



Carlisle City Council

Report to Audit Committee

Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	DRAFT AGS AND NARRATIVE STATEMENT
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD.75/22

Purpose / Summary:

This report provides the Committee with the draft Annual Governance Statement and Draft Narrative Statement that will be included in the City Council's Statement of Accounts for 2022/23.

Recommendations:

It is recommended that the Audit Committee note the two draft statements prepared in advance of the City Council's demise and recommend to Cumberland Council.

Tracking

Audit Committee	16 March 2023
Council:	

1. Background

- 1.1. As the City Council will cease to exist on 31st March and its duties taken on by Cumberland Council, the Statement of Accounts and Annual Governance Statement (AGS) will be approved by Cumberland. Therefore, as the Committee that is delegated responsibility to approve the Statement of Accounts and AGS for the Council, it is deemed appropriate that at this last meeting of the Committee you see the proposed draft documents and ensure that they reflect the activity of the City Council in 2022/23.

2. Narrative Statement

- 2.1. During the preparation of the accounts in April and May, the Narrative Statement will be updated with relevant figures and financial and non-financial performance once the outturn, performance indicator outturn and Statement of Accounts are prepared. Therefore, at the moment, the draft Narrative Statement shows a significant amount of information that requires to be updated once the relevant information is available. The draft Narrative Statement is attached at **Appendix A**.

3. Annual Governance Statement

- 3.1 Similarly, the Annual Governance Statement is provided for the Committee to consider prior to the transition to Cumberland.
- 3.2 The Draft Annual Governance Statement for 2022/23 is attached at **Appendix B** which has been prepared in accordance with the CIPFA/SOLACE framework.
- 3.2 Work has been undertaken by Council Officers to update the Good Governance Principles, demonstrating the Council's conformance with the CIPFA/SOLACE framework and the principles contained within the Council's own Code of Corporate Governance. This review is reflected in the Annual Governance Statement.
- 3.3 Various sources are in place to provide assurances over the Council's governance framework, including:
 - Annual internal audit opinion
 - Self-assessment questionnaires completed for main financial systems and directorate assurances
 - Attendance at Operational Risk Management group
 - Attendance at Management Briefing
 - Receipt of corporate communications
 - Summary updates for key Council meetings (Inc. Full Council, Executive, JMT and SMT)

- Audit Committee Effectiveness Review (Internal)
- Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
- External Audit Review of Statement of Accounts – Unqualified Opinion
- External Audit Review of Value for Money – Unqualified Opinion
- External Reviews:
 - LEXCEL Accreditation (Legal Services)
 - Public Sector Network ICT Health Check
 - Benefit Advice Service (External Assessment)

3.4 There are no areas of significant weakness identified in this year's Annual Governance Statement.

3.5 The Internal Audit opinion of **reasonable** assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31st March 2023 has previously been reported to Members as part of the Internal Audit Annual Report.

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to note the two draft statements prepared in advance of the City Council's demise and recommend to Cumberland Council.

5. Contribution to the Carlisle Plan Priorities

5.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

Contact details:

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Appendices attached to report:

Appendix A	Draft Narrative Statement
Appendix B	Draft Annual Governance Statement

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Audit Committee's terms of reference require it to oversee and approve (later in the year) the authority's Annual Governance Statement.

Finance – included in the main body of the report

Equality – included in body of the AGS, 'Equality Objectives'

Information Governance – There are no Information Governance implications for this report

Property Services - There are no property related implications for this report

SECTION 1 – DRAFT NARRATIVE REPORT

1.1 Introduction

The City Council must prepare and publish its Statement of Accounts annually. Their purpose is to give electors, local taxpayers, Council Members, employees, and other interested parties clear information about the Council's finances. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

The aim is to provide information on:

- the cost of providing Council services in 2022/23;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts. The Statement of Accounts for the year ended 31 March 2023 have been produced by the Chief Finance Officer (S.151 Officer) and consists of the following: -

(i) The Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Chief Finance Officer (S.151 Officer) for preparing the Statement of Accounts.

