

# Northamptonshire Commissioners

One Angel Square, Angel Street, Northampton, NN1 1ED

Rt Hon Robert Jenrick MP  
Secretary of State  
Ministry of Housing, Communities and Local Government  
2 Marsham Street  
London SW1P 4DF

Ref: Update 6

Date: May 28 2020

Dear Secretary of State,

We write to give you a progress report on our work in Northamptonshire since our last update at the end of February.

This letter marks the two-year point of this intervention. At the end of our first year we compiled a 'lessons learned' report which we sent to your officials in September. We attach our second-year report to this letter.

Clearly the Covid-19 emergency and the arrangements for recovery from the emergency in due course are dominating council activity at the moment. Every Council is heavily involved in similar tasks, but the considerations in respect of recovery in Northamptonshire are unique and we outline these in this letter.

## **Governance arrangements**

The Council continues to make sound, evidence-based and transparent decisions. We engage closely with the Council's political and senior leadership in the forward planning of its policies and the development of its strategic plans. This engagement informs executive decision making, scrutiny of decisions made and their financial consequences and the activity of the Council's senior management.

We have become increasingly confident in the maturity of decision-making and the quality of management of the Council's agenda. There has also been significant improvement in the strategic and operational relationships with other key agencies and partner organisations in the County. We believe that further progress will be made in the year ahead as these better ways of working become the norm.

The Council was preparing for elections to two new unitary authorities. This would have had a significant bearing upon its own governance arrangements for the year ahead. The postponement of these elections to May 2021 has instead required the Council to engage in revised collective governance arrangements along with existing district and borough councils forming shadow authorities. The Council has scaled down the operation of its own decision making and scrutiny arrangements accordingly.

## **Audit and Finance**

Given that this is to be the final year of the Council's operation, we have sought to prioritise the completion of the 2018/19 audit so that finance staff can focus on maintaining a balanced budget for this year, alongside the additional work imposed by Covid 19, and ensuring that the closedown arrangements can be made without any possibility of distraction. Regrettably we have been unable to secure agreement from the external auditor for this prioritisation. Auditors are free to set their own operational priorities and it seems unlikely that the Council's audit will fit into these until September.

The provisional outturn for 2019/20 is an under-spend of £0.640m, which is another positive step towards stabilising the Council's finances. As expected 2019/20 proved to be a challenging year, particularly in relation to Children's Services. As at the end of June 2019 the Council's estimated outturn was an over-spend of £5.6m. The service area which accounted for this was Children's Services which had a projected over-spend of £6.3m, which, worryingly, was continuing to grow each month. From July onwards the projected over-spend reduced and Children's Services finances stabilised. It is pleasing that, from that difficult position, the Council has achieved a balanced budget at the year end.

During 2019/20 the Council has also taken the opportunity to further boost reserves and improve the sustainability of its finances. Overall, the Council has increased its reserves (general and earmarked) by a further £4m, giving an estimated total as at 31 March 2020 of £44m – this sum is provisional until the final accounts are closed.

The position of returning a balanced budget for the second year in a row is worthy of note. For each of the eight years preceding the Government's intervention, the Council had made unplanned raids on its revenue reserves and had reduced funding to some of its core service areas in order to shore up budget over-spends. In June 2018 we had uncovered an unfunded deficit of £41.5m in the previous year which had been carried forward into a year which, itself, was projecting an estimated over-spend of £30m. For this insolvent position to have been recovered, the financial operations of the Council stabilised and its (pre-Covid-19) forward projections made credible is a remarkable turnaround, achieved in under two years. The Council's Members, Chief Executive, Chief Financial Officer, other senior managers and staff have all been commended by us for the roles that they have played in making this possible. Without the stability that this position offers, the Council could have done no more than firefight its way through to reorganisation. It now has a financial profile that is comparable to that of other County Councils except for its low level of reserves.

Given its financial performance over the last two years the Council had laid the foundations for a robust 2020/21 financial year with every prospect of further adding to its reserves which then would be available to the two new unitaries. However, the financial and operational impact of Covid-19 means that the budget will need to be completely re-assessed. The Government's £30.5m Emergency Grant is welcomed, however, the Council is still facing considerable financial pressures as a result of Covid-19. As the on-going picture becomes clearer and plans for recovery are developed the financial implications will be better understood. We will continue to work with the Council to mitigate these pressures and work towards a balanced budget for financial year end.

