

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 the final progress report on our work in Northamptonshire.

Your predecessor appointed us as Commissioners on 16 May 2018, having determined to intervene in the Authority as it was failing to comply with its duty of best value under the Local Government Act 1999.

Over the past three years, we have sought to remedy this failing in a way that would be effective not only in respect of the day-to-day operations of the Council, but which would tackle the root causes of the problems that had manifested themselves in the Authority. It is important these characteristics are not carried forward into the two new unitary authorities which will succeed it.

Statutory interventions are rare occurrences that have been precipitated by circumstances many of which are particular to the Councils concerned. We have learned a lot about this Council and its failings in our time here and while some of its faults have been singular, many characteristics could be present in, or pose a risk to, other Councils in stressed situations. We have therefore summarised these systemic risks and the lessons we have learned from them. These are enclosed with this report.

Northamptonshire's financial difficulties

Northamptonshire's failure had manifested itself most notably in the impossible financial position that the Council had arrived at, and which for some considerable time it had proclaimed as being a consequence of the underfunding of its activities by the Government.

Although the extent of the difficulty had at that point not been fully calculated, it quickly became evident to us that the lack of effective leadership for some years had so debilitated the Council that it had ceased to conform to many of the recognised and established operating norms of a local authority. It was this wide-ranging set of inadequacies that had brought the Council to the point of collapse. Given the emphatic rhetoric over underfunding that had been long-rehearsed and practiced, however, the greatest challenge facing Northamptonshire lay in the need for acceptance of the reality that it had not failed because it had got into financial difficulty, but that it had got into financial difficulty because it had failed.

Addressing the financial position was nonetheless our most immediate priority. The understood position was that of a balanced outturn in the previous year's (2017/18) accounts and pressures in the new financial year (2018/19) amounting to £8m.

We had no confidence in these figures and commissioned, through CIPFA, an urgent forensic review in order to establish the true position. This revealed an already incurred £35m unfunded deficit in 2017/18 (this figure was eventually finalised at £41.5m), pressures of £30m in the then current year (2018/19) and a projected shortfall for 2019/20 of £60m. The Council was heading for a financial deficit in excess of £130m over three years.

An already incurred unfunded deficit was, at that time, an unprecedented event in local government. We sought, and received from your predecessor, a capitalisation dispensation of £70m, funded through the sale of the Council's headquarters and other assets. The dispensation enabled the historic unfunded deficit of £41.5m to be addressed, provided £8.5m against non-delivery of savings and £20m to establish a general reserve.

We set about correcting the in-year overspend by introducing a range of measures which prioritised operational expenditure, introduced a spending control system and created a transformation taskforce which were incorporated into a Financial Stabilisation Plan which the Council adopted. We began to address the significant weaknesses in the Council's financial processes through the immediate transfer back into the Council of the outsourced strategic finance team. Over the course of the year, these measures proved their worth, with the overspend position being clawed back to a balanced position at the year end.

This significant progress enabled the Council to set a balanced budget for the following year (2019/20) with some confidence, despite the initial shortfall of £60m. The Financial Stabilisation Plan's successful measures were extended throughout this year, and the transformational plans began to take effect. The year ended with an operating surplus.

The third and last financial year of the intervention, 2020/21, saw continued progression in the application of the embedded improvements, and although it remains for the final outturn to be exactly calculated, it is projected to again deliver an underspend.

All in all, by virtue of the prioritisation of expenditure against sound objectives, prudent budgeting, financial discipline and enhanced operational efficiency, the Council will conclude its operations with almost £100m in its revenue reserves, of which nearly £70m has been found by the Council itself via efficiencies and savings in its operation, as opposed to being found through extraordinary measures such as capitalisation or additional Council Tax.

For an Authority that had so comprehensively abandoned the notion of living within its means, its final three years of operation have proven to be a credit to its Members, managers and staff, and provide some confidence that its financial legacy to the new unitary authorities will be a sound one.

Corporate leadership and management

At the outset, we agreed with the Council's political leaders that, in order to rebuild integrity and some degree of reputation, we would work with them to ensure that, from the earliest possible point of consideration, all issues to be brought before the Council for resolution would be presented in a manner that was timely, fully evidenced and well-informed. If the Council's decision-taking was then exercised within such parameters, there would be no need for us to exercise powers provided to us through Directions. This had to be an arrangement that was applied in its entirety, not one that could be used selectively, such as merely in the face of less difficult decisions. It was not an approach that could survive its first failure. We are pleased that, as the maturity of Council decision making has grown over the course of the intervention, and despite facing some challenging tests, this arrangement has held. In our view, local democracy in Northamptonshire is the better for it.

