

Northamptonshire Commissioners

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Lessons learnt from Year 2 of our intervention at Northamptonshire County Council by Tony McArdle and Brian Roberts

This is the second of our 'Lessons Learned' reports following our appointment as Commissioners for Northamptonshire County Council in May 2018.

Our first report written last summer focused on the first year of the intervention and the immediate crisis management response to the situation we found. It outlined six clear fault lines. To recap, these were:

- Failure of leadership;
- Lack of strategic direction;
- Failures in service delivery;
- Failure to accept or tolerate challenge;
- Cultural malaise woven throughout the organisation; and
- Failure in financial management.

If the first year can be generally characterised as crisis management in responding to these issues, the second year can be seen as one of maintaining momentum and pursuing relentless focus in our efforts to remedy them.

This update reports progress in addressing those faults, identifies the lessons learned in the process and highlights the significant areas of challenge that remain. As with our first 'Lessons Learned' report, none of what we say here is rocket science, rather it is the application of good leadership and sound management principles and practice. As we have written this to inform the local government sector as a whole, we have included recommendations on governance and financial management that we encourage everyone to read and reflect upon with regard to your own organisations.

Failure of Leadership replaced by Strong Leadership

We appointed an experienced and determined chief executive and, with her, we strengthened the senior leadership team during the first year. These changes, combined with a political leadership that committed to being open, transparent and collaborative, provided a basis for transparent and evidence based decision making that was directed at the compelling priorities facing the Council. This 'grip' was rigorously applied. It has been needed as much in the second year as it was in the first.

The Council balanced its budget without the emergency use of reserves in our first year (2018/19) – the first time it had done so for the best part of a decade. It also produced a clear plan to ensure that this could be repeated in 2019/20. Critical to the success of this second year plan was regular reflection of activity undertaken so as to guard against complacency and keep momentum moving. It is not possible to 'bank' progress. It needs to be kept under review so that the embedding of financial discipline and of service operational improvements continues to be made.

The authority had been so damaged and was so deeply ingrained with a cultural expectation of failure that there was a fragility that was palpable. Robust and visible leadership was applied to cementing the newly introduced financial disciplines and to undertake the long process of recovering services. Restoring staff confidence in their own abilities, and the freedom to use that confidence, was a deliberate feature of the approach.

Recommendation 1 - Choose your team with rigorous care and for the right reasons. Do not compromise simply so that posts can be filled.

Recommendation 2 - Recognise that for Members, leading the recovery may be particularly difficult, and many will be new to senior positions. Decisions will never be more tested than at times like this, and must be based on straight, well-founded, unambiguous recommendations.

Renewed strategic direction

Before the intervention the Council had suffered from a lack of viable strategic direction. It had lurched from one ill-thought through exotic solution to another. There was an absence of proper planning on any level.

Whilst day-to-day operational improvement and financial recovery were the bread and butter of the Council's activity, a new path had also been set which required the investment of much political energy and management action. The Secretary of State determined to enact local government reform across the County, so the Future Northamptonshire Strategy and Programme was developed. This strategy outlined how all eight councils (Corby, East Northants, Kettering, Wellingborough, Daventry, South Northants, Northampton, as well as the County) would become two new unitary organisations and transform their services for the benefit of residents in the process.

While the Covid 19 Pandemic has led to a reworking of the plan to deliver it, this strategy has been key to energising change for the whole county. The process has enabled the weaving together of a comprehensive narrative that all Members and the senior leadership teams of all the Northamptonshire councils could reach agreement on and is being led at officer level by the county chief executive. This level of collaboration would have been unthinkable two years before.

Recommendation 3 – A clear, transparent and overarching plan is crucial in order to drive forward council activity and set it up for success. It is central to sensible and rational decision making.

Service fragility and reinvestment

The battle-scars of years of mismanagement are still visible in Northamptonshire's services and leading the services towards improvement has continued to absorb politicians and officers.

Children's Services

The most obvious example of this has been within Children's Services. During our first year at the Council we made clear our concern about the condition of this service and asked for the Department for Education's support in appointing a Children's Commissioner. After 20 months of collaborative working, and in having to make some changes in approach along the way, the service is now in a much improved position. Having turned the corner on a number of fronts including a sustained reduction in unallocated cases, a reduced reliance on agency workers and the emergence of improved financial discipline, it still has some way to go as it progresses towards the establishment of a Children's Trust.

