

Auditor's Annual Report on Barrow Borough Council

2022-23

September 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below. Further detail is set out in the remainder of this Executive Summary.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified. Three improvement recommendations made.	No significant weaknesses in arrangements identified. There are three improvement recommendations on page 17, from March 2023, that Westmorland and Furness Council could assess at to whether they remain relevant and/or would be beneficial to the new organisation.
Governance	Significant weakness identified in contract management.	Significant weaknesses in arrangements identified and two statutory recommendations made. One improvement recommendation made.	No significant weaknesses in arrangements identified. There is one improvement recommendation on page 18, from March 2023, that Westmorland and Furness Council could assess at to whether it remains relevant and/or would be beneficial to the new organisation.
Improving economy, efficiency and effectiveness	Significant weakness identified in procurement.	Significant weaknesses in arrangements identified and a statutory recommendation made. Three further improvement recommendation made.	No significant weaknesses in arrangements identified. There are four improvement recommendations on page 19, from March 2023, that Westmorland and Furness Council could assess at to whether they remain relevant and/or would be beneficial to the new organisation.

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and statutory/ key recommendations made.

Executive summary (cont'd)



Financial sustainability

The Council set its final balanced budget in February 2022, and maintained its clear approach to budgeting and financial reporting, through its final year of operation. During the year, along with many other councils, the Council faced significant financial challenges from the impact of inflation on the its cost base, particularly on staff costs. Despite this, the Council's outturn was a small £57,000 underspend.

We did not identify any significant weaknesses in the Council's arrangements to secure financial sustainability in its final year. We made three improvement recommendations, in our March 2023 report, to strengthen the Medium-Term Financial Plan (MTFP), to manage the medium-term deficit, and improve the monitoring of the capital programme as detailed on page 17 of this report. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Barrow's successor council, Westmorland and Furness Council.



Governance

The significant weakness in the Council's governance arrangements for contract management has been addressed, as detailed in page 17. The Council maintained adequate governance processes and policies to support standards and governance until its closure on 31 March 2023 and continued to operate an adequate system of internal control. We did not identify any significant weaknesses in the Council's governance arrangements. There is an improvement recommendation on page 18, made in March 2023, on the streamlining of corporate performance reporting to integrate performance, finance and risk reporting. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Westmorland and Furness Council.



Improving economy, efficiency and effectiveness

The significant weakness in the Council's governance arrangements for procurement has been addressed, as detailed in page 18. The Council kept up regular and relevant performance reporting to Members. The Council also maintained its active engagement with key partnerships, including with neighbouring authorities in establishing the new Westmorland and Furness Council. We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness. There are four improvement recommendations on page 19, made in March 2023, on reporting on the performance management framework, lessons to be learned from procurement exercises, monitoring the performance of the leisure trading company and the production of a data quality policy and procedures. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Westmorland and Furness Council.



Local Government Reorganisation

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

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

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

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

- Financial sustainability pressures with reliance on potential additional government financial support and use of capital receipts and /or prudential borrowing to fund revenue expenditure. Although these national options are available, we understand that Westmorland and Furness Council does not intend to rely on additional government financial support.
- The new councils will need to act fast, and fully utilise the PMO resource, to drive transformational change to improve service users' experience and generate significant savings. We understand that Westmorland and Furness change programme follows transition and stabilisation in year 1. During year 1 the Council established a Council Plan Delivery Framework with six priorities, and ten themes for change. Through the ten themes, the Council aims to drive change to improve service users' experience and generate savings, having moved through stabilisation the change programme is now the Council's focus.

- Organisational structures, cultures and values will need to be agreed and embedded. This will be critical to the effectiveness of the new councils governance and performance management frameworks.
- Structures and key personnel put in place need to be proportionate to the significant scaled up challenges the new council will face.
- Specifying, procuring and successfully implementing new shared financial systems to replace the work around solution of utilising legacy financial systems. Whilst the work around arrangements are understandable in the context, this represents significant challenges in the short and medium term which will incur additional costs and impact on accounts production, audit, and budget monitoring.
- Concluding the outstanding disaggregation of services and associated budgets as per the Inter Authority Agreement and continuing with some long term shared/ hosted services.

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

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

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

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

Grant Thornton is the external auditor of Westmorland and Furness Council, Cumberland Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC).

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

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they:

- (i) present a true and fair view of the Authority's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have completed our audit of your financial statements and issued an unqualified opinion following the Audit Committee meeting of Westmorland & Furness Council on 20 September 2024.

