The Chartered Institute of
Public Finance & Accountancy

CIPFA

Cumberland Council

External Assurance Review

October 2024

A Report by:

The Chartered Institute of Public Finance and Accountancy

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1. Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

This review is focussed throughout on an assessment of the council's progress since its previous CIPFA review undertaken in 2023, in terms of financial resilience and management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for further improvement.

The council has made strides since October/November 2023 in terms of stabilising the top three tiers of management, making service improvements and agreeing a number of key strategies and policies, for example asset disposal, early help for families and remodelling of residential care for old people. It has established an independently chaired Panel which was a requirement of receiving in-principle capitalisation in February 2024. As at September 2024, the Panel has met once.

The council has demonstrated political stability; however, its Audit and Scrutiny functions are still maturing which potentially hinders effective oversight and accountability. These relevant committees do not yet effectively challenge or advise the Executive.

Achieving financial sustainability continues to be a significant challenge, with, at the time of writing, a projected deficit of £17 million for 2025/26 at March 2024, compounded by developing savings of £21 million and a carry-over deficit of £3.1 million from 2024/25. This situation indicates a potential savings requirement exceeding £41 million, highlighting the urgent need for robust financial planning and management.

The transformation programme is managed through the council's Programme Management Office (PMO). However, the governance structure around this and the other savings/ service development programmes seems to be hindering decision making. As a result, the council is not "agile" in its ability to promptly make service changes. The previous CIPFA recommendation to elevate the Section 151 post to the second tier of management has not been actioned.

The absence of a coherent contingency plan to address financial shortfalls is of concern. The Chief Executive has discussed a number of options with the CIPFA team that could assist in bridging the financial gap; however, these have not been formalised into a strategic plan. It is clear that the council has assets which could be disposed of, but without a clear strategy, their impact remains unclear. The role of the Improvement Panel in scrutinising and giving assurance to any such plan will be crucial.

The lack of evidence in the delivery of a significantly enhanced capital programme shows that it is overly ambitious and unmanageable within the council's current capacity, thus presenting a significant barrier to effective financial management and service delivery.

The equal pay claim, which alleges that female dominated roles, such as cleaners and cooks, have been compensated less favourably than equivalent male dominated roles, such as refuse collectors and road workers, continues to be a substantial financial risk that needs ongoing strategic attention to mitigate its potential impact on the council's financial health. This is also impacting the speed with which services are fully harmonised and all legacy issues dealt with. There is no evidence of a co-ordinated, comprehensive plan to deal with this, which is causing concerns for staff.

There is still insufficient capacity within finance and performance to deliver the support required by service departments. Finance reporting is critically poor, and while the performance management structure is good, there is a lack of comparative data to enable effective benchmarking.

While there have been positive outcomes in education and improvements in children's and adults' services, other areas, such as waste management, require further progress. Overall, service delivery is uneven, with some services performing well while others lag.

The council is seeking to reprofile its existing “in principal” agreement for Exceptional Financial Support (EFS) ie it is not, at this stage, requesting any additional support in future years. To enable it to function within this current envelope it will need to have a clearer focus on its financial management, prioritise the delivery of its asset disposals programme and harmonise its terms and conditions to minimise the need for a further application for support.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
1. The council has not undertaken a formal review of its financial management arrangements against the CIPFA financial management code. There is therefore an underlying risk of poor financial management practice in some areas, although none was evident in this review.	3	1. The council should undertake a formal review against the CIPFA financial management code. May 2025
2. The current arrangements for scrutiny do not fully achieve the outcomes sought by Government guidance published in April 2024.	4	2. The council should consider appointing an Independent Chair of the Audit Committee and review its arrangements for receiving customer and resident's views on service delivery at Scrutiny Committees. As soon as possible
3. There is no overview by the Audit Committee of the forward plan for the council's finances; there is no apparent mechanism for judging value for money.	4	3. The Audit Committee should incorporate into its work plan regular items on the council's finances, in particular the Medium-Term Financial Plan in order to assess future financial risk. As soon as possible
4. The lack of a finance training programme for members impedes their ability to hold the Executive to account for the delivery of its plans for financial sustainability.	4	4. The Council should develop a financial training programme for all members focused on the options available for the council to become financially sustainable. As soon as possible
5. The council's financial stability is currently jeopardised by significant capacity issues within its finance function. Recent findings from an internal audit highlight these shortcomings, indicating that the council is at risk of not being able to manage its financial operations effectively in the short term.	9	5. The council should prepare a plan that identifies what a good financial function would comprise, including the systems for integrated financial management and identify the short; medium and long term investment required to achieve that. As soon as possible
6. The current positioning of the Chief Finance Officer (Section 151 Officer) as a third-tier officer under the Director of Resources, despite participation in Senior Leadership	6	6. The council should reconsider elevating the role of the Chief Finance Officer (Section 151 Officer) to a higher level within the management structure, ideally as a direct report to

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
Team (SLT) meetings, could undermine the influence and visibility of the financial perspective in strategic decision-making.		the Chief Executive. This would enhance the visibility and influence of the financial perspective in the decision-making process. As soon as possible
7. The current Strategic Risk register, as presented to members of the Audit Committee, does not allow them to easily assess the success or failure of individual mitigation actions. This undermines the Committee's ability to perform its role, potentially leading to unmanaged risks and significant adverse consequences for the council.	4	7. The council's review of its strategic risk register should enable the Audit Committee to adopt a proactive approach by focusing on future risk trends and incorporating a performance-based assessment of risk mitigation efforts. This approach should evaluate how effectively mitigation actions are reducing the overall level of strategic risks. January 2025 ongoing
8. To balance the budget for 2024/25 the council has to achieve all its savings proposals. These are not yet certain.	9	8. The Improvement Panel should undertake an in-depth independent review of the council's budget based on a monthly 'run rate' approach to satisfy themselves of the achievement (as intended) of a balanced outturn at the end of 2024/25 and into 2025/26. As part of 2025/26 budget preparations.
9. The scale and complexity of the transformation programme, coupled with the need to address legacy issues, present considerable challenges to the financial sustainability of the council.	9	9. The council should review and prioritise its transformation and savings programmes and subject both them and the emerging Contingency Plan to scrutiny by the Improvement Panel. Immediate and ongoing
10. The council has an enormous savings programme to achieve a balanced budget in 2024/25 and 2025/26. As it stands the deficit for 2025/26 is estimated at £17.65 million. The short term plans to resolve this are not fully developed and required rigorous attention to detail by Members and Senior Officers to provide a convincing plan.	9	10. As part of its high-level budget planning exercise for 2025/26 the council needs to demonstrate how it can achieve a balanced budget in that year and at the same time put into general reserves the amount planned to be used to support the 2024/25 budget. As soon as possible
11. The overall size of the Capital Programme has increased, since 2023 but most critically there has been an increase in the requirement for borrowing (although this has been reduced due to recent re-profiling). The council's requirement for	9	11. The council should not introduce any further schemes to the capital programme unless they are critical provably 'invest to save' or funded by external grant. As soon as possible

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
borrowing is putting an increased strain on revenue expenditure.		
12. The council does not have the capacity to pursue such a large capital programme as evidenced by the slippage and re-profiling of the programme.	9	12. The council should undertake a capacity review and consider whether the appointment of third-party delivery partners would ensure the progress of the programme in a timely way whilst retaining overall control. As soon as possible
13. The council has now established an asset management strategy that promises overtime to manage its assets more effectively. The risk is that in the short to medium term there is insufficient capacity to create sufficient asset disposals to provide resources to improve the council's financial position and in particular to provide the commitment to support further transformation work in 2025/26.	9	13. The council should explore recruitment of a third-party commercial property agent to develop a programme of assets disposal which, whilst respecting the council's asset management strategy, creates the opportunity for significant disposals in the short to medium term. As soon as possible
14. The council's borrowing is expected to rise over the next three years by 16.7%, thus increasing the revenue requirement to fund that borrowing.	4	14. The council needs to review whether the revenue consequences of its borrowing are sustainable. As part of budget 2025/26 preparation.
15. The absence of significant challenge to the Executive from Scrutiny and the Audit Committee means the Executive may be unaware of issues of concern to other members, partners and the public. This may risk the Executive being unsighted.	4	15. Provision should be made for the Chair of Scrutiny Committees and the Audit Committee to attend at their request, and with the agreement of the Executive, meetings of the Executive to review issues of concern. As soon as possible
16. Unless the council improves and refines its performance and financial data it will struggle to meet the needs of the Executive and accurately reflect the council's progress.	4	16. The council should continue to review the capacity within its Performance Management function to ensure it can deliver the necessary information to the Executive to enable it to fulfil its strategic oversight of the council plan. February 2025 ongoing
17. The council is relying on plans of legacy councils in a number of areas. Not having single Cumberland Council plans could be an inhibiter to progress where previous policies are	4	17. The development of a suite of plans supporting the Council Plan should be given priority to replace legacy Council Plans. January 2025 ongoing

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
now not part of the council's priorities.		
18. The heavy involvement of the Senior Leadership Team (SLT) in clearing decisions and the concentration of decision-making authority at the top could hinder agility and responsiveness.	**4**	18. The council should consider reviewing its scheme of delegation for decision-making authority to ensure it can act promptly in key areas. March 2025
19. The differing pay grades, terms, and conditions inherited from legacy councils are complicating workforce unification and impacting staff retention. This issue, combined with the ongoing Equal Pay claim, presents a significant risk to the council's financial position and may hinder the achievement of the projected £10 million savings over the next three years and the development of its "value driven culture".	**6**	19. The council should prioritise the harmonisation of pay grades, terms, and conditions across the council. January 2025 ongoing
20. The scale of activity required to achieve transformation; financial sustainability; resolution of Local Government Reorganisation (LGR) legacy issues and the Council Plan aspirations is restrained by the lack of investment in the council's corporate functions and is not currently being adequately addressed.	**4**	20. The council needs to consider what a fully resourced corporate function would look like and detail a set of proposals that over-time would provide for a robustly functioning corporate centre. This should include a plan to ensure properly integrated corporate finance (including procurement) and HR functionality. March 2025 ongoing
21. The council's lack of comprehensive use of comparisons may lead to a failure to challenge service costs and to achieve stretching performance improvement including making any judgement of Value for Money.	**6**	21. The council should compile a detailed comparative database of relative costs per head and service performance to assist and challenge budget planning for 2025/26 by focussing on Value for Money. May 2025
22. The performance reporting is hampered by undefined measurement that will hinder Members understanding of progress. In addition, many indicators do not have a stretched target or a national target or are not in the LG Inform (LGA) database. Until this is resolved there is a continuing risk to the council of poor performance in those areas.	**4**	22. The council should re-assess its suite of indicators: resolving the status of those that are not reported on; comprehensively reviewing action that can be taken to resolve those that are RAG rated 'red'; seeking a stretched target to make improvement a priority and seeking to increase the number of indicators for which a consistent comparator is available. March 2025

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
23. None of the measures in the council's reported performance framework detail service user satisfaction with the council's services meaning the council has no view of satisfaction other than through the annual budget consultation exercise. The Corporate complaints are not analysed for improvement and learning thus missing an opportunity for improvement.	4	23. The council should develop a regular way of testing customer satisfaction with the full range of services. Corporate complaints improvement actions and learning should be provided for members. March 2025
24. The council needs to improve the links between the Council Plan priorities, budget setting and business planning in order to ensure that the 'golden thread' from priorities is in place.	4	24. The council's Leadership Team should ensure that there is a much closer link between the Council Plan priorities, budget setting and service planning and that in future years the business planning cycle should start much earlier. March 2025
25. The council does not have a set of concise, complete and comprehensive Service Plans and though a standardised format is available, those viewed are not complete. This poses a risk to service delivery.	6	25. The council should ensure that all service areas develop and maintain detailed Service Plans, and that these are reviewed and updated regularly. This will facilitate a more consistent approach to planning across the council. March 2025

Table 1: Summary of risks, ratings and recommendations

2. Introduction

2.1 Background

The council formally requested Exceptional Financial Support (EFS) from the Department for Levelling Up, Housing and Communities (DLUHC) (now the Ministry of Housing, Communities and Local Government, (MHCLG)) for the financial year 2023/24. CIPFA undertook an initial high-level assessment of the council's financial position in December 2023 at the request of the Department.