Once more, strong leadership, sustained focus, sound strategic direction and the competent handling of budgets have been the underpinning factors of this new positive direction.

Other services

The failure of Children's Services was not linked to a lack of funding. The service had seen significant investment since its assessment as inadequate by Ofsted in 2013. This investment was often at the expense of other county services with funding regularly diverted to it, yet without an effective improvement plan in place. This led to an ever worsening and inefficient position within Children's Services while simultaneously leaving other services starved of investment and, in some cases, unable to properly fulfil their core functions.

Of particular cause for concern were services such as Trading Standards and Emergency Planning.

We are pleased to be able to report that with proper financial rigour in place these services and others have seen some reinvestment made available in the latest budget (2020/21) which will enable them to be placed on a more capable footing ahead of the move to unitary local government.

This would not have been possible without the firm adherence to financial discipline that has been established Council-wide.

Shared Services

The Council had long claimed to be part of one of the most successful shared services arrangements in the country. This was its partnership with Cambridgeshire County Council and latterly Milton Keynes Council, known as LGSS.

Within weeks of our arrival we recognised the existence of worrying governance and performance issues. What was promoted as an example of best practice was in fact evidence of the Council losing control of the back office support to its operations.

The 'outsourcing' to LGSS had not only left Northamptonshire hollowed-out and without a corporate centre, it was also costing the authority more than it could afford and proportionately more than other partner councils were paying for similar services.

In responding to these issues we encouraged the development of a new approach to delivering corporate services. Collaborative working by the Council's leadership team with those of the partner organisations has seen the creation of a new 'lead authority' model for the delivery of back office services, focused on the transactional functions within these services. Strategic capability in services such as HR, Organisational Development, IT Services and Finance has returned to 'in-house' ownership and has provided the Council with a renewed ability to properly commission and performance manage its front line services.

Northamptonshire's failure points to valuable lessons in respect of outsourcing - what can and what can't be achieved through shared service arrangements; what benefits residents and what doesn't.

Recommendation 4 – Ensure a robust and equitable contract is in place with partners for all shared service arrangements in order to avoid subsidy or disadvantage.

Recommendation 5 – Challenge the evidence or the accepted wisdom that is provided. There will never be a greater opportunity to drive change for the better.

Openness to challenge and scrutiny

Northamptonshire has replaced its disregard of challenge with transparency, openness in decision-making and an informed scrutiny process – all of which are central to effective governance.

An example of this was the work undertaken by the Overview and Scrutiny Committee in examining the provisional 2020/21 budget during the budget setting process. Whereas scrutiny had previously been effectively marginalised and rendered largely futile, the highly engaged and methodical approach developed during the budget round and the subsequent high standard of scrutiny report and recommendations are a significant indication of the improvements made. This has illustrated how important an effective scrutiny function is, and what value this can add to the progression of policy and budget setting.

We have also seen a much needed improvement in the handling of complaints within the Council. During our first year in Northamptonshire we met the Local Government Ombudsman who outlined his concerns about how the Council mismanaged complaints and wasn't responsive to Ombudsman recommendations. We are pleased to report that during the second year we received positive feedback from the Ombudsman on the improved handling of complaints.

The Council has also reinstated webcasts of its principal meetings to ensure increased public accountability. With the renewed focus on governance through scrutiny and transparency the potential for ill thought-through decisions has declined.

We have sought to engage proactively with the public. Once again this year we undertook the exercise of holding surgeries in each of the districts and boroughs of the county. These allowed us to hear directly from members of the public about the Council. While these were largely dominated by discussions around local government reform, they did indicate a public awareness of an improved position at the Council.

Recommendation 6 – Do not be unreasonably defensive. It can be too easy to respond defensively to challenge. Evaluate challenge and be prepared to respond positively where it is reasoned and well-intentioned. You can still push back when it isn't.

Recommendation 7 – Robust scrutiny arrangements diminishes the potential for ill thought-through decisions and are an indication of strength and confidence in decision making. Conversely, weak and disempowered scrutiny easily admits the possibility of untested and overoptimistic decisions, and, ultimately, failure.

Reenergised, reconnected and recognised staff

The county's effective response to the Covid 19 emergency is testament to its strength in managerial and political leadership. Moreover it is a significant endorsement of the capability of its workforce.