Statutory recommendations

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

We have not identified any significant weaknesses in the Council's arrangements at the end of the 2022/23 financial year.

Public interest report

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

We did not issue a Public Interest Report.

Application to the Court

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

We did not make any Application to the Court.

Advisory notice

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

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

We did not issue an Advisory notice.

Judicial review

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

We did not apply for a Judicial review.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas is set out on pages 8 to 16

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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

The 2022/23 financial year was the last year of Barrow Borough Council. The result for the General Fund for 2022/23 was a balanced budget after a net underspend of £0.057m was added to the Budget Contingency Reserve. Despite its imminent demise as a sovereign council, and the pressures of local government reorganisation, the Council retained its focus on the medium-term financial implications of its near-term decisions. The Council's Medium-Term Financial Plan (MTFP), approved in February 2022, covered the period 2022/23 to 2024/25. The level of government funding for the Council was known for 2022/23 and the MTFP assumed that the same funding allocation will be received for future years. The MTFP set out a balanced budget for 2022/23 with no significant savings required.

The MTFP set out the risks considered in developing the budget with the priority to maintain a balanced budget over the medium term whilst delivering the Council's plan. No significant changes to demand were forecast, and no service reductions were anticipated. The MTFP noted that any efficiencies achieved would be repurposed into existing service budgets or used to contribute to reserves. Forecast pressures outlined in the budget included an analysis from all council activities, historical trends and demographic changes. These were used as the basis for forecasting demand for relevant services. The potential impact of changes of various estimates and assumptions was discussed with Executive Committee as part of the budget briefing process. As part of the 2022/23 outturn report an updated MTFP was reported to the Executive Committee 2022/23 in September 2022. The updated September 2022 MTFP is summarised below and shows a funding deficit of some £2.3 million for services in 2023/24 and some £2.5 million in 2024/25.

	2022/23 Budget as approved £'000	2022/23 Core Budget £'000	2023/24 Projected Budget £'000	2024/25 Projected Budget £'000
Net Revenue Budget	8,842.0	10,982.2	13,278.8	13,634.1
Core Revenue Financing	- 8,520.4	- 10,982.2	- 10,895.3	- 11,135.8
Core Deficit / (Surplus)	321.5	-	2,383.5	2,498.2
One off Government Grants	- 321.5	-	-	-
Budget Deficit / (Surplus)	- 0.0	-	2,383.5	2,498.2

It is inevitable that the Council's final medium-term financial plan was different to how it would have been, had the Council been continuing as a sovereign Council. However, we found no evidence of undue short-termism. With fairer funding and business rates reviews delayed beyond the Council's date of demise, the implications of ongoing uncertainty over the medium and long-term funding regime for local government are now matters for the successor Westmorland and Furness Council. Our recommendation made in March 2023, on page 17 of this report, stated that the Council needs to conclude its agreement on the mitigating actions in relation to the MTFP funding deficits forecast for 2023/24 and 2024/25.

Financial sustainability (cont.)

Plans to bridge its funding gaps and identify achievable savings

A further update on the MTFP was reported to the Council's Executive Committee in January 2023, setting out an increase to the 2023/24 projected core deficit from £2.3m to £2.6m as a result of further planned costs relating to the waste service and a reduction in car parking income. The report also set out proposals for how the deficit could be reduced to £0.4m via increased income from recycling, staff vacancies, potential reduction in energy prices, and from increase Treasury Management investment income.

Finance representatives from the existing sovereign councils worked together to agree key financial assumptions for the two new unitary councils, align the different approaches historically used for medium-term financial planning, and disaggregate the funding and expenditure of the sovereign councils in order to develop the budgets and savings plans for the new unitary councils. This exercise resulted in a funding gap in 2023/24 for Westmorland and Furness Council and changes would be needed before final budgets for 2023/24 were approved. As at December 2023, financial forecasts for Westmorland and Furness Council show a small overspend for 2023/24.

The MFTP sets out the Council's policy on reserves and balances, the risks that are being managed, and an approach for increasing the Council's reserves to support uncertainty in the short and medium term. At the end of 2022/23 the Council held a General Fund balance of £2.3m and earmarked reserve of £0.8m for losses. These core reserves are important in the financial resilience of the new Council and may be required to address any unexpected spending pressures and to cushion any cash flow impacts.

The Council's ability to replenish its reserves was very limited, with any service surpluses in the revenue account being carried to meet known liabilities such as the business rate retention scheme income volatility, the commercial estate and the impact of reduced economic activity.

