

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 4

Date: 31 October 2019

Dear Secretary of State,

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

Governance of the Authority

The Council continues to work closely with us in understanding and addressing its challenges. Decisions are made in a timely manner, on the basis of evidence, are taken transparently and are sound. Continued working in this way has prevented us from needing to issue any formal directions in order to make progress.

The Council's scrutiny arrangements remain focused on the areas of most significant challenge all of which are considered through a finance lens. This is despite the natural desire of many backbench Members to widen its scope. The Centre for Public Scrutiny has played a substantial part in helping us to maintain this approach.

Earlier this year we received positive feedback on the Council's handling of complaints from the Local Government Ombudsman. These observations arose following our earlier meeting and in the context of his annual letter. While they are a good indication of improvements in procedures generally, some areas of the council still need further work. This is the case particularly with Children's Services which has experienced an increase in complaints following its recent Ofsted inspection. Focused effort is required to ensure improvements are made in how these are dealt with within the directorate.

We will continue to work with the Council in the manner that we have established, and our expectation is that the fundamentals of good governance will continue to mature.

Financial Matters

The reasons for the Council's financial unruliness and ultimately its failure are manifold. We recognised from the outset the inadequacy of the central finance function and the part this shortcoming played in the Council's collapse. We made some immediate changes to address this following our appointment, including the recruitment of a new Chief Finance Officer and the repatriation of the strategic finance function from the shared service partnership to which it had been outsourced. In addition to this we recognised that a thorough and independent review of financial management was necessary, and should be undertaken when feasible. It was naturally important that this review could be used to inform the construction of the finance functions for the two new unitary authorities. The review, which we are grateful has been funded by the Local Government Association, has recently been completed. It has acknowledged that significant progress has been made since last year, notably in respect of the earlier identification of emerging issues and the increased grip in addressing them. The review also highlighted that the Council is clearly developing a strategic focus on finance and has some potentially strong staff in the finance team. It has also identified a number of areas for improvement including: further strengthening of the financial control function, reviewing the structure and skills of the team and developing a comprehensive training and coaching programme for budget managers. We will work with the Section 151 Officer to develop and implement an improvement plan to address.

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

2017/18

It is disappointing to report that the 2017/18 Audit is still not complete which means the external auditors' opinion has still not been issued. This was the final, and catastrophic, year of the Council's decline. We were obliged to allocate £41.5m of the Council's capital for revenue purposes using the dispensation granted by your predecessor. The capital was largely derived from the sale and leaseback of the newly completed headquarters building, One Angel Square, and this enabled us to retrospectively balance the books for that year. The Council's auditor has stated that a Public Interest Report will be issued in order that the sector learns lessons. The fee for the Public Interest Report is in the region of £100k and it is expected to be issued before Easter 2020.

2018/19

We are pleased to report that the Council's accounts for 2018/19 were published, albeit after the 31 July deadline. Whilst the fact that the Council balanced its books for the year without any extraordinary support is the predominant feature of these accounts, it is worth noting that the quality of reporting is significantly improved. The Council's new external auditors will be able to commence their work once the 2017/18 audit is complete, we hope this will be in the near future.

2019/20

The current year projection at the end of September is for a £2.2m overspend at year end. We have required that action be taken to address this situation, which although still requiring attention, is itself much improved on the forward projections of the previous few months. To begin with an enhanced Quarter 1 review was undertaken. This provided the Council's cabinet and scrutiny committee with a detailed commentary from each service director on service pressures, the delivery of savings and other mitigating actions. Following this, regular financial planning sessions have taken place and will continue to be held by the Council's leadership team, aimed at finding further savings in current expenditure plans.

Whilst this work is progressing well, it is notable that spending on children's social care remains a significant financial risk to the Council. We commissioned an independent review of this budget, undertaken by CIPFA and Peopletoo. The review's primary purpose has been to give the Council an independent view of the 2019/20 and 2020/21 budgets, enabling challenge to take place on the robustness of the savings proposals. The report concluded that the Council is clearly taking actions that should raise performance standards and help to control rising costs more effectively in future although these changes will take time to implement. They recommended that the focus should be on underpinning the progress made by setting an evidence-based budget, with clear, specific delivery plans. Although the report noted a lot of positive progress it has also highlighted those areas where further work is required. We will work with the Children's Commissioner and the Council to ensure that the report's recommendations are actioned.

2020/21

Detailed financial planning for next year's budget continues. The additional funding announced in the Government's spending review is greatly welcomed. The draft of this budget will be published for consultation in November (a month earlier than last year). The Council's scrutiny function has been involved in the budget process which in itself is further evidence of improved governance and practice at the Council.

Service Capability

The poor operational state of many of the Council's services concerns us greatly, as previous reports make clear. Some service improvement measures are in hand, and coupled with the efforts of the Council's transformation team, alongside the use of some funding through the Business Rates Pilot, further improvements are planned. This is all with the intention of ensuring the new unitary authorities get off to the best possible start.

