

# ANNUAL GOVERNANCE STATEMENT

2021-2022

CUMBRIA COUNTY COUNCIL

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## **1. THE COUNCIL'S RESPONSIBILITIES**

Cumbria County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is properly accounted for, and is 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 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 the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.

The Council is required to review its corporate governance arrangements annually against its Local Code of Corporate Governance. This Code, approved in 2018 was reviewed and extended in June 2022 to apply until the end of March 2023, aligns with the principles of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework 2016'.

The Council's Local Code of Governance 2018-23 can be found at:

[Local Code](#)

The Annual Governance Statement provides assurance on the effectiveness of the Council's governance arrangements up to the date of approval of the Council's Annual Report and Statement of Accounts.

The coronavirus pandemic has continued to impact on the governance of all organisations, including the Council throughout 2021/22. In line with guidance issued by CIPFA in April 2022 this statement includes commentary around the impacts of the coronavirus pandemic on the Council's governance including details of any significant impacts and adaptations in the year to reflect new ways of working or emergency arrangements, changes to "business as usual" activities and longer-term changes to priorities, strategies, and plans.

The Cumbria (Structural Changes) Order 2022 which came into force on 18 March 2022 provides for the creation of two new unitary authorities for Cumbria, Cumberland Council and Westmorland and Furness Council and for the abolition of the existing local government areas and councils including the County Council. Elections to the two new unitary authorities were held on 5 May 2022 and the two new councils both met for the first time on 17 May 2022 as shadow authorities. Local government reorganisation within Cumbria has, and will continue to have, a significant impact on the governance arrangements of the Council during 2022/23.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The Council's governance framework comprises all the systems, processes, values, and culture by which the Council directs and controls its activities, and through which it accounts to, engages with, and leads the community. It enables the Council to

monitor the achievement of its strategic objectives, manage risk and address issues that have a significant impact on the Council's finances, the achievement of its objectives or its reputation. Full details of those arrangements can be found in the Local Code of Corporate Governance (see link above).

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide 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, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework, described in Section 3 below, has been in place at Cumbria County Council for the year ended 31 March 2022 and up to the date of approval of the Council's Annual Report and Statement of Accounts.

### **3.THE GOVERNANCE FRAMEWORK**

The Council's Local Code of Corporate Governance sets out its framework for corporate governance.

The principles which underpin the Local Code of Governance are summarised below, along with a description of the types of arrangements which the Council has put in place to secure robust corporate governance. Full details of these arrangements can be found in the Code.

#### **PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Chief Legal Officer acts as the Council's Monitoring Officer and is responsible for ensuring the lawfulness of decision making. The responsibilities of this post are codified within the Constitution. The Monitoring Officer ensures that the Council acts within legal and statutory requirements. This is achieved through the provision of frontline legal advice to Council services on a daily basis, the active participation of the Monitoring Officer within the Corporate Management Team (CMT) and the active participation of Legal Services in the preparation and consideration of legal implications arising from reports for decision including officer decision records.

The Chief Executive is the Council's Head of Paid Service.

The Director of Finance is the appointed Chief Financial Officer (Section 151 Officer) with responsibility for the proper administration of the Council's finances. Financial governance is underpinned by the Council's Financial Standing Orders in the Constitution. Each year, the Director of Finance (S151 Officer) carries out a review of financial arrangements against the CIPFA Statement on the Role of the Chief Financial Officer which confirmed that the Council's arrangements comply with the requirements.

All three statutory officers (the head of paid service, the chief financial officer and the monitoring officer) have changed in the last 12 months including the appointment of two new Chief Executives and an interim Chief Executive acting in the role between these appointments. Despite these changes in the key statutory officers key structures and mechanisms for ensuring that good governance is maintained and providing oversight of governance have remained in place and appropriate support has been provided to member bodies and key decision makers. The Corporate Governance Group (“CGG”) has met less frequently than in previous years but it met on 28 March 2022 and it has been agreed that it will meet bi-monthly going forward with meetings scheduled for the remainder of 2022/23. The Corporate Management Team (CMT), which includes the 3 statutory officers, the Executive Directors, the Chief Fire Officer and the Director of Public Health and which meets weekly (and has continued to meet throughout the year), maintains an overview of governance with specific items being referred from CGG or the directorates as appropriate. As a result, no significant governance concerns have arisen as a result of the changes in the statutory officers and existing staff and procedures including the oversight of CMT have ensured that good governance has continued. A new head of paid service joined at the beginning of April 2022.