(ii) The Movement in Reserves Statement

This Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

(iii) The Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.12) and the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2022/23 and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services:

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Customer Services	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Digital and Information Services	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Risk Management	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	PA Support Team	Debtors	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships		Finance	Enterprise Centre	Asset Management Costs (Depreciation)
Community Centres	Economic Development		Revenues & Benefits	Health & Safety	
Community Safety	Enterprise Zone		Insurance	Homelessness & Homelessness Accommodation	
Corporate Communications	Planning Enforcement		Section 151	Investment & Operational Property	
Emergency Planning	Regeneration & Projects		Procurement	Land Charges	
Events	Rural Policy & Support			Legal Services	
Green Spaces	Section 106 / Community Infrastructure Levy			Licensing	
Marketing	Strategic & Housing Planning Policy			Mayoral Support	
Old Fire Station				Member Services	
Overview & Scrutiny				Monitoring Officer	
Policy & Performance				Private Sector Housing	
Refuse and Recycling				Strategic Property	
Sports Development				Welfare Advice Service	
Street Cleaning					
3rd Sector Grants					
Tourism					
Health & Wellbeing					
HR, Payroll & Personnel					

Organisational Development					
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(iv) The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

(v) The Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as, operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

(vi) Notes to the Accounts

These explain in more detail some of the more significant entries in the core financial statements and include details of the significant Accounting Policies used in the preparation of the accounts.

(vii) The Collection Fund

This shows the total income received by the Council from council tax and business rates and how this has been distributed to all precepting organisations it is collected for, including the Council.

(viii) The Annual Governance Statement

This explains the framework within which internal control has been managed and reviewed by the Council during the year of account.

1.2 2022/23 Budget and Medium-Term Financial Plan

The 2022/23 revenue budget was set within the context of the Council’s Medium-Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key Financial Principles:

- Revenue Budget Strategy
- Commercial and Income Generation
- Council Tax and Business Rates Policy
- Capital Investment
- Treasury Management

Revenue expenditure generally relates to resources which are used within a year and which are paid for from council tax, business rates, government grants, fees and charges for services and other income received by the Council.

The table below shows a comparison of the Council's revised budget with its performance for 2022/23. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 23.

2022/23 Revenue Budget	£000
Approved Budget (Council Resolution - February 2022)	
Carry Forward requests (2021/22 Outturn)	
Supplementary Estimate	
Budget 2022/23 as at March 2023	0
Non-Recurring Expenditure	
Revised Budget 2022/23	0

	Budget £000	Provisional Outturn £000	Variance £000
Community Services			0
Corporate Support			0
Economic Development			0
Finance and Resources			0
Governance and Regulatory Services			0
Corporate Management			0
Exceptional Items			0
Service Expenditure	0	0	0
Parish Precepts			0
Total	0	0	0
<u>Transfers to/(from) Reserves</u>			
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
Total Transfer to/(from) Reserves	0	0	0
Financed by:			
Precept from Collection Fund			0
Business Rate Retention			0
Business Rate Deficit on Collection Fund			0
Total Grants	0	0	0
Total	0	0	0

The Council has total usable reserves of £xxxxxmillion at 31 March 2023 (£16.786million at 31 March 2022), of which the total earmarked reserves held are £xxxxxmillion (£9.986million at 31 March 2022). Further details of these reserves can be found at note 4.5.

For 2022/23 the Council was under-spent by £xxxxxmillion against the revised budget. This resulted in a lower use of general fund reserves in 2022/23 than expected. However, of the under spend, £xxxxxmillion has been identified for carrying forward into future years and £xxxxxmillion has been placed into earmarked reserves and provisions to meet known commitments. A further £xxxxxmillion from

the additional funding received in year of £xxxxx million has also been placed into earmarked reserves to meet known commitments on the Collection Fund.

