2% of the respondents did not agree with a 1.99% Council Tax increase for 2021/22. However, the Council did not consult on savings. Given the limited engagement achieved in 2020/21, the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this is a meaningful process, which supports the development of the budget, MTFS and savings.

Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level. There is stringent in year oversight of the budget at a high level, with quarterly budget monitoring reports taken to Cabinet. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves. An update is also provided against the Capital Programme, with revisions also communicated.

Review of Cabinet minutes indicate that quarterly budget monitoring reports have been subject to appropriate challenge and scrutiny. As a result of the cancellation of Cabinet on 10 June 2021, the year end Financial Outturn and Corporate Performance Reports were approved via leadership decision record, and they were not formally considered by Cabinet. The report was shared with all members and officers who would usually attend Cabinet as part of the briefing session, which took place in May 2021. We are satisfied that appropriate arrangements were put in place to allow for challenge and scrutiny of these key documents.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some opportunities for further improvement, set out overleaf.

Improvement recommendation



Governance

Recommendations

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.

Why/impact

A fully updated risk register will provide a clear reference point of the principle risks, opportunities and associated mitigations facing each directorate/ service. Ensuring operational risk registers inform the corporate risk register is important so that the Council can track emerging risk themes in the directorates or services that need to be escalated as potential corporate risks.

Auditor judgement

Including the duality of risks within risk registers can help to consider opportunities to exploit alongside downside risks. Real time risk management has taken place at all levels of the Council throughout 2020/21. However, our work has identified examples where risk registers have not been refreshed in year. As the County moves towards LGR, there is a potential for the split of directorates and also loss of directorate/ service knowledge as staff take on new roles. In this context it is important that risks, opportunities and mitigations are clearly documented and regularly refreshed.

Summary findings

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.

Management comment

The Council will continue to develop its risk management maturity through more clearly identifying and documenting opportunities through the risk owners group. Work will continue in 21/22 to ensure that Directorate and service risks are updated.

The range of recommendations that external auditors can make is explained in Appendix B.



Improvement recommendation



Governance

Recommendation	<p>Request Members to re-confirm that their register of interests and gifts and hospitality is complete and up to date.</p> <p>Ensure that a Register of Interest and Gifts/Hospitality is maintained and regularly updated for all Directors, Assistant Directors and Senior Managers.</p>
Why/impact	<p>Review of the existing register of interest and gifts and hospitality register creates the impression that member and senior manager declarations are out of date.</p>
Auditor judgement	<p>The current register of interest and gifts and hospitality register for both members and senior managers does not demonstrate appropriate safeguards being in place to protect against real and perceived threats to independence, integrity and objectivity.</p>
Summary findings	<p>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.</p>
Management comment	<p>Management accept this recommendation with the existing processes being reviewed and refreshed. Oversight for this process now rests with the Group Accountant – Corporate Accounting with PA's having day to day responsibility for the collation of this information.</p> <p>A reminder of the processes involved and the responsibility on individuals will be circulated no later than 31 January 2022.</p>

The range of recommendations that external auditors can make is explained in Appendix B.

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council's performance against the Council Plan Delivery Plan is reported on a quarterly basis to Cabinet. The quarterly performance reports show the latest assessment of the Council's performance indicators using a Red, Amber or Green rating. The Council's performance outturn for 2020/21 is reported in the Quarter 4 Corporate Performance Monitoring Report. This report was presented to the Scrutiny Performance Working Group in August 2021, as June Cabinet was cancelled.

The Corporate Performance Monitoring Report includes a description of 50 actions that the Council undertook and 41 performance measures which provide an indication of how well the Council is performing against its priorities. The Council should consider whether it can streamline this report 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.

