

Auditor's Annual Report on Carlisle City Council

2022/23

12 November 2024



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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 those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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Executive summary



Value for money arrangements and key recommendation(s)

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

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

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

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

Executive summary



Financial sustainability

The Council set its final budget in February 2022 and our review of the processes in place to support this identified that the Council understood the risks it faced in respect of producing a balanced budget and the impact of inflationary pressures. A balanced budget was set, including a £0.167 million contribution to reserves. During the year, along with many other Councils, the Council faced significant financial challenges from the impact of inflation on its cost base. Despite this, the Council's outturn reported a favourable variance of £0.687 million. This is a strong achievement against the wider context.

From 1st April 2023, the six district councils within Cumbria and Cumbria County Council were replaced by two new unitary authorities and a fire and rescue service; Cumberland Council, Westmorland and Furness Council and Cumbria Commissioner Fire and Rescue Authority. We have not identified any significant weaknesses in arrangements in the way Carlisle City Council manages risk to its financial sustainability. Although we have raised an improvement recommendation to be taken forward to Cumberland Council to strengthen the arrangements in place.



Governance

We identified a significant weakness in the Council's governance arrangements for 2022/23. The Council did not meet the deadline for publishing draft financial statements. The audit of the financial statements has not been completed due to the finance team at Cumberland Council not having capacity to support the process. The audit for 2022/23 is expected to be subject to the 'backstop' legislation contained within the Accounts and Audit (Amendment) Regulations 2024. As we have been unable to audit the draft financial statements, this means that the limitations of scope imposed by the backstop are pervasive and therefore we will be unable to form an opinion on the financial statements by the statutory backstop date of 13 December 2024. We therefore expect to issue a disclaimer of our audit opinion.

The delay in publication and capacity issues are significantly attributable to the ongoing impact of Local Government Reorganisation and the additional demands on the finance team in establishing arrangements for the new, enlarged organisation. A key recommendation has been made as detailed on page 6 of this report.



Improving economy, efficiency and effectiveness

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified an area where the Council could improve arrangements and as such, have raised an improvement recommendation in respect of ensuring that proposed timelines to undertake a post project review for the Sands redevelopment project are adhered to. Further details can be found on pages 19 to 22.



Financial Statements opinion

Carlisle City Council 2022/23 draft accounts were published 3 May 2024. We have not been able to progress the audit of the financial statements due to capacity issues within the finance team. As such we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and expect to issue a disclaimer of our audit opinion following the meeting of the Audit Committee on 12 November 2024.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Key recommendations



Governance

Key Recommendation 1

Cumberland Council should ensure that the finance team has adequate capacity to prepare draft financial statements and supporting working papers in line with statutory timetables. Capacity within the finance team should also be sufficient to support the external audit process including responding to external audit queries in a timely manner.

Identified significant weakness in arrangements

Failure to meet the statutory reporting timetable stemming from finance team capacity.

Summary findings

Carlisle City Council's draft accounts for 2022/23 were published on 3 May 2024. This was after the statutory deadline for publishing draft accounts.

As the external auditor we discussed the timing of delivering the audit of the financial statements with management. The Council confirmed that there was insufficient capacity within the finance team to support delivery of the audit. This is substantially attributable to the ongoing impact of Local Government Reorganisation and the additional demands on staff focussing on establishing a new organisation and the challenges faced with this, including the ongoing audit of Allerdale Borough Council.

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to support timely production of financial statements meeting the prescribed timetable including capacity within the finance team to support the efficient delivery of external audit. We have therefore identified a significant weakness in arrangements.

Management comments

The resourcing and capacity of the finance team at Cumberland is under review by the S151 Officer. A number of permanent and temporary appointments have been made and further appointments will be made. Due to the ongoing implications from LGR and the complexities of producing the first years accounts an extended timeline has been agreed.

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

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 22.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Local Government Reorganisation

In our Auditor's Annual Report (AAR) for 2021/22 we summarised the findings from our review of local government reorganisation (LGR) in Cumbria. This review focussed on arrangements in place during 2022/23 and as such we reprise the key findings here.

The move from seven to two councils provides an opportunity to realise financial benefits and improve service delivery and the financial sustainability of local government in Cumbria. However, implementing LGR is complex, time consuming and provides some significant challenges. These challenges for Cumbria included a relatively short implementation timescale, the pressures that come from delivering business as usual services by the sovereign councils whilst implementing LGR in parallel, the lack of ownership of some sovereign councils for the approved unitary model and a shared business case, the need to disaggregate county wide finances and services to align to the geographies of the two new unitary councils, and undertaking financial and service planning for the new councils when many senior officers were not in role in a timely way to make key decisions.

The focus taken on ensuring continuity of existing services to residents and businesses in Cumbria meant that the opportunities that should arise from rationalisation and transformation did not progress and were largely been deferred for decisions to be taken following vesting day on 1 April 2023, when it was expected that there should be greater capacity available and senior leadership teams are in place.

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

- Financial sustainability pressures with reliance on potential additional government financial support and use of capital receipts and /or prudential borrowing to fund revenue expenditure
- Sub-optimal progress on the transformation agenda means the new councils will need to act fast, and fully utilise the PMO resource, to drive transformational change to improve service users' experience and generate significant savings.
- Organisational structures, cultures and values will need to be agreed and embedded. This will be critical to the effectiveness of the new councils governance and performance management frameworks.
- Structures and key personnel put in place need to be proportionate to the significant scaled up challenges the new council will face.

- Specifying, procuring and successfully implementing new financial systems to replace the work around solution of utilising legacy financial systems. Whilst the work around arrangements are understandable in the context, this represents significant challenges in the short and medium term which will incur additional costs and impact on accounts production, audit, and budget monitoring.
- Concluding the outstanding disaggregation of services and associated budgets.

It remains important that elected members of the new unitary councils have appropriate time to fully engage with and scrutinise these key decisions.

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

The two new unitary councils should not lose best practice arrangements that we have observed over recent years at sovereign councils, which include, but are not limited to:

- Good governance via effective Audit Committees and robust risk management at Cumbria County Council and Carlisle City Council.
- Strong partnership governance with a focus on demonstrable outcomes at South Lakeland District Council, Carlisle City Council, and Allerdale Borough Council.