All reports to members, and significant decisions made by officers, are subject to review by the Council's Legal Services, Finance and Corporate Health and Safety teams to ensure that decisions are taken within the law and that expenditure is lawful and adheres to the commitments outlined in the Annual Health, Safety and Wellbeing Policy agreed by Cabinet.

The Constitution sets out the responsibilities of staff and elected members by defining decision-making powers, providing clear terms of reference for committees, and specifying the delegated power of officers. Key officers have established schemes of delegation which delegate responsibility for decisions (other than key decisions) to appropriate officers which are published on the intranet. Further guidance is provided through the intranet and targeted training.

Standards of behaviour and a commitment to ethical standards are set out within the Constitution in the following Codes and Procedures:

- Members' Code of Conduct and Guidance
- Officers' Code of Conduct
- Member / Officer Protocol
- Code of Good Practice for Members and Officers involved in the Planning process
- Whistleblowing Policy and Speak Up document
- Anti-Fraud, Bribery and Corruption Policy

The Constitution can be found here: [Constitution](#)

These Codes are subject to regular periodic review through the work programme of the Corporate Governance Group and Constitution Review Group. A new Member

Code of Conduct was adopted in November 2021. This was produced in conjunction with the six Cumbrian district councils and is based on the new LGA model code of conduct. Induction training is provided to all officers and members to ensure they are familiar with the codes and policies and know where to access appropriate guidance.

## **PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

All Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Prior to 7 May 2021 meetings were held virtually in line with the Local Authorities and Police and Crime Panels (Coronavirus) Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. From 7 May 2021 when the Council was no longer able to hold virtual meetings, all meetings have been held in person. During periods when social distancing and other restrictions on meetings were in place due to the impact of the pandemic a reduced schedule of meetings was held. The Council put in arrangements, including the use of non-council premises, to enable social distancing at meetings. This helped to ensure that all meetings where critical decisions were required could continue. These were held in person and were open to the public. Where necessary existing emergency powers were used to enable officers and members to take urgent decisions. Urgent decisions taken using emergency powers were published on the website and reported to the next meeting of the Council. As a result of these steps all decisions required to be made have been in time and in a transparent and open way.

The Council adopted a new Public Participation Scheme on 15 April 2021. The Council is committed to ensuring the people of Cumbria continue to have an opportunity to have a say on its services and decisions and recognise that public participation is an important part of this. However public participation can absorb a significant amount of committee time and there is a need to find the right balance between openness, accountability and transparency and the need to conduct the business of the Council efficiently. The changes to the public participation scheme were intended to ensure that balance was maintained. The details of the public participation scheme can be found here: [Public Participation Scheme](#)

All key decisions of officers are published on the Council's website. [Decisions](#)

The Council's Constitution sets out how it engages with stakeholders and partners including local NHS bodies, certain charities, third sector organisations, national parks, trade unions and other local authority bodies through a combination of joint working arrangements, partnership boards, annual appointments to external organisations and consultations. This engagement has increased significantly in response to the demands of the pandemic and the Council has used new ways of engaging with stakeholders and partners.

The Council has worked closely with other agencies and authorities to ensure the increased demand and complexity of service users needs can continue to be met. New joint working arrangements have been developed to respond to the pandemic

and ensure that the needs of service users continue to be met examples include regular meetings with trade unions, which were initially on a weekly basis and subsequently fortnightly, to work together on the delivery of Personal Protective Equipment (PPE) and the response to covid. These meetings helped to create a truly collaborative approach to help shape the response to Covid and agree priorities.

Recovery from any emergency is a key part of the overall response. The strategy was developed by the Cumbria Strategic Recovery Coordination Group (of which the Council is a member) and recognises that recovery will be demanding and long-term. The Strategy itself is built on the Cumbria Public Health Strategy and the aim is to build a better place where people are healthy and safe and people want to visit, communities are connected and thriving and our economy is growing, sustainable and benefits everyone. There was a consultation on the strategy in January 2021 that ran until April 2021

### [Recovery Strategy Consultation](#)

There were over 350 bits of feedback which feed into the strategy. In addition, Children in Cumbria were asked to supply photographs for the strategy and there were prizes for the best ones and they feature in the final document. The final strategy was launched on 1 July 2021, and was endorsed at Cabinet (as well as through the governance structures of partners and the Strategic Partnerships) and can be found [here](#)

### [Recovery Strategy](#)

During the year there has been an Outcomes Framework develop and the strategy has been embedded into existing governance structures and plans so that it becomes an integral part of everything the Council does.

