

The Northamptonshire Story The Council that Failed

Brian Roberts FCPFA : Finance Commissioner

**CIPFA SE Wessex Conference
12 March 2020**

Path to Intervention

- Early warning signals
- Best Value Inspection
- Government response

Path to Intervention

Early warning signals:

- Concerns about financial position emerged as early as 2013.
- Adverse Value for Money opinions in relation to 2015/16 and 2016/17 accounts.
- Their own budgetary documents.
- A LGA Peer Review of financial planning and management in September 2017.

Path to Intervention

Early Warning Signals Ignored resulting in:

- Budgets not balanced
- Grant claims disallowed
- Lack of challenge (political & officer)
- Savings targets set too high
- Unrealistic strategic direction from the very top
- Growing financial and service pressures
- External Audit recommendations not addressed

Path to Intervention

Best Value Inspection

- January 2018 the Minister announced a best value inspection of Northamptonshire
- Inspection review completed and reported on March 2018. Key findings:
 - Authority had been failing in their BV duty for sometime (since 2013/14)
 - This was not due to lack of funding, but poor governance.
 - Recommended restructure in the long term and Commissioners in the meantime.

Path to Intervention Response

Government's Response

- The Minister announced that he was “minded to” appoint Commissioners to Northamptonshire.
- At the same time he issued an invitation to LA's to put forward proposals for restructuring (deadline end of July – was extended to end of August).
- Minister announced on 10 May, the appointment of Commissioners

The Role of Commissioners

Functions to be exercised by the Commissioners:

- All functions associated with the governance and strategic decision making.
- All functions associated with strategic financial management, including the power to amend budgets as necessary.
- The appointment and dismissal of head of paid service, the monitoring officer and the chief financial officer.

Stabilising Finances & Sustaining Service Delivery

ABOUT

- Stabilising the County Council's financial position
- Back to basics on managing the money and monitoring
- Delivering savings
- Driving better value for money for the Council taxpayer
- Making all council services sustainable

NOT ABOUT

- Wholesale cutting of services
- Making staff redundant
- Dwelling on the past

The Financial Challenge

The Commissioners inherited:

- A deficit of £41.5m for 2017/18
- An in-year overspend projection of £30m for 2018/19 (and a budgeted savings target of £35m)
- A projected shortfall for 2019/20 of £60m

The County Council faced an unprecedented financial deficit of circa £130m over 3 years

Stabilising the Finances

The Council appointed a new Cabinet

Financial and governance measures taken by the Commissioners include:

- An independent overview of the financial position from CIPFA (the council did not know)
- Issuance of a second s114 notice – met with a clear response from the Council
- Repatriation of the outsourced finance business partner function (rebuild the corporate core).

Stabilising the Finances

...Urgent measures taken by the Commissioners include:

- Appointment of support to the finance commissioner
- Appointment of a new Chief Executive
- Development and approval of a stabilisation plan – identify additional savings to be delivered
- Application for £70m capital dispensation
- Appointment of a new s151 officer and a Director of Transformation (new post)

Latest Position on Stabilising the Finances

- 2017/18 deficit met from capital receipts
- 2018/19 projected overspend of £30m in July 2018 turned round to an underspend of £4m (subject to audit).
- 2019/20 projected underspend £0.5m to £1.0m.
- 2020/21 budget – investment in key services and a savings target of £23m.

Finances more stable, but still remain fragile.

Stronger Financial Management & Strategic Leadership (1)

Alongside stabilising the finances there was a need for a stronger financial management.

Measures taken include:

- Careful review of External Auditors recommendations from 2011 to 2016/17
- Comprehensive response audit recommendations for 2017/18
- Back to Basics with budget monitoring
- Back to Basics – a review of financial systems and processes

Stronger Financial Management & Strategic Leadership (2)

- Back to Basics with thorough preparations for 2019/20 budget
- Further repatriation of finance function
- Invest in training for finance team (CIPFA Programme)
- Finance training for scrutiny members and budget managers

“In Local Government there is no substitute for doing the boring well”

Max Caller. March 2018

Lessons from Northamptonshire

Learning for government

Learning for Local Government.

Learning for external auditors/NAO.

Learning for CIPFA