

# Northamptonshire Commissioners

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

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Dear Secretary of State,

We write to give you a progress report on our work in Northamptonshire since our last update in October.

## **Governance of the Authority**

We have ensured that the fundamentals of good governance continue to be observed at the Authority. We have continued our approach to achieving our objectives without the need to issue any formal directions to the Council. We are encouraged that the positive culture and ways of working that have begun to embed themselves over this time will, in part, assist in laying the foundations of good governance for the planned unitary authorities.

Our requirement for the Scrutiny and Overview committee to be firmly focused on finance continues. We remain of the view that this approach has served the Council well. Of particular note was the work of this committee in the recent budget setting process and consultation. The lines of enquiry were focused, and the output of their deliberations was an excellent piece of work.

The anticipated reorganisation of local government in the county area will see elections to two new shadow authorities in May. These elections will mark a significant change in the dynamics of local politics, with the focus on the future that they will undoubtedly bring. We have invited the Council to begin to restrict its forward planning and decision-making to reflect this. We have asked for the number of formal meetings in the calendar to be reduced by half. Whilst a fairly crude mechanism in itself, it will make a clear statement that continuing the effective governance of the County Council should be balanced with the shadow authorities, and their attention to setting policies and budgets for the years to come.

The extensive changes that we have led in the resourcing and deployment of the Council's financial management regimes have continued to produce results. These modifications have been key to stabilising the Council's finances and in laying the foundations of behaviour and discipline that the new unitary authorities will inherit. As a result of these changes we continue to see significant progress in the early identification of emerging issues. The enhanced quality within the Council's senior staff cohort has ensured a strategic focus on finance and greater confidence in the financial control function, which had been neglected over many years.

## **Finance and Audit**

Progress has been made against outstanding issues and in respect of future financial planning, as follows:-

2017/18

The 17/18 Audit has been closed and we await the audit certificate. After a lengthy period of deliberation, the Council's previous auditors have decided not to issue a Public Interest Report into the events leading up to the financial collapse of the organisation. We are disappointed by this decision. For the first local authority in a generation to effectively declare itself insolvent not to be the subject of such a report is certainly surprising given the subject matter of previous Public Interest Reports. As our continuing Lessons Learned exercise attests, we believe there is a lot to learn from Northamptonshire.

2018/19

The audit for 18/19 has commenced and is expected to be completed between November 2020 and January 2021.

2019/20

The current end of year projection as of January 20 is for an under-spend of £119k. This is an improved position since we last reported to you. This improvement has resulted from firm action being taken to secure efficiencies and cost reductions across all service areas. These improvements have been achieved without reductions in service and reflect a growing ability of the Council to exercise management discipline, make better use of information, and drive change through good practice and innovation.

In our last update to you we mentioned that an independent review of financial management had been undertaken and completed in October. The review highlighted that financial management had made significant progress over the previous year however it also identified a number of areas for improvement. We worked with the Council's Director of Finance to develop an improvement plan which had 48 actions. As at the end of January most of the actions have been completed and work continues on those that are not yet finished.

2020/21

The focus of decision making since our last report has been the Council's budget for 2020/21. A balanced budget was supported by Council on 20<sup>th</sup> February. The Council is confident in its ability to deliver on budget.

The Director of Finance (as Section 151 Officer) is obliged to state his opinion on the budget known as a Section 25 report. In this he stated: "the intense scrutiny of the 2019/20 budget and the marked improvement in the leadership, management and governance of the authority have led to more openness and transparency. The draft budget was delivered in November, earlier than usual, allowing more time for consultation and scrutiny. As a result, Councillors can be more confident that the base budget has been thoroughly reviewed, weaknesses have been identified and addressed and it provides a sound platform for 2020/21". We endorse those comments.

### **Overall Financial Management and Resilience**

The finance function is under considerable pressure as it balances the demands of local government reorganisation, establishing the Children's Trust, implementing a new model of LGSS, continuing to deliver the financial management improvement plan and ensuring the Council's budget remains balanced. In recognition of this we have agreed to additional capacity being made available.

