

COMMISSIONERS NORTHAMPTONSHIRE

27nd February 2019

Dear Secretary of State,

We write to inform you of the progress of our work in Northamptonshire since our last update in September 2018.

To summarise, we had established that the true scale of the Council's financial difficulties was considerably greater than had been admitted and had produced a plan designed to recover that position. We had required the Council to identify and publicise its priorities, and to produce plans to improve its service operations. We had appointed a new Chief Executive as the beginning of a process of filling senior management with competent people where new talent was needed. We had supported the Council's political leadership in taking ownership of the realities and these measures as a coherent means of dealing with them.

Since then, our concerns over delivery of the Council's Children's Services were brought to a head with the publication of an Ofsted focused visit letter. Feedback from this visit alarmed us sufficiently enough to seek the extension of the intervention arrangements by way of the appointment of a Children's Commissioner. Malcolm Newsam has been in post as the Children's Commissioner since November last year and is due to report to your Rt. Hon. colleague the Secretary of State for Education at the end of February.

We will elaborate on further progress in respect of all of this activity in this letter, and will provide a high level commentary on the operation of the Council's Children's Services as well as an outline of our plans for the next few months.

Recovery of the Council's financial position

In our last letter, we had established that the Council's extraordinary financial position crystallised as follows:

1. The existence of an unexpected year-end deficit for 2017/18 of c£35m which we now know to be more validly quantified as £41.5m;
2. A projected overspend in the current year 2018/19 of c£30m; and
3. The need to set a budget for 2019/20 which had an anticipated funding gap of c£60m.

The actions we have taken to date will address the challenges posed by this situation in full.

1. The existence of an unexpected year-end deficit for 2017/18 of £41.5m

The Council's external auditors KPMG have not completed their work on the accounts for 2017/18. Until they do so, their 'headline' figure of £35.3m remains an estimate, although the auditors have advised us that they do not expect this figure to alter by very much, if at all. Their additional work has meant that the Council has incurred a further £300,000 in auditor fees. In addition, further scrutiny of the measures taken by the Council to close the 2017/18 Accounts has identified the imprudent reduction of earmarked general fund reserves of £4.4m and a shortfall in the Insurance Reserve of £1.8m, totalling £41.5m unfunded deficit for 2017/18. These reserves should have been retained to cover commitments or continuing risks and will have to be reinstated. The underlying deficit position at the end of 2017/18 is then, in reality, £41.5m.

We sought a capitalisation dispensation from you to allow for us to recover the deficit on revenue reserves by using the Council's own capital resources. This was an exceptional measure, one which we believed would be the most effective in the circumstances and which had the merit of allowing for the deficit on revenue reserves to be discharged from within existing Council funds without seeking additional finance from the Government. We are grateful for your agreement to this measure, confirmed in a letter dated 28 November 2018. With this issue resolved we have concentrated on re-establishing a proper budget setting and expenditure control system in Northamptonshire, for this year (2018/19) and next.

2. The projected overspend in the current year 2018/19 of c£30m

At the time of our arrival, the Council was proceeding to spend in 2018/19 in a similar manner to that which had resulted in it accumulating its deficit in 2017/18, save for the application of the rather blunt s114 mechanism. This would have some effect, but by the end of June, our work had uncovered that expenditure, in the absence of systematic and well-managed corrective action over the following nine months, would result in a further deficit of c£30m being incurred in the current year. Preventing this from happening became a key focus of our work and we required the Council to develop a Stabilisation Plan to address the issue. The Plan, produced with our active involvement, was endorsed by Cabinet in October, is being implemented and is the subject of strenuous effort on the part of the Council to ensure that the savings detailed within it are delivered. Underpinning those savings is a programme to transform service operations, reduce inefficiency and improve the quality of output. It is necessarily 'top down' at the outset, being driven by the Council's Management Team, which now has a mix of very experienced and expert new appointees within it. The leadership given to this programme of work is ensuring that it delivers firm initial results, but sustaining these and making them work at all levels of operation will take time.

The Council's most up to date projection of performance against budget as at 31 December 2018 states the current projected overspend to be £1.4m, and we expect this to further reduce by the year end. This is a substantial reduction on the £30m overspend projected in June.