However, the Council's inability to use some of its own finance to invest in rebuilding the services at greatest risk, such as Trading Standards; Waste Management; Highways Management; Emergency Planning; Heritage and Cultural services, and Country Parks remains an anxiety. Central to addressing this is an ability to exercise greater financial control in areas such as Children's Services. This control is critical to both balancing the budget this year and enabling an underspend that allows for

investment in these services. It is a major focus for the remainder of this year's work and is a priority activity for next year's budget planning.

To give greater management capacity to Children's Services to drive performance improvement and improve budget management, we authorised the release of contingency funds to create 4 new posts at assistant director level, amongst other enhancements. These posts are currently coming on line and we believe that the opportunity can be taken to make the savings necessary in the service's operations. Poor performance and the chaotic conditions under which the service operates are key reasons why staff turnover is unsustainably high. This represents a drag on effective performance as well as posing a high financial cost due to the consequent reliance upon agency staff. A proper and capable management cohort in the service is vital to its future.

Efforts continue to improve performance and reduce the financial exposure of two key support service areas that are shared with other Authorities – LGSS and LGSS Law.

LGSS remains complex. The three partners (Cambridgeshire, Milton Keynes and Northamptonshire) have agreed a different operating model based on a lead authority for each service together with new governance arrangements. However, there are still ongoing discussions on when the revised charging arrangements will be introduced. We are concerned that this continuing period of uncertainty is having a detrimental effect on the quality of services.

LGSS Law has appointed a new chairman of the company's board. We have met him and taken the opportunity to set out our concerns and expectations for improvements in the quality of services and better financial management. We were impressed with the new chairman and it is pleasing to note that performance is improving and, following a loss of £1m last year, the company is expected to breakeven in the current year.

Engagement activity

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 then maintain relationships with others.

Our engagement with front line staff has seen us visit the following services in the last few months: Trading Standards; Country Parks; Care Homes, Libraries and the Customer Service Centre. The feedback we receive is instrumental in enabling us to test the Council's approach to managing change.

We conducted what we considered to be an important public engagement exercise last winter and intend to repeat it early in 2020. It will also allow us to temperature check the changes made by the Council.

At our request the Council is currently undertaking its own structured digital survey with residents to help better understand local priorities. This will be repeated at least every six months over the expected 18 months remaining of the Council's existence.

Local Government Reorganisation

In addition to our engagement with District and Borough councils intended to improve relationships, we continue to attend the Leaders Oversight Board and the North and West Joint Committees as part of the Local Government Reorganisation programme. The work to progress the set-up of the proposed unitary authorities is proceeding well and to time. Our involvement is universally welcomed. This in itself is evidence that relationships have improved.

Children's Services

We have referred to Children's Services in the preceding sections, but we believe it is important to highlight how the recovery of this service is fundamental to the recovery of the Council, and ultimately, the viability of the new unitary councils. It was the loss of control of Children's Services over a number of years and the lack of any viable plan to address that loss which set the Council upon its path toward failure. Children's Services in Northamptonshire is now, by any available measure, one of the worst-performing yet most expensive in the country. This profile, and the financial and reputational consequences pose the greatest risk to the operation of all of the Council's other services and its efficacy as a corporate body. We have begun discussions with the new Children's Commissioners and will work closely with them and the Council's senior leadership to develop a shared, and evidence-based, understanding of the budget and of what is needed to affordably implement the immediate, and sustainable, improvements that are necessary in the service.

The setting up of the Children's Trust determined by your colleague, the Secretary of State for Education, holds out the hope of a new beginning. It is vital that the Trust commences life on an ambitious and sound footing. We have begun the task of engaging with those appointed to support the setting up of this Trust and are pleased at the realistic approach taken by them. We look forward to continuing this engagement, and in working to support the Children's Commissioners on this task. We will also ensure that this work complements that of the Joint Committees and the other apparatus put in place for setting up the unitary authorities.

The success of the Trust and the success of the two new unitary authorities are concomitant ventures, and both in turn rely heavily on the effective operation of the County Council over the next 18 months.

We believe through joint working and commitment, a great deal can be done towards ensuring this success which will take place over the next nine months in particular.

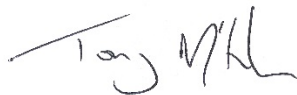
Whistleblowing

In accordance with our responsibilities as Prescribed Persons under The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017, we confirm that we did not receive any whistle-blowing disclosures from employees of Northamptonshire County Council during the time between our appointment on 10 May 2018 and the end of the reporting period 31 March 2019.

Lessons learned

We have written an interim lessons learned report on our first year of intervention. We have done this now so that, with the passage of time, those lessons are not consigned to history before we write the lessons learned report in 2021 and so that we can contribute to the response to the Public Accounts Committee report on Governance and Accountability. Your officials have been provided with a copy which we understand will form part of the evidence pack.

Yours sincerely

A handwritten signature in black ink that reads "Tony McArdle". The signature is written in a cursive style with a long horizontal line extending to the left.

Tony McArdle

A handwritten signature in blue ink that reads "Brian Roberts". The signature is written in a cursive style with a long horizontal line extending to the left.

Brian Roberts