Local government reorganisation in Cumbria has required the Council to work very closely with the district councils in Cumbria and with the two new shadow authorities to plan and prepare for the implementation of the two new unitary authorities. This has involved the setting up of joint working arrangements across the seven councils involving both members and officers including the LGR Programme Board and the joint committees. Further details on local government reorganisation can be found [here](#). [LGR](#)

The Council recognises the critical importance of public consultation and engagement with service users and others to ensure that their views and experiences are taken into account when setting priorities and structuring service delivery. Stakeholder engagement is seen as an integral part of any major project and the Council understands its importance in ensuring that value for money is achieved in projects.

Recent examples include the implementation of new arrangements for social workers to spend time with children in care in a social context in responses to feedback from children and young people; changes to the project for the redesign and refurbishment of Barrow library to include more space for the IT suite in response to public feedback [Barrow Library Consultation](#); changes to the design of the Carlisle Station Gateway to change the location of vehicular access in response to feedback from the public

[Carlisle Gateway Consultation](#) and changes to the eligibility criteria and entitlement to access commissioned services as part of the redesign of the specialist short breaks services for Children and Young People [Short Breaks Consultation](#).

In response to the pandemic new ways of engaging with the public, and ensuring effective consultation, have been developed including the use of on-line methods and outdoor events to engage with children and young people in care. Although there was an initial concern the pandemic would result in less effective engagement it has in practice improved engagement with the public and encouraged the use of innovative methods of engagement.

The Council has formal and informal engagement with recognised trade unions who can support the delivery of the priorities of the Council Plan and deliver the best services possible to the people of Cumbria, within the available resources. The Council works with the unions in the Council JCG, the corporate JCG and directorate JCGs. These collaborative working arrangements have been particularly important during the pandemic to ensure that key priorities and approaches are agreed in consultation with the trade unions. Governance arrangements for health and safety have been maintain throughout the year at council wide and directorate levels. Cabinet will consider the Annual Health, Safety and Wellbeing report at its July meeting.

Senior managers are additionally engaged through regular meetings of the Extended Leadership Team and management development conferences.

The Council recognises that local government reorganisation is a time of significant change and uncertainty for the workforce and has worked with the six district councils to ensure the workforce is regularly updated on the process through regular bulletins, briefing, workshops, FAQs and other channels of communication.

## **PRINCIPLE C: Defining outcomes in terms of sustainable, economic, social and environmental benefits**

The Council's vision is set out in its Council Plan (2018-2023) adopted by full Council in February 2018 and extended in February 2022 until 31 March 2023. This plan was in place during 2021/2022 and sets out objectives focused on outcomes for citizens and communities. The Council Plan specifically has as one of its outcomes working with partner organisations and communities to achieve shared aspirations. The Council Plan is published on the Council's website and is available to all. [Council Plan](#)

The Council adopted a new Council Plan Delivery Plan in March 2022 [Council Plan Delivery Plan](#) which will cover the remainder of the life span of the Council. This provides a clear focus of actions to be delivered to ensure the continued support for realisation of council plan outcomes and consequently a clear and strong position for local government reform. The delivery plan sets out the measures the Council will use to monitor progress against delivery of the outcomes and Cabinet receives a quarterly update on progress against this plan. The Council has established effective arrangements to manage performance and the corporate risks facing the Council,

which are overseen by the Audit and Assurance Committee. Scrutiny plays a key role in monitoring performance against progress and ensuring key outcomes are delivered. Further details can be found in the scrutiny annual report. [Scrutiny Annual Report](#)

The Council Plan and the Council Plan Delivery Plan are used as a basis for area and service plans. Individual services use key performance indicators and benchmarking against other similar authorities to measure performance and ensure that they are achieving value for money.

The Council's decision-making process takes account of the economic, social and, where relevant, environmental impacts of policies and plans. Reports to decision makers require a consideration of these factors along with risk, health and safety, strategic planning, equalities and financial implications.