The Stabilisation Plan contained proposals of £7.8m involving the transfer of Council Tax surpluses. These proposals were reliant on District and Borough Councils and external auditor agreement which is not going to be forthcoming this year. Our view is that the Regulations do provide flexibility to permit them to be paid to us by the Districts and Boroughs, but it is clear that in order to make this happen we would need to pursue it through the courts, incurring costs to the public purse by all parties. This would be highly inappropriate and counterproductive and we will not do so. We will instead account for the surpluses in 2019/20 and reduce the savings target to a more manageable level in that year.

The capitalisation dispensation you approved included within it an allowance to manage the risk that the financial savings identified in the Stabilisation Plan would not be delivered in full in 2018/19. We have not drawn upon the allowance in order to balance the budget because savings outside of those listed in the Stabilisation Plan have been found. However, we propose to use capital receipts equivalent to £7.8m of the allowance in order to increase the Council's reserves.

The re-establishment of a balanced budget and the discipline of holding to it will be important characteristics in their own right and because they are fundamental to making the Council's services sustainable in day-to-day operations. They will also secure the financial and operational basis upon which planning of any proposed new authorities can take place. The restoration of confidence amongst partners, residents and the staff of the Authority in the fact that, for the first time in some years, the largest Council budgets within Northamptonshire are under proper control by those setting and spending against them is now an achievable aim.

For the Council to be on the cusp of realising a balanced position between income and expenditure in 2018/19 without the use of any extraordinary support or exotic accounting solutions is a significant achievement.

3. The need to set a budget for 2019/20 which has a projected funding gap of c£60m

Even with the deficit from 2017/18 discharged and upon the expectation that the 2018/19 budget results in a balanced outturn, the Council would still have zero in un-earmarked general fund reserves as at 31 March 2019. We are therefore grateful that your approval of the capitalisation dispensation has allowed us to create an un-earmarked revenue reserve of £20m. With this in place, and without planning to draw upon it, the Council must set a balanced budget for 2019/20. In October 2018 the Council's Cabinet were informed of a c£60m budget shortfall in 2019/20, a significant sum. It exceeds that which most other County Councils will need to address next year, largely, of course, as the result of the failure of the Council over many years to take all of the steps it should have taken to run its services at the levels of efficiency achieved by others. Some examples of the steps that the Council is presently taking to improve service efficiency, not just to achieve better value, but in order to achieve better service outcomes, are attached to this update. They will have some effect in the course of this year. Nonetheless, the Council will have to transform its operations across the full range of services in order to sustain progress.

We have been heavily involved in the 2019/20 budget setting process; we have set expectations, provided technical support, fed into the engagement process, encouraged good practice, and worked together with the Council's political leadership and officers to produce a suite of proposals that will construct a balanced budget that is sound while at the same time protecting the priority services identified by the Council at our request in August 2018. A draft budget was endorsed by Cabinet on 11th December 2018 and has been the subject of extensive public consultation and scrutiny. The key financial assumptions underpinning the budget have been refreshed and a savings requirement in excess of £40m included.

We have agreed with the Council that an effective transformation programme, which includes robust monitoring arrangements is developed and implemented. Those monitoring arrangements will increase the likelihood of delivering the savings required in 2019/20; the lack of proper monitoring has been a notorious weakness in the Council's previous savings plans. This transformation will help to improve services and ensure they are in better shape to migrate to the new unitary authorities, if created. We consider the governance and delivery arrangements for the transformation programme demonstrate best practice.

We believe that the 2019/20 Budget, presented to the Council on 21 February 2019, with our endorsement, is credible and achievable. Progress will be reported by the Council through its usual monthly financial monitoring (which will also be made available on the Council's website) and should result in the Council producing a balanced out-turn in 2019/20. This stability, backed by operational units that are delivering increasingly competent core services to the people of the county, should provide a platform for the proposed new authorities to build upon.