The Council also has other unusable reserves totalling £xxxxxxxmillion at 31 March 2023 (£132.988million at 31 March 2022). Certain reserves are used to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

All reserves will transfer to Cumberland Council on 1 April 2023 and will be for that Council to deem appropriate levels.

The table below sets out how the Council's earmarked and general fund revenue reserves levels compares at 31 March 2023 to those that were forecast when it set its revenue budget in February 2022.

	Forecast 31/03/2023 £000	Outturn 31/03/2023 £000
General Reserves		
General Fund (including Projects Reserve)		
Carry Forward Reserve		
	0	0
Earmarked Reserves		
	0	0
Total Usable Reserves	0	0

The amount held in the Business Rates s.31 Grant Reserve is in relation to Section 31 grant received as compensation for loss of business rates due to expanded retail, leisure and hospitality relief granted to businesses as part of the COVID-19 response by Government. The amount held in the reserve will be used to offset the estimated deficit on the Collection Fund that will be recovered in 2023/24 and as such is unavailable for any other purpose.

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2022/23 has been prepared which provides additional information on the year end position. This is available upon request from the Chief Finance Officer (S.151 Officer).

1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life more than one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and contributions from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

(i) Capital Expenditure

The Council's revised capital programme for 2022/23 was approved at £xxxxxmillion. Overall capital spending for 2022/23, totalled £xxxxxmillion, resulting in an underspend of £xxxxxmillion. Where projects have not completed in the year, £xxxxxmillion has been reprofiled to future years and will be the responsibility of Cumberland Council. The overall programme can be summarised as follows:

	£000	£000
Revenue Expenditure funded from Capital Under Statute		
Capital Investment on Assets		0
		0
		0

The programme has been financed as follows:

	£000
Capital Receipts	
Specified Capital Grant	
Other Capital Grants and Contributions	
Direct Revenue Financing	
Unfinanced Capital Expenditure	
	0

(i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council held a balance of £xxxxxmillion of borrowing with PWLB at 31 March 2023. No further borrowing was undertaken in the year. Further borrowing is scheduled in the Medium-Term Financial Plan, however, this is constantly reviewed to ensure borrowing is undertaken at the most appropriate time and when it is required and this will become the responsibility of Cumberland

Council on 1 April 2023 to determine the appropriate action to take in respect of borrowing.

(ii) Capital Receipts

The Council utilises capital receipts generated from the sale of its assets to pay for its capital spending wherever possible. This includes assets disposed of in line with the Council's Asset Disposal Business Plan.

1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's finances. The Council's holding of Property, Plant and Equipment and Investment Properties has **increased** in value in the year from £211.523million to **£xxxxx**million.

(i) Reserves & Balances

The following table shows a reconciliation between the amount of cash-backed reserves held by the Council at 31 March and the amount of cash and investments it held at 31 March.

2021/22 £000		2022/23 £000
(6,800)	General Fund Balance	
(105)	Capital Reserves	
(9,881)	Earmarked Reserves	
3,513	Collection Fund Adj Account	
(1,298)	Provisions	
(90)	Capital Grant Unapplied	
(14,661)	Amount available for Investment	0
	Investments	
3,867	Long Term	
12,000	Short Term	
17,277	Cash & Cash Equivalents	
33,144	Total Investments	0
18,483	Surplus Monies / (Internal Borrowing)	0
(39,796)	Working Capital	
(21,313)	Surplus Monies / (Internal Borrowing)	0

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed reserves and balances (**£xxxxxmillion**) and cash held in working capital. The net position shows that **£xxxxxmillion** can be represented by a position of under borrowing. The actual borrowing the Council held at 31 March was **£xxxxxmillion**, the actual borrowing requirement the Council had at 31 March was **£xxxxxmillion** (Note 4.40). In effect the Council is utilising its own cash balances to support its borrowing requirement and arises due to no further external borrowing being undertaken since 2019, with an inflow of grant funding that is supporting the Council's cash balance position.