At the end of Quarter 4, 30 of the 50 Council Plan Delivery Plan actions had delivered, met or were on track to meet the planned milestone and rated green, nineteen (38%) were in progress and at risk of missing the milestone and rated amber. One action was expected to miss a key milestone or not fully deliver as intended and rated red. This related to developing a protocol on working across all strategic partnerships to ensure joined up response to cross-cutting themes such as domestic abuse, poverty, mental health and wellbeing. 41 measures (51%) demonstrated positive, exceeding the target or within 5% of the target which results in a green rating. Nine measures (22%) were within 10% of the target and rated amber. Eleven measures (27%) were more than 10% off the target and therefore rated red.

Two of these related to the "New ways of working and achieving financial sustainability" outcome, being to reduce the marginal cost of externally provided workforce to equal or less than costs at 31 March 2020 and to achieve a reduction in sickness absence to 10 days per WTE by March 2021.

Three of these action related to "Places in Cumbria are Well-connected and Thriving". One related to education and the Progress 8 score continuing to improve from -0.11 and being at least in line with the national level. The other two related to highways, being the percentage of Category 1 defects completed within time to increase from 51% and the number of days taken to close a Highways customer enquiry to reduce from 7.43 days.

The remaining six red rated measures related to "People in Cumbria are Healthy and safe". These were;

- reduce the prevalence of overweight and obesity in reception years to 22% by 2020/21 and progress to reduce the proportion of overweight and obese children in year 6 to the lowest district rate in Cumbria (29%);
- bring the numbers of Children Looked After and those supported with a child protection plan (1343 children) to be more in line with statistical neighbours (953 children);
- increase the number of Early Help Assessments Initiated from 2610 each year;
- return residential occupation rates of Cumbria Care available beds to 73.5%;

- work towards increasing Cumbria Care's market share by 8-14% each financial year; and
- the number of Fire Protection audits in commercial premises to be greater than 800 in 2020/21.

Some slippage against these measures is to be expected given the impacts of the pandemic throughout the 2020/21 financial year. However, as the Council returns to business as usual and also transitions towards Local Government Reorganisation, it is important that performance continues to be monitored closely and there is a renewed focus on delivery of Council Plan priorities.

Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. This engagement has been increased significantly during the pandemic.

The Council is an active member of key economic partnerships including Cumbria Local Enterprise Partnership with the Leader of the Council acting as Vice-Chair. During 2020/21 the Council has worked with a wide range of partners, to develop a Recovery Strategy for Cumbria.

The Council is a key partner in the Borderlands Inclusive Growth Deal. 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.

The Council is fully engaged with LGR and the proposed creation of two Unitary Councils in Cumbria. The Council's Finance team is playing a key role on the Finance workstream, the Chief Legal Officer is leading the Legal and Democratic workstream and the Chief Executive works with the Chief Executives of all Cumbria Councils through the Programme Board and other executive leads are involved in the Enabling, People and Places themes, including the leadership of a number of other critical workstreams such as People. County wide £19 million, of which the Council will contribute circa £9 million, has been set aside for the transition with the vast majority of this to be used on outside consultants. It is critical the Council and its partners have robust oversight and governance on this spend to ensure related expenditure represents value for money. It is also important that the Council monitors other associated costs, such as redundancy and transformational costs with the transition to the new Unitary Councils. It is important that the Council continues to engage and actively contribute to LGR to maximise the opportunities it presents to both reconfigure services and provide better value for money for its local taxpayers.

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 chairs the Cumbria Climate Change Working Group (CCWG) that brings together partners across the public, private and third sectors. The CCWG reports into the Cumbria Chief Executives Group and the Cumbria Leaders Board. The 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, jointly chaired by the Council, brings together nearly 70 organisations spanning the public, private and third sectors.

The integration of health and social care agenda across Lancashire and South Cumbria and the North East and North Cumbria presents significant challenges and opportunities, which include;

- continuing to contribute to the appropriate governance structures, culture, behaviour, trust and stakeholder empowerment arrangements to enable effective use of resources;
- agreeing a decision-making framework to collectively agree on what services are best commissioned at a LSC wide and a local level; and
- working within the financial capital and revenue envelopes.