In January 2024, the council made a new request for support for the current financial year for £41.23 million. The council were provided with this support in-principle in February. The conditions attached to this in-principal support included a requirement for the council to undergo an external assurance review and to produce an improvement and transformation plan to be monitored by an local improvement panel.

2.2 Requirement

MHCLG asked CIPFA to provide an assessment of the council's progress since its previous CIPFA review in terms of financial resilience and management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

To provide this assessment, we were asked to look at six key themes:

- *progress:* a view on the progress made by the Local Authority to implement the recommendations from its previous CIPFA review in December 2023

- *financial management and sustainability:* an assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability

- *capital programme, debt, investments and assets:* an assessment of the council's capital programme / overall debt position including short and long-term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council

- *governance:* an assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement

- *service delivery:* an assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service

- *improvement plan and roadmap:* in consideration of the findings of the review areas, targeted, tangible, and timely recommendations to assist the council in designing and implementing an improvement plan to address the identified risks and issues.

At MHCLG's request, particular attention was paid to the following areas:

- a view on the progress made by the Local Authority to implement the recommendations from its previous CIPFA review in December 2023

- identification of particular service areas that are underperforming and the ability of the Local Authority to rectify the issue within its own resources and activity, particularly in Education, Adult and Children's Social Care and Public Health which CIPFA noted as service delivery areas that needed to improve in its previous review

2.3 Methodology

In our approach, we were mindful of the six broad areas for review, and the particular areas of focus, as set out above.

Our approach comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed over 80 documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Appendix 2. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the RA and RO forms. Service performance data has been extracted from a wider range of sources including: The Office for Local Government (Oflog), the council's own surveys of residents and staff, and work undertaken by LG futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable 'triangulation' of our analysis. Council officers, at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Appendix 3.

Report drafting, feedback and fact-checking

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA’s review team consisted of an experienced finance consultant and a service specific consultant with relevant background in Social Care and Children’s Services. All consultants have also had career experience at Chief Executive or Deputy Chief Executive level.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

It should be noted that with regard to Review Area 1: *A view on the progress made by the Local Authority to implement the recommendations from its previous CIPFA review in December 2023* this has been addressed throughout the report within the various other review areas.

3. Areas Reviewed

3.1 Review Area 1: PROGRESS SINCE LAST CIPFA REVIEW

A view on the progress made by the Local Authority to implement the recommendations from its previous CIPFA review in December 2023.

This report highlights several areas of progress and ongoing challenges since its last review, with a focus on financial resilience, management, governance, capital planning, and service delivery. Key areas of progress include:

- **Financial and Management Stability**: The council has stabilised its top three management tiers and made strategic decisions, such as implementing an independently chaired Budget Improvement Panel and advancing policies on asset disposal, residential care remodelling and early help for children and families.
- **Governance**: Political stability has been maintained, and the council has established Audit and Scrutiny functions. However, these functions require further development to effectively challenge and advise the Executive.
- **Service Delivery**: Progress has been observed in children's and adults' services, with specific initiatives in place to improve outcomes, although some services, like waste management, still require significant attention.
- **Financial Oversight and Planning**: The council faces substantial financial pressures, with a projected deficit and undeveloped savings requirements for upcoming years. Despite this, steps have been taken to manage the budget through a Programme Management Office (PMO) overseeing its transformation initiatives. However, governance constraints around the savings and service development programs limit the council's agility in implementing swift changes.
- **Capital Programme**: A revised capital programme, increased borrowing, and re-profiling efforts have been undertaken to manage project delivery. However, challenges remain due to capacity limitations and complex legacy issues from prior local government restructuring.
- **Risk and Contingency Planning**: The council lacks a coherent plan to address financial shortfalls comprehensively, although discussions have been initiated. A formalised plan is essential for future assurance and scrutiny by the Improvement Panel.
- **Staffing and Capacity**: Insufficient capacity in finance and performance reporting continues to be a bottleneck, impacting the council's ability to deliver cohesive service support and rigorous budget monitoring.

These issues are all explored in further detail in the following sections.

3.2 Review Area 2: FINANCIAL MANAGEMENT / SUSTAINABILITY

An assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability.

The council's financial management, governance processes including the effectiveness of the audit and scrutiny committee(s), as well as compliance with Local Government accounting codes and international finance reporting standards.

Key findings and analysis

Cumberland Council was formally established as a unitary authority on 1 April 2023, following its prior operation as a shadow council. The council moved swiftly to adopt a new Constitution in April 2023, which outlines its budget and policy framework, effectively replacing the governance arrangements of the legacy councils. However, the transition to the new operational processes required time for staff to adapt and integrate these changes fully. As noted in our previous report, the council's Constitution incorporates comprehensive Finance Procedure Rules and Contract Procedure Rules, consistent with good practice standards.

The Executive receives quarterly corporate performance reports that detail the progress towards achieving the Council Plan, service performance indicators, and financial updates. During 2023/24, the council faced challenges regarding the quality of financial information provided to spending managers. This, in turn, impacted the systematic development of the 2024/25 budget, revealing a lack of alignment between the Council Plan, the budget, and service planning. To address these issues, the council intends to improve its budget planning process for 2025/26. However, as of September 2024, the council is still reviewing its Council Plan to streamline and rationalise its priorities. Consequently, budget planning for 2025/26 has been slow to commence, leading to concerns about the compressed timeframe available for this process.

The council has placed significant emphasis on its financial position, resulting in the development of many savings proposals for the 2024/25 financial year. Several of these proposals have been designated as part of the 'Transformation' initiative and are integrated into a broader programme subject to detailed programme and project management processes with robust governance arrangements.

The Director of Business Transformation and Change leads the council's transformation programme, which aims to achieve the set savings targets. Financial sustainability is recognised as a key corporate risk, and the council has implemented several mitigation activities, including:

- **Budget Monitoring**: Reported monthly to Directorate Management Teams (DMT) and the Senior Leadership Team (SLT).
- **Programme Management Office (PMO)**: Oversees work plans to achieve Medium-Term Financial Strategy (MTFS) savings proposals.
- **Transformation Programme Boards**: Monitor ongoing financial pressures and savings in service budgets, alongside management mitigations to control approved budgets.
- **Assurance Board**: Meets weekly to monitor the long-term delivery of savings and ongoing demand pressures within the MTFS.

- **Director's Performance Clinics**: Review corporate Key Performance Indicators (KPIs), including financial data.

Whilst the council's resource commitment to achieving these outcomes is commendable, there is a concern that the focus on financial control may be fragmented, potentially weakening unified financial oversight. Furthermore, there appears to be a disproportionate allocation of attention and management effort towards driving efficiencies through the transformation programme, relative to service reviews (primarily directorate-driven) and resolving issues related to the legacy of local government reorganisation (LGR). This imbalance could impact the effectiveness of both financial management and service delivery improvements.

The council has Scrutiny Panels for Business and Resources, Health, People, Place and one for Hosted Services (services shared with Westmoreland and Furness Council). In December 2023, the Executive endorsed an Executive and Scrutiny protocol that had been developed by Scrutiny Members, based on Government guidance and good practice. A Scrutiny Development Plan (the date of its production is yet to be agreed) will set out detail of how scrutiny will continue to upskill, engage with Executive and achieve over each year. It is noted that Scrutiny has managed one "call-in" in the current financial year.

The Annual Report on Scrutiny, published in April 2024, identified a key challenge for the future: transitioning from an initial establishment phase to a more proactive role in policy and service development. Acknowledgement of the need for development is a positive step, as our review of Scrutiny meetings since early 2024 indicates that the Committees have had a limited influence on the council's direction. Despite good attendance by members and the submission of reports on new policies and initiatives, no recommendations for changes to policy or practice have been made. There is no public record of pre-analysis or challenges being posed to the Executive or Senior Officers by the Committees. Attendance by operational Directors is limited to instances where they are presenting, and only the Health Scrutiny Committee has engaged with potential partners.

Moreover, there is no evidence that the perspectives of customers or residents are being systematically considered by the Committees. Since the beginning of 2024, only one Task and Finish Group has reported its findings, and only one additional group has been established.

The Business & Resources Scrutiny Committee receives quarterly performance and financial reports only after these have been reviewed by the Executive, thereby missing an opportunity for effective scrutiny and challenge.

A review of the Audit Committee meetings since the beginning of 2024 indicates that the Committee is fulfilling its fundamental responsibilities, which include reviewing Treasury Management, overseeing Internal and External Audit functions, and monitoring the accounts of both the council and the legacy councils. Most members attend regularly, and the Committee's capacity has been strengthened by the appointment of an independent member with extensive experience. The Committee is attended by the Section 151 Officer (or the Director of Resources in their absence) and External Audit representatives and receives comprehensive reports from Internal Audit.

Despite, however, receiving in-depth risk presentations on key areas such as Transformation, Children's and Adult Services demand management, and the council's financial sustainability, the Committee has not made any formal recommendations concerning the council's financial position, aside from suggesting that the finance function should be enhanced. The absence of Executive Members at these 'deep dive' presentations limits the potential for meaningful engagement and follow-up action.

Additionally, the Audit Committee has expressed concerns regarding the potential overlap with the Business and Resources Overview and Scrutiny Committee. The request for an informal briefing to clarify the separation of functions suggests a risk that financial scrutiny and oversight may not be adequately focused.

The council has not undertaken a formal review of its arrangements against the CIPFA Financial Management Code, and in this light a formal review should be undertaken to give the council greater assurance as to its financial management arrangements.

Risks

1. The current arrangements for scrutiny do not fully achieve the outcomes sought by Government guidance published in April 2024.
2. There is no overview by the Audit Committee of the forward plan for the council's finances and there is no apparent mechanism for judging value for money.
3. The lack of a finance training programme for members impedes their ability to hold the Executive to account for the delivery of its plans for financial sustainability.
4. The council has not undertaken a formal review of its financial management arrangements against the CIPFA financial management code. There is therefore an underlying risk of poor financial management practice in some areas, although none was evident in this review.

Recommendations

1. The council should consider appointing an Independent Chair of the Audit Committee and review its arrangements for receiving customer and resident's views on service delivery at Scrutiny Committees
2. The Audit Committee should develop a forward focus on the council finances (particularly the Medium-Term Financial Plan) in order to assess future financial risk.
3. The council should develop a financial training programme for all members focused on the options available for the council to become financially sustainable.
4. The council should undertake a formal review against the CIPFA financial management code.

The capacity and capability of the council to deliver an effective finance function to the council commensurate with the complexity of its particular circumstances, this should include the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

The council's management structure includes a Director of Resources, under whom the Chief Finance Officer (Section 151 Officer) operates as a third-tier officer. We accept this is not unique and while the Section 151 Officer participates in the Senior Leadership Team (SLT) and attends fortnightly 'golden triangle' meetings with other statutory officers, there remains an ongoing concern that "The Voice of Finance" is not receiving adequate prominence within the council's decision-making processes.

Our previous review highlighted concerns regarding the capacity of the council's finance team. The Deputy Section 151 Officer post remains vacant; whilst progress on finalising the salary level and recruitment process has been slow, this post is currently being advertised. The council has adopted a business partnering model, assigning a single named finance team member to each Directorate to support financial management. However, this model has not yet fully addressed the capacity issues.