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

The MTFP demonstrates that the Council has an understanding of the cost of delivering core statutory services. Discretionary spend is not differentiated in financial planning reports, which underlie the budget and MTFP, on the basis that all spend is directed towards the delivery of core services and achievement of

Council Plan priorities. The following outcomes for the Council were set out in the Council Plan 2020 – 2024:

- (1) Enabling residents to live happy, healthy productive lives;
- (2) Creating a vibrant, safe & welcoming place where people want to live;
- (3) Supporting our economy to thrive and benefit all our residents.

These outcomes drove the work of the Council and the strategic planning process and were all referred to in the budget and MTFP.

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

The Council Plan was the foundation to deliver the vision and priorities within it and the workforce plan was the framework to develop the workforce to achieve Council Priorities. The MTFP, as the third key strategic document, linked how revenue resources were used to deliver the Council Plan with the workforce numbers reflected in the 2022/23 budget and MTFP. The Council recognised the value and importance of the workforce and worked with the Local Government Association to establish a programme of organisational development to include, leadership development, enabling transformation and change, succession planning, effective two-way engagement and enhancing the health and wellbeing of staff.

The MTFP section 'What are the Council's Capital Spending Plans?' detailed how capital projects linked to the Corporate Plan and Capital Strategy outcomes, for example the £2.2 million public housing and £1.1 million investment to modernise housing stock. The Council delivered a capital programme of £7.8 million in 2022/23 funded from grants, capital receipts and reserves. The programme was lower than in previous years and was financed to limit the on-going costs of borrowing on the General Fund revenue account. However, our March 2023 recommendation on page 17 states that the Council should strengthen the link between the strategic priorities and Council Plan outcomes with the Capital Programme, and this could be considered by Westmorland and Furness Council.

The Council's Treasury Management Strategy set out the balance between optimising return and mitigating risk. The Council followed the CIPFA Code of Practice on Treasury Management to ensure best practice was followed. The Council adopted a low risk investment strategy scrutinised by members. The 2022-23 Treasury Management Outturn Report showed that the Council had complied with its strategy throughout the year.

Financial sustainability (cont.)

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

The MTFP detailed the main financial risks facing the Council and provided detail of the sensitivities on key areas of risks. The MTFP set out the potential impact of these risks on reserves. Barrow Borough Council took a number of major steps to ensure it and the new council remained financially resilient. These included:

- Balanced the General Fund medium term finances and planned drawdown of reserves to support delivery of the major projects programme and organisational change.
- Balanced the medium term Housing Revenue Account finances and reviewed future maintenance requirements.
- Refreshed the Council Plan and priorities with support from the Local Government Association.
- Initiated an organisational development programme with the Local Government Association to ensure the effective use of staffing resources.
- The Authority was part of the Cumbria Local Enterprise Partnership and was linked with projects included in the Strategic Economic Plan which set out how Local Growth Funding will be spent to boost the local economy in the County in the longer term.
- The Council's financial strategy was to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development.
- The development of Marina Village is a priority and external funding opportunities were being pursued.
- The Authority was delivering a number of major funding opportunities including, Town Deal, Heritage Action Zone, Heritage Lottery Fund, European Structural and Investment Fund, Levelling-Up Fund, and the Brownfield Land Release Fund.
- The arrangements for providing services from the Park Leisure Centre changed in 2022, from an external provider to a wholly owned local authority trading company; a wholly owned subsidiary.

- The waste management service was taken back in house during 2022/23 as the contract for the provision of the Authority's waste, recycling and street cleansing services came to a mutually agreed early end. The Medium Term Financial Plan for Westmorland and Furness Council has been updated to reflect the future running costs.

However, our March 2023 recommendation on page 17 states that the Council should refine its formal reporting to full Council on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP, and this could be considered by Westmorland and Furness Council.

Conclusion

We did not identify any significant weaknesses in the Council's arrangements to secure financial sustainability in its final year. We made three improvement recommendations, in our March 2023 report, to strengthen the Medium-Term Financial Plan (MTFP), to manage the medium-term deficit, and improve the monitoring of the capital programme as detailed on page 17 of this report. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Barrow's successor council, Westmorland and Furness Council.



Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has a well-established risk management framework in place, which includes a Corporate Risk Register with a risk owner, concise description, and key controls to manage the risk. The Council also has a Risk Management Policy and provides appropriate training on risk management. The risk policy was reviewed regularly by the management team and approved by the Executive Committee. There were 12 risks on the 2022/23 Corporate Risk Register at the end of March 2023. The highest-rated risks were related to significant changes arising from Central Government Legislation, poor internal and external communications, failure to achieve efficiency savings, maximize income or performance targets, and poor management of projects and contracts.

