

**Finance & Resources Scrutiny Committee**

**Scrutiny Review of Draft Council Budget 2017-18 and Medium Term Planning and Funding Position to 2020-21**

**Outcomes of Challenge Sessions**

<b>Directorate</b>	<b>Chief Executive Services</b>
<b>Proposal Number</b>	<b>16-004-01</b>
<b>Title</b>	<b>Next Generation Working</b>
<b>Proposal</b>	<b>(£500K) efficiency</b>

**Commentary**

The Chief Executive advised that operational efficiencies had not been built into the 1 Angel Square business case. A Harvard business review in 2014 had concluded that a 14-20% productivity gain was likely to result from moving into a single building, which was backed up by site visits to similar facilities. Savings would come from various sources: reductions in administration costs; reduced intra-site travel; reduced travel claims through the use of pool cars; and greater controls over stationery and printing costs. The move would also allow the coroner to reduce costs by making more use of County Hall, and the new training suite at Angel Square would enable better use of training resources and opportunities to generate income. The development of the William Knibb Centre in Kettering would generate similar efficiencies.

Councillors considered the basis for the saving and the Chief Executive made the following additional points in response to questions raised:

- The development of the William Knibb Centre was very firmly established.
- Efficiency savings relating to 1 Angel Square came under Chief Executive Services and were not also included in other directorate budgets.
- The proposed saving had resulted from a considered analysis of costs and potential savings and represented a prudent figure in order to avoid non-delivery. There was the potential to achieve more than £1m.
- The 1 Angel Square project team had carried out survey visits to a wide range of private and public sector organisations which had moved into single buildings.
- Next Generation Working already involved investment in staff through the provision of IT devices and support through Change Ambassadors. The move to 1 Angel Square would continue this process, for example, by producing economies of scale in relating to training and by making it easier for staff based in a single building to access activities.
- The saving had not been allocated to specific budgets as this would involve trying to manage it at too low a level. Effective monitoring and budget management would enable the saving to be delivered.
- It was expected that the level of administration required to achieve the saving would be in place within a couple of months of moving into 1 Angel Square. There would then be scope to explore further efficiencies based on practical experience of working in the new building.

Councillors subsequently acknowledged the potential to deliver the proposed saving and possibly to exceed it. At the same time, councillors emphasised that this would require effective financial control and felt that not allocating the saving to specific budget lines could represent a risk to this. The need for Overview & Scrutiny to have access to data that would enable it to track whether NCC was on-course to achieve the overall saving was also highlighted.

<b>Recommendations to Cabinet</b>	<b>Proposed Cabinet Response</b>
That the Cabinet recognises that the Finance & Resources Scrutiny Committee considers proposal 16-004-01 to be achievable, although the Committee would have preferred the proposal to have identified reductions in specific budgets that would be made to achieve it.	Accepted, but once again reinforce that not until the staff are in 1 Angel Square, and working practices observed for real, was it possible to apportion savings to specific codes.
That the Cabinet agrees that the efficiency saving from Next Generation Working be allocated to specific budget lines in the interests of supporting effective budget management during 2017/18.	It is not possible to allocate against specific codes up-front as the savings come from behaviour changes in different teams. For example reduced business travel through the use of Skype, but what we will monitor is those subjectives, such as travel cost to ensure the costs are being reduced and we are happy to demonstrate those subjective areas to Scrutiny.
<b>Recommendations to others</b>	
That the Overview & Scrutiny Function reviews progress with the delivery of savings attributed to Next Generation Working during 2017/8.	
<b>Scrutiny risk rating</b>	<b>Amber</b>
<b>Relevant headline theme(s)</b>	<ul style="list-style-type: none"> <li>• <b>Zero-based budgeting</b></li> <li>• <b>Clarity about the make-up of budget proposals</b></li> </ul>