A recent internal audit of financial governance provided only a *'reasonable assurance'* rating. The council's financial reporting has not met the standards required for robust financial management. Some reports to the Executive during this current financial year contained financial implications statements that we felt understated the seriousness of the council's financial position. The process of financial reporting is still incomplete, relying on data extracted from multiple systems. This fragmentation has resulted in delays in financial reporting, leading to concerns over the accuracy and timeliness of the information provided. Service managers have expressed uncertainty regarding the robustness of the financial information, while finance staff have questioned the adequacy of information supplied by service managers, particularly in relation to the financial consequences of their activities.

Although monthly financial reporting to Directorate management teams is in place, significant delays have been noted. The Quarter 1 budget monitoring figures for 2024/25 were only presented to the Executive in September 2024 which reflects delays in service and executive data being available too, alongside the final outturn for 2023/24. It is expected that the submission for External Audit will not take place until early 2025. These delays hinder effective financial oversight and planning.

There is currently no effective financial scenario planning, and the integration of performance and activity data with financial information to accurately model and forecast demand is lacking. While the business partnering model is generally regarded as beneficial, there is room for greater involvement in service reviews and transformation projects. Service managers acknowledge an improved understanding of their budgets compared to the previous year. However, Value for Money benchmarking exercises, typically conducted across service areas, were not performed during 2023/24 due to resource constraints and data limitations following Local Government Reorganisation (LGR).

The council's financial function is operating below the capacity required to effectively support its activities, a fact acknowledged by senior leadership. However, there is currently no comprehensive plan to address this shortfall. A proposal for a single Enterprise Resource Planning (ERP) system is under consideration, but its implementation is at least 18 months away. The Audit Committee, informed in July 2024 of the capacity issues impacting the finance team's ability to support both the transformation programme and ongoing operations, has resolved to monitor the development and implementation of an action plan for improvement.

The council is facing significant challenges in its financial management and governance. While some improvements have been made, the overall capacity of the finance function remains insufficient to meet the council's needs. The ongoing reliance on fragmented systems, coupled with delays in financial reporting and a lack of integrated scenario planning, poses risks to effective financial oversight and strategic planning. Addressing these issues, including filling key vacancies and enhancing financial capacity, is crucial for the council to achieve financial sustainability and robust governance.

Risks

5. The council's financial stability is currently jeopardised by significant capacity issues within its finance function. Recent findings from an internal audit highlight these shortcomings, indicating that the council is at risk of not being able to manage its financial operations effectively in the short term.

6. The current positioning of the Chief Finance Officer (Section 151 Officer) as a third-tier officer under the Director of Resources, despite participation in Senior Leadership Team (SLT) meetings, could undermine the influence and visibility of the financial perspective in strategic decision-making.

Recommendations

5. The council should prepare a plan that identifies what a good financial function would comprise, including the systems for integrated financial management and identify the short; medium and long term investment required to achieve that.

6. The council should reconsider elevating the role of the Chief Finance Officer (Section 151 Officer) to a higher level within the management structure, ideally as a direct report to the Chief Executive. This would enhance the visibility and influence of the financial perspective in the decision-making process.

The council's approach to financial risk management including identification, management and treatment of risk

Key findings and analysis

The council's approach to financial risk management is still evolving but "Deliver a Financially Sustainable Authority" is currently identified as one of the council's most significant corporate risks, with a high level of strategic importance. Included within the mitigations is the establishment of an independent finance review body, aimed at providing external assurance and oversight. This was a key recommendation within the previous review undertaken by CIPFA in December 2023.

The objective of this Improvement Panel is to lower the risk rating from high (red) to medium (amber) by the end of the current financial year which is a challenge. The Panel is scheduled to hold its inaugural meeting in October.

Risk matters are reported regularly to the Senior management team. Cabinet reports and lead member decisions have sections including financial risk. The completion within reports of the "Financial Risk Section" is inconsistent highlighting the need for increased capacity and awareness of this key area. The overall level of risk awareness amongst senior staff was good.

The Audit Committee regularly reviews updates on the strategic risk register, which is characterised by its high level of detail and complexity. This is being reviewed at the request of the committee to provide more clarity and insight into risks and trends.

The Risk Management Framework has also been reviewed and amended following an annual assessment. It now specifies directives for service directorates to develop and maintain operational risk registers, conduct quarterly reviews, and escalate risks exceeding the significant risk threshold.

The Senior Leadership Team had agreed to implement the Ideagen Risk Management System to enable online recording, monitoring, and reporting of risk registers.

It is clear that the council is taking proactive steps to strengthen its financial and risk management frameworks. However, the success of these measures will depend on effective implementation, adequate resourcing, and the continuous engagement of both the Audit Committee and Senior Leadership Team in monitoring and addressing emerging risks.

Risks

7. The current Strategic Risk register, as presented to members of the Audit Committee, does not allow them to easily assess the success or failure of individual mitigation actions. This undermines the Committee's ability to perform its role,

potentially leading to unmanaged risks and significant adverse consequences for the council.

Recommendations

7. The council's review of its strategic risk register should enable the Audit Committee to adopt a proactive approach by focusing on future risk trends and incorporating a performance-based assessment of risk mitigation efforts. This approach should evaluate how effectively mitigation actions are reducing the overall level of strategic risks.

The underlying drivers of any financial fragility and risk and the council's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

At the time of the last CIPFA review, the council's financial projections were as follows:

Year	Net Revenue Budget Requirement	Expected Deficit
	£m	£m
2023/24	£291.566	0
2024/25	£319.014	0
2025/26	£345.505	£17.658

Table 2: Net Revenue Budget Requirements and Deficits

The council has now provided its draft outturn for 2023/24, indicating a Net Revenue Budget Requirement of £293.139 million. This reflects an overall budget increase of £1.573 million compared to the original projection. A detailed analysis of service areas reveals a mixed financial performance, with significant variances:

- **Children's Services**: Overspent by £17.046 million, driven by pressures in demand and cost increases in Cared for Services.
- **Resources Directorate**: Underspent by £14.392 million, indicating efficiencies or delays in planned expenditure.

Despite these challenges, the Executive agreed in March as part of the budget report that the budget can be balanced for 2023/24 through the utilisation of £11.723 million from the General Fund. This action will ensure that no deficit is carried forward into the next financial year.

In February, the council's Executive approved a Net Revenue Budget Requirement of £329.978 million for 2024/25 which was based on receiving £41.23m capitalisation (i.e. the council's 2024/25 ask). This budget includes several key provisions

- **Inflation and Pay Awards**: £19.787 million to accommodate increased costs.
- **Children's Services Demand**: An additional £12.5 million to address rising demand and service pressures.
- **Unachieved Savings from 2023/24**: £7.123 million to cover shortfalls in previously planned savings.
- **Budget Realignment**: £5.834 million for adjustments including changes in income.
- **Corporate Contingency Budget**: £1 million allocated for unforeseen expenditures.
- **Non-Recurring Growth**: £0.347 million for specific, one-time costs.

These allocations reflect the council's attempt to proactively address known pressures while maintaining flexibility to respond to unforeseen challenges.

The council has recently concluded its financial review for Quarter 1 of 2024/25. The revised Net Expenditure forecast is now £320.3 million, down from the approved budget of £329.978 million. Key variances are noted across service areas:

- **Children's Services**: Forecasted to overspend by £10.1 million, largely due to a £6.8 million shortfall in funding for Cared for Services.
- **Place Directorate**: Predicted overspend of £3.7 million, driven by an expected £2.5 million overspend in Waste Management services.
- **Treasury Management**: A favourable variance of £6.8 million, resulting from delays in the capital programme delivery and deferred borrowing requirements.

Overall, the council projects a potential adverse outturn of £3.173 million for 2024/25. To achieve a balanced budget, an unplanned contribution of £3.173 million will be required from the General Fund.

The current financial projections for 2024/25 indicate a drawdown on the council's reserves as follows:

- **General Fund Reserves**: Expected to reduce from £33.0 million to £28.9 million.
- **Earmarked Reserves**: Predicted to decline from £70.1 million to £65.1 million.

These reductions reflect the impact of ongoing financial pressures and the need to support operational budgets. While the council remains committed to maintaining financial resilience, the depletion of reserves poses a potential risk to long-term sustainability.

Conclusion

The council faces ongoing financial challenges, highlighted by significant service overspends and unmet savings targets. While strategic use of reserves is enabling balanced budgets in the short term, the trend of declining reserves underscores the need for robust financial management and the identification of sustainable savings. The council must continue to monitor its financial position closely and implement proactive measures to mitigate risks and ensure long-term financial stability.

Risks

8. To balance the budget for 2024/25 the council has to achieve all its savings proposals. These are not yet certain.

Recommendations

8. The proposed Improvement Panel should undertake an in-depth independent review of the council's budget based on a monthly 'run rate' approach to satisfy themselves of the achievement (as intended) of a balanced outturn at the end of 2024/25 and into 2025/26.

An assessment of steps the council is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, and ensuring activities that are no longer required are being scaled back (e.g. teams that were previously expanded during COVID) etc.

Key findings and analysis

The council has proposed significant savings over the next three years as part of its strategic financial planning. The planned savings are as follows:

TABLE OF PLANNED ESTIMATED SAVINGS				
	2024/25	2025/26	2026/27	Total
	£000s	£000s	£000s	£000s
Recurring Savings – BAU and Transformation	20.253	21.450	16.150	57.853
Service Review and Budget Mitigation	15.598	0	0	15.598
Non-Recurring Savings	1.759	0	0	1.759
TOTAL	**37.610**	**21.450**	**16.150**	**73.451**

Table 2: Net Revenue Budget Requirements and Deficits

The proposed savings for 2024/25 reflect varying impacts across different services; the significant reductions required from Children's Services of 14.57% are of particular note.

The council has invested significantly in a structured programme management approach to oversee its transformation agenda. This is an immense programme which is having to be delivered alongside the harmonisation of service delivery and the complex process of disaggregating joint services with Westmoreland and Furness Council.

One of the key strands of the Transformation Programme is the "Pre-Front Door" initiative, aimed at managing demand for both children's and adult services. The programme has been agreed but is in its early stages. In addition, the council expects to benefit from several improvements and efficiencies in the current year:

- **Reduction in Cared-for Children**: Numbers have decreased from 529 to 476, with accommodated children reducing from 76 to 66.
- **NHS Contributions**: Anticipated additional contributions of £900,000 towards service costs, with a reduction in legacy debt.
- **Better Use of Grant Funding**: Improved utilisation of available grants to support service delivery.
- **Full Cost Recovery**: Increased emphasis on achieving full cost recovery for adult social care services.
- **Dynamic Purchasing System for Home-to-School Transport**: Implementation of a new system to optimise transport services and reduce costs.

Further the council has implemented several cost-control measures, including:

- **Vacancy Control Panel**: This effectively functions as a recruitment freeze, resulting in an estimated reduction of approximately 500 posts.
- **Inflationary Increase in Fees and Charges**: The council has adopted a policy to increase fees and charges annually in line with inflation. For 2024/25, this has been set at 6.7%, projected to generate an additional £1.57 million in income.
- **Commercialisation Efforts**: The council recognises the need to enhance its commercial approach. While inflation adjustments have been made to fees and charges, there is a need to modernise this strategy further. The council is considering external support to conduct an independent review and baseline the current position. Additionally, there are plans to engage third-party support to review the commercial estate and maximise income from council assets.

On 15.10.24 a Budget Strategy Report was presented to the Executive which included an update on the transformation and service plan savings programme which was anticipated to deliver £37.6 million in year 2024/25. This noted that:

- £24.5 million are rated as green i.e. have been or will be delivered
- £3.9 million are rated amber i.e. have a detailed plan to deliver with some risk
- £1.9 million are rated dark amber/red i.e. are still planned to deliver but with greater risk as to the timing
- £7.1 million will not be delivered of which £2.6 million will not be achieved in 2024/25 with £3.0 million requiring to be saved in 2025/26 and £1.4 million reprofiled into 2026/27

A contingency plan to deliver a balanced budget is being developed and we have been informed that this will include items such as:

- a further review of fees and charges,
- vacancy control,
- speeding up the asset disposal programme,
- reviewing the capital programme and
- consideration of whether to seek from Government the freedom and flexibility to increase Council Tax beyond referendum principles.