The Council should continue to engage constructively as the Integrated Care Systems and their Integrated Boards evolve.

Stakeholder Engagement

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a wide range of public consultation. Examples include consultations on its Highways service, the proposals for the new campus for the University of Cumbria as part of the Citadels project and the experiences and views of service users. During 2020/21 engagement has continued but has predominately been virtual. The Council has also introduced new ways of engaging with the public including live Question and Answer sessions run by the Director of Public Health.

The Council has an Employee Engagement Framework. Senior managers are engaged through regular meetings of the Leadership Team and management development conferences. These meetings have continued during the pandemic with the Extended Leadership Team meetings and management development conferences being held virtually. New forms of engagement have been put in place during the pandemic, such as weekly informal drop in conversations for managers across the Council. The Council should continue to adopt these engagement activities which have worked effectively during the pandemic.

Benchmarking

Review of the Council's Corporate Performance monitoring reports indicates that, where relevant, the Council measures its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the CFO insights platform. The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements.

A Peer review was undertaken by the Local Government Association in June 2019. Nine key recommendations were made in relation to; strengthening the resident voice; area working; leadership of place; scoping and costing digital ambitions; achieving savings; long term financial resilience and sustainability; communicating with staff about purpose and scope of 'Reshaping'; managing changes to the CMT and enhancing industrial relations with trade unions. The Peer review provides an external view of the Council. It is important that the Council continues to focus on these important areas as it transitions towards LGR.

Procurement

The Council has an extensive and detailed Sustainable Procurement Strategy. The aims of the policy are 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 are detailed KPIs in this procurement strategy and there is quarterly monitoring against these at Cabinet. Given the Council's commitments on Climate Change, it should further consider how the procurement process can support the ambition of making Cumbria the first carbon neutral county in the UK, by 2037.

The Procurement team is supported by Finance and Legal to ensure compliance with relevant legislation, professional standards and internal policies. The Council maintains a detailed Commissioning and Procurement Pipeline register which effectively summarises key contract dates, values and terms. Looking ahead, LGR will bring significant complexity to this area with the need to novate existing contracts. Whilst it is important that preparations are made for LGR, the Council should also continue to focus resources on managing existing contracts, to ensure value for money is achieved for taxpayers.

Regulatory Reports

Ofsted - Her Majesty's Chief Inspector of Education, Children's Services and Skills is leading Ofsted's work into how England's social care system has delivered child-centred practice and care during the COVID-19 pandemic. A focused visit to Cumbria children's services took place in July 2021, looking at arrangements for children in need, including those who are subject to a child protection plan. The headline findings was that stable and determined leadership team has continued to improve the quality of social work practice for children since the last inspection in January 2018, when the Council was judged requires improvement to be good. It was found that the Council had not made sufficient progress in some areas identified at the last inspection in relation to the quality of social work for disabled children and the quality of plans and planning. In addition, the response to some families demonstrates that some social workers do not understand the complexities of relationships where domestic abuse is a feature. The findings indicate a positive direction of travel but also areas still requiring improvement, which the Council should continue to focus on.

CQC - Ratings for the Council's Residential Services, Support at Home Services, Extra Care Housing and Disability and Mental Health Services are all either Good or Outstanding.

Care Related Incidents - There have been two tragic cases resulting in the loss of life of persons with care needs in 2020/21. On the adult care case, the Council has recently received the Coroners report and has responded with the course of action requested. On the child care case, the Cumbria Safeguarding Children Partnership has commissioned an independent safeguarding practice review. The review is well underway and will report in early 2022, following completion of court proceedings.

The Council has formally acknowledges that consistency of social work and care practice and workforce stability should continue to be priorities as it transitions towards LGR and beyond.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

COVID-19 has impacted all aspects of the Council. The most significant financial impacts included changes and increases in demand for social care, costs associated with re-prioritising resources and increasing staffing capacity, delays to transformation activity and delivery of savings and lost income in sales, fees and charges.