Since consulting upon this budget, you have announced the final 2019/20 Local Government Finance Settlement. This included the flexibility for Northamptonshire to raise its council tax by a further 2% in 2019/20 to assist with the improvements to council governance and services. This additional funding of £5.8m will be taken up and will be used as follows:

- Enabling the Council's transformation activity to be accelerated
- Providing an extra £475,000 to permanently reinstate the winter gritting and winter maintenance of roads to previous levels
- Scrapping plans to charge for community use of schools by uniformed and community groups
- Providing an additional £1.2m for Children's Services operations
- Reversing plans to charge for higher specification community equipment
- Making an extra £673,000 available towards independent adult social care placements
- Providing greater financial resilience

- Creating a more sustainable financial foundation for any future unitary councils

At the same time, you announced that the Northamptonshire Authorities application to become a Business Rates Pilot area had been approved. This excellent news, potentially to the value of £17m for the county as a whole, will provide much needed resources with which a range of Council services can make transformational improvements at a much greater pace. Furthermore, as the improvements derived from such transformational activity become embedded, so greater cost-effectiveness is realised, service outcomes improved, and risk reduced. We will be active in ensuring that the resources that will flow to the County Council from this Pilot are well deployed.

Council governance and operations

We have given support to the leadership of the Council and guidance in its decision-making processes. This, and the rebuilding of a new senior management team has enabled the Authority to focus on priorities, develop sound plans and commence improvement across the board.

We have ensured that the senior officers of the Council that have been recruited are of the calibre necessary for meeting the considerable challenges that the Council faces. The Chief Executive and Chief Financial Officer have been our appointments. The Chief Executive has engaged a Director of Transformation and a Director of Children's Services. This quality is making itself felt. Measures for undertaking better financial planning, the transformation of service operations, the addressing of underperformance and of the effective management of external contracts have been and are being implemented. The ready understanding and application of these measures will take time to fully work its way through the organisation and feed through into improved services to residents, improved morale for staff and the improved confidence of Members, but a good start has been made.

We are particularly pleased to see the leadership of the Council operating more effectively in some fundamental ways, examples include:

- Meetings are purposeful, have clear outcomes and people work more effectively across professional boundaries
- New governance arrangements for managing service transformation have been introduced which will give greater assurance that budget savings will be delivered
- Large external contracts such as Shaw PFI and Kier WSP are being challenged to deliver better value for money

At our request the Council has introduced changes to its political governance and scrutiny arrangements. There is now a single Scrutiny Committee, whose work is focused solely on the Council's recovery activity. We have arranged, through the Local Government Association, for the Centre for Public Scrutiny to continue to play an active part in ensuring that this new approach becomes fully part of the Council's regularised operating practices.

We have required the Council to improve its processes around handling of complaints. This has been marginally reflected in a reduction of complaints to the Local Government Ombudsman. However, on the basis of our experience in our surgeries with the public we remain concerned about the efficacy of complaints procedures, particularly in Children's Services. We expect the Council to achieve a greater reduction in the number of complaints over the next year. We will be meeting the Local Government Ombudsman in April to discuss what more can be done to improve complaint resolutions.

During our time here we have seen a lack of maturity in relationships between Members and between Members and Officers leading to tensions in working relationships which have distracted from the delivery of outcomes and efficient running of the Council. This is not a surprise given the nature of such relationships in the past. We are encouraging the modelling of proper relationships such that we have experienced elsewhere and facilitating better interaction. We are confident that as experience grows we will see improvement in the quality of those relationships. We have ensured that code of conduct refresher training is made available to Members and will be requiring the equivalent for officers in 2019/20.

Local Government Shared Services (LGSS)

It has been necessary to address the difficulties that have been created by the less than fully effective operation of the Council's support services, provided by the shared service provider. Following a review undertaken by CIPFA at our request, a project jointly commissioned by all three main council partners (NCC, Cambridgeshire CC and Milton Keynes) is considering options for a new approach and new delivery model / reconfiguration that works for all partners.

The Council has already benefitted from the transfer of the strategic finance team from LGSS back in to the county. There is now a much closer alignment between the finance function and the operational services resulting in tighter financial management, savings and better value for money.

Engagement with partners and residents

We have continued to engage with partners, principally District and Borough councils. It is clear that relationships with us are often influenced by the past experience which partners and residents have had in their dealings with Northamptonshire County Council, and by the positions being taken by different organisations in order to maximise their influence in the reorganisation debate. We will continue to update and engage with District and Borough Councils and other partners about the latest position on recovery.