CIPFA has not yet seen this detailed plan.

The council recognises that if it is unable to balance the 2024/25 budget through this plan it will need to draw down £10 million of the £12 million EFS provided to enable the council to balance its budget and to which it currently has “in principle” agreement to address any shortfall.

As far as 2025/26 and 2026/27 it is acknowledged that the council is still working on the details of its EFS requirement. It has been stated, however, that it will need at least £12 million of EFS as capital receipts to fund transformation activity have not yet been generated. The council also believes that of the £10 million EFS ask for redundancy – the majority (circa £9 million) will need to be rescheduled to 2025/26 and 2026/27 and subject to ministerial approval.

EFS and investment expenditure: It is assumed that the transformational investment will be capitalised. This will require a further approval for EFS and the identification of and realisation of capital receipts to finance this ongoing investment. On this basis it does not impact the revenue budget gap directly.

This contingency plan will require rigorous programme management and continued attention to service delivery impacts. The council's commitment to addressing demand management, improving service efficiency, and enhancing income generation will be critical in meeting its financial objectives. Nonetheless, the scale and complexity of the transformation programme, coupled with the need to address legacy issues, present considerable challenges that will need to be carefully managed to avoid service disruption and ensure financial resilience

Risks

9. The scale and complexity of the transformation programme, coupled with the need to address legacy issues, present considerable challenges to the financial sustainability of the council.

Recommendations

9. The council should review and prioritise its transformation and savings programmes and subject both them and the emerging Contingency Plan to scrutiny by the Improvement Panel

An assessment of the council's efforts to maximise productivity and minimise waste. This should include consideration of the council's approach to EDI activity.

Key findings and analysis

The council has outlined its intentions for transformation and savings, emphasising the importance of maximising productivity and minimising waste. Alongside this the council has used a recruitment freeze since October 2023 to efficiently manage the headcount. In addition it is making steps towards harmonising certain operational services. This has not been completed and there are, for example in the waste collection service, instances of multiple teams in different locations. To address this there are service reviews ongoing as part of the transformation programme in Leisure, Waste, Housing, Adults, Cumberland Care and Day Services.

Other savings are based on achieving operational efficiencies and others by vacancy management/restructure. The majority of the savings (£2.089 million) from these are intended to be achieved in 2024/25. No headcounts have been identified from these savings and therefore the overall impact on productivity cannot be identified.

In April 2024 the Executive agreed to a policy statement and approach to Equality, Diversity and Inclusion and agreed to publication of the overarching Equality Objective (2024-2028). The council's Productivity Plan says that the council is currently developing an implementation plan which will be delivered through existing or planned programmes of activity across the council. The council has put a community engagement framework in place to embed the importance of engagement across all services. Equalities training is one of a number of mandatory online training packages for all staff to be completed at a time of their choosing through our online learning portal. There are a number of staff networks across the organisation as part of a staff engagement approach.

The council's Director of Public Health and Community is also SRO for its Pre-Front Door transformation. This has three strands, the first of which is about early intervention with families. The second strand is creating community hubs bringing together prevention services and trying to stop people needing services with experimental hubs in Carlisle and Workington. A third strand, as yet underdeveloped, is Community empowerment enabling confidence, skills, and knowledge to become involved, shape and influence the planning, development, and delivery of services.

Risks

None identified.

Recommendations

None identified.

An overall view on the ability of the council to manage identified budget pressures through its own resources. This should include a view on whether the council could and should take further action to minimise the need to use / seek a capitalisation direction. If it is apparent the council requires capitalisation to manage its budget, an assessment of how the council expects to 'fund' the capitalisation (i.e. through external / internal borrowing or through capital receipts), and the viability / risks of their proposed approach.

Key findings and analysis

In February 2024, the Executive identified several significant pressures impacting the council's budget:

- **Pay Awards and Staffing Costs**: There is a need to account for pay awards and savings resulting from delays in replacing staff.
- **Staffing Establishment Proposals**: Proposals aimed at reducing staffing costs include increasing the target savings through vacancy management by £1 million, alongside addressing non-delivery of prior savings and various service pressures.
- **Financial Planning Uncertainty**: High levels of uncertainty exist due to local government reorganisation and the effects of disaggregation.
- **Corporate Savings**: Concerns regarding the non-delivery of in-year corporate savings and delays to the Transformation Programme.
- **Rising Social Care Costs**: Increased costs, particularly in Children's Services.
- **Adverse Revenue Variance**: An adverse variance of £5.171 million was reported at the end of 2023/24.

The MTFS forecasted growth requirements of £22.8 million, offset by estimated savings of £21.4 million, leading to a budget gap of £17.658 million for 2025/26. No new proposals were made for further savings or use of reserves to close this gap. The council has committed to funding further transformations through asset disposals, but progress has been slow, with only £1 million of assets realised to date (at the time of writing).

It is suggested that the base budget estimates from February 2024 are now outdated due to a reduced headcount, indicating a lower baseline. Opportunities exist within the budget to address the deficit, including:

- **Harmonisation of Waste Collection**: A proposal to harmonise waste collection services and charge for garden waste collection is scheduled for the Executive's review in September.
- **Single Waste Service**: The potential for a single harmonised waste service for Cumbria could lead to increased recycling rates.
- **Waste Disposal Contract Savings**: The council is exploring potential savings from the Waste Disposal Contract.

We have discussed with the council its financial vulnerability. It has identified several uncosted and undeveloped options to address this in the short term

- Continuing the recruitment freeze.
- Ceasing discretionary services.
- Implementing further increases in fees and charges.
- Increasing social work caseloads.

- Expanding in-house care provision.
- Accelerating asset sales, including potential development sites.
- Adjusting the council Tax reduction scheme.
- Slowing capital expenditure, although this would affect the resolution of issues stemming from local government reorganisation.
- Applying for a dispensation to increase Council Tax above statutory limits

One area of great uncertainty for the council is the Equal Pay claim that has been lodged with the council who have retained Kings Counsel to advise. This claim is still unsettled, a preliminary hearing on the claim may happen in late 2026 The council is taking steps to minimise the risk which is that work to harmonise and rationalise staffing structures has to take place in a way that does not weaken the council's position in withstanding the claim.

Another risk outside the council's control is if the statutory override for the Dedicated Schools Grant (DSG) is not extended after March 2026. As at 31 March 2024, the council reported a deficit of £19.452 million. It is further noted that projections indicate this deficit may increase to £23.408 million by 31 March 2025.

The council has relied heavily on capitalisation to support both its revenue budget and transformation initiatives. In January 2024, the council indicated it could utilise only £12.85 million of the £40 million support agreed in principle for 2023/24 and requested to apply the unutilised amount (£27.15 million) in 2024/25. Additionally, the council sought an extra £14.08 million to achieve a balanced budget for 2024/25, culminating in a total support request of £41.23 million for the current financial year. While this support was granted in principle in February, the council has stated that it does not intend to make further requests for future years, making the development and realisation of savings and asset disposals critical for financial stability. Any further request for capitalisation, however, will be dependent on its ability to demonstrate that it has fully utilise the options stated above and given the capacity issues already highlighted, this may be difficult to achieve.

Risks

10. The council has an enormous savings' programme to achieve a balanced budget in 2024/25 and 2025/26. As it stands the deficit for 2025/26 is estimated at £17.65 million. The short term plans to resolve this are not fully developed and required rigorous attention to detail by Members and Senior Officers to provide a convincing plan.

Recommendations

10. As part of its a high-level budget planning exercise for 2025/26 the council needs to demonstrate how it can achieve a balanced budget in that year and at the same time put into general reserves the amount planned to be used to support the 2024/25 budget.

3.3 Review Area 3: CAPITAL PROGRAMME / DEBT / INVESTMENTS / ASSETS

An assessment of the council's capital programme / overall debt position including short and long term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council.

The council's management / governance of its capital programme, major projects (whether delivered in house or via companies) and investments including the adequacy of internal processes, scrutiny of investment decisions, use of external expertise where required, risk management and capacity and capability to deliver. This should include an assessment of the council's exposure to refinancing and any other risks identified as a result of its chosen borrowing strategy.

Key findings and analysis

In June 2024, the Executive approved a comprehensive Capital Investment Strategy aimed at supporting the priorities outlined in the Council Plan. The strategy establishes a structured approach to funding capital projects, prioritising the use of external resources such as partner contributions and grants as the first source of funding. This minimises the financial risk to the council by reducing reliance on internal resources.

When external funding is not available, prudential borrowing is considered as the secondary funding option. However, this will only be pursued if a strong business case can demonstrate a satisfactory rate of return with adequate risk tolerance and sensitivity analysis. The cost of servicing any debt incurred through prudential borrowing must be factored into the business case to ensure the long-term financial sustainability of the investment.

All investment decisions involving prudential borrowing require approval from the Executive, and any associated borrowing allocation must be approved by the council as part of the Medium-Term Financial Plan (MTFP) Capital Programme. These allocations will only be released upon the Executive's approval of a detailed business case. As a final resort, the council's own resources, such as capital receipts and revenue contributions, will be utilised if they are available and affordable.

The Capital Investment Strategy is designed to minimise risks associated with the capital programme. A robust governance framework has been established, centered around the Strategic Programme Panel, a cross-directorate officer group. This panel coordinates strategic capital and investment activities and must approve any changes to the Capital Programme.

Once a project is included in the Capital Programme, the Strategic Programme Panel assigns it to an appropriate project governance board. This alignment with the established project and programme governance structure ensures that all projects are managed effectively and in accordance with the council's strategic objectives.

The overall management of the Capital Investment Strategy and the wider Capital Programme is conducted through the Programme Management Office (PMO). The PMO is responsible for overseeing the execution of the strategy, ensuring that all projects adhere to the approved governance and risk management processes, and providing regular updates to the Executive and relevant stakeholders.

In summary, the Capital Investment Strategy provides a clear framework for funding and managing capital projects, prioritising external funding sources and prudent financial management. Through rigorous governance and strategic oversight, the strategy aims to support the council's long-term objectives while minimising financial risks.

Risks
None identified

Recommendations
None identified

Where applicable, an assessment of the council's approach to any part or wholly owned companies and any associated risk these companies expose the council to.

Key findings and analysis

The council owns jointly with Westmorland & Furness Council a company called Cumbria County Holdings. This operates as a Holding Company.

The council is now responsible for Allerdale Waste Services Limited. This is a 100 per cent owned trading company of the former Allerdale Borough Council. It began operating on April 4, 2020 as a non-profit making company dealing with Collection of non-hazardous waste (Trade) and Maintenance and repair of motor vehicles. The service provided by the company is being harmonised across the council with other similar services following the Waste review.

The council has a Shareholder and Trustee Committee reporting to the Executive. At its most recent meeting it received the Allerdale Waste Services Business Plan including the Annual Operating Revenue Plan and the Annual Service Charge for 2024/25. It also received a quarterly Report to December 2023 and the Management Accounts from April 2023 to 31 January 2024 for members to note.

The council has a proactive approach to managing its commercial entities, coupled with a strong governance framework.

Risks
None identified

Recommendations
None identified

A view on the alignment of the capital programme with the broader strategic direction of the council including an assessment of the deliverability and affordability of its capital programme including consideration of how the council plans to fund its programme (i.e. grants, borrowing etc.) set against the overall debt position and potential impact on longer term sustainability, including liability benchmarking.

Key findings and analysis

The council's Shadow Executive initially planned a total capital programme of £283.53 million for the period 2023/24 to 2026/27. This plan largely adopted the capital programmes of the legacy councils. However, it was acknowledged that this initial programme did not fully align with the new council's strategic objectives. In February 2024, the Executive announced a significant revision to the capital programme.