The Council's 2020/21 outturn was to budget but included COVID-19 related pressure of £64.9 million which were partly off-set by specific grant funding of £28.4 million and COVID-19 emergency funding of £30.7 million. This left an unfunded COVID-19 related pressure of £5.8 million.

There were also one-off delays to expenditure in some directorates which led to temporary underspending of £35.2 million and permanent underspending of £9.7 million. This underspend was offset by the unfunded COVID-19 pressure of £5.8 million and £10.1 million of other pressures. This also allowed the transfers of £11.6 million to the Financial Volatility reserve, £10 million to the General Fund and £3 million to the Strengthening short-term capacity reserve. These contributions to reserves have bolstered the financial sustainability of the Council and set aside resources to support the ongoing pandemic response and delivery of key services, transformation activities and Council Plan priorities in 2021/22.

The Council has clear arrangements in place to identify and monitor the additional costs, loss of income and undelivered MTFP savings associated with the pandemic. A project code was set up in the ledger for these additional costs to be coded to. From our audit work on the financial statements 2020/21, we did not identify any issues in relation to the recognition of Covid-19 expenditure.

The actual and forecast financial impact of the pandemic was reported to DMT and CMT monthly and to Cabinet quarterly. The financial impact of Covid-19 is separately identified within Revenue and Capital budget monitoring to Cabinet. This ensured scrutiny, challenge and oversight at appropriate governance levels.

An Assistant Director was identified for each Covid-19 related grant with supporting finance leads. Specific grants were spent in accordance with the Constitution. For general and wider remit grants, an Official Decision Record allocating the funding was prepared and the decision taken by the appropriate Director. Cost centres or project codes were created in the ledger for each grant, which allowed for spend against the grant to be monitored. For larger and more complex grant funded activities, a programme board approach was used by the Council.

A Leader Decision Record was signed on 7 April 2020 for the Covid-19 Emergency Grant Funding. On a quarterly basis actual Covid-19 expenditure, loss of income, undelivered MTFP savings were analysed and totalled, with a drawdown made from the established earmarked reserve for each directorate.

COVID-19 arrangements

Governance

The Council's existing governance arrangement allowed it to respond rapidly to the pandemic. The Constitution included emergency decision making powers for the Chief Executive to make urgent decisions and for the Leader of the Council to take decisions, which would have otherwise been taken by Cabinet. These emergency powers were used in the initial stages of the pandemic before virtual meetings were established. As soon as these were lawful, the Council started holding members' meetings online.

Internal Audit adapted its work to reflect the impacts of the pandemic. This included adding in time to review Community Development Centres and other cross-cutting issues relating to the pandemic. The Internal Audit team provided wider support to the Council - Multi-Agency Information Cell (admin support), AGS (admin support) and Silver Command during Covid-19 outbreak. A mid-year review of the audit plan was also undertaken to ensure it remained current. Internal audit also undertook a Covid-19 fraud risk assessment and review of PPE Quality Assurance arrangements during 2020/21.

The risk register was reviewed, updated and kept up to date with risks emerging and arising as a result of Covid-19. A deep dive review of critical risk relating to Covid-19 was presented at September 2020 and January 2021 meetings of the Audit and Assurance committee. These related to the impact of Covid-19 on the delivery of council services and winter planning.

The Chief Legal Officer re-issued guidance on decision making in civil emergencies to officers in April 2020 and issued further guidance in June 2020 to strengthen assurance on officer decision making. The Council ensured key officer decisions were recorded using officer decision records, with input from legal and finance teams. Decision logs were kept of all Officer Decisions, which were reviewed by the Corporate Governance Group.

Improving economy, efficiency and effectiveness

The Council developed new joint working and partnership arrangements to respond to the pandemic and ensure that the needs of service users continue to be met.