1.5 Cash Flows

During 2022/23 the net change in cash and cash equivalents was £xxxxxmillion.

1.6 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £xxxxxmillion at 31 March 2023.

The liability shows the underlying long-term commitments that the Council must pay in respect of retirement benefits. The total liability of £xxxxxmillion has a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains robust. The deficit on the local government pension scheme will be dealt with by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

An up-front payment, based on estimates for 2022/23, was paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year.

1.7 Significant Issues

(i) Local Government Reorganisation

Local Government Reorganisation is now the key opportunity for the Council in delivering a new Unitary Authority across the existing geographical areas of Carlisle, Copeland and Allerdale, and incorporating the functions and services of the County Council. Detailed work is underway to progress a 'safe and legal' position for vesting day; 1 April 2023.

In the summer of 2021, the decision was made to transition from a two-tier local authority structure to a two-Unitary authority structure for Cumbria. The geographical area covering Carlisle, Copeland and Allerdale will merge into the new Cumberland Council on 1 April 2023 and will subsume functions from the County Council as well. Local Elections were held in May 2022 to elect the Members for the new authority and a new Shadow Authority is now directing the process up to vesting day on 1 April 2023.

The Council has contributed £1,576,667 to an implementation reserve alongside the other Cumbrian Local Authorities. The total costs incurred are shown within exceptional items within the CIES.

(ii) Revaluation of Assets

A revaluation of all Property assets has been undertaken as at 31 March 2023. Included in the Comprehensive Income and Expenditure Statement within Services are net upward revaluations totalling £xxxxxmillion in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net increase in value of £xxxxxmillion.

(iii) Economic Climate

The Council experienced the effects of increasing interest rates in 2022/23, however the effects of increasing inflation also increased the financial challenges and will continue to do so moving into 2023/24 for the new unitary authority.

Expenditure on employee costs increased from 2021/21 levels from £xxxxxmillion to £xxxxxmillion. Other expenditure decreased from 2021/22 levels of £xxxxxmillion to £xxxxxmillion due to lower levels of Housing Benefit grant payments paid out but increased levels of grant payments in relation to Covid-19.

(iv) Sustainable Warmth Funding

The Council was successful in attracting funding towards a Countywide Sustainable Warmth Project. The funding, provided by BEIS (Department of Business, Energy and Industrial Strategy), is for a Countywide project to deliver improvements in energy efficiency and sustainability in certain households. The Council is acting as accountable body and all funding and expenditure will come through the Council, in a principal arrangement. The funding of £19.955m was received by the Council in December 2021. {Needs to be updated with current position}

(v) Key Risks

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- There is a risk that the Government fails to communicate changes to future local government funding from 2022 in a timely manner, meaning that the City Council cannot effectively prepare for these changes.
- There is a risk that the financial impact of the Covid-19 pandemic on the Council's budget is not fully understood which may require future changes to the Council's Savings Strategy.
- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions
- There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take this forward in a progressive manner that meets the Council's aspirations.
- There is a risk that the City Council will not fulfil its obligations as set out in the Carlisle Southern Link Road (CSLR) Grant Determination Agreement with Homes England and that subsequently the funding will be withdrawn, this meaning that the City Council will consequently have to pay the County Council £5m as agreed in the Collaboration Agreement with the County Council.
- There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium-Term Financial Plan.
- There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.
- There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence, or malice
- There is a risk that as the LGR Programme enters the design phase (March-April) and prepares for Day 0 (Shadow Authority, Mid-May 2022) and Day 1 (Vesting Day, 1/4/2023) that the demands of fulfilling the programme will begin to compete with the commitments made to delivering the Carlisle Plan and associated corporate services. This may draw resources away from the Carlisle Plan delivery and associated corporate services which could lead to delays and increased costs, due to the need to recruit additional resources.

These risks are regularly monitored, updated and reported to ensure they are mitigated and managed as far as possible.