A key priority for us has been improving the financial resilience of the Council. Firstly, we have ensured the Council balances its budget each year. The outturn for 2018/19 is an under-spend of £4.5m (subject to audit) and we are forecasting an under-spend in the current year (2019/20). Secondly, we have ensured that this is achieved without using one-off reserves to balance budgets. This is in sharp relief to the previous ten years where there was either emergency unplanned, or planned, use of these reserves. Thirdly, building up the level of the Council's reserves: the Council is required to maintain reserves sufficient to cover their key financial risks. For the financial year 2020/21 the budgeted reserve balance is £42m which compares favourably with the end of 2017/18 when the unfunded deficit stood at £41.5m and there was zero in general balance reserves.

In addition to the above actions the 2020/21 budget includes a contingency of £4.1m to fund unplanned demand for statutory services. If the contingency is not required then the Council's reserves will increase to £46.1m by the end of 2020/21.

Although there has been a significant improvement in the Council's general financial resilience since 2018, it remains considerably weaker than other county councils.

### **Service capability**

Responsibility for service operations and their development do not fall within our remit and remains that of the Council. We have therefore only involved ourselves in service specific activities where they are likely to pose a governance risk (such as in

failing to meet statutory responsibilities) or pose a significant financial risk to the Authority – which are our responsibilities as set out in our Directions. One example of this was our request for the appointment of a Children’s Commissioner in late 2018 with powers to reconfigure services which were failing on both counts. A further example concerns the specific threat of intervention by the Food Standards Agency in respect of the Trading Standards Service which had been reduced over many years to the point that it was unable to resource its statutory inspections. We have engaged with the FSA and assured them of our interest in remedying this situation. The matter is under control pending the enhancement of the service utilising the funds referred to above.

We have made observations in earlier updates about the poor operational state, and risk of failure, which past reductions in many of the Council’s services had brought about, and of our requirement that these services begin to be rebuilt with new investment in order to remove that risk. In particular, the resources and capacity of Trading Standards; Waste Management; Highways Management; Emergency Planning; Heritage and Cultural services, and Country Parks have given us cause for concern.

Increasing cost pressures from Children’s Services have been hampering the work to strengthen other services. But through hard work from new staff and the current Children’s Commissioners’ team, improvements are taking place as commented on by Ofsted in a recent targeted inspection.

The improvements provide little scope for financial benefit in the current year. They do though offer the prospect of a more stable basis for the negotiation that is currently under way between the Council and the Children’s Trust. The Trust is scheduled to take over the delivery of the service from July. In consideration of this, we have supported the Council in increasing the funding available for the services that have been seriously depleted. This will enable some restoration of operational capability in advance of the creation of the new unitary authorities in April 2021 and will be vital to those authorities’ ability to commence operations safely.

The Council’s Adult Care Service has continued to perform to a good standard and to operate within its budget. Our involvement here has therefore been confined to supporting the renegotiation and tightening of some PFI contracts dating from 2003 which present a disproportionate level of cost for the performance delivered. This work will continue and, with the helpful support of DHSC and the Treasury, we are hopeful of achieving either cost reduction, or higher performance, or both. Aside from this, we are aware that the Service continues to seek opportunities for further functional integration with the NHS in the County. Ambitious plans to enable the new unitary authorities to inherit operationally well-performing and cost controlled community hubs are being progressed confidently. The NHS organisations are working with the Service on those improvements.

## **Children’s Services**

Above all, however, the most important task for the recovery of the wider Council and ultimately, the viability of the prospective unitary Councils is that of securing

recovery in Children's Services and its transfer into the new Children's Trust. The arrangements for the set-up of the prospective unitary authorities and of the Trust are each individually complex operations which would be challenging to undertake at any time. It is particularly stretching to be undertaking both at the same time, and in the circumstances of the outgoing County Council's recent history and its' remaining fragility.