The Council's Public Health team have been central to the County's response to the pandemic. The Director of Public Health has played a key leadership role, working with partners across the health system at a local, regional and national level. The Council's public health team should be commended for its work in the pandemic which has included:

- acting as the main source of public advice and communications at a local level;
- leading on predictive modelling and monitoring to ensure strategic awareness of the local position;
- providing specialist public health advice to the Strategic Co-ordination Group and other joint planning groups within the response;
- providing advice and guidance on health protection matters, including on the appropriate use of Personal Protective Equipment and on wider infection prevention and control measures, to the Council and partners including schools and care homes;
- establishing and leading a joint infection control systems to manage the partnership response to outbreaks in care homes;
- providing capacity and support to the Community Hubs both through specialist guidance and releasing staff capacity to provide direct support; and
- bringing together partners from District Council Environmental Health teams, NHS services, the County Council Service Centre and Digital Teams, and Public Health England into the first fully-functional local Covid-19 outbreak response system in the North West of England.

COVID-19 arrangements

The Council's pandemic response has involved close working with both Clinical Commissioning Groups and Foundation Trusts in the County along with NHS England and wider partners. The Council has worked to support hospital discharges to ensure that hospitals in Cumbria have maintained sufficient acute capacity. Adult social care teams provided a 7-day per week services on extended hours during the peak and worked to quickly respond to any situations where care and support arrangements were disrupted due to fragility in the care sector. The Council has been able to maintain its care services and has not needed to enact Care Act "easements".

The Council supported the local social care market and established mechanisms to collate intelligence to coordinate an effective response to the pandemic. This included daily information collection to assess the state of the local market, including care homes, domiciliary, supported living and other areas of the care sector.

Cumbria Care provided residential care and home care services. Services have been delivered in line with national guidance. Cumbria Care has worked with the Council's public health team to ensure accurate and timely information and interpretation of national guidance has been made available to the wider care home and home care sector in the County.

As can be seen in Grant Thornton's Covid-19 index, Cumbria has a very high social care risk score across all areas and this contributes to a high overall Covid-19 vulnerability. This is a product of demand on adult and children's care and is exacerbated by the Council's historic challenges to recruit to social care vacancies.

			Covid-19 Vulnerability	Financial vulnerability	People	Place	Economy	Health	Social care
District name	County	Region	COVID-19 Vulnerability Index	Financial vulnerability Index	People Index	Place Index	Economy Index	Health Index	Social care Index
Carlisle	Cumbria	North West							
South Lakeland	Cumbria	North West							
Allerdale	Cumbria	North West							
Copeland	Cumbria	North West							
Barrow-in-Furness	Cumbria	North West							
Eden	Cumbria	North West							

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 rates 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 and hospital reablement activity. An estimated £7 million of additional funding has been identified to support the care market during the 6-month winter period, from 01 October 2021 to 31 March 2022. An action plan has been developed to respond to the health and care system/ market pressures and the risk and response is discussed as a weekly standing item at CMT. We have raised an improvement recommendation that the Council continue to explore opportunities to increase capacity and strengthen the resilience of the County's Social Care services.

Improvement recommendation



Covid-19 arrangements



Recommendation

Continue to explore opportunities to increase capacity and strengthen the resilience of the County's Social Care services.

Why/impact

Cumbria's care market is under significant pressure and there is a risk that the Council will not be able to continue to meet its statutory duties without corrective action. Increasing the capacity and resilience of the care sector will enable the Council to work more effectively with its NHS partners in acute care by reducing delays to individuals being discharged safely to ongoing appropriate care where required. This is a sector wide issue, not restricted to Cumbria.

Auditor judgement

The Council has identified the need for immediate action and has identified £7 million of additional funding to support the adult social care provider market during the 6-month winter period, from 01 October 2021 to 31 March 2022. The Council will need to develop further interventions alongside the required national government support, which will increase capacity and resilience in the medium to long term.

Summary findings

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.