Achieving value for money based on the four main pillars of Economy (spending less) Efficiency (spending well), Effectiveness (spending wisely) and Equity (spending fairly) is a key factor in all decision making. Decision making, including the procurement process, is designed to ensure to the best extent possible value for money is obtained. It is recognised that this does not necessarily mean the cheapest option and that solutions need to provide value for money in the medium to long term.

An example of how this is approached in practice is the restructuring of the reablement service. Significant work has been undertaken to improve the service provided to service users in order to manage demand for services in future years. A key focus of the re-structuring of service delivery has been planning for the delivery of services to enable service users to gain independence and to minimise the requirement for ongoing support. Around 3,000 people access the service in a year and a key objective has been set of making sure that 65% to 70% of users have no ongoing care needs.

New arrangements for delivery of IT equipment to officers have been developed so that equipment is supplied directly from the supplier to users homes. This has delivered savings as a result of removing the need to sort bulk deliveries and has provided equipment efficiently to users.

## **PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

The Council has a clear statement of aims articulated in its Council Plan and uses this as a basis for service planning. The Medium-Term Financial Plan is fully integrated with the Council Plan and sets the framework for how the Council intends to use its available financial resources to fund the activity to deliver the outcomes of its plans.

There are a number of organisational strategies and plans which support the delivery of the Council's objectives, such as the ICT Plan, Workforce Plan and the Customer Strategy. [Key Plans and Strategies](#)

Option appraisal is a key part of decision making. All reports to decision makers including Cabinet and Council reports and office decision records require a consideration of options available and option appraisal is built into the policies and

procedures for decision making at strategic and operational levels. Senior management meetings are used to challenge and explore options through informal discussions.

The Council works with private, public and third sector organisations (charities, social enterprises and voluntary bodies) to deliver its objectives for Cumbria. Closer collaboration and partnerships are a continued focus as a way to meet the challenges facing public bodies, in particular with NHS partners to align and integrate services, to ensure residents receive the best possible services within available resources. The pandemic has accelerated and enhanced the move towards closer collaboration and partnership with other bodies particularly NHS partners.

The Council works collaboratively with the district authorities and other bodies to maximise the external funding available to Cumbria in order to deliver the desired outcomes for the local population.

## **PRINCIPLE E: Developing the entity's capacity including the capacity of its leadership and the individuals within it**

The Council has in place arrangements to provide assurance about the capability and capacity of its officers, including appropriate management arrangements, induction and appraisal processes.

Training of the workforce has continued throughout the pandemic with a refocus on providing training through e-learning and other forms of virtual learning. At the start of the pandemic there was a focus on moving existing training on-line and over 400 courses can now be accessed by officers remotely.

The Council has prioritised the provision of apprenticeships and support provide to apprentices across the Council. This has enabled the Council to use the full amount from the Apprenticeship levy. It is also provided a wide range of benefits to the Council in terms of developing future talent. Details of the Council's apprenticeships can be found here. [Apprenticeships](#)

The Council has launched 'New Ways of Working' which provides innovative and exciting new ways of working for staff. The Council has launched 'New Ways of Working' which provides innovative and exciting new ways of working for staff. This has built on the work of 'Better Places to Work' and the learning from our response to delivering within the context of COVID-19 national restrictions. The policy has aligned The Council's strategic ambitions regarding staff wellbeing, the customer and digital strategy, ICT and the financial plan alongside the driver of net zero.

Work is about what you do and not where you go which is acknowledged through the newly introduced blended workforce model which brings together three work styles which were co-created with elected members, leaders managers staff and trade union colleagues. New Ways of Working and the blended workforce model allows a flexible approach to workstyles allowing employees to find the right solution to empower and

support all to be brilliant while continuing to place the customer at the heart of everything we do.

The Council adopted a new People Plan in March 2022 which will run until April 2023. The plan was developed in consultation with key stakeholders who identified wellbeing, together with the health and safety of our workforce as the key priorities going forward. The new plan will enable a person-centred approach, together with the delivery of clearly identified priorities prioritising health, safety and wellbeing of our workforce, which will be underpinned by a detailed delivery plan. [Workforce Plan](#)

Cumbria County Council and its six partner district councils work collaboratively to ensure consistent communication with staff, members, stakeholders and the wider community on developments in local government reorganisation. The communications plan details a multi-channel approach which sees the latest information communicated regularly through our own channels and working with local media. The former includes regular online and printed newsletters for all staff and members, virtual briefings, workshops, FAQs, the establishment of an LGR website, and subsequently two Shadow Authority sites, social media posts and videos. [LGR Website](#)

The key challenge in 2021/22 has been in relation to the retention and recruitment of staff particularly in the care sector. The Council has focused both on recruitment and retention for example addressing issues of low morale at the earliest opportunity and has worked with the LGA to develop a strategy for improving workforce recruitment and retention.