The revised four-year capital programme, including adjustments to the 2023/24 capital budget, totals £618.364 million. This represents a substantial net increase of £258.763 million compared to the budget approved by the Shadow Authority in March 2023. Of this total, £163.082 million remains unfunded and will be met through borrowing. This reflects a net increase of £29.930 million in capital expenditure funded from borrowing.

The increase in capital funding has been allocated as follows:

Directorate	Previous Allocation	New Allocation
Adult Wellbeing & Housing	£18.539m	£33.199m
Business Change	£2.359m	£3.22m
Children & Family Wellbeing	£17.214m	£23.932m
Place, Sustainable Growth & Transport	£221.291m	£464.056m
Resources	£24.134m	£27.471m
Capitalisation Support	Nil	£66.231m

Table 3: Changes in Capital Funding Allocations

In programming terms this revision of the capital programme almost quadruples the planned spend in 2024/25 (from £77.855 million to £276.626 million) and trebles that for 2025/26 (from £44.636 million to £135.309 million). There is no change to the plan for 2026/27.

Expected Grants in support of the programme has risen from £148.6 million to £449.09 million which equates to 90% of the increase in the total capital programme. The council is the accountable body for large grants in 2024/5: Town Deals: £43.79 million; Levelling UP: £27.9 million; Future High Street Grants: £10.94 million and Pot Hole Action Funding: £5.99 million.

The council's reliance on prudential borrowing has increased. In February 2023, the Shadow Executive approved borrowing of £68.64 million and a revenue contribution of £4.96 million. By February 2024, these approvals had risen to £163.08 million in prudential borrowing and the use of £3.32 million from reserves. This substantial increase is driven in large part by capitalisation directions, which account for approximately two-thirds of the additional borrowing.

The December 2023 CIPFA report said there were concerns about the management of the capital programme and the potential for slippage, even with re-profiling. The report concluded the council does not have the capacity to carry through its capital programme at this time and needs to consider carefully how it can develop the capability to carry forward the programme in the next and succeeding years.

The draft outturn for 2023/24 showed capital spend of £131.883 million – resulting in an underspend compared to budget of (£57.001 million) with budget carry forward requests (re-profiling adjustments) of £51.810 million – leaving a favourable residual variance (net of carry forward requests) of (£5.191 million).

For the first quarter of 2024/25, the council continues to face challenges in delivering the revised programme. The capital budget for 2024/25 is forecast to be underspent by £73.928 million, of which £61.160 million will be carried forward. This underperformance delays the council's need to borrow. The council's revised capital programme represents a significant increase in planned investment across key areas. However, the challenges in delivering this programme, as evidenced by the ongoing underspend and re-profiling requirements, raise concerns about the council's capacity to execute its ambitious plans. The council must address these capacity issues and strengthen its project management capabilities to ensure that the intended benefits of the capital programme are realised in a timely and effective manner.

Risks

11. The overall size of the Capital Programme has increased from when the council operated in a shadow form, but most critically there has been an increase in the requirement for borrowing (although this has been reduced due to recent re-profiling). The council's requirement for borrowing is putting an increased strain on revenue expenditure.

12. The council does not have the capacity to pursue such a large programme as evidenced by the slippage and re-profiling of the programme.

Recommendations

11. The council should not introduce any further schemes to the capital programme unless they are provably 'invest to save' or funded by external grant.

12. The council should undertake a capacity review and consider whether the appointment of third-party delivery partners would ensure the progress of the programme in a timely way whilst retaining overall control.

The council's approach to asset management and valuation, the appropriateness of its asset portfolio, and a view on a proposed asset disposal plan set against broader Value for Money considerations.

Key findings and analysis

The Executive agreed in June an Asset Management Strategy ('AMS') for the period 2024 – 2027 setting out the council's vision for its land and buildings property portfolio to support the Council Plan and how the council intends to achieve that vision.

Several individual project workstreams have been developed to support the implementation of the AMS:

- **Property Office Rationalisation:** Optimising the use of office space across the council's property portfolio.
- **Depot Rationalisation:** Streamlining depot locations and operations.
- **Asset Disposals:** Identifying and disposing of surplus assets to generate capital receipts.
- **Fleet Transformation:** Modernising and optimising the council's vehicle fleet.
- **Car Parking Review:** Evaluating and optimising the council's car parking assets and policies.
- **Highways Transformation:** Improving the efficiency and effectiveness of highways management and maintenance.

An Assistant Director for the Assets and Fleet portfolio has been appointed to oversee these workstreams. In August, Senior Management reviewed a potential Asset Disposal list, identifying several 'quick wins' with an estimated market value of £3.09 million. This list will be prioritised for further financial and legal work-up to facilitate timely disposals. It is noted, however, that whilst a Land and Buildings Disposal Policy has been produced by the council, no longer term asset disposal target has been set.

The AMS sets a clear vision for the council's property portfolio and outlines a comprehensive approach to asset management. The establishment of the Corporate Asset Management Group (CAMG) and the alignment of the AMS with broader strategic priorities and financial planning frameworks are positive steps. However, the success of the strategy will depend on the effective execution of the identified workstreams and the council's ability to overcome capacity constraints in its asset disposal programme

Risks

13. The council has now established an asset management strategy that promises overtime to manage its assets more effectively. The risk is that in the short to medium term there is insufficient capacity to create sufficient asset disposals to provide resources to improve the council's financial position and in particular to provide the commitment to support further transformation work in 2025/26.

Recommendations

13. The council should explore recruitment of a third-party commercial property agent to develop a programme of assets disposal which, whilst respecting the council's asset management strategy, creates the opportunity for significant disposals in the short to medium term.

The council's commercial investment portfolio (property, bonds etc.) and forward strategy, including dependence on commercial income, exposure to debt costs and whether, in CIPFA's view, it is prudent to reduce the council's exposure and over what timeframe.

Key findings and analysis

The council's Investment property register lists 180 assets with a total valuation of £131.327 million. The yield on the portfolio at 31 December 2023 (excluding the CCLA) was 5.24%. All are freehold though the majority have some lease out. The council has a CCLA Property Investment Fund of £3 million. The council's policy is not to acquire commercial assets primarily for financial return. An Investment Property Strategy to inform a plan for investment properties to consider day to day property management, longer term asset management, Key Performance Indicators (KPIs), etc. to inform retention/disposal decisions is targeted for completion in March 2025.

At 30 June 2024 total debt was £347.062 million comprising borrowing of £243.871 million and other long term liabilities of £92.887 million. Only a quarter of the total debt expires in less than 10 years. No significant risks have been identified in respect of maturing debt. Subject to the assumptions relating to levels of internal borrowing (under-borrowing) the current revenue budget and MTFP allow for refinancing of all maturing debt.

Going forward, the council is seeking to continue to be under-borrowed. By March 2027, borrowing is expected to be £497.8 million against a Capital Financing Requirement (CFR) of £524.5 million.

Risks

14. The council's borrowing is expected to rise over the next three years by 16.7%, thus increasing the revenue requirement to fund that borrowing.

Recommendations

14. The council needs to review whether the revenue consequences of its borrowing are sustainable.

Whether and to what extent the council is complying with statutory guidance / following best practice with regards to its capital programme, wholly / part-owned companies and investments including but not limited to investment guidance, minimum revenue provision guidance and accounting codes.

Key findings and analysis

The Capital Investment Strategy agreed in June is fully compliant with the Prudential Code and provides a robust framework for managing capital expenditure and debt repayment. By prioritising external funding and implementing a cautious approach to borrowing, the strategy supports the council's goals of maintaining its assets, achieving strategic objectives, and ensuring financial sustainability.

Included in the Capital Investment Strategy was the detail of the council's MRP policy. This is compliant with statutory guidance on MRP issued by MHCLG and which differentiates between pre- and post-reorganisation borrowing, ensuring that the council can manage its debt responsibly. All (unsupported) capital expenditure funded from borrowing incurred on or after 1 April 2023 it will apply Option 3 - Asset life method - using either the equal instalments or annuity method. In recognising the impact of MRP on the revenue budget; if there is no on-going capacity within the revenue budget to afford the MRP then the borrowing should not be taken out, thus requiring the council to effectively support its capital programme while maintaining fiscal discipline and stability.

Risks
None identified

Recommendations
None identified

3.4 Review Area 4: GOVERNANCE

An assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement.

The adequacy of the council's decision-making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the council. This should include a view on the effectiveness of the adopted Governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

The council's governance framework is in the process of evolution, having been formed by the amalgamation of practices from four legacy councils. Since its inception in April 2023, the council has made significant strides in establishing its governance structure, culminating in an updated constitution approved by the council in May 2024. This evolving governance framework aims to provide a solid foundation for effective decision-making, accountability, and transparency.

In May 2024, the council approved an updated constitution to reflect its new governance arrangements. Additionally, the council has adopted a local Code of Corporate Governance to provide a structured approach to governance principles and practices. The draft Annual Governance Statement for 2023/24, produced in accordance with the requirements of the Accounts and Audit Regulations 2015, reflects the council's commitment to continuous improvement in its governance practices.

Except for those matters that are delegated to a specific officer due to their statutory role or designation, the approach of the council's Officer Schemes of Delegation is to delegate all matters that have not been reserved to Council, Leader and executive or a committee to the appropriate chief officer. Each chief officer has developed and must maintain their own local scheme of sub-delegation which is published on the Council's website and sets out how powers are delegated at the appropriate level. This comprehensive Local Scheme of Delegation to officers describes how each chief officer has delegated these powers and functions to officers in their Directorate to exercise on their behalf. The council operates under executive arrangements, following the "Strong Leader" model. Under this model, the council appoints the Leader for a four-year term. The Leader then nominates Executive Portfolio Holders, defining the scope of their portfolios and the extent of their delegated powers. While this model provides stability and clear leadership, there are concerns about the potential imbalance in how the Executive responds to challenges given the relative immaturity of the council's Audit and Scrutiny Committee's which are discussed further below.

The leadership of the council is perceived as strong and ambitious, which, while beneficial for driving strategic priorities, has reportedly contributed to an overload of initiatives and projects. This issue is currently being addressed through a more focused approach to managing priorities. The Executive Portfolio Holders' briefs do not correspond directly to the council's directorates, enabling a 'themed' approach to the management and development of services. The Executive meets on a six-weekly cycle, providing regular oversight and strategic direction.

The council's political landscape includes opposition from three parties and a number of independent councillors. Despite this diversity, the public record of council meetings indicates that there has been limited significant challenge to the decisions of the controlling group. Notably, the Council Tax for 2024/25 was unanimously approved, with only minor aspects of the budget challenged during its setting and at the April council meeting. Recently, criticism emerged regarding the time limit on council meetings, which some believe restricts the opportunity to adequately question Portfolio Holders. Additionally, there has only been one instance of a decision being 'called-in' for scrutiny.

Opposition members do have access to briefings from the council's Chief Executive to ensure they are informed about key issues. However, it is acknowledged that some current members may not have had prior exposure to the complexities of managing upper-tier services such as Children's and Adult Social Care. To address the geographical legacy issues, the council has established eight area-based community panels.

The council's scrutiny arrangements, as well as the functioning of the Audit Committee, have been previously discussed in this report. It was noted that Scrutiny Committees have had limited impact on shaping the council's direction, and the Audit Committee has not significantly challenged the Executive on the council's financial position. Additionally, the council has a Standards and Governance Committee to oversee ethical standards and governance issues.

The council's governance structure also includes a range of regulatory committees responsible for town and country planning, licensing, harbour management, and employment matters. These committees, alongside the geographically based area committees, contribute to the overall governance framework, ensuring that a wide range of issues are considered and addressed in accordance with the council's constitution.

Governance arrangements appear to be consistently applied and in accordance with the constitution, although ongoing attention has been required to ensure the clear recording of officer decisions. Council reports are generally comprehensive, including statements on the implications for the council's priorities, relevant risks, consultation and engagement processes, legal and financial considerations, information governance, and impact assessments.