(vi) **Key Opportunities**

The Council continues to be an integral part of the Borderlands partnership with four other local authorities across the Borders region. The UK and Scottish Governments announced an initial funding deal worth £345million. Progress continues to be made on the delivery of the projects allocated to the Carlisle area.

The Council has been allocated a share (£9.1m) of the Future High Streets fund as well as an allocation of £19.7m of Town Deal Funding and £0.518m for Shared Prosperity Funding in 2022/23 with a further indicative allocation of ££3.6m for future years. These schemes are progressing with detailed business cases being created and submitted to government for final sign off before delivery can proceed.

The new leisure facilities became operational in the autumn of 2022 delivering a state-of-the-art leisure complex for the City that combines NHS physiotherapy on site with enhanced health and wellbeing facilities that will provide service improvement opportunities into the future..

1.8 **Council Priorities**

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report communicates the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Scrutiny Panels. The Carlisle Plan was updated in 2021/22 to better reflect the Executive's current priorities and the plan for 2021-2023 was adopted by full Council in September 2021. The new plan covering 2021-2023 is available on the Council's website. The new plan will continue with a focus on Supporting the Economy and Health & Wellbeing.

The Carlisle Plan outlines the key priorities for the Council. These key priorities are:

- **Economic Growth**
 - We will continue to prioritise the current response to and rapid recovery from the economic impacts of the Covid-19 pandemic on the local economy.
 - Key Economic Growth Programmes and Projects:
 - Delivering the Borderlands Inclusive Growth Deal
 - Delivering St Cuthbert's Garden Village
 - Delivering the Future High St Fund, Towns Fund, Town Deal Accelerated Fund and related regeneration Projects
 - Building on success through new economic opportunities
- **Health and Wellbeing**
 - We will continue to prioritise the current response to and rapid recovery from the health and wellbeing impacts of Covid-19 pandemic
 - Key Health and Wellbeing Programmes and Projects:
 - Delivering the Phase VII World Health Organisation Healthy City Plan
 - Delivering the Sands Centre Redevelopment project
 - Support the delivery of partnership plans
 - Delivering the Homelessness Prevention and Rough Sleepers Strategy
 - Delivering the private sector housing standards to include a range of grants, advice, support and regulation

- Delivering the Local Environment (Climate Change) Strategy
- Delivering the Green Spaces Strategy and supporting the delivery of the Local Cycling and Walking Infrastructure Plan (CWIP)
- Developing the new Cumbria Waste Strategy
- Supporting the delivery of the Carlisle Cultural Network

The Council monitors its non-financial performance through ten 'Service Standards'. These provide a standard in service that our customers can expect from the City Council and a standard by which the Council can be held to account. The measures of the standard of services are based on timeliness, accuracy, and quality of the service the Council provides in areas that have a high impact on our customers.

The Council operates with the following core principles that underpin the Carlisle Plan:

- We will be a clear, committed, and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses, and visitors. Our plans to respond to these needs are clear and straightforward. We know what is expected of us and do our best to create clarity in how we work.
- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.
- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

Further information on the Council's priorities and achievement of key objectives is given in the Annual Governance Statement.

Operational Model

The Council receives most of its funding from taxation - Council Tax (£xxxxxmillion) levied on residents and Business Rates (£xxxxxmillion) levied on businesses. It also receives funding from Central Government in the form of Specific Grants such as New Homes Bonus, Housing Benefit Administration Grant, and Covid-19 support.

As well as core funding sources, the Council also relies heavily on income from fees and charges and rental income from its significant asset portfolio. These provide a valuable source of funding that can be used to supplement the service delivery for the residents of Carlisle.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. The key services the Council delivers are waste collection, street cleaning, bereavement services, green spaces, homelessness and private sector housing support, regulatory services such as environmental health, planning and building control. Leisure and Cultural provision are provided with support from external organisations primarily Greenwich Leisure Ltd, and Tullie House Trust.

Employees are an asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Carlisle.

In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it

must ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has been able to set a balanced budget.