On arrival we found a workforce thoroughly demoralised with no sense of urgency or pace. They were as much the victims of mismanagement as were the residents, and this was compounded by a lack of a pay award for several years.

There was a culture of fear and a malaise among staff who had become accustomed to disregarding budgets and budget processes and had a readiness to accept that things could not be done when in reality they could.

Over the last year, proper management practices have been restored and the expectations that a corporate body should have for, and with, its workforce are evident in their response.

This improvement has enabled an across-the-board, affordable pay increase of 4% in 2020/21. In addition to this a (fully sponsored) staff awards event was organised to recognise talent within the organisation.

Dealing with the Covid 19 pandemic over the last 2-3 months has very clearly demonstrated to us how significant the improvement in the authority's relationships with its employees has been. As an example there has been less sickness amongst staff than historically for the same period of the year and there has been a ready willingness amongst staff to be redeployed into pandemic response areas. Working with partners, most noticeably districts, boroughs and health sector colleagues, has created a more integrated approach to social care that is working well and should continue to pay dividends for residents once the Council returns to more business as usual operations.

It is impossible to ignore the connection that exists between 'doing the boring well' on a day-to-day basis and delivering an effective operational response in the testing circumstances of an emergency. One cannot exist without the other and together they are indicators of good corporate health in a complex organisation.

Recommendation 8 – Energise your workforce by supporting what works and changing what doesn't. Nothing demoralises staff more than bad management.

Stabilising financial performance and strengthening financial discipline

A critical foundation of good organisational performance is the ability to manage finances well.

The second year of intervention has ended in the Council recording an under-spend of £641k while also rebuilding its reserves to £44m. A deliverable budget for 2020/21 has been set which prioritises reinvestment in services and a continuing transformation programme. While Covid 19 costs mean that the budget and its delivery will need to be reviewed, the fact that such a budget could be put together is a notable mark of progress.

During the year we commissioned a thorough and independent review of the Council's financial management which we are grateful was funded by the Local Government Association. This identified that significant improvements had been made most notably in the early identification of emerging issues and the heightened ability in dealing with them. It also highlighted areas of further improvement including developing a comprehensive training programme for budget managers. All of the recommendations have been adopted and many of the actions emanating from those recommendations have already been delivered.

It has been the relentless focus on sustained improvement, rigorous and continued financial discipline and on constant review and evaluation which has enabled the Council to stabilise its financial position. This accomplishment should not be underestimated. In June 2018 the Council had an unfunded deficit of £41.5m carried forward into a financial year which itself was projecting an estimated overspend of

£30m. This was an insolvent position. It is of huge credit to the tireless work of the Council's Members, Chief Executive, Chief Financial Officer and every member of staff that this has been achieved.

Recommendation 9 – Ensure an unrelenting focus on financial management & discipline and a culture of continual improvement. They are the foundations of every good organisation.

External Audit

Our concerns around the delays with the 2017/18 audit are well documented and we were disappointed when the Council's auditors made the decision to not publish a Public Interest Report. Given the situation the Council had got itself into we felt that it was entirely reasonable for taxpayers to be fully informed as to how this had come about and the sector as a whole advised as to how such a failure could be avoided in the future.

Our frustrations with external audit have continued this year with what we consider to be unnecessary delays in the audit of the 2018/19 accounts. We have requested that given the imminent abolition of the Council that the previous year's audit be given priority attention.

As stated in our first 'Lessons Learned' report we have fed our views on the approach to and handling of external audit into the Redmond Review.

Clearly the Covid 19 emergency will have an impact on the finances of the sector as a whole and the Council and its successors will have their share of challenges as they grapple with the longer term impacts. The County Council is now, however, in a comparable position to that of other county councils with the exception of its level of reserves, which remain a point of fragility.

Summary

In our opening remarks we said that none of what we have to say is rocket science but rather the application of sound leadership and good management principles and practices.

The Best Value Inspector whose report precipitated the Secretary of State's intervention, Max Caller, observed it would take 5 years to turn the authority around and therefore recommended dissolving the Council. Having spent two years here, we believe that the Council is recovering gainfully in advance of that timescale, but know that there is a pressing need to maintain the momentum and pursue improvements in all aspects of performance as the authority moves towards its dissolution. It is an odd place to be in, but the more improved the County can be, the better start the new councils will have. We will continue to work to ensure that this potential is realised to the greatest degree that is possible.