Management comment

This remains a priority for the Council with a significant amount of work being undertaken, including the £7m additional funding referred to above. The Council has a comprehensive Winter Plan covering a wide range of social care related pressures, including the areas identified above and much more. The Winter Plan is a "live document" being constantly updated and refreshed with progress being reported weekly to Corporate Management Team.

The range of recommendations that external auditors can make is explained in Appendix B.

Cumbria Local Government Pension Scheme

The Council is the Administering Authority for the Cumbria Local Government Pension Scheme (LGPS), which is managed by the Council on behalf of 124 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 is 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 is done in conjunction with Local Pensions Partnership Administration - a shared service with 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 is 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 2020/21 financial statement audit indicates that the fund has appropriate arrangements in place which support the making of informed decisions and management of risk.

The Fund uses information about its costs and performance to improve the way it manages and delivers its service. It has subscribed to the CIPFA Pensions Administration Benchmarking Club for 2020/21 to assess its performance and costs against other LGPS Funds. Representatives from the fund attend a quarterly regional Pensions Officer Group and an annual LPP Client Forum, which provides the Fund with the opportunity to share best practice with other LGPS Funds.

At 31 March 2021 the value of the Fund's net assets was £3.067 billion, an increase of £493.3 million from 31 March 2020. 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 2019. The Fund's Investment values rebounded from the COVID 19 -induced slump of March 2020. The Fund returned +18.7% (net of fees) which compared favourably to the Fund's bespoke index performance benchmark for the year of +15.8%. The Fund is a long-term investor primarily focussed on longer-term performance. and outperformed both its 5- and 10-year benchmarks. All targets set within the 2020/21 Business Plan have been achieved during the year.

Conclusion

We are satisfied the Council has appropriate arrangements in place to discharge its functions as Administering Authority of Cumbria LGPS.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Financial Sustainability</p> <p>The forecast outturn on the Council's 2020/21 budget and updating of the MTFP (for 2021-2026) include significant assumptions and uncertainties relating to the impact of Covid 19 and Brexit. Changes to key assumptions on future saving plans could have a material impact on the Council's medium term financial sustainability.</p> <p>The Council has identified proposals to assist with closing the £51.192 million Budget gap reflected in the MTFP for the period 2021/22 to 2025/26. Savings to be found over years 2 to 5 of the MTFP currently total £41.192m.</p> <p>Recommendation</p> <p>Carry out a detailed sensitivity analysis around the key uncertainties and assumptions included in the Budget outturn 2020/21 and revisions to the MTFP to assist agile financial management to secure the Council's medium term financial sustainability, in the light of the uncertain context for Local Government.</p> <p>Challenge the development of proposals for closing and identifying the budget gap in the MTFP, to ensure they are both realistic and deliverable.</p>	2019-20	<p>The Council continues to robustly review its budget forecast and planning assumptions. The unprecedented and uncertain context for Local Government requires that this rigour is maintained, but also presents challenges in determining the extent of the budget challenge the medium term. The continuing impacts of COVID-19 both impact on the demand for services (expenditure) and sources of finance (income). Alongside this the Council continues to support sector bodies e.g. Local Government Association, County Council's Network, Rural Services Network etc in lobbying government for a fair allocation of resources and clarity of the funding framework for Local Government. Financial sustainability is essential to enable the Council to deliver key services and respond to the continuing impacts of the COVID-19 pandemic whilst leading and facilitating recovery of the county, working with partners, communities and businesses.</p>	Partial	<p>Given on-going uncertainties we recommend that the Council continues to use sensitivity analysis and develop a reporting structure to capture and evidence the work undertaken. Note this is linked to the improvement recommendations raised on page 13 and 14</p>

Appendices

Appendix A - Responsibilities of the Council



Role of the Director of Finance:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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) 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
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their 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	
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	13-14, 19- 20 and 28

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

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 did not issue any statutory 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 did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

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 did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

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 did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

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 did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