Changes to the Fire and Rescue Service resulting from LGR means there are challenges for the service beyond April 2023., including; ensuring its financial sustainability, how it collaborates.

We plan to undertake a follow up review in 2024 on how the new unitary councils have managed the challenges set out in these findings during 2023/24, which will have a particular focus on their financial sustainability.

Financial sustainability



We considered how the Council:

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

2022/23 Budget Proposal

The Council set its final General Fund Revenue Budget and Capital Budget in February 2022, covering the 2022/23 financial year. The Council set a balanced budget, with a £0.167 million contribution to reserves. At December 2022, the Council reported a £1.474 million underspend against budget.

The Council had clear processes to recognise, assess and evaluate the impact of changes in expenditure drivers, including inflation, and reflected these in its budget. The key assumptions and considerations adopted in preparing the 2022/23 budget included recognition of the financial and human resource impact of LGR in the period prior to the transfer of the Authority's functions to the new unitary Authority on 1 April 2023, prioritising the delivery of essential (safe and legal) and statutory services, addressing the medium and longer term impacts of the Covid-19 pandemic on the Council's finances.

2022/23 Outturn

The Revenue and Capital Outturn 2022/23 report for Carlisle City Council was taken to Executive on 5 September 2023. The report also informed members of the treasury management activities during 2022/23, the effects of treasury management decisions and compliance with treasury management policies for 2022/23.

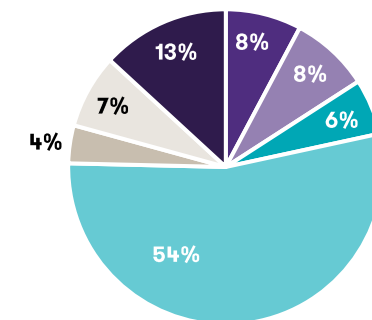
As per the outturn report, actual net expenditure for 2022/23 was £19.693m, this created a net favourable outturn variance of £0.687m against a revenue budget of £20.380m. The report provided members with a summary of the key variances that underpinned the £0.687m net underspend on service expenditure.

The Council's revised capital programme for 2022/23 was approved at £44.807m. The actual capital expenditure in year was £16.783m leaving an underspend against budget of £28.024m. This equates to 63% of the overall budget of the capital programme planned for 2022/23 was not delivered. The Council has a history of underspending against its capital programme. We raised an associated recommendation with our Auditor's Annual Report for 2021/22.

The pie chart below shows analysis of the underspend by capital project and all underspends exceeding £1m. The Sustainable Warmth Grant project underspend of £15.066m contributed to over half the total underspend followed by the Sands Centre development underspend of £2.179m.

The Council re-profiled £27.717m to subsequent financial years total, leaving a net underspend of £0.307m. The unused budget was carried forward to 2023/24 due to changes to the timing of expenditure across financial years compared to the expenditure profile in the 2022/23 capital budget.

Capital underspend by project for 2022/23



Source:
Revenue
and Capital
Outturn
2022/23

- Sands centre development £2.179m
- Future high street fund projects £2.272m
- Town deal funded projects £1.604m
- Sustainable warmth initiative £15.066m
- Disabled facilities grants £1.091m
- Crematorium infrastructure £2.125m
- Other capital projects £3.687m

Financial sustainability

Medium term financial plan

The Carlisle City Council Medium Term Financial Plan (MTFP) 2022/23 to 2026/27 was presented to Council on 14 September 2021. The MTFP is the framework which the Council uses to forecast, plan and manage financial resources for the next five year period. The MTFP is reviewed at the start of each financial year and is based on five principals; revenue budget strategy; commercial and income generation; council tax and business rates policy; treasury management; and capital investment.

Whilst 2022/23 is the last budget set by the Council, financial planning was continued over a 5 year period through to 2026/27. The current medium-term financial projections point to a budget gap that will need to be bridged by use of reserves and achievement of transformational savings. Forecasts indicate that the Council would have needed to make a contribution from reserves in both 2023/24 and 2024/25 to fund non-recurring items of expenditure, with a contribution to reserves in 2025/26 and 2026/27. Given this was the Council's final year of existence, there is no expectation to deliver on the assumptions within the MTFP past 2022/23.

Savings and efficiencies

Carlisle City Council successfully achieved over £9.000m in transformational savings since 2010/11. As per the 2022/23 budget, the Council identified £1.200m of cumulative in year savings to be delivered.

Quarterly Revenue Budget Overview and Monitoring Reports were taken to the People Committee and Executive. From our review of these reports, they do not allow for oversight of progress made against savings targets. The Outturn Report for 2022/23 included summary of the key variances that underpinned the £0.687m net underspend on service expenditure was included within the report. Therefore, the financial performance for the year was positive, however, the savings target was not achieved for 2022/23.

Reserves

The opening General Fund Balance at 1 April 2022 was £6.800m. This was comprised of unapplied General Fund Balances of £5.933m and a General Fund Carry-Forward Reserve of £0.867m. The budget for 2022/23 included £1.860m planned use of General Fund balances to support the revenue budget. After accounting for the transfers to/from Earmarked Reserves, the net underspend against budget in 2022/23 resulted in a net contribution from General Fund balances of £0.560m.

The General Fund balance at 31 March 2023 was £6.240m and this incorporated the Council's agreed minimum retained balance of £3.100m held to provide a contingency to protect services against short term volatility. The opening balance on Earmarked Reserves as of 1 April 2022 was £9.986m. The budget for 2022/23 included planned net contribution from earmarked balances of £5.909m. Total net movement in Earmarked Reserves during 2022/23 was £5.917m.

Budget setting process

The Council has an established process for setting its budget. The budget process starts in summer with the agreement by Council to the MTFP, Corporate Charging Policy, Capital Investment Strategy and Asset Management Plan. These strategic documents guide budget setting. Formal consultation meetings are held to seek the views of council tax payers. The outcome of these consultation are considered by Executive and incorporated into the final budget proposal to Council. The final budget resolution document is available on the Council's website, where it is accessible for council tax payers and other stakeholders to review and raise queries. The budget setting process is multilayered and thorough, with several stages.