In conclusion, the council has made significant progress in developing a cohesive governance framework, integrating practices from its legacy councils. While the current governance arrangements provide a solid foundation, there are areas that require continued attention and development, particularly in relation to the effectiveness of scrutiny and the balancing of ambition with capacity. The council's leadership remains focused on refining its governance processes to ensure that they are robust, transparent, and capable of supporting the council's strategic objectives

Risks

15. The absence of significant challenge to the Executive from Scrutiny and the Audit Committee means the Executive may be unaware of issues of concern to other members, partners and the public. This may risk the Executive being unsighted.

Recommendations

15. Provision should be made for the Chair of Scrutiny Committees and the Audit Committee to attend at their request, and with the agreement of the Executive, meetings of the Executive to review issues of concern.

The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the council and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the council is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

The council's strategic direction is guided by its Council Plan 2023-2027, which sets an aspirational vision for the organisation. CIPFA found in December 2023 that the council has a clear and consistent vision and set of values that are well understood and communicated throughout the organisation. This alignment of vision and values, reflected in the AGS and MTFP, is seen as being crucial for effective governance and service delivery.

In January 2024, the Executive approved the Council Plan Delivery Plan 2024/25. The Delivery Plan builds on early work and describes the key activity over the next 18 months to meet the priorities, objectives and ambitions set out in the Council Plan. The Delivery Plan contains 5 five strategic themes and within each theme there is a schedule of key activities with target times, allocated responsible officers and a set of outcome measures. Supporting the Delivery Plan is a Performance Management Framework. A centralised performance team provides performance management support. The focal role of the Executive having quarterly reviews of performance against the Delivery Plan is included in the Framework.

The Executive agreed a report on Corporate Key Performance Indicators at its meeting in March 2024. The Delivery Plan includes a small number of long-term outcome measures. These are measures over which the council does not have direct control, but have been selected to demonstrate the impact of the council's contribution to work in delivering the ambitions articulated in the Council Plan.

During the review of the 2023/24 Quarter 4 performance report, the Executive raised several concerns regarding the accuracy, source, and presentation of some data. Questions were asked about whether the data being collected and reported was timely and truly reflective of the information needed to monitor the council's progress effectively. These discussions highlighted the need for ongoing refinement of the performance management processes to ensure that the data collected is both relevant and reliable.

Despite these concerns, the Executive only noted the report, without initiating any immediate changes. This points to a potential area for development in terms of how performance information is scrutinised and used to inform decision-making and strategic adjustments.

We have also heard evidence that the process for developing performance measures has lacked stakeholder involvement and there has been a reluctance within the council to commit to ambitious targets. As a consequence of bringing together four different performance management systems, the council's measures are not comparable with those of other councils, making benchmarking difficult.

Risks

16. Unless the council improves and refines its performance and financial data it will struggle to meet the needs of the Executive and accurately reflect the council's progress

Recommendations

16. The council should continue to review the capacity within its Performance Management function to ensure it is capable of delivering the necessary information to the Executive to enable it to fulfil its strategic oversight of the Council Plan.

A view on the effectiveness of council leadership including their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

The current governance structure of the council, inherited from the shadow authority, has been in place for over two years. This structure has provided a stable foundation for the new council, facilitating continuity and coherence in decision-making processes. The council Leader has established a prominent role, not only as a representative of the council but also as a forward-looking figure committed to driving progress. He has expressed a clear intent to explore devolution opportunities in collaboration with Westmorland and Furness Council to foster positive change and enhance local governance.

The Council Plan was formulated while the Council was a shadow authority. The vision of the Council Plan is 'Cumberland Council takes a fresh approach to the delivery of inclusive services that are shaped by our residents and communities. By enabling positive outcomes for health and wellbeing, prosperity and the environment we will fulfil the potential of our people and our area.'

This vision is central to the council's strategic ambitions and has been further operationalised through the creation of the Council Plan Delivery Plan. The Delivery Plan outlines key activities and targets that are regularly monitored, providing a structured approach to implementing the broader strategic objectives outlined in the Council Plan. Executive reports indicate that officers consistently consider the Council Plan in their policy recommendations, ensuring that strategic alignment is maintained.

The council still relies on the strategic plans of the legacy councils for certain key areas such as transport and public health, which it plans to replace in due course. The absence of a comprehensive suite of supporting plans, such as a new Local Transport Plan or a Public Health Plan, represents a gap in the council's strategic framework. This reliance on legacy plans may limit the council's ability to fully realise its vision of providing integrated and inclusive services tailored to the needs of its residents.

Senior Leadership has grown in its stability, with the Chief Executive having served as the interim shadow Chief Executive and Directors all having been in place for at least a year. New Directorate Assistant Director Teams have been assembled in that time in Children's Services and in Adult Social Care giving impetus to the new ways of working being put in place. The Chief Executive has emphasised a value driven culture in the council which is referred to later in this report.

The council faces significant challenges as it undertakes a major transformation programme. This transformation is aimed at both harmonising the services inherited from the four legacy councils and addressing the council's vulnerable financial position. The scope of the transformation is broad, with a particular focus on Children's Services, Adult Social Care, and Public Health. The appointment of new senior leaders in these areas has brought a new perspective to service delivery and management, which is critical for implementing the necessary changes.

The transformation process is being closely managed by the Director of Transformation and her team. This programme management approach ensures that all aspects of the transformation are thoroughly considered. While this level of oversight and control is essential for a complex transformation of this scale, it can also be time-consuming and may slow the pace of change. Balancing the need for thoroughness with the urgency of achieving transformation objectives is crucial for the council's success in this area.

The council has made considerable progress in establishing a stable governance structure and articulating a clear strategic vision through its Council Plan. The alignment of senior leadership around a value-driven culture and the commitment to transformation are positive developments. However, the council must address the gaps in its supporting plans and ensure that its transformation programme is implemented at a pace that matches the urgency of its financial and service delivery challenges.

Risks

17. The council is relying on plans of legacy councils in a number of areas. Not having single Cumberland Council plans could be an inhibiter to progress where previous policies are now not part of the council's priorities.

Recommendations

17. The development of a suite of plans subsidiary to the Plan should be given priority in order to replace legacy Council Plans.

A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff.

Key findings and analysis

Political and senior leadership at the council has remained stable over the recent period, which has facilitated a cohesive approach to governance and strategic direction. There is no indication of any discord between political and senior leadership, and recent decisions to enhance the salaries of senior managers reflect a mutual commitment to retaining experienced personnel. There are regular reports to the Leader on progress of transformation and performance clinics, including Executive members and senior managers to focus on financial and performance and emphasise joint ownership of service delivery. 'Deep dive' presentations to the Audit Committee demonstrate that members want to investigate the extent of risk.

The council has agreed a Member Officer Protocol to guide members and officers in their relations with one another and there is a training schedule for both members and officers to raise awareness of ethical governance issues across the council such as, for example Procurement and Budgetary Control. This forms part of the council's Managers' Development Programme and Member Development Programme. The Member Development Programme includes both mandatory training for quasi-judicial and decision-making committees and a range of informative sessions such as neuro diversity awareness. A mixture of face to face, online and e-learning packages are offered and this continues to be developed.

Despite these positive developments, there are some indications that certain services are experiencing a mismatch between their operational pace and the procedural requirements of the corporate centre. For instance, there are concerns that opportunities, such as acquiring accommodation for Children's Care, could be missed due to the time needed to comply with established procedures. The Transformation Programme, although developed swiftly, has only recently begun to gain traction, with growing confidence in the quality of planning and delivery. However, sequencing remains a significant challenge, necessitating constant review of resourcing to ensure effective implementation.

The programme's extensive governance structure, while providing robust oversight, has also introduced considerable bureaucracy into the project management process. The Senior Leadership Team (SLT) is heavily involved in clearing decisions, as evidenced by a recent meeting agenda with 60 items. There is anecdotal evidence suggesting that too many decisions are being centralised at the top of the organisation, with insufficient delegation and empowerment of junior managers. This concentration of decision-making authority could potentially hinder agility and responsiveness within the council.

The Chief Executive has placed significant emphasis on fostering a value-driven culture within the council. To support this cultural shift, nearly 200 Change Champions have been recruited from across the council. These individuals have volunteered to advocate for the council’s values and to facilitate the transformation process. They report that the council is not overly hierarchical, and the Leader and Chief Executive are perceived as approachable. However, some staff from the former district councils feel there are additional layers of management that did not exist previously. The Change Champions have a clear understanding of their role, acknowledging the need to manage expectations about the pace of change. They have embraced the vision of the council as a values-led organisation with a strong customer focus. However, they also recognise that not all staff are fully aligned with this vision, with some expressing frustration that issues such as harmonisation/equal pay inherited from local government reorganisation (LGR) have yet to be resolved.

An Internal Audit report on the council’s culture, presented to the Audit Committee, highlighted senior management’s ambition and commitment to developing an appropriate organisational culture. This pointed out that senior management have shown suitable drive and ambition to transform and develop an appropriate culture. Other positives were: a series of training sessions were scheduled for all employees going into detail on the vision and values as well as elaborating on the council’s operating model; an Organisational Development Strategy, Well-being and Equality, Diversity and Inclusion policies have been created; staff diversity networks are in place. An annual Pulse Survey is carried out to gauge employee sentiment and engagement.

The most recent Pulse Survey, conducted in September 2023, provided mixed results. While 73% of employees expressed comfort in discussing health and wellbeing queries with their line managers, only 35% agreed that the Senior Management Team provides visible leadership. Additionally, only 47% felt that they were being listened to and respected, indicating room for improvement in communication and engagement from senior leadership. The survey results also showed that 31% of respondents neither agreed nor disagreed on the visibility of senior leadership, suggesting a need for more effective leadership outreach and communication.

The Internal Audit also identified several areas requiring improvement, such as the lack of effective reporting on the vision and values to SLT, the absence of a communications plan, and the delayed implementation of a centralised intranet. Furthermore, the current appraisal process does not adequately cover core competencies and behaviours, and there is no formalised policy for conducting exit interviews. The whistleblowing policy is not sufficiently advertised, and designated spaces for prayers and spiritual reflection have not been effectively communicated to staff. Addressing these gaps will be crucial for the council in building a cohesive and inclusive organisational culture.

A major challenge for the council is achieving a cohesive workforce, given the differing pay grades, terms, and conditions inherited from the legacy councils in April 2023. This lack of harmonisation is not only complicating efforts to unify the workforce and embed the “value driven culture” but is also impacting on the retention of staff leading to a hinderance in the achievement of projected savings of £10 million over the next three years. To support this process, the council has funded Trade Union posts. However, the council is currently facing an Equal Pay claim from the Trade Unions, and the potential financial impact of this claim will not be known until late 2026 This presents a significant risk to the council's financial position and could further complicate the already challenging task of workforce harmonisation.

Risks

18. The heavy involvement of the Senior Leadership Team (SLT) in clearing decisions and the concentration of decision-making authority at the top could hinder agility and responsiveness

19. The differing pay grades, terms, and conditions inherited from legacy councils are complicating workforce unification and impacting staff retention. This issue, combined with the ongoing Equal Pay claim, presents a significant risk to the council's financial position and may hinder the achievement of the projected £10 million savings over the next three years and the development of its "value driven culture".

Recommendations

18. The council should consider delegating decision-making authority to junior managers where appropriate.

19. The council should prioritise the harmonisation of pay grades, terms, and conditions across the council.

The council's capacity and capability to improve and transform at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change, delivery with local partners, and collaboration with sector support).