In 2022/23 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council was able to deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

1.9 Non-Financial Performance

The year-end position of the Council's Service Standards is shown below:

Percentage of Household Planning Applications processed within eight weeks

To be inserted

Proportion of waste or recycling collections missed

To be inserted

Percentage of household waste sent for recycling (including bring sites)

To be inserted

Average number of days to process new benefits claims

To be inserted

Proportion of Corporate Complaints dealt with on time

To be inserted

Proportion of food businesses that are broadly compliant or better with food safety legislation

To be inserted

Proportion of non-contentious licence applications completed on time

To be inserted

Proportion of official local authority searches completed on time

To be inserted

Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)

To be inserted

Average number of working days to process benefit claimants' changes of personal Details

To be inserted

1.10 Value for Money

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

1.11 Workforce

As at 31 March 2023 the Council employed xxx employees. This was split xxx females and xxx males. There were xxx full time employees with xxx part-time/job-share.

As at 31 March 2022 the Council employed 465 employees. This was split 251 females and 214 males. There were 307 full time employees with 158 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2022/23 paid over £xxxxx into its Digital Apprenticeship Service Account. The Council accessed £xxxxx of funding for apprenticeship training in 2022/23, with the balance carried forward being £xxxxx which can be accessed in 2023/24 by Cumberland Council.

1.12 Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at Note 4.12.

1.13 Major Influences on the Authority

During 2022/23 the Council has continued to recognise that it will be required to make savings through its programme of transformational change considering reducing funding levels. Where possible these savings are being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system will affect the Council financially in the longer term.

1.14 Going Concern

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium-Term Financial Plan (MTFP). The usable cash reserves position (£xxxxxmillion) remains healthy and on the Balance Sheet the Current Assets position of £xxxxxmillion is lower than Current

Liabilities position of £xxxxxmillion (excluding repayable borrowing) so liquidity in the short term is negative. This is primarily due to the Council being under-borrowed at 31 March as outlined in 1.4.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£xxxxxxmillion), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, employee remuneration).

Cumberland Council will begin on 1 April in a position as a going concern entity.

1.15 Events after the Balance Sheet Date

Events taking place after the 31 March 2023 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

1.16 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2022/23 Code of Practice on Local Authority Accounting.

1.17 Further Information

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Chief Finance Officer (S.151 Officer), Civic Centre, Rickergate, Carlisle. In addition, members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

Signed:

Date:

SECTION 6 – DRAFT ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Carlisle City Council ('the Council') is responsible for ensuring that its business is conducted both in accordance with the law and proper, appropriate standards. In addition, the Council must seek to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance ('the Code'), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Chief Finance Officer (S151 Officer). The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explains how the Council has complied with the Code and application note and meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

Global Pandemic (Impact)

From March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged. The Council continued to work under these new measures, including maintaining a flexible approach to hybrid working as restrictions around the pandemic eased.

The Council continued to be involved in the local response to the pandemic including monitoring compliance with restrictions, administering business support grants and forming part of the Cumbria Resilience Forum, which shared information and coordinated local action outbreaks within the area

Local Government Re-Organisation

On 21 July 2021 the UK government announced that it intended to proceed with a two-unitary local government re-organisation (LGR) model within Cumbria. This means that from 31 March 2023 Carlisle will merge with Allerdale Borough Council, Copeland Borough Council and approximately half of a disaggregated Cumbria County Council to form a new unitary authority to be known as Cumberland Council. During 2022/23 Carlisle City Council continued to work in collaboration with the other Councils to ensure a smooth transition to the new authority.

The Council's existing governance, risk management and internal control framework will remain unchanged by LGR, though clearly some plans, strategies and longer-term projects and aspirations have been curtailed or suspended where considered more economic or efficient to do so as a result of the government decision.

A comprehensive communication and briefing programme has been in place throughout 2022/23 to keep staff updated on progress against the LGR project. This includes regular corporate communications, staff briefings and a dedicated intranet page.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; and
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts for 2022/23.