### **Children's Services**

Children's Services, with guidance from the Children's Commissioners and strong operational leadership continued to make sound progress in its performance prior to the declaration of the Covid-19 emergency. Progress towards setting up the Children's Trust also continued, with an implementation date of July 2020 being aimed for. While some potential for slippage in this date was anticipated, the redeployment of staff due to the Covid-19 situation has led to all work on the project being ceased. We are concerned to do our utmost to ensure that the Trust's initiation occurs prior to, or, in the worst case, at the same time as setting up the unitary authorities. We have long recognised the risks posed to the County Council (and to the integrity of the unitary set up work) of having both projects running to the same timetable, but acknowledge that the emergency situation will have a significant impact on this timetable.

### **Other Council Services**

We have referred to the capability of the Council's Adult Social Care Service in previous letters. The Service continues to perform well having delivered £23m in efficiencies in 2019/20. It has also been central to ensuring the high quality response to Covid-19. The consequences of this, however, lie in the inability of day-to-day operations to be subject to planned improvement activity. This will delay the Service's ability to make the savings that it had planned to make in 2020/21. The extent of this delay will only become known as the Covid-19 diversion of activity ceases.

The same is true for some other council services. Planned transformational activity, or service expansion as a result of making budgets available for growth, as had been the plan, have equally been adversely affected by the consequence of the Covid-19 emergency greatly restricting service activity.

Improvement in the Council's Public Health service is worthy of specific mention. In 2017 the Council had its ability to act as a training location for Public Health Specialty Registrars suspended by Health Education England (HEE). Following a quality review by HEE and PHE the Council has been allocated two specialty registrars to undertake the placement element of their training beginning in August.

This gives us independent assurance that other public sector bodies recognise improvements within the Council.

## **LGSS and LGSS Law**

The Council's negotiations with the partner authorities in the LGSS shared service have been satisfactorily concluded. Only those functions that have clear operational and financial advantage remain part of the arrangement, with others being repatriated. There will be a lead authority assigned for each of the remaining shared services, and the entity itself will be dissolved. We are confident that this revised arrangement will enable the County Council and its successor bodies to obtain good value for delivery of transactional services without the bureaucracy, risk and cost which were inherent in the LGSS model.

The impressive turn around in performance that we had earlier indicated had taken place in the separate entity of LGSS Law means that the model will be retained by the partners (including Northamptonshire) and we are confident that this will be a valuable partnership for the County and its successor bodies to be involved with.

## **Local Government Reorganisation**

The requirement for all of the Councils involved to respond to the Covid-19 emergency has led to the collective decision to reduce the scale of ambition in the reorganisation planning programme. The original intention was to seek substantial transformation of services prior to them moving to the new organisations. However the postponement of the elections and the Covid-19 diversion has led the eight Councils to agree to 'safe and legal (plus)' as the revised stated ambition for the programme. So long as certain minimum (safe and legal) criteria in the planning arrangements can be met, it is planned that the unitary councils will commence on 1 April 2021. Whatever scale of additional 'transformational' activity that may prove possible as the year progresses will provide the 'plus' to the programme.

This pragmatic approach is being pursued with considerable vigour. There is a recognition, however, that the further development and management of the ongoing Covid-19 emergency and its' consequences may have further bearing on this matter over the coming weeks and months.

## **External engagement**

The relationship between the County Council and the District and Borough Councils in Northamptonshire continues to improve. This is of considerable importance in respect of planning for the unitary authorities. We have continued to work with all of the Districts and Boroughs individually and collectively, with regular and positive engagement with each of the Council Leaders and their Chief Executives as well as participating in the Leaders Oversight Board and the Joint Implementation Executive for the reorganisation.

In response to the Covid-19 emergency, the County Council has been required to work in close cooperation with the District and Borough Councils and this has further improved understanding and mutual respect. The joint response operations being mounted with NHS bodies in the county have similarly improved operational understanding and senior relationships.

As Commissioners, we completed another round of public surgeries over the winter, making ourselves available for questioning and engagement directly with members of the public throughout the county. Inevitably, the main topic raised with us was that of local government reorganisation, but we have been able to resolve some service delivery concerns and address concerns over the individual issues raised.

### **Our working arrangements during the emergency**

We have been able to carry out our responsibilities during the last couple of months by adapting our working methods. We have made extensive use of the range of electronic communication methods and have developed processes for engagement via these both within the Council and with partner agencies that we believe have been as effective as is necessary.