In the prior year, we recommended that the Council strengthen its risk management framework further by developing a full training program for all levels of staff, providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project, and partnership risk, and aligning the risk register with best practice to ensure adequate information is reported to members. The Council engaged an external specialist to review the current policy and corporate risk register and to provide training for the various levels of staff and for Members. The external review was delayed into February 2023 but was concluded with the revised risk register reported to the Audit and Governance Committee in March 2023.

Based on our review of the 2022/23 work, we have not found any significant weakness in the Council's systems for managing and reporting risk. The Council maintained its focus on the impact of risks on Barrow residents beyond its closure date and the transfer of responsibilities to the successor Westmorland and Furness Council. Our recommendation, made in March 2023, suggested that Barrow Council streamline its Corporate Performance Monitoring Report to provide more summarised and integrated performance, finance and risk reporting. It is appropriate to take this improvement recommendation, on page 18 of this report, forward to the new Westmorland and Furness Council.

Assurance over the effective operation of internal controls

In developing its 2022/23 Annual Governance Statement (AGS) the Council reviewed its corporate governance arrangements against its Local Code of Corporate Governance. A reasonable assurance has been provided on the adequacy and effectiveness in respect of 2022-2023, though the opinion repeats some previous concerns in relation to the consistent completion of manual processes. The completed actions arising from the October 2022 statutory recommendations on procurement and contract management were reported as complete to the Council's Audit and Governance Committee in March 2023.

Governance (cont.)

Assurance over the effective operation of internal controls (cont.)

The Council has reviewed arrangements to further improve and enhance its governance arrangements and these have continued through 2022/23 and the learning taken forward into Westmorland and Furness Council. The revised Procurement Strategy was adopted by the Council in January 2022. This replicates the priorities and themes within the National Procurement Strategy for Local Government and links to the Council Plan and the Morecambe Bay Anchor Collaborative. The framework designed by STAR Procurement was implemented from 1 April 2022 which followed officer training throughout to January 2023.

Internal Audit

The Council has appropriate Internal Audit arrangements in place, with an in-house team providing services for the 2022/23 financial year. Sufficient work was carried out across the Council to support the opinion given, and the internal audit plan contained key operations of the Council. Several reports were assigned restricted assurance during 2022/23, including Risk Management, Accounts Receivable, Accounts Payable, Crematorium - New Cremators, Harding Rise, Portland Walk Car Park Maintenance, Insurance, Heating, Ventilation & Air Conditioning Servicing & Maintenance, and Housing - Staircase Cleaning.

The Head of Internal Audit's Opinion for 2022/23 stated that "A reasonable assurance has been provided on the adequacy and effectiveness in respect of 2022-2023, though the opinion repeats some previous concerns in relation to the consistent completion of manual processes. None of the audits for 2022/23 raised a priority 1 recommendation, and most new issues raised were considered important. However, the bulk of recommendations were previous concerns raised as important and minor issues for improvement. During 2022/23 the Audit and Governance Committee received final contract audit

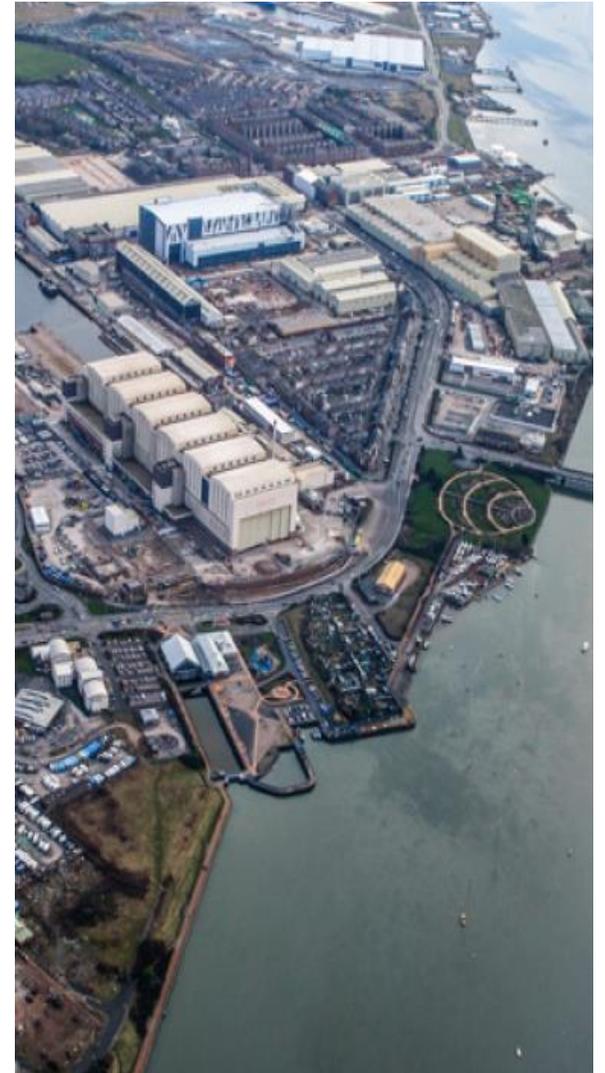
reports from previous years. The conclusion of these audits was considered as part of the 2021/22 audit opinion, and the final reports were presented to complete the normal governance process. The weaknesses identified within these reports were all addressed as part of the Council's procurement reset implemented in April 2022."