The budget paper is clearly set out, highlighting changes to the revenue budget, proposed savings and budget reductions, proposed budget increases, the net budget requirement, funding and council tax projections. There is also a separate section of the report dedicated to the capital budget and reserve projections. The Council's Budget Discipline and Savings Strategy is appended to the budget paper, ensuring transparency around the financial challenges faced by the Council.

Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages with budget holders to assist making budgets. Budget holders have access to real time monitoring reports via the finance system. There is a high level of scrutiny as budget-holders are held accountable at Senior Management Team meetings, Business and Transformation Scrutiny Panel and Council levels. Review of Executive minutes indicate that quarterly budget monitoring reports have been subject to challenge and scrutiny. Appropriate detail is included where there are variances from budget.

Financial sustainability

Alignment of financial plan and other strategies

Council Plan

The Carlisle Plan 2021 – 2023 formed part of the Policy and Budgetary Framework for the Council. The Medium-Term Financial Plan sets out how Carlisle City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces.

The Corporate Priorities set out in the Carlisle Plan are as follows:

- Economic growth
- Health and wellbeing

The Carlisle Plan priorities are delivered in line with the Council's Budget and Policy Framework and is reviewed annually before the setting of service plans within the Council's Directorates.

Carlisle Local Environment (Climate Change) Strategy

In March 2021 Carlisle City Council adopted its Local environment (Climate Change) Strategy with the ambition of getting to net zero by 2037. The commitment is, that all the activities of the Council, all strategic decisions, budgeting, and, in so far as the Council can influence, arrangements with partners, are in line with eliminating pollution and achieving net zero carbon emissions as soon as possible. The strategy is reasonably referenced in the 2022/23 budget, however, there was no carbon reduction budget included in the financial plan. We could not identify any forecasts, or sensitives considered by the Council on the cost of becoming net neutral.

In future budgets, the Council should consider the inclusion of detailed analysis on expenditure in relation to carbon reduction, and reflect long term expected expenditure in the Medium-Term Financial Plan. We have raised an associated improvement recommendation.

Improvement recommendation 1

Conclusion

We have not identified any significant weaknesses in arrangements in the way Carlisle City Council manages risk to its financial sustainability. Although we have raised an improvement recommendation to be taken forward to Cumberland Council to strengthen the arrangements in place.

Improvement recommendations

Improvement Recommendation 1

Alignment of financial plans to other strategies

Improvement opportunities identified

In future budgets, Cumberland Council should consider the inclusion of detailed analysis on expenditure in relation to carbon reduction, and reflect long term expected expenditure in the Medium-Term Financial Plan.

Summary findings

The Carlisle Local Environment (Climate Change) Strategy is reasonably referenced in the 2022/23 budget, however, there was no carbon reduction budget included in the financial plan. We could not identify any forecasts, or sensitives considered by the Council on the cost of becoming net neutral.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Cumberland Council Joint Leadership Team are working together on Council Priorities and are continuing working on integrating our Strategic Planning and Financial Planning timelines

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

Governance



We considered how the Council:

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

Risk management and internal controls

The Council's Constitution sets out the Executive responsibilities for approving the Council's Risk Management Statement and Strategy and for reviewing the effectiveness of risk management. The Annual Governance Statement (AGS) for 2022/23 confirms that the Council revised and developed its risk management arrangements and implemented a Risk Management Assurance Framework, incorporating the three lines assurance model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible.

As previously reported in our 2021/22 review, Internal Audit undertook a review of the Council's risk management arrangements in 2022/23 (report December 2022). This review provided reasonable assurance with regards to the system of internal control in place to ensure that system objectives are generally achieved. The report made one high priority and three medium priority recommendations with regards to lack of formal review of the Corporate Risk Register and operational risk management arrangements by both the Corporate Risk Management Group and the Risk Management sub-group. In March 2023 Internal Audit reported progress to the Audit Committee on the implementation of outstanding recommendations and confirmed that regular meetings of the CRMG were taking place and any ongoing recommendations would be considered as part of ongoing review of Risk Management review within the new authority. The Council's Assurance, Risk and Audit function has been part of an LGR Risk Management Group, developing Cumberland's approach to Risk Management. The Risk Management Framework for Cumberland Council was approved by the Council's Audit Committee in October 2023 and previous issues raised at legacy councils are being considered and addressed as part of this process.

Our review has confirmed that a Risk Management Framework has been developed for Cumberland Council and was approved by the Audit Committee in October 2023. This will be subject to review in 2023/24.

The Council's AGS sets out the arrangements in place for the governance of the Council's affairs and the steps taken to provide assurance over the effectiveness of internal controls. The Council adopted a local Code of Corporate Governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. The Council also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

Governance

Internal Audit

We reported that the Council had an effective in-house Internal Audit function in 2021/22 with the designated Head of Internal Audit also being the Council's Head of Financial Services. These arrangements continued to be effective during 2022/23 with a shared management arrangement with Allerdale and Copeland Borough Councils, promoting a consistent approach ahead of LGR and the establishment of Cumberland Council.

At the start of the financial year, an Internal Audit Plan was approved by the Audit Committee. Quarterly reports were received by the Audit Committee on progress delivery of the Audit Plan. An Internal Audit Annual Report including HIOA opinion is received by the Audit Committee, which is used to support the AGS. Internal audit progress reports were reported to Audit Committee meetings as follows:

Audit Committee meeting	Progress report coverage
July 2022	April to June 2022
September 2022	July to Sept 2022
December 2022	October to November 2022
March 2023	December 2023 to March 2023

19 reviews were planned for 2022/23. As at March Audit Committee the team had completed 14 of the 19 (73%) proposed reviews within the plan, with three further audits expected to be completed by 31 March 2023, taking estimated completion to 89%. There is no evidence of gaps in the assurance for the Audit Committee.

An Internal Audit assessment was undertaken against the CIPFA PSIA checklist and reported to Audit Committee in July 2022.

The Council's Assurance, Risk and Audit function has been part of an LGR Risk Management Group, developing Cumberland's approach to Risk Management. The Risk Management Framework for Cumberland Council was approved by the Council's Audit Committee in October 2023 and previous issues raised at legacy councils are being considered and addressed as part of this process.