The Governance Framework

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

The Council's vision of its purpose and intended outcomes

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a guiding document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan 2021-23 was adopted by Council on 14th September 2021, with a truncated timeline (ending 31 March 2023) to reflect Local Government Reorganisation.

Like many other local authorities, the Council declared a climate Emergency in 2019 and have now prepared and approved an Environmental Strategy, complemented by a detailed action plan, devised primarily to ensure the Council (including the new authority replacing Carlisle City) is carbon neutral by 2037.

The Council's vision – implications for governance arrangements

The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of it. The plan is accompanied by a 'Plan on a Page', this sets out the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

Measuring the quality of service for users

The Council's Performance Management framework, including Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels such as the Customer Contact Centre, online surveys and social media. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impact of key decisions are recorded in each of the Executive papers ensuring that appropriate assessments form part of all the Council's key and non-key decisions.

Performance in services provided to customers is monitored through management information indicators, highlighting short and medium-term trends which are reported to the corporate Senior Management Team¹. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels with progress made in 2022/23 detailed below:

¹ The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

PRIORITY – Economic growth

To be completed once the end of year performance report is finalised

PRIORITY - Health and wellbeing

To be completed once the end of year performance report is finalised

Roles and Responsibilities

The City Council comprises 39 elected Members; no elections were held for Carlisle City Council during the 2022/23 as elections for members to the new shadow authorities for the two new unitary Councils were held in May 2022. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates their Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2022/23 the Executive comprises the Leader and five Executive Members (six for part of the year), one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available publicly on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: People, Place and Resources. These Panels undertake the statutory scrutiny role set out in the 2000 Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, transparent manner and from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2022/23 comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

Codes of Conduct and Standards

The Council has always (since the introduction of the obligation to have one) had a formally adopted Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (the appointment of 2 Independent Persons is ratified by Council). A Parish Member would be invited to

attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

Since April 2021 the Council, and the other Cumbrian Councils, have adopted and followed a Code of Conduct based upon the template promoted by the Local Government Association. At the same time the Council also approved updated arrangements for dealing with standards matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct is contained within the Council's Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers.

Standing Orders/Financial Procedure Rules

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegation to Officers continued to be revised which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines assurance model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for

Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

The Council has an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance officer monitors compliance, amongst other duties, with the new requirements of GDPR. The Council's Internal Audit function continues to review records management as part of all individual audits.

Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption was provided during the year and a supplementary e-learning training module on Money Laundering is available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. Internal Audit continue to deliver an annual review of counter-fraud arrangements (started in 2019/20) to identify improvements against best practice and have also reviewed and suggested improvements to the Counter-Fraud Policy during 2022/23, which will also be used to support counter-fraud arrangements for the new authority.

Ensuring effective management of change and transformation

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. The current savings programme has identified that a further £2.050 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position was closely monitored during 2022/23 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. However, given that the Council will cease to exist from 1 April 2023, the focus in 2022/23 has been to support the delivery of a balanced budget for Cumberland Council for 2023/24 and to ensure future financial sustainability for the new Unitary. During 2023/24 and future years Cumberland will commence a programme of transition and transformation to ensure that the transformation of its services is controlled and managed effectively, and that resources are directed to the priorities contained within its Corporate Plan.

Financial Management Arrangements

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the 'Role of the Chief Financial Officer in Local Government' and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes. The Council has undertaken work to ensure compliance with the code and the findings were presented to the Audit Committee in September 2022.

All executive decisions are subject to a full impact assessment from a financial and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

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

Value for Money benchmarking exercises are usually undertaken across service areas when required, though no specific exercises were performed during 2022/23 due to resource issues as a result of the pandemic and the need to support the LGR process. However, the Council continued to procure services following appropriate, established processes designed to ensure value-for-money is achieved.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and Scrutiny. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts are produced in accordance with the statutory deadlines and year-end actual results are reported against budgets. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit

Committee and are considered by Executive, Scrutiny and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Head of Legal Services acting as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out their role and responsibilities in respect of management structures and the discharge of functions by the Council. They will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

They are currently supported in their role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Scrutiny function and currently has direct line management responsibilities for Customer Services and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of

reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation.