Counter Fraud

The Council demonstrated a commitment to promoting high standards of conduct and accountability through its anti-fraud and corruption policies. These policies were reviewed regularly, with the last review taking place in March 2022, and another scheduled for 2024 in accordance with the arrangements of the new Council.

The Council's participation in the National Fraud Initiative (NFI) also demonstrates a proactive approach to identifying and preventing fraud. The Council has a Whistleblowing policy and Speak Up statement, which provide employees with a safe environment to raise issues of concern. The policies were reviewed in March 2022, indicating that they are kept up to date and fit for purpose.

The regular reviews of these policies and participation in initiatives such as the NFI demonstrate a proactive approach to preventing fraud. The Whistleblowing policy and Speak Up statement also provide employees with a safe environment to raise concerns. The Council's good working relationships with other organizations and sharing of information further demonstrates a commitment to effective governance and safeguarding public funds.



Governance (cont.)

Leadership, committee effectiveness and decision making

The Council operates a Leader and Cabinet form of executive, with an Overview & Scrutiny committee to hold the Council to account. This governance structure is supported by a constitution that is regularly reviewed and updated, with the latest update in March 2022. The Constitution is shared with all staff members on joining, providing transparency and ensuring that policies and decisions are made efficiently and accountably to the local people. The key strategic decisions are subject to healthy challenge and are supported by detailed papers. Senior officers are open to conversations during committee meetings and attend to present their own area items and field any questions. There is no evidence of discussions not being open, demonstrating transparency and accountability. The Audit Committee provides appropriate challenge of financial and non-financial items, with a good mix of experience and expertise among the members. The Committee is well-attended, with minimal absences, indicating that it is an effective mechanism for ensuring effective governance.

Register of Interests, Gifts and Hospitality

The Council's Constitution requires members to reconfirm their interests within 28 days of becoming a member or on re-election/re-appointment to office. The Constitution also requires members to ensure that their register of interests is kept up-to-date, with updates made within 28 days of becoming aware of any new interest. The Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan further details requirements for declarations of interest and declaring gifts and hospitality, with updates required only when changes to interests occur. In accordance with the Localism Act 2011, Section 30, members must disclose pecuniary interests within 28 days of taking office and then update as necessary, with the onus of offense of not declaring an interest being on the individual members. Our 2022/23 work did not note any instances of interests not being declared that have caused damage to the body's reputation or had any other significant impacts.

The Council has a gift and hospitality arrangements in place, which are detailed in the Constitution. The Constitution is reviewed annually and was last reviewed in March 2022, with the next review to be informed by the new authority as they see fit.

Budget setting and budgetary control

The Council has an established process for developing its annual budget and MTFP with arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure and income drivers and associated assumptions. The MTFP set out the range of key assumptions that the Council made in developing its financial plans which include inflation, pay increases, and changes to sources of income. The Council's MTFP covered a rolling four-year period. Our work identified an appropriate level of engagement from budget holders, departmental leadership and executive leadership in the annual budget setting process.

The Finance Department engaged each month with budget holders with monitoring at a service, directorate and corporate level. Our work identified that there is appropriate in-year oversight of the budget with quarterly budget monitoring reports taken to Executive Committee throughout 2022/23. These reports included outturn against budget and explanations for any variances against budget at a directorate level. Any proposed revisions to the budget were also set out in the reports. There was clear reporting on the forecast outturn and impact on useable reserves. An update was also provided on the capital programme including any reprofiling.