<b>Directorate</b>	<b>Chief Executive Services</b>
<b>Proposal Number</b>	<b>16-004-06</b>
<b>Title</b>	<b>Community Hub Review</b>
<b>Proposal</b>	<b>(£450K) efficiency</b>
<b>Commentary</b>	
<p>The Chief Executive advised that the proposal reflected work on the development of community service hubs as part of the Sustainability &amp; Transformation Plan (STP) and on the future delivery of community-based services. It was intended to put 'touch down' points at community facilities such as libraries that could support Next Generation Working and maximise the time that staff could spend on core functions.</p> <p>Further information was subsequently provided in response to questions from councillors as follows:</p> <ul style="list-style-type: none"> <li>• Full engagement from all relevant parties to deliver the STP was essential: the alternative was the county not having a sustainable health and social care system. The STP involved a move to more community-based services. This was reflected in actions such as the creation of First for Wellbeing and bids for a Wellness Centre in Corby and a dementia village at Wootton Hall Park, Northampton.</li> <li>• NCC was currently focussing work on community-based services with organisations such as health bodies and Northamptonshire Police that had a confirmed agenda to move in this direction. It was not working as much with district / borough councils, although it was hoped that if successes were achieved they would come on board.</li> <li>• IT infrastructure in libraries had already been improved to support their use for community-based working. In the last 6 months the old People's Network system had been replaced by new NCC systems that were more effective.</li> <li>• The proposed saving was likely to be achieved in large part in the middle of 2017/18.</li> <li>• The immediate focus was on delivering a saving from this proposal in the first year of the Medium Term Financial Plan. There might be scope for further savings in future. Consideration would be given to how 170 NCC-owned non-corporate buildings might be used to support community-based working. Other opportunities might arise as the implementation of the Next Generation Council model proceeded.</li> </ul> <p>Some councillors continued to question whether the IT infrastructure in place in community facilities was adequate to support community-based working, in light of personal experience. If not then there was a risk to achieving the proposed saving. A councillor suggested that the rate of spend in this area would need to be achieved by £900K to deliver a £450K saving by the middle of 2017/18. Councillors also encouraged NCC to pursue opportunities to work together on community-based projects with district / borough councils.</p>	
<b>Recommendations to Cabinet</b>	
<b>Proposed Cabinet Response</b>	
That the Cabinet recognises that the Finance & Resources Scrutiny Committee considers that savings from community-based working are achievable but that risks associated with partnership working, IT infrastructure and the	Noted, but Cabinet feel more confident in the delivery than expressed by Scrutiny.

timing of the proposed saving means that it questions the ability to achieve the proposed saving from proposal 16-004-06 in 2017/18.	
<b>Scrutiny risk rating</b>	<b>Amber</b>
<b>Relevant headline theme(s)</b>	<ul style="list-style-type: none"> <li>• <b>Reliance on current partnerships</b></li> <li>• <b>Timing of budget delivery</b></li> </ul>

<b>Directorate</b>	<b>Chief Executive Services</b>
<b>Proposal Number</b>	<b>15-009-13 / 16-009-01</b>
<b>Title</b>	<b>Apprenticeship Levy – application of the Levy and generation of efficiencies</b>
<b>Proposal</b>	<b>£666K service pressure / (£666K) efficiency</b>

**Commentary**

The Chief Executive advised that the two proposals had a net neutral effect. The government required authorities to apply an Apprenticeship Levy from the start of 2017/18 based on 0.5% of total salary. LGSS Workforce Planning had been tasked with identifying how this resource could be used to deliver the best outcomes for NCC, which was the approach taken by businesses. The scheme was not limited to traditional apprenticeships and would be open to a range of people of all ages. Apprenticeship roles identified by the government would be built into NCC training and development. NCC would also take opportunities to bring in apprentices to fill vacancies that arose.

In response to further questions councillors were provided with additional information as follows:

- LGSS Learning & Development was a registered apprenticeship trainer and so would comply with government requirements.
- Improving the use of apprentices, including Looked After Children, would be a focus of the new approach.
- The proposal was based on the best intelligence that was currently available about the government's intentions concerning the level of the Levy. The impact on the budget would be zero unless the government changed its approach to increase the levy for larger organisations to provide more funding overall.
- NCC would be able to use the resources from the Levy effectively: the current training budget was larger than £666K.