At the same time, we rebuilt the corporate management capacity of the Council, beginning with the key appointments of Chief Executive and Chief Financial Officer, to which we recruited high-calibre and experienced officers. They in turn recruited further senior officers of the calibre necessary for meeting the considerable challenges that the Council faced, such as a Director of Transformation. This quality has made 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 comprehensively implemented.

We also made some changes to the Council's formal governance arrangements to further enhance the quality of decision making. In particular, and following advice received from the Centre for Governance and Scrutiny, we condensed the cumbersome scrutiny arrangements into a single scrutiny committee focused solely upon finance. This proved an effective means of maintaining the relentless focus on value for money.

We set a positive tone in our engagement with groups and individuals across the Council for expectations of behaviour outside formal meetings and for informal consideration and reflection of emerging matters. Meetings became more

purposeful, had clearer outcomes and staff worked more effectively across professional boundaries.

The new governance arrangements for service transformation that were introduced gave us greater assurance that budget savings would be delivered rather than simply aspired to. In particular, large external commitments such as the Shaw PFI and Kier WSP contract have been successfully challenged to deliver much better value for money than had previously been secured.

With all of these arrangements in place, we could be confident that the conditions existed for the rebuilding of the essentials of corporate direction and management of the Authority.

The Council's prior engagement with partners in the county had left it without any credibility amongst them. We began to engage extensively with a range of partners (including residents, councillors, MPs, trade unions, health services, the voluntary sector and the Police and Crime Commissioner) in order to convey our plans and expectations. We regularly took the opportunity to give consistent and positive messages to the staff of the Council, giving them some confidence that the changes being made would benefit the delivery of their services and the performance of their roles. The process of rebuilding trust across all of these agencies and interests was a slow and painstaking one, but the change in the quality of outcomes achieved from partnership working has been more than evident.

Council Services

The lack of adherence to sound management principles in significant parts of the organisation, together with the stripping out of the financial base of some services had left the Council exposed to considerable risk. It also left many staff demoralised, positions impossible to recruit to and a high burden of complaints and customer dissatisfaction. Turning this around required leadership, investment, the restoration of faith and confidence, and a lot of hard work.

The new senior management of the Council committed to all of those things. Throughout the three years, as evidence of improvement grew and belief became ingrained, it has been possible to enhance the terms and conditions of employment – including pay; to recruit more staff, to offer better opportunities and to gain greater job satisfaction. It has also been possible to build back up some services that had been reduced in scope and scale. Services that had suffered greatly, such as in the areas of Heritage, Trading Standards and Emergency Planning have received increased investment and have been able to approach the new unitary arrangements with greater confidence.

Some significant issues (and costs) were posed to the Council by the back-office services arrangement (LGSS) which was shared with partners Cambridgeshire County Council and Milton Keynes Council. We supported a review of the operating

structure and governance, which led to a much more equitable and efficient arrangement. A Lead Authority model has been created, whereby a service that will bring economic benefit to partners through being provided in this way is led by one authority and provided to the partner authorities and other customers e.g. payroll; Services that do not lend themselves to this arrangement have been fully repatriated e.g. finance.

It is also right to point out that one service managed to maintain high levels of performance through the difficult times, and has flourished yet further over the past three years. This is the Adult Social Care Service, which has continued to deliver above average performance for below average cost, and which is leading on an enhanced integration approach with the NHS in the county area. The quality of senior and operational level management in this area has been an example to the Council as a whole, and it is fitting that the Council's Director of Adult Social Services has secured the appointment of one of the Chief Executive positions for the new unitary Councils.

The service that posed us the greatest challenge was Children's. An extraordinarily expensive operation, it had consistently underperformed since its 'inadequate' Ofsted rating in 2013 and was one of the principal, and still growing, drains upon the Council's finances in the years that followed. After five months of the intervention, our concerns over delivery of this service were brought to a head with the publication of an Ofsted focused visit letter. Feedback from this visit caused us sufficient concern to seek an additional intervention arrangement by way of the appointment of a Children's Commissioner. This appointment took place shortly afterwards, and the Children's Commissioner and his successors have overseen improvements subsequently, which we are aware have been reported regularly to your colleague, the Secretary of State for Education.