Conclusion

We did not identify any significant weaknesses in the Council's governance arrangements. There is an improvement recommendations on page 18, made in March 2023, on the streamlining of corporate performance reporting to integrate performance, finance and risk reporting. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Westmorland and Furness Council.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council's performance was reported through the Performance Monitoring Reports, presented to the Overview and Scrutiny Committee each quarter up until Quarter Three. These reports provided information about service activity and workforce and included a description of actions achieved against priorities set in the Barrow Plan 2020 – 2024. The last quarter performance outturn was reported in the 2022/23 Annual Statement of Accounts. As of the end of Quarter 4 (2022/23), 70 Council Plan Delivery Plan performance measures had been delivered, met, or were on track to meet the planned milestone targets.

The outcomes and progress against the Council Plan were also reported in the Growing Forward reports at least once a year to the Executive Committee, with progress on major projects presented to the Major Projects Advisory Board and Brilliant Barrow (Town Deal) Board. A final Growing Forward report was presented to the Executive Committee in March 2023. It was reported that the Barrow Plan activities had been mapped to the appropriate Westmorland and Furness Council Plan priorities in the "Council Plan and Growing Forward Activity Tracker". Overall, the Council's performance reporting framework is well-structured. The regular reporting of performance against the Council Plan and key performance indicators demonstrated a commitment to effective performance management.



Improving economy, efficiency and effectiveness (cont.)

Procurement and Contract Management

Heads of Service monitor service contract performance as part of operational delivery. Contracts contain the performance standards, rectification, and further actions. Project Managers/Heads of Service monitor the performance of experts retained for specific pieces of work. The Council's Procurement Strategy was adopted by the Council in January 2022. The Strategy replicates the priorities and themes within the National Procurement Strategy for Local Government and links to the Council Plan and the Morecambe Bay Anchor Collaborative. Several documents were created or reset as part of the revised strategy, including Contract Standing Orders, Procurement Checklist, Exemption Request Form, Extension Request Form, Modification Request Form, Services Contract (template), Supply of Goods Agreement (template), Terms and Conditions, and Procurement Handbook.

The Council's new procurement framework designed by STAR Procurement was implemented from April 2022, with officer training completed in January 2023. The significant weakness in the Council's governance arrangements for procurement and contract management have been addressed, during 2022/23, as follows:

- a schedule of significant contracts was provided to the Overview and Scrutiny Committee at its meetings in November 2022 and February 2023.
- the Corporate Programme Board reviewed the contracts register on a regular basis with any actions identified and feedback to relevant responsible officers.
- a report to note the procurement exemption activity for the initial six months of operating under the new arrangements was presented to the Audit and Governance Committee in December 2022, and the exemption required to initiate the direct delivery of the Waste Service was reported to the Executive Committee.
- All procuring officers were offered training in March 22 on the new procurement rules and procedures. A record of training has been available since March 2022, available to all officers to view as a refresher and to new officers as part of induction training for those involved in procurement.
- Spot checks were made of ordered goods and services to ensure the rules were being embedded.
- Internal Audit reported, in its 2022/23 Audit Opinion that all procurement and contract control issues have been resolved.

Benchmarking

The Council used benchmarking to compare and analyse performance with other organisations to identify areas for improvement and inform decision making. During 2022-2023 the benchmarking changed to baselining the new Westmorland and Furness services within workstreams within an overall Local Government Reorganisation programme.

Data Quality

The basis for good performance information is the assurance that the information is based on good quality data which is fit for purpose. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design and data management. Our prior year recommendation, on page 19, states that the Council should update the Data Quality policy and guidance to reflect best practice, organisational structure, and the processes required for the producing and reporting performance management information. Officers responded that this will be taken forward by Westmorland and Furness Council.

Stakeholder Engagement

The Council had regular engagement with the public through consultations on specific proposals, such as the annual budget planning; and, more general information, such as the resident satisfaction survey, which was used to obtain insights and identify opportunities for improvement. The Council also used focus groups with key stakeholders and other partners to determine the suitability of project proposals.

A major consultation in 2022 was the community governance review, which resulted in recommendations being made to Westmorland and Furness Council to create a new Barrow Parish Council. There were also formal public consultations, alongside targeted consultations with businesses and other strategic partners, took place in November and December 2022 associated with the Barrow Town Centre Improvements funded through the Levelling Up Fund. The Council also engaged with residents and businesses involved in the Housing Market Renewal Programmes. Importantly, the Council remained fully engaged with Local Government Reorganisation and its stakeholders and partners during 2022/23.

