

CABINET
12 SEPTEMBER 2017
CHIEF EXECUTIVE: DR. PAUL BLANTERN
LEADER OF THE COUNCIL: COUNCILLOR HEATHER SMITH

Subject:	The overall national and local operating conditions for Northamptonshire County Council and the context for outcome delivery and budget setting
Recommendation:	<p>Cabinet are asked to:</p> <ol style="list-style-type: none"> 1. Note the increasing levels of uncertainty in the national and local operating environment over the last 12 months. 2. Note the demand pressures within the county council's operational remit. 3. Note the progress and actions taken to ensure sufficient forward planning to bring stability to the council's financial position and future affordability of services. 4. Agree to the requirement to increase focus on statutory services, in particular social care, and tertiary prevention services that help to prevent people entering higher cost placements until necessary for their safety and wellbeing - including the redirection of resources outlined in 5.3. 5. Proactively support the CCN call for fairer funding for County Councils and in particular Northamptonshire and work with key stakeholders, including local MPs, to publicise the need for fair funding for the council and county as a whole.

1. Purpose of Report

- 1.1 The purpose of this report is to outline the current financial and operating context for Northamptonshire County Council and our consequent framework for budget setting over the next 18 months.
- 1.2 To provide a summary update on the financial and operational environment we operate within, and outline the areas we will be focusing on to ensure we continue to provide efficient and effective public service outcomes to residents and businesses in the county.

2. Introduction and background

- 2.1 It is essential for the County Council to continually review its local operating environment and part of this process is ensuring the prevailing conditions in the national economic and political environment are understood and accounted for in our forward business planning.
- 2.2 Since our September 2016 Cabinet report setting the context for the budget environment, the circumstances in which we now find ourselves in local Government have fundamentally shifted, particularly given the outcomes of the national election and

Brexit vote, which have significantly reduced options for local public service reform. We outline the current context below, under the main headings of national; general county council; Northamptonshire-wide and NCC specific contexts.

2.3 National context:

The outcome of the 2017 General Election signalled a new chapter of political and economic uncertainty in the UK. The resulting Queen's Speech set out a legislative agenda narrowly focused on Brexit and revealed a stripped-down programme for government, which does not allow for legislation dealing with the consequences of austerity and the challenges facing public services at a time of unprecedented demand for local public services throughout the UK. This includes devolution, local government restructuring or health and social care reform, all now seemingly further away.

At a time when as a sector we need bold change from Central Government, we are seeing the effects of a reduced majority of the Conservative Government, coupled with the uncertainty and additional pressures on Civil Servants generated by Brexit. The slippage of local government reform has already begun, for example the decision on Business Rates Retention (BRR), an initiative which would have allowed us to plan and forecast our funding past 2020, has also been delayed indefinitely, meaning there is no clarity in the sector on how local government will be funded past 2019-20. Albeit at the same time Government has announced a new pilot trial for BBR for which Northamptonshire's Local Government partners are thinking of bidding. But this agenda cannot wait. Accepting the cost of problems with the current system is no longer an option. Inaction will affect the delivery of front line services, as well as some of the Government's key agenda items such as business growth, job creation and housing delivery.

The uncertainty and Brexit crowded legislative agenda means we don't have the macro levers we were hoping to build on in order to deliver transformation in a challenging context. For example, the localism agenda which would have given us the opportunity to remove potential duplication in the two tier local government structure, is now no longer a Government priority.

Also on a national scale, linked to the EU withdrawal, will be the lack of access to the major EU funding programmes as the UK will be ineligible. This means that the UK Treasury will have to look at alternatives for the major infrastructure and funding grants that have been accessed to date. As it stands, major projects in train infrastructure have been guaranteed to be funded by the Government, albeit we have already seen the electrification of the Midland Mainline north of Corby being cancelled indefinitely, but any new programmes will be decided at the discretion of the Chancellor. With a focus on the South East and major programmes such as HS2 needing to be financed, the risk of fewer major investments by the Government in Northamptonshire is a potential issue and that is why NCC is active in the development of a Sub-National Transport Body (England's Economic Heartland) and the National Infrastructure Commission's work on the Oxford-Cambridge corridor.

Nationally, we are witnessing unprecedented pressures in social care, with headlines such as *"How will councils survive the funding abyss? No one in Westminster can say how authorities will be funded after 2020"* (Guardian, Sept 2017) or *"Children's social care is broken"* (Municipal Journal, Aug 2017 referring to lack of placements available for vulnerable young people nationally) being a common occurrence.

The local government sector continues to experience very severe funding pressures, with an estimated 37% real terms reduction in core government funding between 2010 and 2015. In addition to this, the OBR (Office of Budget Responsibility) forecast a further 6.7% reduction in local government spending between 2015/16 and 2019/20. With social care and waste spending absorbing a rising proportion of the resources available to councils, funding for other council services drops by 35% (£9.3 billion) by the end of the decade, from £26.6 billion in 2010/11 to £17.3 billion in 2019/20.

As a result, the sector as a whole faces a funding gap of £5.8 billion by 2019/20. The largest components of this gap in funding relate to Children's Services (£1.9bn) and Adult Social Care (£1.3bn). The funding gap falls particularly hard on upper-tier councils, who are responsible for these services.