The Council provides a comprehensive induction programme for elected members and works with them through the Members Development Group to identify training and support needs, which are met in a variety of ways. Regular members' briefings focused on the impact of local government reorganisation have been established to ensure members are kept up to date on progress of the reorganisation and understand their role and the role of the members of the shadow authorities during this period.

## **PRINCIPLE F. Managing risks and performance through robust internal control and strong public financial management**

The Council recognises the importance of a robust and effective risk management strategy. A performance and risk management framework is in place to ensure that the Council continuously monitors the delivery of its services and manages its risks effectively. The arrangements include reports to CMT and Cabinet, monthly performance reporting and meetings, programme board reports and meetings, reports to service and directorate management team meetings and scrutiny reports and meetings.

The Council maintains a Constitution that sets out detailed financial and other procedure rules which must be followed when conducting Council business.

The Council maintains a Corporate Risk Register, which is reviewed regularly by the Officer Risk Owners Group, CMT and has quarterly oversight from the Audit and

Assurance Committee. The Audit and Assurance also receive regular deep dives on risks included in the Corporate Risk Register. Individual services maintain service risk registers which are regularly reviewed and feed into the Corporate Risk Register.

The Council Plan Delivery Plan is reviewed by Cabinet annually and kept under review during the year, incorporating changes as required. A Corporate Performance Management Report providing an update on progress is provided to Cabinet on a quarterly basis.

There is an approved Anti-Fraud, Bribery and Corruption Policy in place within the Constitution. Where allegations have been received, these have been investigated under the Policy. The Council's arrangements for reporting suspected wrong-doing ('whistleblowing') and the associated "speak-up" policy are kept under review by the Corporate Governance Group and feedback on the policy has been provided through staff discussion forums.

The Council has a Group Audit Manager who is the Head of Internal Audit. The Council reviews its Internal Audit arrangements against the CIPFA Statement annually and had confirmed continued compliance with the requirements.

The annual report and opinion of the Head of Internal Audit (Group Audit Manager) is a key contributor to the Annual Governance Statement. The Head of Internal Audit's annual opinion has been considered when preparing the Annual Governance Statement

The Council has a local pension board in line with the requirements of The Public Service Pensions Act 2013 to assist in the governance of the Local Government Pension Scheme (LGPS). Meetings of the board are scheduled on a quarterly basis and the board formally reports to the Cumbria Pensions Committee on a quarterly basis. The Terms of Reference of the board have been recently updated to reflect the advisory role. Focussed training was provided to members of the board in January 2022.

The Council faces significant financial pressures due to the impact of the pandemic and other non-Covid related and issues and the non-delivery of approved MTFP savings. The Financial Challenge Group which was established in 2021 continues to provide targeted intervention and support in the light of these challenges.

A joint LGR implementation reserve has been set up by the Council and the six district councils in order to meet the costs of Local Government Reorganisation. The reserve is held by the Council on behalf of all seven authorities and robust governance arrangements have been put in place through a joint memorandum of understanding between the Councils to ensure that appropriate accountabilities and reporting arrangements are in place.

Robust procedures are in place to ensure that personal data is managed effectively and securely. All officers are required to undertake annual training on data security and information governance and completion of this course by all officers is carefully monitored. The Senior Information Risk Owner has responsibility for ensuring that robust processes and procedures are in place in managing the risk relating to

information governance and acting as a champion for information governance in the Council. The SIRO chairs quarterly meetings which review performance in this area and reports annually to the Audit and Assurance Committee in September. A copy of the report for 2020/21 can be found here. [SIRO Annual Report 2020/21](#). The Council continues to learn from data breaches which do occur.

The Council maintains an effective scrutiny function. The Scrutiny Management Board which oversees the work of scrutiny across the Council provides an annual update to the Council on the work of scrutiny. [Scrutiny Update Report](#) In the current year scrutiny focused on the pandemic and its impacts, the beginning of the implementation of Local Government Reorganisation and the ongoing pressures and challenges faced by the Council's services as well as a focus on issues which are critically important to residents in Cumbria.