Improving economy, efficiency and effectiveness (cont.)

Partnership Working

The Council's Constitution set out how it engaged with stakeholders and partners through joint working arrangements, partnership boards, and annual appointments to external organizations. Partnership working was a key theme throughout the Council's Plan 2020 - 2024 with key strategic priorities shaped through extensive engagement with key stakeholders, including both residents and organizations.

The Council participated in formal and informal partnerships to allow for resources to be used more efficiently and outcomes to be achieved more effectively. The Council was actively involved in partnership boards that delivered key improvements to the Borough. When supporting stakeholder relationships, the Council was clear about the Terms of Reference and clearly defined its role. The arrangements recognize that different sections of the community have different priorities and the Council established adequate processes for dealing with these competing demands. The Council's emphasis on partnership working was encouraging and demonstrated a commitment to achieving outcomes more effectively through collaborative efforts.

Conclusion

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness. There are four improvement recommendations on page 19, made in March 2023, on reporting on the performance management framework, lessons to be learned from procurement exercises, monitoring the performance of the leisure trading company and the production of a data quality policy and procedures. In the context of local government reorganisation (LGR), it is appropriate for these to be considered by Westmorland and Furness Council.



Follow-up of previous improvement VFM recommendations

Recommendation	Type of recommendation	Date raised	Action taken	
Financial sustainability				
1	To conclude agreement on the mitigating actions in relation to the MTFP funding deficits forecast for 2023/24 and 2024/25.	Improvement	March 2023	The 2022/23 in-year budget pressures in the sovereign councils that form Westmorland and Furness Council were reviewed and where appropriate incorporated into the 23/24 revenue budget approved by the Shadow Council on 7 March 2023. This included a pressure in relation to the Barrow Waste Service. As part of the ongoing transition work and transformation by Westmorland and Furness Council it is expected that future savings and efficiencies will be identified and these will be reported as part of budget monitoring in year and reviewed as part of the budget setting process for 24/25 onwards.
2	Strengthen the link between the strategic priorities and Council Plan outcomes with the Capital Programme	Improvement	March 2023	The Capital Strategy provides an overarching link of capital project themes to Council priorities. This can be extended to individual project level. Westmorland and Furness Council could consider whether this is applicable/beneficial to the new organisation.
3	Refine formal reporting to full Council on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP.	Improvement	March 2023	This improvement was accepted in the 2021/22 Auditor's Annual Report in March 2023 and whilst it could not be actioned by Barrow BC, as a demised organisation, the benefits of the recommendation is accepted and should be considered by Westmorland and Furness Council

Follow-up of previous improvement VFM recommendations

	Recommendation	Type of recommendation	Date raised	Action taken
Governance				
4	Ensure members and officers have robust assurance and reporting arrangements in place, for managing all ongoing contracts to enable appropriate and timely action to remediate any non-compliance or wider deficiencies.	Statutory	March 2023	It is considered that the actions against the recommendations are complete. A schedule of significant contracts was provided to Overview and Scrutiny Committee at its meeting in November 2022 and February 2023. The Corporate Programme Board reviews the contracts register on a regular basis with any actions identified and fed back to relevant responsible officers. A report to note the procurement exemption activity for the initial 6 months of operating under the new arrangements was presented to Audit and Governance Committee in December 2022, and the exemptions required to initiate direct delivery of the Waste Service were reported to the Executive Committee.
5	Review the Council's escalation arrangements up to full council and Overview and Scrutiny Committee to ensure an adequate and timely response to address significant control environment weaknesses.	Statutory	March 2023	The Council reviewed the outstanding and historic priority one recommendations, which have been picked up through the improvement plan where not overtaken by events. The referral and escalation routes have been clarified. Responses to Internal Audit reports are pursued by management as soon as the response time has elapsed.
6	Streamline the Corporate Performance Monitoring Report to provide more summarised and integrated performance, finance and risk reporting.	Improvement	March 2023	The Service Performance Framework was revised in October 2022 and the Risk management arrangements have been reviewed and the Risk Register revised in March 2023.
Improving economy, efficiency, and effectiveness.				
7	Embed and enforce the Council's updated contract standing orders and procurement rules. We expect officers in all departments to follow and fully evidence compliance with contract standing orders on all procured services.	Statutory	March 2023	All procuring officers were offered training in March 22 on the new procurement rules and procedures. A record of training has been available since March 2022, available to all officers to view as a refresher and to new officers as part of induction training for those involved in procurement. The ProActis training for officers began in January 2023 and continued to be rolled out. Spot checks are made of ordered goods and services to ensure the rules are being embedded. The exemption process was included in the training and is evident in practice with activity reported to the Audit and Governance Committee, and to the Executive Committee in relation to the Waste Service direct delivery.

