

Northamptonshire CC – Best Value Inspection

“NCC has failed to comply with its duty to provide best value in the delivery of its services”.

The outcome of the inspection is that it **recommends the creation of two new Unitary Councils** but in the meantime considers whether commissioners should take over the running of its services.

Headlines

- Lost tight budgetary control and effective budget setting scrutiny after the Ofsted Inspection report in August 2013 (abandoned its Star Chamber process).
- ‘Next Generation’ model structure adopted – did not have any hard edged business plan or justification to support it.
- Use of capital receipts to fund transformation (revenue) not properly authorised and pushes the boundaries of legitimacy (£21m in 2016/17 and £21.5m in 2017/18).
- Struggles to take the necessary decisions at both member and officer level to control and restrain expenditure (even following issue of S114 notice).
- Council does not respond well (if reacts at all) to external or internal criticism.

<u>Key Points</u>	<u>BCC Assurance</u>
External auditor’s (KPMG) gave adverse value for money opinions relating to the 2015/16 and 2016/17 accounts. Reports not taken seriously.	For the last two years the external auditor’s (Grant Thornton) have given an unqualified opinion of the financial statements (true and fair view) and, with the exception of the Ofsted findings, they ‘are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March’.
NCC has a council tax lower than the average for all county councils but high council tax base growth compared to others.	BCC has a council tax at just below the county council average. Council tax base growth has been fairly high compared to others.
Overall overspend across Adults and Children’s has increased year on year from 2013/2014 to 2016/2017. 2013/14 = £3.2m (adults = £0.6m, children’s = £2.6m), 2014/15 = £22.4m (adults = £11.9m, children’s = £10.5m) 2015/16= £29.4m (adults = £8.5m, children’s = £20.9m), 2016/17 = £33m (adults = £25.6m, children’s = £7.4m). Offset mainly from use of reserves and one-off corporate resources.	<p>Overall overspend across Adults and Children’s has been as follows:-</p> <p>2013/14=£2.5m (adults=£0, children’s=£2.5m) 2014/15=£1.35m (adults=£0, children’s=£1.35m) 2015/16=£4.5m (adults=£2.4m, children’s=£2.1m) 2016/17=£3.3m (adults=£1.8m, children’s=£1.5m)</p> <p>2017/18=£1.7m (adults=£0,children’s=£1.7m)</p> <p>The LGA has undertaken some recent research and this shows that nationally 75% of councils reported an overspend of more than £0.5m in 2015/16 within children’s social care and that the national overspend on adult social care in 2016/17 was £366m. Overall there is expected to be a £2bn shortfall in funding by 2020.</p>

<p>Council has fallen well short on achieving its planned savings particularly from 2015/2016 onwards when the savings requirement doubled (to £68m). Shortfall of £21.2m in 2015/16, £21.6m in 2016/17 and £27.1m forecast in 2017/18.</p>	<p>Generally achieved savings targets although about £1m shortfall in 2017/18, mainly relating to the implementation of a new operating model within adults. This equates to less than 5% of the total required savings.</p>
<p>Earmarked reserves have fallen from £57.7m in 2013/14 to £8.8m by 01/04/2017. General fund reserves remained at roughly £12m.</p>	<p>Earmarked reserves have fallen from £120m in 2013/14 to about £84m by 01/04/17. This reduction is mainly due to the use of the waste reserve that had been built up.</p> <p>General Fund reserves were £31m at the end of 2013/14 and £24.5m at the end of 2016/17 (having reduced to £17.4m at the end of 2015/16).</p> <p>Since 2015/16 we have proactively tried to increase our level of General Fund reserves. They currently stand at £26.2m.</p>
<p>Concerns that Public Health grant being applied to fund inappropriate services.</p>	<p>All use of Public Health grant is legitimate and signed off by the Director of Public Health and Director of Finance.</p>
<p>Staff within LGSS not deployed flexibly to meet need or working to common standards (just top layer of management).</p>	<p>Not part of LGSS. Savings have been achieved from shared service with LB Harrow (legal and HR/OD). We have put strong emphasis around ensuring that we have effective contract monitoring arrangements.</p>
<p>LGSS relationship confuses accountability with little strategic thinking on support services within the council. Not helped by weak commissioning. No council lead for HR/OD and no obvious OD strategy to support the Next Generation council.</p>	<p>N/A</p>
<p>No effective work to turn the 'Next Generation' vision into a practical system making it difficult to establish what was going on with the absence of effective controls, budget management and governance.</p>	<p>Bucks Care Services have been transitioned back to BCC and a paper was considered by Cabinet in April 2018 around the future commissioning intentions. Activities are currently being transitioned back for Bucks Learning Trust.</p> <p>There has been proactive management around enhancing both performance and financial management within BCC.</p>
<p>Over past 5 years there has been significant change in the personnel at the top of the officer structure. No sense of working together to solve the council's problems (silo working and poor communications).</p>	<p>There have been some changes within both the Children's and Adults Leadership teams. However, a corporate approach is taken by the Executive Directors. The County Council has deliberately sought to recruit experienced Directors at a senior level.</p>
<p>In October 2015, the then S151 officer issued a letter to the Chief Executive talking about a 'significant financial crisis' and a 'change of culture and behaviour where overspending is acceptable and there are no sanctions for failure'. This warning was not taken seriously.</p>	<p>No such letters have been issued. Spend controls were introduced across the Council in 2015/16 when a forecast overspend was being forecast. BCC has only overspent on its approved budget once in the last seven years (and by less than £1m in that year).</p>