### **PRINCIPLE G: implementing good practices in transparency, reporting and audit, to deliver effective accountability**

The Council complies with the Local Government Transparency Code and publishes all required information in a timely fashion. The Council publishes a Forward Plan [Forward Plan](#) giving notice of all upcoming Key Decisions and notice is given five clear days in advance of any formal meeting other than meetings called at short notice when notice is given as soon as the meeting is called. Decisions are published alongside supporting information setting out the background and options considered.

These arrangements have been maintained throughout 2021/2022, with provisions in the Constitution for urgent decisions applied where necessary during the coronavirus pandemic. All key decisions of Executive Directors and decisions taken by the Leader of the Council are published on the Council's website. [Decisions](#)

The Council reports the achievement of performance and financial targets on a regular basis to senior officers, and to members in meetings that are open to the public.

The Council maintains an effective Internal Audit Service which complies with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit 2019. [Internal Audit](#)

The Council publishes an annual Statement of Accounts and responds appropriately to any recommendations from the External Auditor arising from the annual audit of the Accounts. Progress on the implementation of actions arising from the external audit is reported to the Audit and Assurance Committee. [Statement of Accounts](#)

The Council uses external reports and/or inspections to inform and improve practice and to learn from past experience. The Council commissioned an independent review of the determination of the s73 planning application for the Energy from Waste plant at Kingmoor Industrial Estate to ensure appropriate lessons were learned. The Council develops plans where necessary, to respond to recommendations and these are monitored in a variety of ways, including reports to committees such as Audit and Assurance Committee. CMT maintains oversight of progress.

## 4. THE ANNUAL REVIEW OF EFFECTIVENESS

The Council has a duty to conduct, at least annually, a review of the effectiveness of its governance framework including its system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, the Group Audit Manager's (Head of Internal Audit) report and by comments made by the External Auditors and other review agencies and inspectorates.

The review of governance for 2021/22 has been evaluated as follows:

- A review of internal control comprising an interview with each Assistant Director to understand how their service areas meet the required standards, carried out in April 2022.
- A review of minutes of Audit and Assurance Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed.
- A review of the overall opinion of the Group Audit Manager (Head of Internal Audit) is set out in the annual internal audit report. Based on the work undertaken by internal audit in 2021/2022, the Group Audit Manager is able to provide reasonable assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control.
- An assessment of the Audit and Assurance Committee arrangements against the core functions of Audit Committees set out within the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police. The review confirms that the Committee fulfils the core purpose of an audit committee as set out in the Guidance.
- A review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. The review confirms that the Council's arrangements conform to the CIPFA Statements on the Role of the Chief Financial Officer and Head of Audit.
- Annual review by the Pensions Committee of the Cumbria Local Government Pension Scheme (LGPS) Fund Policy documents. In addition, the effectiveness of the Cumbria arrangements is reported in the Cumbria LGPS Annual Report to provide assurance to members when approving the Accounts. In addition, the Fund's Stewardship Report 2020/21 has been assessed by the Financial Reporting Council as meeting the requirements of their UK Stewardship Code 2020.
- A review of the 2020/2021 Statement of Assurance in respect of Cumbria Fire and Rescue Service, which is the latest Statement, approved in November 2021. No significant governance issues were identified, and the Statement concluded that the Fire and Rescue Services is working effectively and efficiently and has demonstrated its ability to work with partners and to show strategic leadership in dealing with the pandemic. [Fire Statement of Assurance](#)
- The Council's arrangements with its controlled company, Cumbria County Holdings Limited, and its subsidiaries, which are kept under review by the Section 151 Officer.

- The outcome from the Ofsted focused visit to Cumbria children's services in July 2021. [Ofsted Report](#)

This Annual Governance Statement has been prepared in accordance with the guidance set out in CIPFA Bulletin 10 – Closure of the 2021/22 Financial Statements.

## **5. IMPACTS OF THE CORONAVIRUS PANDEMIC AND LOCAL GOVERNMENT REORGANISATION IN CUMBRIA ON GOVERNANCE**

The coronavirus pandemic has continued to have a significant impact on the operations of the Council throughout 2021/22. In addition, the proposal to reorganise local government in Cumbria, which will involve the establishment of two new unitary authorities and the dissolution of the Council and the six districts councils, will continue for the remainder of its life to have, a significant impact on the Council and its governance.