We have written to the people of Northamptonshire giving an update on our work in an article which local newspapers kindly published. In this article we advertised a series of surgeries that we are hosting around the county targeted at residents, inviting them to speak to us directly about the Council's progress with recovery on a one to one basis. The surgeries,

which are separate from any consultations on the Council's budget for 2019/20, have also been actively promoted without charge by the media, for which we are grateful. Some surgeries have already taken place. They are proving useful for people to bring concerns over service operations which they believe have failed and have given us useful insight into the effects that some of these failures have had. They have equally given us some useful pointers as to how services may be improved. Inevitably, we have received many queries over the proposed unitary arrangements.

Children's Services

Since Malcolm Newsam commenced as Commissioner for Children's Services at the end of November, his work has focussed on two main elements - securing immediate improvement in children's social care services and bringing together views on the optimum delivery and governance arrangements for the future, should you decide that reorganisation of local government will take place.

In terms of the improvement programme, the Acting Director of Children's Services has done well to stabilise the service and is beginning to address some long-standing weaknesses. The leadership team in children's services has been enhanced by an experienced Assistant Director joining in January. The substantive Director of Children's Services commenced on 18 February.

Some of the most pressing risks identified by Ofsted have now been tackled. Most notably, unallocated assessments have been completed and workflows through the front-door are more timely. However, more still needs to be done to ensure good decision making and high-quality assessments are in place. Much of the inadequate performance across the service is systemic and long-standing. The historically poor approach to workforce attraction and retention has led to an over-reliance on inexperienced, newly qualified social workers or expensive temporary agency staff. A streamlined approach to recruitment has been supported by an enhanced remuneration offer for social workers and a new service design predicated on manageable workloads and realistic spans of control for managers. The early signs are that this will have a positive impact but presently there remain significant vacancies, caseloads in parts of the service are still too high and there are too many unallocated cases. The service remains very fragile.

Malcolm has engaged widely with stakeholders on the optimum delivery model for future children's services. He will provide both you and the Secretary of State for Education with a more detailed report on that matter before the end of February.

Proposed Local Government Reform

While our remit does not cover any of the proposed arrangements for local government reorganisation in Northamptonshire, we continue to ensure that we are aware of the

preparatory work being pursued by the County and the District and Borough Councils, in anticipation of a decision being made to undertake such a reorganisation.

Each Council is presently considering arrangements to set up a Joint Committee for each of the areas (North Northamptonshire and West Northamptonshire) proposed by the Councils in their responses to you. They are also considering their requests for matters to be covered by any Structural Change Order and the creation of Shadow Authorities which would take over from these Joint Committees.

The Joint Committees, comprising Members of the County and District and Borough Councils for each area, will seek to ensure that the work of all of the existing councils is coordinated in the run-up to reorganisation. It is possible (and seems likely in respect of proposals which have already emerged from the Programme Management Group for Local Government Reorganisation, which we understand will report to the Joint Committees), that some of this work will have an effect upon the County Council's current governance arrangements and its financial planning.

We naturally wish to help facilitate the preparatory arrangements for unitary local government, and to that end will most particularly want to ensure that inputs we make to County Council decision making are made in full awareness of the intent of the Joint Committees. Similarly, we will want to minimise the risk of situations occurring where decisions taken by the Joint Committees may be contradictory to our views as to what is in the County Council's and its services' present best interests.

It is therefore our intention to attend meetings of the Joint Committees on occasions where the matters under consideration may affect those of the County Council's functions which we are required to discharge and to participate in the discussions that take place on such matters.

Some good news

Northamptonshire's £405,000 application for One Public Estate funding has been successful. This will be used for developing projects in Northamptonshire, including plans to release land around Kettering railway station for the development of new houses and station improvements. The bid will also allow for a multi-agency development in Weston Favell to include a new Library, GP Practices, Day Care Centre and Leisure Facility – incorporating the Police estate. This represents a great opportunity for the public sector in Northamptonshire to work together to deliver a truly integrated facility in a challenged part of the county.