In large part, we have been able to do this as the intervention had been established and in operation for almost two years prior to the Covid-19 outbreak. The pattern and quality of our relationships had been already fully established, and it has been with relative ease that we have been able to adapt our conduct of those relationships to these new circumstances. That said, the current arrangements are undoubtedly more cumbersome, more formal and more time-consuming than previously. The ability to form rounded judgements often benefits from the experience of informal, casual interactions such as can take place from being 'on the ground'. We are alive to this, and our working approach has sought to make up for this by pursuing regular contacts with those with whom we would normally have expected to simply 'bump into' in the office.

### **Covid-19 Response by the Council**

We have been impressed by the response made to the Covid-19 emergency. The County Council's planning and operational measures have been sound, appropriate, and effective. The collective response of the county and district councils and the NHS in Northamptonshire has been extremely well-organised and purposeful, and we have commended the county council managers and officers concerned for their efforts. We have confidence in the continuing high quality of this response.

### **Consequences of the Covid-19 Emergency**

The County Council is planning the recovery of the situation as well as it can with the unknowns that are present, and we are fully involved in these considerations. As with other Councils, there cannot be precision about the total costs it will face as a

result, or the level of Government assistance that can be expected, although it is aware of, and welcomes, the commitment made by the Secretary of State.

The Council's greater concerns centre on the effects of the emergency in the longer term. It is clear that there will be an economic downturn with potentially a significant impact on income projections. It is also anticipated that the resumption of normal service delivery will uncover pent-up demand and that, and the arrangements made for recovery by key partners (especially the NHS), will increase expenditure requirements upon the Council. These short to medium term pressures may be considerable. There are also risks around contractual disruptions and the legal and financial consequences of these.

We recognise that all Councils face these issues. Northamptonshire, however, has some unique challenges before it in its efforts to resolve them. Not only must it do so with as much application and professional integrity as others, but it must do so from a financial position that is much weaker. While financial discipline and management in the Council has been greatly improved, the depletion of its reserves has not been greatly reversed. The Council simply has less financial resilience, at a time when such resilience may be greatly called upon.

The Council is also leading on the work to set up the new authorities and establishing a new Children's Trust. These are major tasks and require significant diversions of effort.

The Council's other services, with the exception of adult social care, are also in the process of recovering themselves from having been run down over many years to a minimal and barely adequate level of capability.

All of these unique tasks – and it is fully recognised that they all result from a failure for which the County Council must fully and solely accept responsibility – would prove challenging on their own, particularly in a Council with no historic track record of capability. To be accomplished at the same time as managing an emergency and, at some point, the recovery from it, makes for a most considerable set of challenges.

## **Next Steps**

The County Council has stable and well-motivated political leadership. It has experienced and high-quality senior management. It is solvent and now spends wisely. Its services, culture and morale are improving. Two years ago, in his Best Value inspection, Max Caller observed that it would take at least five years to deliver the changes necessary to make the Council fully competent again. The Council is very creditably ahead of that timescale in respect of its improvements so far, but it is not yet a Council that those leading it have the ambition for it to be.

The Council must prioritise its work this year. We are clear, and have agreed with the Council, that the broad priority order (much of which may well be concurrent activity) is this:-

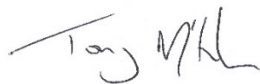
- Respond to the Covid-19 emergency

- Ensure that essential safeguarding activity is maintained as much as the emergency permits
- Return essential safeguarding activity to the norm as quickly as the situation allows
- Maintain a balanced financial position
- Deliver the local government reorganisation programme to a 'safe and legal' status
- Deliver the Children's Trust
- Enhance all other services as originally planned

As of this moment, it is our view that (subject to unknown eventualities that are beyond the Council's control) the Council can deliver against all of these priorities. We could not have said that two years ago – or even a year ago. It will, nonetheless, take an immense effort and the application of all of the good qualities that have begun to shine through for it to happen now. There is little margin for error.

If this can be accomplished by what was so recently a failed entity, it will enable Northamptonshire County Council to dissolve itself with more credit than it ever managed to accrue in its past. It is a challenge that we believe it is up to.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony McArdle'.

**Tony McArdle**

A handwritten signature in blue ink, appearing to read 'Brian Roberts'.

**Brian Roberts**