<p>At the time of LGA peer review and the issue of the S114 report there was a lack of leadership of the organisation.</p>	<p>N/A</p>
<p>Council has weak budgetary control as services repeatedly overspend and fail to deliver the required savings. This has been exacerbated as a result of the 'Next Generation' approach as it has made oversight difficult.</p>	<p>There is not a history of repeatedly overspending in overall terms. However, the council has recently commissioned an external review of its arrangements for financial accountability across the organisation, including benchmarking against best practice. Furthermore, the Director of Finance has been chairing weekly budget meetings within both Adults and Children's to ensure that we have a firm grip of the finances. There are clear expectations that should an overspend be forecast then the service involved will immediately develop action plans and strategies to mitigate this.</p>
<p>The S151 officer has no staff supporting him directly in the delivery of the financial management of the Council (all within LGSS).</p>	<p>The Director of Finance has all finance staff reporting under him with the BU Finance Directors now reporting directly to him.</p>
<p>Delays in reporting the Adults overspend (2017/18) to Cabinet and even when reported only highlighted risks saying that the 'Federated Vehicle' was managing its pressures within its overall resources envelope.</p>	<p>Processes have been reviewed to ensure that forecasting is accurate and timely. Overspends are reported to Cabinet Members together with actions being taken to mitigate these. This included reporting recent overspends in Adults and Children's to the budget scrutiny committee prior to their examination of the draft budget.</p>
<p>Significant overspends in Children's Services with the conclusion that 'the council does not have the process in place to control budgets and ensure they are delivered'.</p>	<p>Weekly budget meetings being held within the Children's BU. The number of LAC has increased in the second half of the 2017/18 financial year having been fairly stable for a couple of years (455 to 485). However, overall numbers are in line with expectation according to benchmarking averages.</p> <p>In order to reduce the on-going pressures the service is finalising our sufficiency strategy around in-house foster carers, reviewing our high cost placements, reviewing the effectiveness of the panel process and looking at the effectiveness of our edge of care models.</p>
<p>Actions now being taken forward by S151 officer include a rewrite of Financial Regulations, mandatory budget holding training, support to budget holders based on a risk based assessment, revised internal audit plan, clarity around budget holder responsibilities and more frequent reporting and briefings with Director and Portfolio holders.</p>	<p>A finance improvement plan will be taken forward following the outcome of the current review of financial management arrangements. This will be reported and tracked by the S151 Officer, the Corporate Management Team and appropriate Cabinet Members.</p>
<p>Poor Medium Term Financial Planning with pressures increasing dramatically from what previously assumed. This is partly due to not achieving savings but also due to poor financial modelling (including demographic and workforce pressures).</p>	<p>The financial modelling assumptions used as part of the MTFP are updated on an annual basis and include demographic changes, inflation, pay and funding.</p>

Lack of data analysis and accountability around non-delivery of savings or budget overspends. Just accepted and added into the budget.	Delivery of assumed savings has previously been an issue in some parts of the Council with a lack of accountability / ownership of these savings. More detailed savings plans have been drafted for 2018/19 but these will require careful monitoring in order to manage overall spend within the approved budget. This will be undertaken by the BU Boards, by the S151 in his weekly meetings and through the CMT Budget Board.
Business plans not aligned to budgets and a lack of measureable outcomes for the year ahead.	Business Unit Plans are aligned to budgets and a template exists to review how all new proposals link to both the strategic plan and BU plans.
No real support for the budget strategy recently approved by Council and a lack of scrutiny in existence. Examples of unnecessary secrecy at Cabinet meetings (e.g. sale and lease back of HQ building).	Members are fully involved in the budget process, including having a strong and thorough review of the budget proposals by a cross-member scrutiny committee.
The Local Government and Social Care Ombudsman reported that 'NCC was one of the most difficult authorities the Ombudsman had engaged with both in terms of the time taken to respond in the course of investigations but also in the authority's approach to complaint handling, learning from mistakes and remedying injustice'.	N/A
Scrutiny by the Audit Committee is not effective due to members being repeatedly thwarted and delays in receiving reports.	Strong Regulatory & Audit Committee with regular reports around internal audit findings, including financial governance and controls.
LGA Finance Peer Review (September 2017) has not been followed up in any strategic way having only produced a tactical action plan which is described as poor and does not address the recommendations explicitly. Little accountability for actions.	N/A
Poor Risk Management with the Audit Committee struggling to get it to be taken seriously in the council.	Strong Risk Management Group (sub-group to Regulatory & Audit Committee) where strategic risks, BU risks and financial risks regularly reviewed and challenged.
Poor partnership working with the districts and NHS partners with significant levels of distrust.	Close working with NHS partners through the ACS / STP. Relationships with districts difficult in current circumstances although working well on specific projects (e.g. Woodlands Development).

[Northamptonshire County Council best value inspection - GOV.UK](https://www.gov.uk/government/news/northamptonshire-county-council-best-value-inspection)

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>