Plans for the next few months

We expect to focus our work on ensuring that the tasks in hand are pursued to delivery while making critical improvements to service operations. Specifically, we will

- Ensure a balanced position for 2018/19 outturn
- Ensure the Council puts in place mechanisms to guarantee that next year's savings are delivered
- Work with the Children's Commissioner to ensure that plans for the future operational model for children's services are designed and implemented in such a way that facilitates improvement in the rest of the organisation
- Continue our programme of public and partner engagement and engagement with NCC staff, including middle management and front line staff
- Understand how the County Council will manage the increased workload as all the Councils of Northamptonshire prepare for potential changes associated with proposals to move to unitary status while still delivering its budget and transformation programme.
- Participate in the work of the proposed Joint Committees in order to ensure that decisions made there affecting the operation of the County Council are consonant with our responsibilities.
- Ensure the application of funds received from the Business Rates Pilot are used to spur the transformation of services, particularly those which have been underperforming in the delivery of outcomes or which require investment in order to re-establish a sustainable basis of service. This is not only necessary in its own right, but will be important to the proposed new unitary authorities in order that they inherit service operations that are at a credible level of proficiency at the point of transfer.

We are confident that improvements which we have initiated to the governance of the Council and its financial operations are having a discernable beneficial effect. Improvements to the quality of services will take longer to bring about and while we have encouraged transformational activity, and are pleased with its implementation thus far, we have much more to do in making change happen, and have it understood and made sustainable.

Yours sincerely



Tony McArdle
Lead Commissioner



Brian Roberts
Finance Commissioner

Examples of Council improvements

- The CQC system review in 2018 highlighted the poor experience of older people in the county especially around a lack of joined up working, delays in discharge and long stays. Improved confidence, trust and integrated working between partners has resulted in reduced delays and investment made has resulted in a nationally recognised programme for the county to manage demand and capacity. This is supported by the implementation of the '**Shrewd**' app with health partners. Real time data from primary care, social care, 999 services and the Acutes is helping the Council to understand demand and spot peaks and trends. This allows the prediction of imminent demand on Council resources to support discharge and helps avoid delays that can lead to long term placements, poor outcomes and greater cost.
- Parents can now use an easy on-line form for mainstream school transport, removing the need for paper forms to be collected and posted back. This makes the process quicker, reduces errors and also means parents can pay a deposit online to secure their place. This increases the utilisation of seats and has also helped significantly reduced debt in this area, as payments can be made online in a more convenient way for residents.
- Recruitment to Childrens service has been a challenge that drives high cost and operational challenges. A user friendly website specifically aimed at attracting Social Worker applications and making the process as speedy and responsive as possible has been implemented. The website is modern, attractive and content-rich, providing potential applicants with real life examples of what it is like to work in the County. It also significantly reduces the time required for an applicant to complete the online process. Newly launched, it is receiving a high number of visits.
- NCC has developed and launched an in house Digital Blue Badge Service '**Badgeable**'. This was a very cost-effective solution to an area of high demand. The application process is now quick and easy, applicants can complete the entire process without the time-consuming task of sending their supporting documents in the post, allowing people to upload documents instead, including proof of identity, and photographs. Residents can also get help in Libraries as they learn how to use it. The process as a result is more streamlined and cost effective.
- There is a new approach to the management of SEN school travel. A transformation innovation site is up and running that provides seamless validation, logistics and QA. The policy has been simplified to allow parents to self-assess against a few simple yes/no questions before deciding to apply. This will reduce unnecessary applications and speed up appropriate allocation of transport.
- NCC has implemented a mobile app, '**Waitless**' which allows residents to check waiting times and numbers of patients in A&E departments before deciding to attend for an emergency or make alternative arrangements. As a county there is high attendance at A&E and on average 20% of admissions could be avoided. By allowing

the public to make informed choices, demand can be improved flow more evenly, helping to reduce spikes that over-burden busy A&E departments. Residents can drive to urgent care centres, use out of hours services or get alternative advice avoiding unnecessary delays and reducing hospital pressures.

- Canary – NCC is using assistive technology as a means to assess people's needs in an unobtrusive but reliable way. By monitoring people's movements, falls, eating and drinking habits valuable intelligence can be obtained that helps social workers in adult care make informed choices about requests for care or escalated care. The aim is to ensure that the right care and support is made available at the right time, at the right cost, through the use of assistive technology (AT), delivering savings and promoting greater independence.
- Keeping people independent – the Council has invested in reablement and therapy services which means staff are able to step in more often where there is a crisis in the community or after hospital admissions to offer short term reablement support. They are providing more support than ever with 80% of people needing no onward care and returning to independence. A reablement package costs £2,500 vs a care home placement of £30,000 per year.
- The public health service has just had its status as a Training Centre of Excellence reinstated by Public Health England and will now host trainee consultants and support the University of Northampton in training public health professionals.