Audit Committee

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit is also the Council's Head of Financial Services, who manages an in-house Internal Audit team comprising an Audit Services Manager and two Auditors. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter. During 2022/23 the Audit Services Manager continued with a shared management arrangement between the City Council and Allerdale and Copeland Borough Councils, which will ensure a consistent approach is taken by Internal Audit by the three Councils, who will merge into one authority from 2023/24. Additional management support was provided within the team during 2022/23 to ensure delivery of the Carlisle Internal Audit plan.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (audit consultancy) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

A reasonable assurance has been provided on the adequacy and effectiveness in respect of 2022/23, though the opinion maintains concerns in relation to ICT Services due to limited progression of agreed actions to previous audit recommendations. The opinion however also reflects improvements made to the team's resource levels and ongoing commitment to manage the key risks relating to cyber security, in particularly ensuring concerns are being addressed as part of the LGR ICT work-stream.

Significant control concerns were also identified in the year in relation to the governance and risk management processes in place over the management of the Sustainable Warmth Grant. However, the Council's Senior Management Team shared these concerns and assurances have been obtained that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project.

The audit opinion also highlighted concerns around additional resource pressures on Council officers from Local Government Re-Organisation, significant projects and ongoing pressures from the Covid-19 pandemic and the impact this may have on adherence to the Governance, Risk Management and Internal Control framework, while recognised improved client engagement within the year

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented. The team continue to perform annual self-assessments against the requirement of the Standards, with improvements identified, actioned and reported to the Audit Committee in July 2022.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Audit Services Manager attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Audit Services Manager also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and assessed as fit for purpose for 2022/23; the team achieved sufficient coverage to enable an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 9 years' experience in Local Government Internal Auditing. The Audit Services Manager is PIIA qualified (and is in the process of obtaining full chartered status) and has 13 years' experience in local government internal auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

Ensuring Compliance with Relevant Laws

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

Complaints and Whistle blowing

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter. The complaints process was streamlined during 2021/22 and embedded in 2022/23.

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

The Council has a Confidential Reporting Policy that is available to all members of staff.

Identifying the development needs of Members and senior officers

The Council has a formal induction and appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined to focus on competencies and training needs. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the People Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been approved (though partly curtailed as a result of LGR) and Service Plans include workforce planning and needs and mentoring and coaching programmes are in place to promote development of all Members and Officers.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Gold Better Health at Work Award. There is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses. Further support has been offered to staff whilst the Council is going through the LGR change programme to ensure there is a continued focus on the health and well-being of staff – this was considered by the People Scrutiny Panel on 12 January 2023.

Clear channels of communication

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publicly

available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through social media and other online surveys, alongside continued growth in social media capacity. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

Enhancing the accountability for service delivery and effectiveness of other public service providers

Whilst the Council continues to deliver most of its key services directly there are areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the partner's expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

Good governance in respect of Partnerships

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

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

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the statement of accounts. This reporting is co-ordinated by Financial Services and is considered by SMT and the Business and Transformation Scrutiny Panel, upon request.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and updated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks

that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis either via Teams or via email in 2022/23. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of main financial systems and assurances taken from second line assurance providers, alongside the results of audit activity. The Council has also received external assurances in 2022/23 which inform this statement of assurance.

The Council also receives assurances from its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

Conclusion

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework. There are no significant weaknesses to report and no action points to consider.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature and are therefore not reported as part of this statement.

Signed on behalf of Carlisle City Council

John Mallinson
Leader of Council

Jason Gooding
Chief Executive

Alison Taylor
Corporate Director of Finance & Resources

Date: 3 March 2023

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