The Children's Commissioner was also charged with making recommendations on the future arrangements for governance of the Children's Service. The determination that this be transferred out of the Council and into a separate Trust was made by the Secretary of State at DfE in June 2019.

Since that date we have worked with the Children's Commissioner(s) to ensure that the Council effected a transfer to the highest standards possible and in line with the best practice gleaned from the transfers that have taken place over recent years. This was a complex and sensitive task, made all the more so in this instance since the Council was also heavily involved in setting up the two new unitary authorities for the area. The process was also greatly disrupted by the COVID19 pandemic which risked conflating the timetable for both projects – a significant challenge which we, with the Children's Commissioners, the Council and the embryonic Trust put considerable effort and energy in place to mitigate. We were pleased that these efforts enabled a substantive and successful setting up of the Trust on 1 November 2020, with residual functions transferring later in an effectively managed process.

In his Best Value Inspection Report of March 2018 Max Caller rightly identified that the problems faced by the Council were *'so deep and ingrained that it is not possible to promote a recovery plan that could bring the council back to stability and safety in a reasonable timescale'*

Against that backdrop, it is our assessment that the Council's services are all delivering to a level of quality which is notably greater than three years ago, and all are prepared for the new unitary future. While many are not yet at the standard to which they all aspire, they are all on a firm improvement path.

Local Government Reorganisation

Involvement in the processes for setting up the two new unitary authorities have not formed part of our remit, however your predecessor asked us to reflect back to him our observations on progress. This we have continued to do, and have accordingly maintained regular contact with the Member and officer teams that have been undertaking these preparations across the County and District Councils.

We have also continued to seek to repair the relationship between the County and Districts in order that this work is facilitated, as well as for the purposes of improving policy development and operational delivery generally. We have been pleased that this engagement has proven to be beneficial, and that this has been acknowledged by all of the District Council Leaders and Chief Executives.

The work to construct the new unitary Councils, and to close down the existing arrangements has been well planned and purposefully pursued and has resulted in sound and practical outcomes. The County Council has played a pivotal role in this with the Chief Executive also leading on the Local Government Reform programme, with our agreement.

Concluding Observations

The last year of the Council's existence has coincided with the COVID19 pandemic. The responsibilities for Public Health and pandemic response that sit with the County Council have been well performed, and the cooperation of the County Council with the District Councils and the NHS in the county has been exemplary.

It is worthy of note that, while all Councils have had to respond to COVID19, the County Council has had to do so while simultaneously leading the work to set up two new unitary authorities and a Children's Trust and whilst still undertaking the work necessary to recover from being the most dysfunctional local authority in the country. That it has managed to do all of these things to such a high standard in these circumstances is a further reflection of how far the Council has advanced in its capabilities in such a short time.

Northamptonshire County Council has not recovered to the point whereby it can equate itself to the better county councils in England – that was never going to be possible in three years, as the Best Value Inspection Report that recommended its abolition made clear. It has, however:

- restored its ability to make sound, evidenced-based decisions, transparently and under proper scrutiny;
- regained its financial integrity (and banked significant efficiency savings in doing so);
- recovered the operational capability of its services;
- made high-quality responses to such challenges as the reorganisation of local government for the area, and the COVID19 pandemic; and
- rebuilt trust and relationships with its public sector partners in the county.

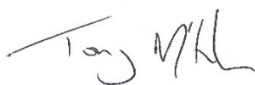
We have already referred to the work of Members, senior managers and staff of the Council that have been central to the task of bringing this situation about, but would also wish to acknowledge the active and committed engagement of your civil servants which has made a significant contribution ‘on the ground’ in supporting us in this task.

Finally, the stated intentions of this intervention, set out in May 2018 were: -

- To rebuild the governance capacity of the Authority, addressing the current culture of poor governance – both from the political leadership team and the senior executive group – and discouragement of challenge and scrutiny, that is acting as a hindrance to compliance with the best value duty under Part I of the 1999 Act; and
- To secure as soon as practicable that the Authority’s financial management is exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Northamptonshire.

We are pleased to report that these objectives have been met, and that Northamptonshire County Council, as it concludes its operations, does so as a fully functioning local authority that is in compliance with the best value duty under the Local Government Act 1999, and all of its other statutory responsibilities.

Yours sincerely,



Tony McArdle
Lead Commissioner



Brian Roberts OBE
Finance Commissioner