From our review of the Carlisle City Council Internal Audit Plan, we have identified that the designated Head of Internal Audit is also the Council's Head of Financial Services, with management responsibility for the Accountancy team. Several controls have been implemented to prevent any impairment to Internal Audit's independence or objectivity such as:

- The Audit plan will be agreed by the Senior Management Team collectively.
- Audit reviews are presented to the Audit Committee by the Audit Services Manager.
- The scope of all audits are agreed in advance with Chief Officers.
- The Head of Financial Services will not review any work that they have direct operational responsibility.
- Any non-cosmetic amendments requested for reports in this area will be reported to the Audit Committee.
- Satisfaction surveys will not be issued for audits that the Head of Financial Services has operational responsibility.

We have not raised an improvement recommendation in this area as there are new arrangements for internal audit in place at Cumberland Council. We will review these as part of our 2023/24 value for money work for Cumberland Council.

Internal Audit issued a Procurement (Counter Fraud) report in April 2022 as part of the prior year 2021/22 Internal Audit Plan, it was concluded that the current counter-fraud controls operating within Procurement provide reasonable assurances.

The Council has an internal control framework in place that includes the robust financial management over the procurement of goods and services. Controls have been well established and are in line with expectations for any public organisation however the following issues were identified:

- There is limited horizon scanning in place to maintain awareness of developments within the procurement fraud risk environment, increasing the Council's exposure to not being able to prevent or detect new types of procurement fraud.

Governance

Internal Audit (continued)

- There is a need to ensure responsible officers monitor the risk environment to maintain a general awareness and the Council's approach to managing risk should be formally reviewed as part of the risk management framework to ensure regular update and review of mitigating controls.
- There is a need to update and review all associated regulations, policies and procedures to ensure they align with the risk environment.
- Training and awareness should be focussed on individuals with fiscal responsibility, who should also be reminded of the requirement to declare any potential conflicts of interest.
- Consideration should also be given as to whether such posts should also receive a CRB/DBS check.
- There is also a need to ensure a consistent approach is adopted to adherence with financial and recruitment policies. While most high usage suppliers were found to be compliant with standing orders, several issues were identified where the Council has used the same supplier for a number of years, resulting in a potential breach of the Standing Orders. This poses significant risk to the Council in terms of ensuring value for money is in place also exposes the Council to risk of exposure to challenge from competitors. A high risk recommendation was made and this was followed up by Internal Audit in 2022/23.

We have not raised an improvement recommendation on this matter, the Internal Audit report related to 2021/22 and was issued in early 2022/23. Internal Audit were satisfied with the controls in place after the follow up performed in 2022/23. The breach related to a lack of oversight and review on spend and subsequent aggregation of overall spend. This spend could then exceed limits and therefore be subject to formal contract procedures.

Risk management and internal controls

The Internal Audit Annual report for 2022/23 confirmed there were no significant weakness in internal controls and a "Reasonable" assurance opinion was provided, however, the opinion emphasised ongoing concerns in the following areas:

- ICT controls due to various vacancies within the department, including the Head of Service and limited progress in implementing historic recommendations was first raised in 2019/20. These concerns remain for 2022/23 due to the low number of outstanding actions that could be closed, however it is acknowledged the team has taken considerable steps to increase resources and assurances have been obtained that the service has worked closely with the relevant LGR workstream to ensure outstanding actions are addressed. The impact of Local Government Re-Organisation continued to be a particular pressing resource issue for ICT Services during 2022/23 as the service area is fundamental to ensuring a safe and legal transition.
- Various resource pressures continue to impact on the Council's potential to adequately manage its risk environment. Local Government Re-Organisation has had a significant pull on senior and service manager's time. There is a risk that managers are required to prioritise workloads, resulting in the potential for established controls to be missed or circumvented. These additional pressures have also reduced client engagement with Internal Audit, with teams struggling to respond to requests for information, though engagement in 2022/23 has improved overall compared to the previous year.
- One partial audit was issued in the year, relating to delivery of the Sustainable Warmth Grant that highlighted some governance and risk management concerns in relation to the delivery of a major project. However, assurances have also been obtained that these control concerns have been addressed and that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project. (See pages 21-22 for more detail)

All legacy council recommendations have been reviewed for continued relevance and will be followed up by Internal Audit at Cumberland Council. In addition, cyber security is a strategic risk on the risk register for Cumberland Council and will continue to be monitored via the risk management framework. An Internal Audit of ICT and cyber security was undertaken during 2023 and reported to Cumberland Council's Audit Committee, providing "reasonable" assurance.

In our previous report and work on LGR, we highlighted ICT systems as a key risk area and emphasised that this, coupled with the heightened risks associated with cyber security in the wider economy mean it is vitally important that the weaknesses identified by Internal Audit are fully addressed and associated recommendations are implemented by Cumberland Council.

Governance

Fraud and Corruption

The Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud and Corruption was provided during the year and a supplementary e-learning training module on Money Laundering is available to all staff. Internal Audit deliver an annual review of counter-fraud arrangements to identify improvements against best practice. They also reviewed and suggested improvements to the Counter-Fraud Policy during 2022/23, which will also be used to support counter-fraud arrangements for the new authority.

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The complaints process was streamlined during 2021/22 and embedded in 2022/23. The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role. The Council has a Confidential Reporting Policy that is available to all members of staff

Informed decision making including the Audit Committee

The Council has effective leadership in place. In 2022/23 the Executive comprised of the Leader and five Executive Members (six for part of the year), one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month. The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, which is incorporated into the Constitution,

The document is available publicly on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels. Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: People, Place and Resources. These Panels undertake the statutory scrutiny role and assist with examining and commenting on proposed by the Executive for adoption as part of the policy framework.

The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process. Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

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

	2022/23	2021/22
AGS control deficiencies	None identified	None Identified
Head of Internal Audit opinion	Reasonable Assurance on the Councils overall systems of governance, risk management and internal control.	Reasonable Assurance on the Councils overall systems of governance, risk management and internal control.