Follow-up of previous improvement VFM recommendations

	Recommendation	Type of recommendation	Date raised	Action taken
8	Deliver the agreed Internal Audit report on the Performance Management Framework recommendation to ensure the actions are implemented and that progress is fully reported in the 2022/23 Annual Governance Statement.	Improvement	March 2023	The Service Performance Framework was revised in October 2022 and quarterly reporting to the Overview and Scrutiny Committee occurred for 2022/23.
9	Undertake a lessons learned review to identify if and how the weaknesses identified during the procurement exercise for the waste collection, recycling and street cleaning contracts contributed to challenges experienced in the management of the contract, alongside any other learning from the management of this significant contract.	Improvement	March 2023	The Council considered all previous contracting and procurement activity and weakness as part of the review completed in 2021/22.
10	Continue to robustly monitor the operational performance of the new leisure LATC, Barrow Forward Limited, to ensure that it meets its business plan objectives, secures the appropriate back office support and the financial subsidy is reduced in line with expectations.	Improvement	March 2023	The Council will continue to robustly monitor the operational performance of the new leisure LATC.
11	Update the Data Quality policy and guidance to reflect best practice, organisational structure, and the processes required for the producing and reporting performance management information.	Improvement	March 2022	This will need to be reviewed by the new unitary council which replaces Barrow Council on 1 April 2023.

Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified opinion with an emphasis of matter regarding the demise of the Council following the Audit Committee meeting of Westmorland & Furness Council on 20 September 2024.

Other opinion/key findings

There was a material amendment to the primary financial statements in relation to the net pension surplus asset ceiling reducing the net pension asset to nil.

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement in 2022/23.

Preparation of the accounts

The Council has provided draft accounts in line with the national deadline.

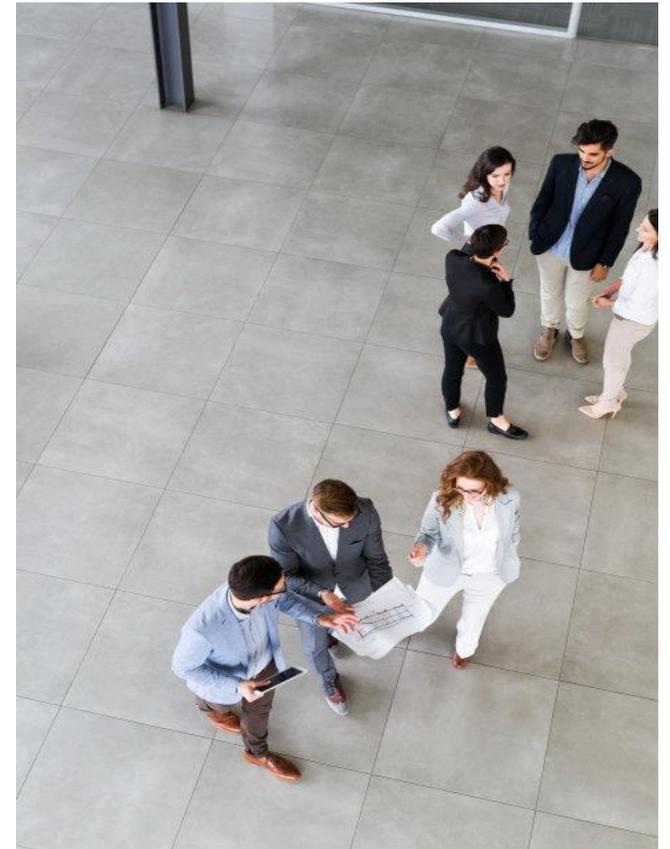
Whole of Government Accounts

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

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

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

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



8. Opinion on the financial statements



Audit of the financial statements

The 2022/23 Audit Plan was presented to the Westmorland & Furness Council's Audit Committee in December 2023.

The final Audit Findings Report was presented to the Westmorland and Furness Audit Committee in September 2024. Requests for the Audit Findings Report should be directed to the Authority.

Audit Findings Report

More detailed findings can be found in our 2022/23 AFR, which is reported to the Westmorland and Furness Council's Audit Committee in September 2024.



Appendices

Appendix A - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 17 to 19

Appendix B - Responsibilities of the Council



Role of the Director of Finance:

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

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

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

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

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

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

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



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