Key findings and analysis

The council has demonstrated potential for improvement in operational services, as evidenced in other sections of this report. However, the corporate centre remains significantly under-resourced, particularly in the Finance department. While there has been investment in Policy staff and Human Resources (HR), other critical areas still face capacity challenges. One such challenge has been the consolidation of data from the four legacy councils, a process that appears to have been underestimated in its complexity and scope. As a result, the council has encountered difficulties in maintaining accurate and accessible financial information, with significant resources needed to manually create a comprehensive establishment database.

The delay in developing effective management systems due largely to legacy constraints has also impacted operational efficiency. For example, sickness records have only recently become accessible to managers, highlighting gaps in the council's HR systems. The council plans to address these issues by developing an integrated HR and Payroll system that would support agile self-service and management reporting. However, the projected completion date for this system is March 2027, which poses a significant risk of prolonged under-capacity in information technology. This risk is exacerbated by the limited capital budget of £1.8 million allocated for ICT infrastructure and investment over the next three years, which may not be sufficient to meet the council's growing technological needs.

The harmonisation of staff from the legacy councils is progressing slower than anticipated. Teams performing similar roles in different locations are struggling to adopt a unified approach to service delivery. Disparities in pay scales and employment conditions further complicate the process, delaying the establishment of rationalised and cohesive workforce structures.

The council maintains an ongoing relationship with Westmorland and Furness Council (W&F), with several service areas still managed on a shared basis. These joint services are overseen by a Scrutiny Panel for Hosted Services, which ensures that service delivery aligns with strategic goals and service standards. This collaborative approach is exemplified in the Executive's March 2024 decision to act as the Delivery Authority and Accountable Body for the Cumbria Local Enterprise Partnership functions and programmes. This decision includes entering into a Collaboration Agreement with W&F council to foster joint efforts on strategic economic growth across Cumbria.

In July 2024 the Executive approved proposals for a Regional Adoption Agency (RAA) to provide an opportunity for the council and W&F Council to review and revise the current approach to the delivery of the service.

Waste is an area of co-operation going forward. At a technical level, the changes from government through the 'Simpler Recycling' project helped to simplify the recycling process with reduction of how many bins were required for each household. This gave authorities the power to decide how to divide the recycling meaning both councils were looking to review and harmonise the waste services, to build one service for Cumbria which will be consistent for residents, with the hope that there will be an update that could be provided later this year.

There have been important steps forward with the NHS to regularise Continuing Care arrangements that are already reducing legacy debt and an improved stream of care payments. This relationship is critical to relieve any criticism that the lack of care accommodation is creating bed blocking.

While the council has made strides in addressing its operational challenges and fostering a collaborative culture, significant issues remain. The under-resourcing of the corporate centre, particularly in Finance and ICT, poses risks to effective service delivery and financial management. The slow progress in workforce harmonisation and the delayed development of integrated HR and Payroll systems are additional challenges. The council's proactive engagement however with Change Champions, commitment to a value-driven culture, and collaborative efforts with W&F Council and the NHS are positive indicators of its capacity for improvement.

Risks

20. The scale of activity required to achieve transformation; financial sustainability; resolution of LGR legacy issues and the Council Plan aspirations is restrained by the lack of investment in the council's corporate functions and is not currently being adequately addressed.

Recommendations

20. The council needs to consider what a fully resourced corporate function would look like and detail a set of proposals that over-time would provide for a robustly functioning corporate centre. This should include a plan to ensure properly integrated corporate finance (including procurement) and HR functionality.

3.5 Review Area 5: SERVICE DELIVERY

An assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service.

The efficiency of service delivery, including against comparator Local Authorities, sector metrics and wider public sector metrics.

Key findings and analysis

Service Cost

There is limited benchmarking information available and there are concerns about the validity and accuracy of the CIPFA Revenue Account returns which will undermine any comparison. The work we did as part of the review is not considered accurate enough to include but it does further highlight the challenges in financial reporting and benchmarking referred to elsewhere in the report and will need further investigation and follow up.

One of the key strands of the Transformation Programme is the "Pre-Front Door" initiative, aimed at managing demand for council services. External support has been contracted for a two-year programme to support this initiative. Key areas of focus include:

- **Children's Services**: Initiatives include earlier intervention with families, developing community hubs to prevent service dependency, enhancing in-house accommodation provision for cared-for children, reducing reliance on agency staff through social worker recruitment, and better collaboration with the NHS and market providers.
- **Adult Social Care**: The focus is on enabling residents to remain in their homes for longer through enhanced reablement services and increased resolution rates at the point of initial contact. A review of Cumberland Care (Residential and Reablement) and the council's care estate is underway. Additionally, pilot projects are being implemented to test the use of technology aids, such as medication prompts.

In addition, focussed work has been undertaken to reduce the numbers of children being cared for by the council and to develop more "in house" residential care for children. New practice standards have been introduced and the introduction of a Social Work Academy to train new social workers and reduce the dependency on agency staff.

Adult Services are developing positive relationships with key partners including the NHS. Residential Care for older people is being remodelled, Members have recently agreed to the closure of one home which is not fit for purpose, and several others are in the pipeline.

A significant observation is the absence of performance indicators related to the cost of services within the council's performance framework. There are no metrics at the council, service block, or service area levels to track or benchmark cost efficiency. This lack of financial performance indicators hampers the council's ability to monitor the cost-effectiveness of its service delivery and identify potential areas for efficiency improvements

The analysis reveals that the council is investing significantly more per capita across a range of services compared to its Near Neighbours, particularly in Children's Social Care and targeted Adult Social Care categories. While this indicates a commitment to supporting vulnerable populations and prioritising health and well-being, the higher-than-average expenditure may pose sustainability challenges if not balanced with efficiency measures. The substantial variance in Public Health spending, particularly in early years services, suggests potential gaps that need addressing to ensure holistic support for community health. The lack of cost-related performance indicators is a notable deficiency that should be rectified to provide clearer oversight and facilitate more informed decision-making.

Risks

21. The councils' lack of comprehensive use of comparisons may lead to a failure to challenge service costs and to achieve stretching performance improvement including making any judgement of Value for Money.

Recommendations

21. The council should compile a detailed comparative database of relative costs per head and service performance to assist and challenge budget planning for 2025/26 by focussing on Value for Money.

Identification of particular service areas that are underperforming and the ability of the council to rectify the issue within its own resources and activity. This should include a view on the council's management of customer feedback and complaints procedures.

Key findings and analysis

We looked at the council's performance for Q4 of 2023/24.

Education Performance

The council's performance in education showed promising results for Q4 2023/24. The main outcomes were generally better than the national average, although there were areas of concern:

- **Primary Education**: The proportion of primary schools rated as good or outstanding remained stable, reflecting consistent quality in primary education provision.
- **Secondary Education**: A decline in the proportion of secondary schools rated as good or outstanding was noted, indicating potential challenges in maintaining quality at the secondary level.
- **School Absence**: Overall school absence rates improved from 8.0% to 7.4% over the last academic year. Persistent absence also improved, decreasing from 23.9% to 21.5%, aligning with the national average.
- **Early Years Development**: The proportion of pupils meeting the Early Years Foundation Stage Profile (EYFSP) increased significantly from 59.7% to 65.0%, reflecting progress in early childhood education.
- **Academic Standards**: The percentage of pupils achieving the expected standard in Reading, Writing, and Maths combined rose from 50.6% in 2022 to 53.7% in 2023.
- **Exclusions and ECHPs**: There was an upward trend in permanent exclusions, which is a concern. However, the rate of producing Education, Health, and Care Plans (EHCPs) showed improvement, suggesting better support for children with additional needs.

Children's Services

Indicators related to children's social care showed positive trends, indicating reduced demand for services, but the demand remains above the national average where comparisons are available. The proportion of young people aged 16 and 17 classified as Not in Education, Employment, or Training (NEET) has increased, which may signal a need for targeted interventions to support this vulnerable group.

Adult Social Care

Results for adult social care were mixed:

- **Health Indicators**: Community health measures generally lagged behind national targets, suggesting potential areas for improvement in public health and preventive care.
- **Service Demand**: The data indicated some reduction in service demand, but there were still pressures on resources and service delivery.

Housing and Benefits

Performance in housing and benefits services showed positive trends:

- **Benefit Claims**: The council improved the speed of processing benefit claims.
- **Homelessness**: There was notable progress in preventing homelessness and securing long-term accommodation for homeless individuals.
- **Planning Applications**: The speed of processing planning applications improved, except for major applications, where the trend was less positive.

Financial and Administrative Services

- **Council Tax**: Collection rates remained steady, reflecting effective management of tax collection processes.
- **Complaints and FOI Handling**: While complaints were generally handled within timescales, the timeliness of responses to Freedom of Information (FOI) requests was declining, which may indicate a need for process improvements.

The council's performance management system, initially based on legacy arrangements, showed limitations in comprehensive service comparisons:

- **Target Setting**: Service managers were hesitant to set ambitious targets, reflecting uncertainty in service capability and potential for improvement. This hesitation may be linked to the challenges of merging legacy services and defining new standards.
- **Budget Prioritisation**: During 2023/24, budget savings took precedence over detailed service planning, affecting the strategic alignment of performance goals.
- **Performance Indicators**: At the end of Q4 2023/24, exactly half of the performance indicators were rated as 'green' (on or above target), while 14 were rated 'red,' and 16 remained unscored due to insufficient data. This means that nearly 40% of indicators were either undefined or underperforming.
- **Stretch Targets**: Out of 56 indicators with set targets, only 18 had ambitious stretch targets (aiming for a 10% or greater improvement). Furthermore, only 20 indicators had national benchmarks, limiting the ability to gauge the council's performance relative to other authorities.
- **Benchmarking**: Only 18 indicators were included in the LG Inform database, which enables performance comparisons with similar councils. This limited benchmarking restricts the council's ability to effectively measure performance against its peers.
- **Service User Satisfaction**: The current performance framework lacks indicators related to service user satisfaction, meaning the council has no direct feedback on resident satisfaction, except through the annual budget consultation exercise.

The council has established a framework for reviewing Ombudsman complaints and an annual report on corporate complaints. However, there are areas for improvement:

- **Ombudsman Complaints**: The quarterly review of Ombudsman complaints presented to the Standards and Governance Committee includes references to improvements and lessons learned, providing a mechanism for organisational learning.

- **Corporate Complaints**: The report on corporate complaints, currently limited by the reliance on legacy systems, lacks analysis for improvement and learning. This is a missed opportunity to identify service issues and implement corrective actions. It is anticipated that future reports will be presented to the Business and Resources Overview and Scrutiny Committee to enhance oversight.

The council has demonstrated some positive trends in key service areas, particularly in education, housing, and benefit processing. However, significant challenges remain, particularly in adult social care, school exclusions, and service harmonisation post-local government reorganisation. The absence of robust performance comparisons and service user satisfaction measures limits the council's ability to fully understand and respond to its performance context.

Risks

22. The performance reporting is hampered by undefined measurement that will hinder Members understanding of progress. In addition, many indicators do not have a stretched target or a national target or are not in the LG Inform (LGA) database. Until this is resolved there is a continuing risk to the council of poor performance in those areas.

23. None of the measures in the council's reported performance framework detail service user satisfaction with the council's services meaning the council has no view of satisfaction other than through the annual budget consultation exercise. The Corporate complaints are not analysed for improvement and learning thus missing an opportunity for improvement.

Recommendations

22. The council should re-assess its suite of indicators: resolving the status of those that are not reported on; comprehensively reviewing action that can be taken to resolve those that are RAG rated 'red'; seeking a stretched target to make improvement a priority and seeking to increase the number of indicators for which a consistent comparator is available.

23. The council should develop a regular way of testing customer satisfaction with the full range of services. Corporate complaints improvement actions and learning should be provided for members.

A view on the extent to which service plans are aligned to the council's strategic priorities and long term plan.