Governance

Standards and behaviours (continued)

The Council has a Code of Conduct for its elected members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and all members adhere to these standards through their declarations of interest and register of gifts/hospitality as part of their Declaration of Acceptance of Office when elected.

The new Code of Conduct arrangements have been standardised across Cumbria as far as possible. The Standard's Committee has oversight of the Members' Code of Conduct, to ensure compliance and adequate training of Members. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process.

The members' Code of Conduct is supplemented by a protocol governing member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and day-to-day working relations between members and officers.

Since April 2021 the Council, and the other Cumbrian Councils, have adopted and followed a Code of Conduct based upon the template promoted by the Local Government Association. At the same time the Council also approved updated arrangements for dealing with standards matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct is contained within the Council's Constitution.

The Council's Monitoring Officer has overall responsibility for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. During 2022/23 the Monitoring Officer also provided a range of functions relating to the conduct of Councillors (including maintaining the Register of Members' Interests, Code of Conduct complaints), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes amendment recommendations, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings with the Chief Executive and Section 151 Officer to review current and likely future issues with legal, constitutional or ethical implications.

The Council has systems in place to ensure that appropriate legal and financial advice is provided throughout the decision making process. All reports to members requiring a decision incorporate an addendum from the Council's Monitoring Officer and the Corporate Director of Finance and Resources.

The Council has a gifts and hospitality guidance note and maintains a gifts and hospitality register for officers and members. The Council's website includes details of Councillors interests.

Preparation and audit of financial statements

The Accounts and Audit Regulations 2015 amended by SI 2021 No. 263 and SI 2022 No. 708 require that:

- draft accounts and annual governance statement are published for the exercise of public rights on or before the first working day of June or as soon as reasonably practicable; and
- that the audited accounts should be published not later than 30 September (for years up to 2027/28) or if the audit is not concluded, as soon as reasonably practicable.

Carlisle City Council's draft accounts for 2022/23 were published on 3 May 2024. This was after the statutory deadline for publishing draft accounts.

As the external auditor we discussed the timing of delivering the audit of the financial statements with management. The Council confirmed that there was insufficient capacity within the finance team to support delivery of the audit. This is substantially attributable to the ongoing impact of Local Government Reorganisation and the additional demands on staff focussing on establishing a new organisation and the challenges faced with this, including the ongoing audit of Allerdale Borough Council.

Due to the capacity issues in the Cumberland finance team, the audit will fall into the 'backstop' arrangements to address the Local Government audit backlog as set out in the Accounts and Audit (Amendment) Regulations 2024. As we have been unable to audit the draft financial statements, this means that the limitations of scope imposed by the backstop are pervasive and therefore we will be unable to form an opinion on the financial statements by the statutory backstop date of 13 December 2024. We therefore expect to issue a disclaimer of our audit opinion.

Given the delays to receiving the draft 2022/23 financial statements, we have identified a significant weakness in arrangements in this area and have raised an associated key recommendation.

Key recommendation 1

Conclusion

We have identified one significant weaknesses in the Council's Governance arrangements in respect of delays to the preparation and audit of the financial statements and we have raised a key recommendation. Looking forward to the new unitary authority, Cumberland Council should ensure that the finance team has adequate capacity to prepare draft financial statements with supporting working papers in line with statutory timetables and support the external audit process including responding to external audit queries in a timely manner.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Use of financial and performance information

The Council developed a new performance framework during 2021 as a result of the formulation of the Carlisle Plan and Corporate Plan. Performance reporting continued to be embedded during 2022/23.

The following reports were presented in 2022/23:

Committee	Quarter one Performance report	Quarter two Performance report
People Panel	25 August 2022	24 November 2022
Place Panel	1 September 2022	1 December 2022
Executive	3 October 2022	19 December 2022

We have not identified any further reports being presented in the interim up to the demise of the Council in March 2023, although committee work plans indicated that Quarter three reports would be presented in March 2023.

The reports contain the quarter's performance against service performance against the Service Standards and a summary of the Carlisle Plan 2021-23 actions as defined in the Plan. The Key Performance Indicators (KPIs) are also included as an appended dashboard. At the time of this report there five KPI's reported as "Red" relating to the following:

- actual Bereavement Services revenue as a percentage of Bereavement Services expenditure;
- percentage of return-to-work interviews completed in five working days of returning to work;
- actual car parking revenue as a percentage of car parking expenditure;
- actual city centre pedestrianised zone revenue as a percentage of city centre expenditure; and
- Building Control to decide 100% of all applications within the statutory period of 5 weeks or 2 calendar months (with the consent of the applicant).

Summary explanations are provided for the performance achieved and mitigating actions required. We note that in the run up to LGR there were gaps in reporting to committee however as performance reporting had commenced within the new authority we have not made an improvement recommendation in this report. As referred to in our 2021/22 report issued in March 2023, we reiterate that Cumberland Council should consider what assurances are provided over the accuracy of the performance information provided.

Improving economy, efficiency and effectiveness

Partnership working

As reported in previous report in March 2023, the Council has a Partnership Policy in place that provides guidance on the nature and risks of partnerships, however management acknowledged that this was out of date and a new policy would be adopted by Cumberland Council after LGR. Partnership arrangements and governance will be reviewed within Cumberland's 2023/24 review. For 2022/23 responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the policy and in general working practices. The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. A Business Case model, based around good practice measures, is used for all new proposed partnerships and considered by SMT and Executive. The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships.

Risk assessments are maintained and shared with partners throughout the life of the partnership and emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to the relevant Scrutiny Committee and the Audit Committee.

Annual reviews are undertaken for all significant partnerships and all Shared Service arrangements. We highlighted in our 2021/22 review that annual reviews of partnerships had not been considered by a Council Committee in 2022/23 and therefore reiterate that this is assigned to an established Committee of Cumberland Council.

Commissioning and procurement

The Council's Contracts Procedure Rules and Financial Procedure Rules are set out in detail in the Council's Constitution and define the overarching rules governing procurement by the Council and the powers and constraints on members and officers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually and updated by the Council.

The Council has a Procurement and Commissioning Strategy that ensures best value is achieved whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.