### **Adaptions to reflect new ways of working and emergency arrangements**

As reported in the Annual Governance Statement for 2020/21 the pandemic has had a significant impact on pre-coronavirus ways of working and service delivery. Rapid decision making was required to respond to the crisis. In some cases, this was not assisted by last minute decision making and guidance from central government. The Council's existing governance structures, in particular existing powers for urgent decision making enabled the Council to meet the challenges.

The pandemic resulted in the need to adopt new ways of working including new partnership and joint working arrangements and new working arrangements for officers and members. The Council has been able to learn from the best of these changes and has kept the momentum going to identify new opportunities and ways of working including new ways of working with third parties, new methods of engagement with service users and new ways of working for employees in order to embrace some of the innovative and exciting opportunities which developed in response to the pandemic.

### **Impact on 'business as usual' activities including cessation or reduced frequency or scale of activities**

There has continued to be an impact on business-as-usual activities across the Council as a result of Covid although the impact is now significantly reduced and substantially all business-as-usual arrangements have now been stepped back up to the pre-pandemic position.

### **Longer term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area**

Over the longer term there has been an impact on some areas of Council work, with planned work that has not progressed as was originally intended, including some internal restructures and planned audit work. In addition, there has been some impact on delivery in Service Plans especially in those areas most impacted by the pandemic

such as public health although periodic reviews of Service Plans have continued in the usual way.

There is a recognition that there will be long term impacts as a result of the pandemic in many areas including provision of adult services as a result of changes in demand as a result of the pandemic; public health; and education.

The launch of the Cumbria Recovery Strategy, the development of the Outcomes Framework and the process of embedding the strategy into everything the Council does has helped ensure that there is a strong approach to recovery.

### **Impact of pandemic on local code of governance**

There has been no significant impact on the governance arrangements as a result of the pandemic and the local code of governance is still an accurate reflection of how governance has operated in 2021/22.

### **Impact of Local Government Reorganisation**

Local government reorganisation which will result in the Council being dissolved from 31 March 2023 is and will continue to have a very significant impact on the Council for this period.

New governance arrangements have been put in place to support the implementation of the reorganisation including the LGR Programme Board and joint committees for the Cumberland and Westmorland and Furness areas which met prior to the new shadow authorities for the two areas standing up.

The Council's Medium Term Financial Plan 2022/23 to 2026/27 which was approved in February 2022 recognised that the Council will cease to exist on 1 April 2023 and hence the budget for 2022/23 was the final budget the Council would approve. However financial planning has been continued until 2026/27 in order to present the Medium-Term Financial Plan for those years. The Medium-Term Financial Plan shows that savings of £29.348 million will be required over these years in order to deliver a balanced budget. The figures for future years are only indicative and provide a guideline for future planning purposes. It will be for the two new unitary authority and the Cumbria Fire and Rescue Service to agree the budget for these future years and identifying proposals for these required saving will be a priority for the new unitary authorities.

Local government reorganisation, especially in combination with the impact of Covid, has had a significant impact on officers as there are a number of competing priorities and demands. It also results in uncertainty for officers and has had an impact on recruitment and retention.

Local government reorganisation, without further legislation, could see the Cumbria Fire and Rescue Service, which currently is the responsibility of the Council, divided with each new unitary authority taking over responsibility in their area. There is recognition in the explanatory note issued with the Structural Changes Order that this is not a preferred outcome and there is a strong preference for the fire service to continue on a county-wide basis. The Police and Crime Commissioner for Cumbria

has submitted a proposal to the Secretary of State to take over the Fire and Rescue Services. The alternative solution would be to create a new combined fire and rescue authority. Both arrangements will require new regulations to implement.

On 10 May 2022 the Secretary of State for the Department of Levelling Up, Housing and Communities issued a direction under section 24 of the Local Government and Public Involvement in Health Act 2007 which requires the Council to seek the consent of the executives of the two new shadow authorities both disposing of any land or entering into any new contracts above a certain threshold level on or after 30 June. The application of these thresholds, including the requirement to aggregate expenditure on other related contracts dating back to 2007 would result in the Council needing to seek specific consent prior to entering into any new contracts. The Council is working with the six district councils and the two new shadow authorities to ensure general consents can be put in place to enable the Council to continue to operate business-as-usual. Failure to put these consents in place would have a very significant impact on the operation of the Council's business.