It is of critical importance that the interdependencies in these operations are recognised by all concerned; setting up 2 new unitaries and a children's trust at the same time as the Council is recovering is a complicated exercise with potential to run off track. However we are well placed to have an overview and will alert you through your officials if this is the case.

### **LGSS and LGSS Law**

We have supported negotiations with the partner authorities in the LGSS shared service which have been concluded and endorsed by all partners. Only those functions that have clear operational and financial advantage remain part of the arrangement, with others being repatriated. Equally, the financial arrangements for the shared service will be reformulated to ensure that the costs to each partner accurately reflects the value they obtain from it. By October this year LGSS services being provided to Northamptonshire and its successor bodies will be better organised and of substantially less cost.

The separate arrangement that is LGSS Law has been the subject of a review and has seen an impressive turn around in performance. This organisation had previously been beset by significant transparency issues, confused business planning and pricing, poor performance and excess costs. Consequently, it filed a £1.2m loss in 2018/19. Following the review, introduction of new leadership and tighter management grip the organisation is on course for a six figure profit within 2019/20 and has recently been subject to praise from Lexcel Legal Practice Quality Mark inspectors. They described the practice as 'well run', 'well managed' and should be 'highly commended.'

### **Local Government Reform**

With the Structural Change Order having passed through Parliament, the extensive work necessary to undertake the reorganisation will step up. The County Council, with the agreement of District and Borough Councils and with our support, has taken a leading role in this work.

We are confident that we enjoy a strong relationship with the District and Borough Councils, and that this helps in ensuring both pace and progress. We continue to attend the Leaders Oversight Board and the North and West Joint Committees as part of the Local Government Reorganisation programme. Following the elections in May we will continue to be actively engaged in discharging our governance responsibilities for the County Council and in the arrangements for handing its powers to these new authorities.

## **Engagement**

We continue to engage comprehensively with external agencies, partner organisations and communities of interest. These include the Borough and District Councils, trade unions, the health sector, police, and the local university. This work helps in promoting transparency, inclusiveness with planning and assists the Council in its work to repair and improve relationships with others.

In addition to this, during September and October we asked the Council to undertake an extensive digital public engagement exercise seeking to understand local people's priorities and opinions about Council services. This generated 1,160 responses, giving a valuable insight into residents' views on service importance, performance and prioritisation.

Quite separately we are part way through our second year of public engagement exercises with surgeries in each of the districts and boroughs. This has given the residents of the county the opportunity to speak directly with us, and for us to consider a temperature check on the changes made by the Council.

We are also due to meet all Northamptonshire MPs in March.

## **Summary and Next Steps**

The County Council is stable, operating at a level of basic competence in most respects, and better than that in some. Its finances are balanced, but its financial foundations remain delicate. It is in a state of steady improvement which it plans to build upon in the coming year, and we are confident that these plans represent sound ambition and are realistic.

The Best Value Inspector assessed the changes necessary in the Council would take of the order of 5 years to bring about. The changes that have taken place so far represent firm progress in the right direction. However, the new authorities will have to continue the improvement journey from day one to address the challenges that remain in those services that need more work to be on an operationally sustainable footing.

Over the next year we will:

- Work with the Joint Committees, and the shadow authorities to ensure the Council continues to deliver value in all aspect of its operations during this next phase of local government reform.
- Continue to build the financial base of the County Council and the resilience of its financial operations.
- Support the County's efforts to strengthen all of its services and their performance.
- Work with all concerned in order to deliver an effective Children's Trust for Northamptonshire.

- Ensure the governance of the organisation continues to improve.

Finally, we would like to put on record our thanks to Northamptonshire's Leader and Cabinet, Theresa Grant the chief executive who is working across 4 projects, each one of which is a major endeavour, and the senior leadership team and staff of Northamptonshire County Council for their drive, determination and hard work in getting us to this point.

Yours sincerely,

**Tony McArdle**

**Brian Roberts**