<b>Recommendations to Cabinet</b>	<b>Proposed Cabinet Response</b>
That the Cabinet recognises that the Finance & Resources Scrutiny Committee has confidence in the capacity to deliver proposals 15-009-13 and 16-009-01.	Noted.
<b>Scrutiny risk rating</b>	<b>Green</b>

<b>Directorate</b>	<b>Chief Executive Services</b>
<b>Proposal Number</b>	<b>15-004-25</b>
<b>Title</b>	<b>Increased use of Social Impact Bonds and new financing streams</b>
<b>Proposal</b>	<b>(£1,250K) service transformation</b>

### **Commentary**

The Chief Executive advised that the context for the proposal was the government's aspiration that local authorities should become self-funding. At the same time they were increasing the use of incentivised funding mechanisms to encourage the delivery of public interest outcomes. Social Impact Bonds (SIBs) were one of these mechanisms. The SIB process involved a funder providing up-front funding, through NCC, to a service-provider to use to deliver specified outcomes. If the outcomes were delivered in full NCC repaid the cost, including a bonus for over-achievement. If the outcomes were not delivered the funder bore the risk. It was important to ensure that when SIBs were set up there was a clear assessment of the likelihood of targets being achieved and that what NCC was expected to pay was capped. As a result the SIB approach was most useful for outcomes that NCC would aim to achieve anyway. SIBs were an established financial mechanism, which NCC had gained experience of through setting up new service models such as First for Wellbeing. Bids had already been submitted for functions including multi-systemic therapy. NCC was also seeking to make use of other alternative funding streams such as philanthropic investment and charitable foundation trusts. The new NCC Group Finance Director would be required to have an understanding of alternative funding streams, reflecting the local government funding environment.

Councillors endorsed the principle of SIBs. It was questioned whether there was scope to exceed the return proposed in the draft budget. At the same time, the importance of co-designing new arrangements with service providers, and the need for some resources to support the development and performance management of new arrangements was also raised.

The Chief Executive went on to make the following points in response to questions raised during discussion:

- The design of the Next Generation Council model was intended to enable NCC to do new things and access different opportunities. New bodies such as the Children's Trust would allow outside investment.
- In 10-15 years' time the local authority could be getting up to 30-40% of its resources from social investment topped up by government funding from various sources. Austerity and a cautious approach by government was not likely to change soon. NCC was moving in this direction but prudently and focussing on clear outcomes, to avoid excessive exposure to risk.
- The £1,250K identified against this draft budget proposal for 2017/18 reflected SIB funding bids already made by NCC.

- The Department for Education saw NCC as significant leaders in pro-active development of a new model for children’s services. They supported NCC in this, which created a positive context for NCC to bid for additional resources to support the development of the Children’s Trust.
- The Next Generation Council model was intended to give good oversight and control of new arrangements for delivering services, through effective commissioning and performance management functions in the NCC Group.

Councillors subsequently questioned whether necessary funding arrangements had progressed sufficiently to enable funding from SIBs identified for 2017/18 to be delivered in time. Concerns were also raised that the proposed approach effectively involved NCC receiving revenue funding in the first years of the MTFP that would need to be repaid later, and that there were risks associated with this.

<b>Recommendations to Cabinet</b>	<b>Proposed Cabinet Response</b>
That the Cabinet recognises that the Finance & Resources Scrutiny Committee considers social investment to be an area that can generate resources but that risk factors involved means that it questions the ability to achieve the proposed saving from proposal 16-004-06 in 2017/18.	Noted, but the appointment of the new NCC Group Finance Director, who will have a key role in maximising new income streams, will help reduce the risk perceived by Scrutiny.
<b>Scrutiny risk rating</b>	<b>Amber</b>

<b>Directorate</b>	<b>Chief Executive Services</b>
<b>Proposal Number</b>	<b>16-004-07</b>
<b>Title</b>	<b>Unitary Local Government re-organisation</b>
<b>Proposal</b>	<b>(£20,000K) service transformation by 2020/21</b>

### **Commentary**

The Chief Executive commented on the basis for the proposal, highlighting the following points:

- A range of work done on unitary status had concluded that countywide unitary authorities represented the best option. This did not just apply to the recent analysis by Ernst & Young for the County Councils Network; other studies had said the same.
- The government had indicated that it would issue guidance at the start of 2017 on the optimum size for unitary authorities. A population of 300,000 – 800,000 had been suggested.
- The Leader of the Council was clear that NCC would not invest in a unitary bid until it knew the outcome of the bid submitted by Buckinghamshire County Council.
- A countywide unitary would avoid the need to split services such as adult social care between smaller areas and would match the area of the Northamptonshire Sustainability & Transformation Plan and Next Generation company structures.
- The Local Government Association had identified that there would be £2.6 billion gap in the cost and funding for social care by 2020.
- The proposed saving identified for the final two years of the Medium Term Financial Plan (MTFP) was considered to represent a conservative projection of the net potential return from a unitary reorganisation. It was informed by national studies, a nearby county's model, and previous reorganisations in Scotland and Cornwall.
- The unitary local government reorganisation proposal was not connected with the contribution to support redundancy and transformation listed in the Budget Summary that formed part of the draft budget.

Councillors considered the factors that would need to be taken into account in moving forwards with a unitary proposal and the following points were raised:

- Did the draft budget include provision in the first year of the MTFP for investment to support work on reorganisation, given that the potential need for this was stated?
- The district and borough councils in the county would have their own views on local government reorganisation, whatever form it might take. NCC needed to take this into account in its planning.
- Would NCC invest resources in a unitary bid sooner if the government encouraged authorities to move in this direction?
- The role of town and parish councils should be increased if a countywide unitary authority was established. This had been the case in Cornwall. At the same time it should not be assumed that these bodies could take on additional functions without any increase to their costs.

Councillors also noted the following additional information provided by the Chief Executive during the course of discussion:

- NCC would have the capacity within existing resources to present a bid to the government as supporting models for cost-savings were already readily available.
- The government no longer required consensus from all local authorities on unitary council bids, provided that bids had sufficient support from local public bodies.
- Next Generation Council federated bodies could operate just as readily with one or more than one unitary authority in the county. The issue was that increasing the number of authorities would reduce the savings that could be achieved. The pressures on health and social care funding needed to be recognised.
- Parish and town councils had been part of the countywide unitary model proposed in the work by Ernst & Young, reflecting the idea of localism.
- The timing of work by NCC would be influenced by the factors mentioned, including whether there was a clear direction by government towards a particular approach.

Councillors subsequently emphasised that local government reorganisation, and the potential future financial implications of it, represented an area of significant uncertainty and risk. It was felt that the draft budget did recognise this, in relation to the level of potential future savings identified and the fact that no savings were included in the first two years of the MTFP. If savings were not sought in this area then significant savings would need to be found from other sources in the final two years of the MTFP. However, a clear direction from the government could also create the need to invest resources sooner to support work on a bid. It was considered that the level of information available to Overview & Scrutiny about the risks and variables associated with this proposal precluded it from going very far in the conclusions it could reasonably make at this point.

<b>Recommendations to Cabinet</b>	<b>Proposed Cabinet Response</b>
That the Cabinet recognises that the Finance & Resources Scrutiny Committee is not in a position at this point to reach an informed conclusion about the ability to achieve the specific savings identified from proposal 16-004-07.	Noted.
That the Cabinet recognises that the Finance & Resources Scrutiny Committee welcomes that no proposed savings from proposal 16-004-07 are identified for the first two years of the Medium Term Financial Plan.	Noted.
That the Cabinet recognises that the Finance & Resources Scrutiny Committee supports the inclusion of unitary local government reorganisation in the Medium Term Financial Plan as an area where savings can potentially be generated.	Noted and welcomes the support for what will represent better value for the tax payers of Northamptonshire.

<p>That the Cabinet agrees that town and parish councils should be engaged at every stage in the development by Northamptonshire County Council of any unitary local government proposal, reflecting those bodies' role in local democracy.</p>	<p>In undertaking any such review, appropriate consultation will be undertaken with all relevant stakeholders at the appropriate time and in line with any guidance put out by DCLG. Any restructuring proposals are laid before Parliament, so will be statutorily compliant, including any necessary consultation.</p>
<p><b>Scrutiny risk rating</b></p>	<p><b>2017/18 – 2018/19: no rating has been given as the proposal has no financial effect in these years</b>  <b>2019/20 – 2020/21: Red</b></p>

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