Sands Redevelopment

The Sands Centre Redevelopment (SCR) project is a £27m capital investment into facilities to provide health and wellbeing opportunities for our residents. A list of facilities that are now provided is shown in the right image.

The SCR project has provided:

- Main Pool Hall
- Learner Pool with a moveable floor
- Pool Store, Timing Room, and a Spectator Seating Gallery.
- Four Court Sports Hall with a Spectator Gallery
- 120 station Fitness Suite with an office.
- Two Dance Studios
- Spinning Studio
- Wet and Dry Change facilities
- Changing Places Facility
- Dementia friendly design
- NHS Physiotherapy Suite
- First Aid
- General Meeting Room/Office (10 persons)
- Reception Desk with offices
- Vending facilities
- Staff facilities (including Kitchen and Social)
- Environmental measurers to support more efficient use of energy

Improving economy, efficiency and effectiveness

Commissioning and procurement - Sands Redevelopment follow-up continued

As previously reported, the events centre re-opened in September 2022 and the new leisure facilities opened to the public in November 2022. In February 2023, full Council approved a further increase to the capital project budget of £1.750m to settle the contract with the supplier and complete works which were removed from the main contract. Additional revenue costs of £2.103m were also approved for increased management fees for 2021/22 to 2023/34 due to the delayed to the opening of the Sands Centre, from July 2021 to November 2022.

The construction contract was formally completed (“Practical Completion”) on 23 December 2022. The contractor remained on site carrying out “snagging” as there was a 12-month defects period for them to return and deal with any issues that arise.

We made an improvement recommendation in our 2021/22 report that a post project evaluation should be undertaken. From discussions with the Assistant Director of Neighbourhoods, we confirmed that as the Sands Leisure Centre only opened in November 2022, and with the current closure of the auditorium within due to a requirement to remove Reinforced Autoclaved Aerated Concrete (RAAC) panels in the roof, following government legislation in August 2023, the post project review has not yet taken place.

To ensure the fullest possible consideration and alignment to the operation of the centre; the Council considers it would be most effective for the audit to be undertaken on an interim basis in April 2024 with a full audit in April 2025. We will monitor progress closely as part of our 2023/24 and subsequent years audit.

Improvement recommendation 2

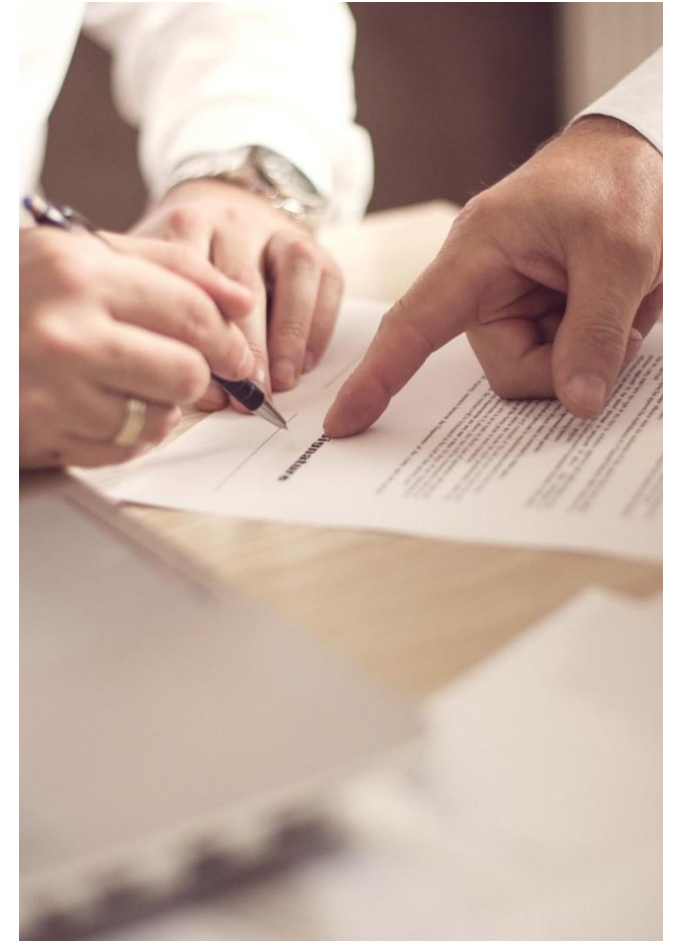
Sustainable Warmth Grant

We reported on the Sustainable Warmth Grant in our previous report as follows:

“Carlisle City Council applied for and subsequently offered £19.955m of grant funding on behalf of the Cumbrian Sustainable Warmth consortium of district councils. The City Council assumes the role of Accountable Body for the grant funding and its use across Cumbria. A Memorandum of Understanding (MoU) was agreed with the former Department for Business, Energy and Industrial Strategy (BEIS) in November 2021. The MoU required upgrades to be delivered by March 2023, although an extension could be determined at the Secretary of State’s discretion.

The sustainable warmth project experienced delays due to difficulties recruiting staff into key project positions. Senior management indicated that they were not made aware of key concerns in a timely manner until the risk of project delay.”

We made an improvement recommendation in our 2021/22 report issued in March 2023 that the Council should ensure that sufficient resources are in place to manage the Sustainable Warmth Grant and maximise the benefits and limit the amount that must be returned to BIES and undertake a comprehensive post project review of the management of this grant and ensure key lessons are learnt.



Improving economy, efficiency and effectiveness

Commissioning and procurement - Sustainable Warmth Grant continued

Internal audit undertook an associated review which was reported to Audit Committee in December 2022. Partial assurance was given, with one high and three medium priority recommendations as follows:

- An arrangement should be put in place to document regular review of key project risks, with significant escalating risks highlighted to the Council's Risk Officer.
- Finalise the Memorandum sub-agreements with the District Councils.
- Put an arrangement in place to demonstrate robust compliance with the BEIS Memorandum of Understanding.
- Progress towards all key project milestones regularly reported to Senior Management.

This report was scrutinised by the People's Panel in January 2023, with an update in February 2023 at which time expenditure stood at approximately £1m. The former BEIS agreed, subject to completion of a managed closure plan and the deadline for the completion of the scheme was put back to September 2023 from end of March 2023.