Key findings and analysis

Financial Planning and Alignment with the Council Plan

During the review, concerns were raised about the alignment between financial planning for 2024/25 and the strategic priorities outlined in the Council Plan. The primary method for assessing this alignment was through an analysis of changes in budget allocations between 2023/24 and 2024/25. This revealed that only three service areas experienced overall budget growth:

- **Place, Sustainable Growth, and Transport**: A significant increase of 29.5% in budget allocation, reflecting the council's emphasis on sustainable development and infrastructure investment.

- **Resources**: A 9.5% increase, suggesting a focus on strengthening internal support functions, possibly to address resource gaps identified in previous assessments.
- **Chief Executive's Office**: A modest growth of 6.2%,

All other service areas saw reductions in their budget allocations. This disparity suggests a potential misalignment between the council's strategic aspirations, as set out in the Council Plan, and the financial resources allocated to support those ambitions. Such a misalignment could hinder the council's ability to effectively deliver on its stated priorities.

It was noted that sessions to revise the Council Plan are scheduled for early September, marking the beginning of the business planning cycle for 2025/26. While this effort to refine priorities is commendable, the timing is considered late for influencing the business planning process for the upcoming financial year.

Availability and Quality of Service Plans

The following Service Plans for 2024/25 were considered:

- Service Plan Early Help Prevention and Youth Justice FINAL
- Children and families service plan 2425
- Service Plan, Strategy and Policy 2024-25
- Service Plan: Adults and Housing

The analysis of these documents revealed several key findings:

- **Alignment with the Council Plan**: Each of the available Service Plans detailed their applicability to the overarching Council Plan, operating model, and values, indicating an attempt to align service delivery with strategic priorities.
- **Performance and Achievements**: The plans included sections on performance, highlighting past achievements, challenges, and opportunities, as well as outlining priorities and key focus areas for the upcoming year in line with the themes of the Council Plan.
- **Workforce Planning and Budget**: Each plan contained sections on workforce planning, detailing budget considerations, savings, pressures, and mitigations. This suggests a comprehensive approach to integrating human and financial resources into service planning.
- **Risk Management**: While risks were identified in the plans, they were not consistently rated, making it difficult to assess their potential impact on service delivery and overall performance.
- **SWOT Analysis**: All Service Plans followed a uniform format that included a template for SWOT analysis. However, none of the plans reviewed had completed this section. The absence of this analysis could limit the council’s understanding of internal and external factors affecting service delivery.
- **SMART Targets**: The targets outlined in the Service Plans were not always Specific, Measurable, Achievable, Relevant, and Time-bound (SMART). This could hinder effective performance monitoring and evaluation.

Risks

24. The council needs to improve the links between the Council Plan priorities, budget setting and business planning in order to ensure that the ‘golden thread’ from priorities is in place.

25. The council does not have a set of concise, complete and comprehensive Service Plans and though a standardised format is available, those viewed are not complete. This poses a risk to service delivery.

Recommendations

24. The council's Leadership Team should ensure that there is a much closer link between the Council Plan priorities, budget setting and service planning and that in future years the business planning cycle should start much earlier.

25. Ensure that all service areas develop and maintain detailed Service Plans, and that these are reviewed and updated regularly. This will facilitate a more consistent approach to planning across the council.

A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes, and culture and attitude towards procurement.

Key findings and analysis

Elsewhere in the report we comment on the range of structures the Council has and is developing for service delivery. The prominence of the ongoing relationship with Westmorland and Furness Council is apparent in this and is reflected by the council managing this through a distinct Hosted Services Scrutiny Committee.

In our previous report we noted that the council's Executive was told *'Delivery of savings will require …. investment in support functions such as finance, procurement and digital transformation to ensure the Authority is equipped to meet futures challenges.'* Since then, there has been a reshaping of procurement within existing resources and the team is being enhanced with three new posts. In 2024: 34 contracts lapsed or were terminated: 108 contracts were let since April 2024 and there are anticipated to be 123 contracts to be let by March 2025. Of the contracts let there were a sizeable number which underwent a serious review for re-modelling, and in some cases, some services went through complex transformation reviews.

The council has a Procurement and Commissioning Strategy that seeks to ensure best value is achieved and setting out of clear social, economic and environmental responsibilities. Contract Procurement rules were changed in January and now align with the Leader's Scheme of Delegation; require that any consultants appointed by the council require Executive approval; force local suppliers being included in contract offer and made other administration simplifications.

During 2024 all contracts have/are being reviewed in order to seek contract savings in various ways, seeking to commission/procure longer tenure contracts, thereby enabling improved return on investment opportunities to Providers, whilst enabling the council to 'smooth out' its commissioning/procurement activities timeline (giving the latter more space to fully consider transformation/re-modelling of its services).

The council to date has identified in excess of £2.5 million in savings from contract renewal in 2024/25, and in excess of £3 million anticipated in 2025/26. Local spend is being pursued though the amount has not improved in 2023/24. The % of tenders advertised with at least 10% social value award criteria increased dramatically in 2023/4 from 28% to 80%. This has been achieved by a new Lead officer role with a focus on SV and Social Value is included specifically as an evaluation criterion.

Our indications are that generally procurement is regarded as an improved area of activity.

Risks

None identified.

Recommendations

None identified.

Annex

A1 Risk Assessment – Method

Impact

Likelihood	Critical:3	Moderate:2	Marginal:1
Probable:3	High - 9	High - 6	Medium - 3
Occasional:2	High - 6	Medium - 4	Low - 2
Improbable:1	Medium - 3	Low - 2	Low - 1

Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:

- Marginal – some minor (less than £1000) costs involved, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – financial losses / costs up to £100k, operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major financial losses / costs in excess of £100k, subsequent intervention by DLUHC or other 3rd parties, reaches national press interest, major political embarrassment for members.

A2 Documents Reviewed

For the December 2023 Report

- Budget 2023-24 and Medium Term Financial Plan General Fund Revenue and Capital
- Budget Strategy 2024-25
- Cumberland council Plan 2023 to 2027
- Finance Report - Quarter 1 April to June 2023
- Item 7 - Risk Management Progress Report App 1
- Item 7 - Risk Management Progress Report App 2
- Joint Disaggregation Group Update (1)
- Joint Executive Committee - Agenda and Reports 13 November 2023
- Part 3 Section 4 - Budget and Policy Framework Procedure Rules (1)
- Part 3 Section 4 - Budget and Policy Framework Procedure Rules
- Part 3 Section 6 - Finance Procedure Rules
- Part 3 Section 7 - Contract Procedure Rules
- Part 8 - Senior Management Structure
- Finance Report - Quarter 1 April to June 2023
- DEEP DIVE - Childrens Health & Wellbeing 07.09.23 (FINAL)
- DEEP DIVE - Business Change and Transformation v3
- DEEP DIVE - ASCH efficiencies 2023v1
- Service Performance Monitoring: perf_clinic_narrative; ace_pc_121023; ace_slides_Q1 Performance clinic; adult_SCH_pc_270923; ASC_slides_performance clinic 27.09 v3; bt_c_pc_101023; children_pc_241023; place_pc_241023; publichealth_pc_311023; resources_pc_210923
- 20230822 - Transformation Planning
- MRP Calculations File Note
- Asset Register – combined; fleet; Land and Buildings split
- 07. Independent 3rd Party Valuations for Investment Properties
- Contracts Register
- 10. Governance Documents for Cumbria Holding Limited
- Interim & Vacancy SLT24102023
- DRAFT Capital Strategy - October 2023
- MRP: Audits; Legal advice; Policy
- Cumberland Risk Management Framework: Cumberland Strategic Risk Register as at 10.10.2023; Risk Management File Note
- Report to Executive – 15 December 2023: Finance Report – Quarter 2 (April to September) 2023
- Report to Executive – 15 December 2023: Launch of Budget Consultation 2024/25

For this Report

- Capital Investment Strategy (Executive 20 June 2024)
- Asset Management Strategy (Executive 20 June 2024)
- Corporate Performance Report – Quarter 3 (2023/24)
  Executive 13 February 2024
- Council Plan Delivery Plan and Performance Framework (Executive 11 January 2024)
- Council Plan Delivery Plan and Performance Framework Appendix A
- Council Plan Delivery Plan and Performance Framework Appendix B
- Budget 2024-25 and Medium-Term Financial Plan

- Budget 2024-25 and Medium Term Financial Plan Appendix A - 2024-25 Revenue Budget overview
- Budget 2024-25 and Medium Term Financial Plan Appendix B Recurring Growth
- Budget 2024-25 and Medium Term Financial Plan Appendix C Non Recurring Growth
- Budget 2024-25 and Medium Term Financial Plan Appendix D Recurring Savings Transformation and BAU
- Budget 2024-25 and Medium Term Financial Plan Appendix E Recurring Savings Service Review and budget mitigations
- Budget 2024-25 and Medium Term Financial Plan Appendix F Non recurring Savings Transformation and BAU
- Budget 2024-25 and Medium Term Financial Plan Appendix G Non Recurring Savings _ Service Review and budget mitigations
- Budget 2024-25 and Medium Term Financial Plan Appendix H Capital Budget
- Budget 2024-25 and Medium Term Financial Plan Appendix I Budget consultation report 2024-25
- Amendments to the Inter Authority Agreement
- Corporate Key Performance Indicators
- Corporate Key Performance Indicators Appendix A
- Equality Objectives 2024-28
- Executive and Scrutiny Protocol
- Launch of Budget Consultation 2024-25
- Quarter 2 April to September Finance Report
- Quarter 3 April to December 2023
- Quarter 3 April to December 2023 Appendix A
- Quarter 3 April to December 2023 Appendix B
- Quarter 3 April to December 2023 Appendix C
- Transfer of the Local Economic Partnership functions Joint Committee and related agreements
- Corporate Performance Report - Quarter 4 202324
- Corporate Performance Report - Quarter 4 202324 measures
- Cumberland Care Review
- Cumberland Council Productivity Plan

Further Documents:

- ASCH Transformation Plan on Page 28082024Latest revenue and capital monitoring (Quarter 1 (2024/25)
- C&FW Volume Analysis CLD-WAF 2023-4 AC
- Corporate Performance Report - Quarter 4 202324 measures
- Corporate Performance Report - Quarter 4 202324
- Feedback from Peer Challenge Presentation Cumberland FINAL
- Moot Lodge Consultation
- RIG_RIIA Data CLA WAF Comparison Apr-Dec 2023-24
- Latest service performance monitoring (Quarter 1 (2024/25).
- 20240816 Assets, Fleet and Highways Update Note
- Asset Disposals - SLT de min50k
- List of Contracts lapsed or terminated in 2024/ List of new Contracts let in 2024/List of anticipated Contracts to be let to March 2025
- Schedule of current vacancies and interim roles in tiers from Senior Managers and above
- 20240819 - Assurance and Efficiency Attendance, Action, Issue, Decision Log
- Capital Budget Monitoring 2023/24 - Period April 2023 to March 2024
- Capital Budget 2024/25 to 2026/27 (adjusted for 2023/24 budget carry forwards)
- 2024/25 Contribution to Earmarked Reserve (EMR)
- Outturn Report 2023/24

- Q1 Report 2024/25
- Quarter 1 projected outturn 2024/25
- Service Plan Early Help Prevention and Youth Justice FINAL
- Children and families service plan 2425
- Service Plan, Strategy and Policy 2024-25
- Service Plan: Adults and Housing
- Treasury Management Report App 1
- Draft Annual Governance Statement

A3 Interviews Conducted

- Leader of the Council
- Leader of main Opposition
- Finance Lead Member
- Chair of People Overview & Scrutiny Committee
- Chair of Audit Committee
- Chief Executive
- Assistant Chief Executive
- Director of Children and Family Wellbeing
- Director of Place, Sustainable Growth and Transport
- Director of Public Health & Communities
- Director of Adult Social Care & Housing
- Director of Resources
- Director of Business Transformation & Change
- S.151 Officer / Chief Finance Officer
- Head of HR
- Chief Legal Officer (Monitoring Officer)
- Staff Focus Group (Change Champions)

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