## **6. FINANCIAL MANAGEMENT CODE**

With local authorities across the UK facing the challenges of reduced funding and increased demand for services, the need for robust financial management has never been more important. CIPFA has developed the Financial Management Code (FM Code), which sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should seek to achieve. It is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out.

2021/22 is the first year in which compliance with the FM Code is to be demonstrated. An assessment has been undertaken and no significant areas of departure from the FM Code were identified. A report to summarise this position will be presented to the Finance Directorate Management Team. Additional assurance has been provided by Internal Audit who reviewed the assessment process, prior to the assessment being finalised, and from the areas examined and tested considered the controls operating to implement the CIPFA Financial Management (FM) Code provided 'Reasonable Assurance'

## **7. SIGNIFICANT GOVERNANCE ISSUES**

A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk.

Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective;
- It has resulted in the need to seek additional funding to allow it to be resolved;
- It has required a significant diversion of resources;
- It has had a material impact on the accounts;
- It has been identified by the Audit and Assurance Committee as significant;
- It has resulted in significant public interest or has seriously damaged reputation;
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer;
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

The above definition and criteria were adopted by the Corporate Governance Group in March 2015. These criteria have been applied to help the Council assess its governance issues in 2021/22. Reference has also been made to the CIPFA Advisory Note: Understanding the challenge to local authority governance as part of this review.

No significant governance issues have been identified.

The review has highlighted that the coronavirus pandemic, and more recently local government reorganisation in Cumbria, have had a significant impact on the Council's day to day operations and ways of working. Both will continue to have a significant impact on the priorities, programmes, strategies and plans of the Council for the remainder of its life.

The governance arrangements that the Council had in place prior to the pandemic have provided a strong foundation for the governance of the Council's response to the pandemic and there has been no significant impact on the Local Code of Governance or the governance arrangements within the Council. As identified in the annual governance statement for 2020/21 the response to the pandemic prompted the Council to adopt new ways of working and partnership arrangements and in many areas the pandemic has accelerated the rate of change.

The implementation of local government reorganisation in Cumbria, which will involve the creation of two new unitary authorities and the dissolution of the Council and the six District Authorities, has had a significant impact on the Council. The Council is working closely and cooperatively with the six District Councils in Cumbria and, following the elections on 5 May 2022, the two new shadow authorities, to implement the proposals and ensure the economic, effective, efficient and timely transfer of functions, property, rights and liabilities to the two new unitary authorities. This has involved the setting up of new governance arrangements including a joint LGR Programme Board which is the overarching joint officer body responsible for programme implementation and joint committees of members of the Council and relevant district Councils covering the areas of Cumberland and Westmorland and Furness which were set up in the period immediately prior to the establishment of the two new shadow authorities to prepare for the shadow authorities.

## 8. CONCLUSION

*We have been advised on the implications of the result of the review of the effectiveness of the Council's corporate governance by the Audit and Assurance Committee and are satisfied that the Council's corporate governance arrangements in place during 2021/22 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2016.*

As senior leaders we recognise how critical an effective and robust governance framework is in ensuring the council can continue to achieve its strategically agreed objectives and remain financially sustainable. We are committed to maintaining an effective governance framework for the Council and ensuring that it can meet the challenges and opportunities which arise as a result of local government reorganisation and prepare for and facilitate the economic, effective, efficient and timely transfer of functions, property, rights and liabilities to the two new unitary authorities.

Both the continuing pandemic and the impact of local government reorganisation in Cumbria have had a significant impact on the Council but the existing governance arrangements and enhanced partnership working especially with NHS partners and the six District councils in Cumbria has ensued that the Council has been able to respond effectively to the challenges it has faced.

Whilst the review has identified no significant governance issues in 2021/2022, we recognise the importance of maintaining effective governance structures particularly in times of change, and in learning from governance failures that have been identified in statutory and non-statutory reviews and public interest reports into other council. We will use the knowledge gained from the review of governance in the Council for the purposes of preparing this statement to ensure that the Council's governance arrangements remain robust and effective for the remainder of its life and to help input into the development of the governance structures for the two new unitary authorities.

Dated

Signed by the Leader of the Council and the Chief Executive