The Sustainable Warmth Grant was only added to the Corporate Risk Register in November 2022.

Cumberland Council - Internal Audit Committee - October 2023

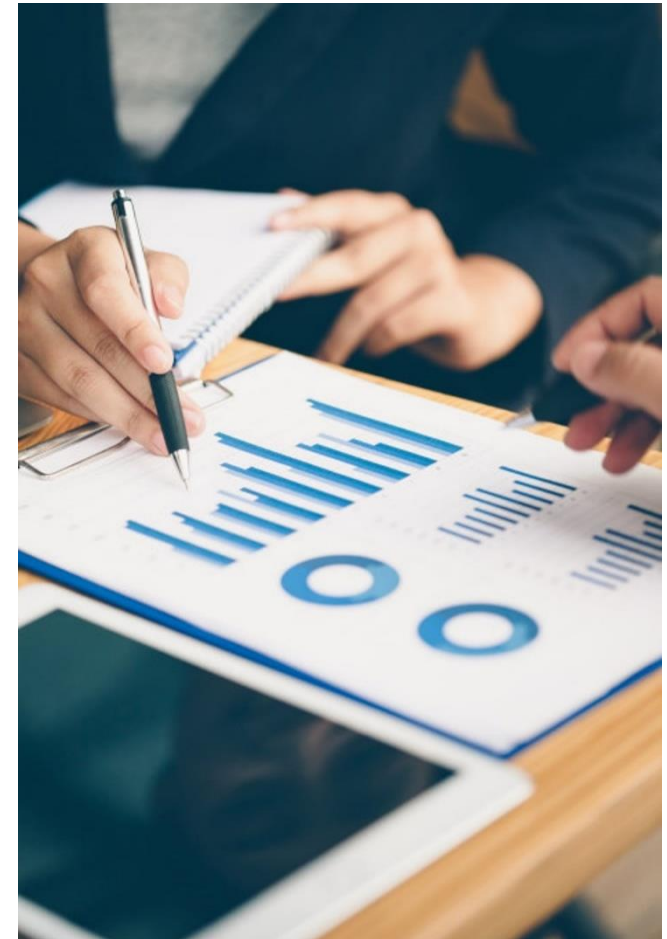
It was reported to the above Committee that Internal Audit have verified grant claim expenditure of £1.671m incurred on the Sustainable Warmth Grant – HUG (Home Upgrade Grant). A further £1.805m was transferred to the LAD (Local Authority Delivery) scheme.

The remaining underspend of £10.629m will be returned to the Department of Energy, Security and Net Zero in accordance with the agreed terms. The £7.7m allocated to the LAD programme which was completed at 30 September 2021 will also be subject to audit verification.

Issues around the delivery of the Sustainable Warmth Programme were previously reported to Carlisle City Council's Audit Committee in December 2022. A lessons learned document has now been issued and communicated to relevant officers for Cumberland Council, helping to prevent similar programmes incurring the same initial difficulties previously reported. We are satisfied that our previous recommendations have been addressed.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements Improving economy, efficiency and effectiveness. We have raised an improvement recommendation in relation to ensuring that proposed timelines to undertake the post project review for the Sands Development Project are adhered to.



Improvement recommendations

Improvement Recommendation 2	The Council should ensure that proposed timelines (April 2024/April 2025) to undertake the Post Project review for the Sands Development Project are adhered to.	
Improvement opportunity identified	To fully assess costs/ benefits and gain valuable insight on what went well and any lessons learnt to inform project management and delivery for future projects.	
Summary findings	As the Sands Leisure Centre only opened in November 2022 and with the current closure of the auditorium within the Sands Centre, to ensure the fullest possible consideration and alignment to the operation of the centre; The Council considers it would be most effective for the Audit to be undertaken on an interim basis April 2024 with full audit April 2025. We will monitor progress closely as part of our 2023/24 and subsequent years audit	
Criteria impacted		Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.	
Management comments	The Director of Place for Cumberland has noted the recommendation - however the identification of RAAC has delayed the timeline of the project and the post project review	

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

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The medium term financial plan includes various assumptions which includes an increase of income over inflation. As the Council is heavily exposed to reliance on investment income to deliver its financial objectives, the impact on future revenue streams needs very close monitoring and management to maintain the Council's financial health.	Improvement	2019/20	The MTFP for 2022/23 was revised to include scenario planning and sensitivity analysis on the levels of income and how they would impact the Council's MTFP going forward.	Yes	No
2 Set realistic budgets which are sufficiently robust and not too optimistic, reporting the sensitivity analysis and scenario planning undertaken on key assumptions and estimates.	Improvement	2020/21	Budgets for 2022/23 were set with regard to scenario planning and sensitivity analysis on key assumptions and the budget was balanced and included appropriate estimates.	Yes	No
3 Continue to explore opportunities to maintain and bolster the Council's reserves and identify transformational schemes and savings to address the funding gaps in the MTFP beyond April 2023 to support the financial sustainability of the new Cumberland Unitary Council	Improvement	2020/21	The Council will be passing over a balanced budget and reserves to Cumberland that provides the new unitary the best opportunities to thrive. The 2022/23 MTFP still included savings gaps but also did not include recurrent funding such as new homes bonus grant and business rates retention. However, LGR has since overtaken this position and Cumberland have now set their MTFP for 2023/24 and beyond.	Yes	No

Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4 Closely monitor delivery of the capital programme through existing arrangements to ensure the spend profile and timing of capital expenditure remains accurate and supports delivery of the Council's Capital Strategy. Consider the affordability and revenue implications of significant capital projects for the Council and legacy financial sustainability challenges and opportunities for Cumberland Unitary Authority.	Improvement	2020-21	Capital budgets are closely monitored on a monthly basis and where required, reprofiling is undertaken as soon as practical to ensure accuracy of the spend in the year. The Capital Strategy for 22/23 was written with reference to the Council's Corporate Plan and priorities. No new external borrowing has been undertaken, even though the Council is under borrowed. This has meant revenue savings to the General Fund budget and has been possible due to higher than average cash balances. The Council has a history of underspending against its Capital Programme and this has continued in 2021/22 and 2022/23. Cumberland Council will need robust arrangements to ensure it's significant capital programme is delivered.	No	We have re-raised this recommendation for consideration by the successor body.
5 Ensure Corporate, operational and project risk registers are formally reviewed by members of Senior Management Team.	Improvement	March 2023	Recommendation agreed for consideration by Cumberland Council post April 2023 2023/24 Risk Management Framework for Cumberland approved at Audit Committee in October 2023.	Yes	No
6 Ensure ICT and cyber security controls are reviewed and updated in line with sector best practice.	Improvement	March 2023	Recommendation agreed for consideration by Cumberland Council post April 2023 Internal Audit undertaken by Internal Audit at Cumberland Council. Reported to Audit Committee in October 2023.	Yes	No

Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7 Ensure that sufficient resources are in place to manage the Sustainable Warmth Grant and maximise the benefits and limit the amount that must be returned to BIES. Undertake a comprehensive post project review of the management of this grant and ensure key lessons are learnt.	Improvement	2020/21	See pages 21-22	Yes	No
8 Carry out a comprehensive Post Project review of the redevelopment of the Sands Project	Improvement	March 2023	See page 21	Still relevant for Cumberland Council	We have re-raised this recommendation. See improvement recommendation 3 on page 21.
9 Ensure all Policies are reviewed on an annual or more regularly basis including Anti Fraud and Corruption Policy and Hospitality policy	Improvement	2020/21	Policies updated and approved by new Cumberland Authority in 2023	Yes	No

Opinion on the financial statements



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

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

We conducted our audit in accordance with:

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

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

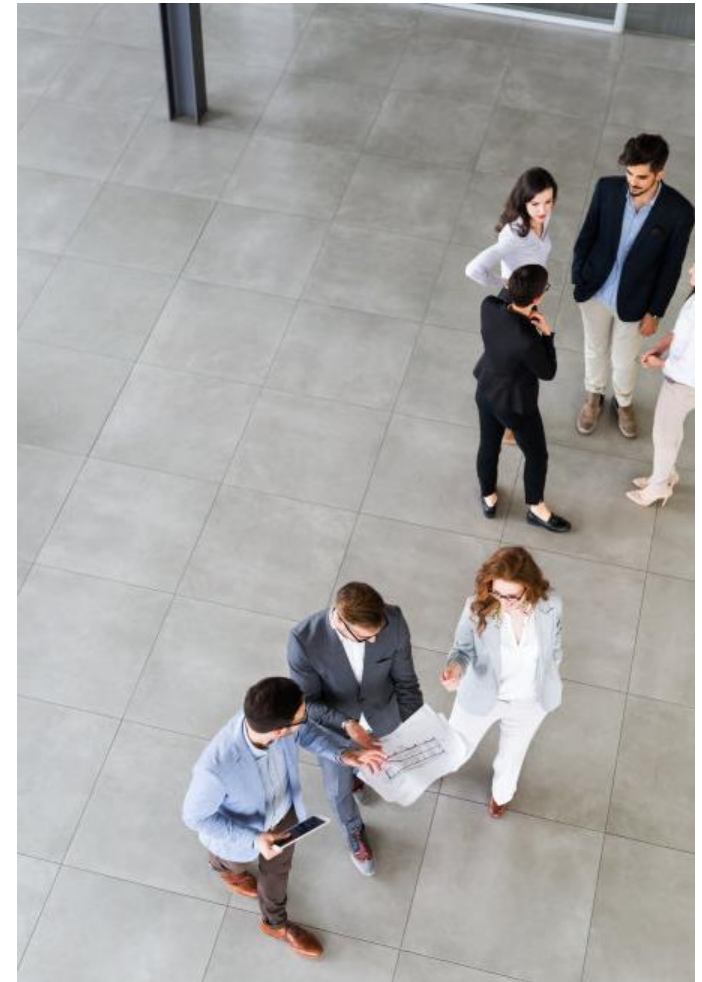
Audit opinion on the financial statements

The Accounts and Audit Regulations 2015 amended by SI 2021 No. 263 and SI 2022 No. 708 require that:

- draft accounts and annual governance statement are published for the exercise of public rights on or before the first working day of June or as soon as reasonably practicable; and
- that the audited accounts should be published not later than 30 September (for years up to 2027/28) or if the audit is not concluded, as soon as reasonably practicable.

Carlisle City Council 2022-23 draft accounts were published 3 May 2024.

Due to capacity issues within the finance team at Cumberland Council, the audit of the accounts has not progressed and we are unable to form an unqualified opinion by the backstop date of 13 December 2024. We expect to issue a disclaimer of audit opinion due to the limitation in scope.



Appendices

Appendix A:

Responsibilities of the Council

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

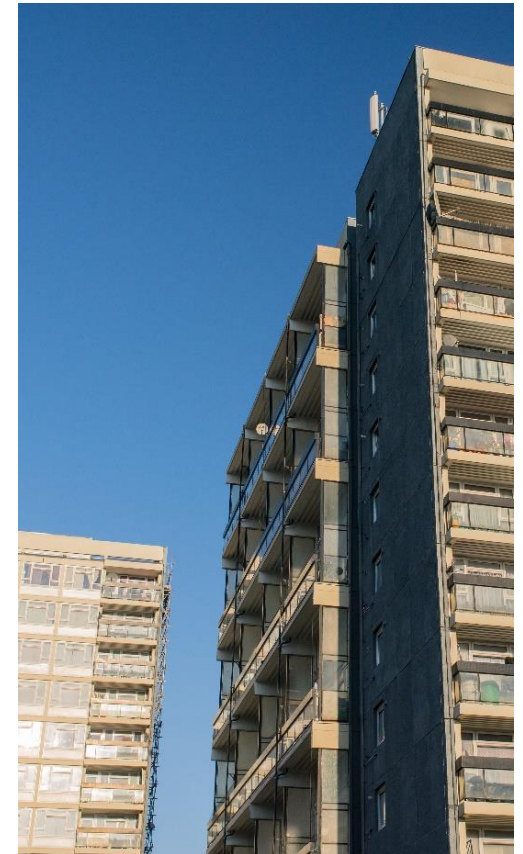
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	6
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 and 23