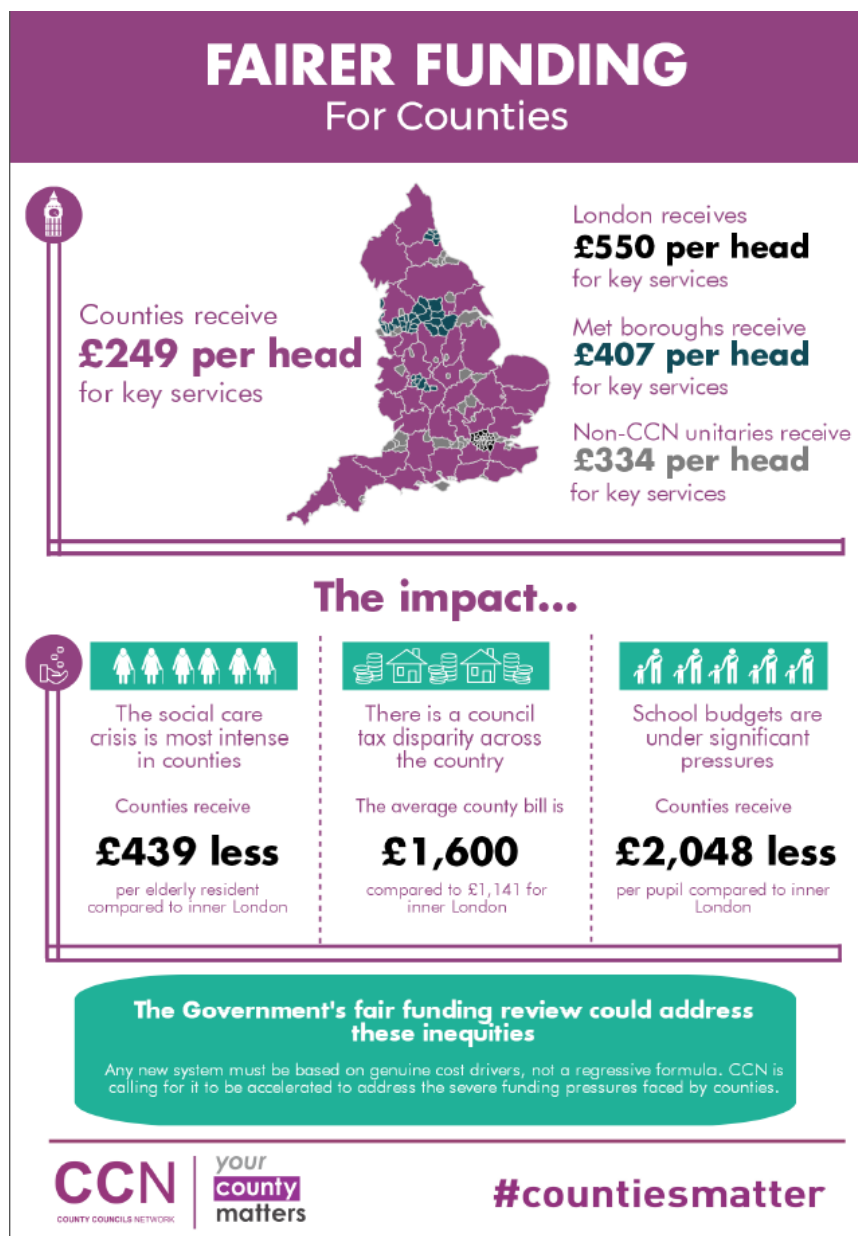
2.4 General County Council Context

In respect of **counties**, research from the County Councils' Network shows that county councils are underfunded. As clearly outlined by the recent CCN report "A New Deal for Counties¹", counties themselves are historically underfunded by central Government compared to other upper tier councils, receiving some £292 less per resident than councils in London and £166 less per head than metropolitan councils.

Pressures on social care will increase in the years ahead due to demographic shifts in the population of the country. Overall, counties have an increasingly older population with 41% of residents aged over 50, compared with 36% across England and a slower rate of growth for the working-age population (0.16% per year over the last 10 years) which has sharply increased the dependency rate in county areas.

The general position of counties is best summarised by one of CCN's fairer funding posters, over the page:

¹ <http://www.countycouncilsnetwork.org.uk/counties-call-new-deal-following-general-election/>



2.5 Northamptonshire Context

In Northamptonshire we are witnessing a combination of economic, social and demographic conditions which exasperate the need for service provision associated with a relatively high '*just about managing*' cohort, combined with increasing population numbers above national and regional rates.

We have strong population growth in the county. The latest ONS estimates (mid-2016) put Northamptonshire's population at around 733,100 people. The county has seen above (national) average population growth over the last 30 years, with the population growing by just over 30% compared to a 16.8% England average.

More recently, the highest rates of population growth in the county have been in Corby and the town is projected to experience the greatest percentage increase in the country over the next 10 years. By 2024 it is projected that the population of Northamptonshire will have grown by approximately 9%; this is faster than the projected 7.5% increase for

England. We expect the greatest proportional increases in the 55 to 65 and over 70s age-groups.

From a social care point of view, the market is failing. There are not sufficient care places to meet the needs of our ageing population or for our children needing to be looked after. A recent example is workers having to make 74 calls to place one of our c.1,050 children in care.

With respect to the markets, NCC is doing a lot of work, including our current #1000shoes fostering campaign:



Northamptonshire has lost 491 residential and nursing care beds in the last 3 years, putting pressure on our social care to find other placements. Even the market we use to block buy from now finds itself less equipped to handle the complex needs of an ageing and frail population. The people living in Northamptonshire who need support from us are on average older, have complex co-morbidities and require more specialised support from one year to the next.

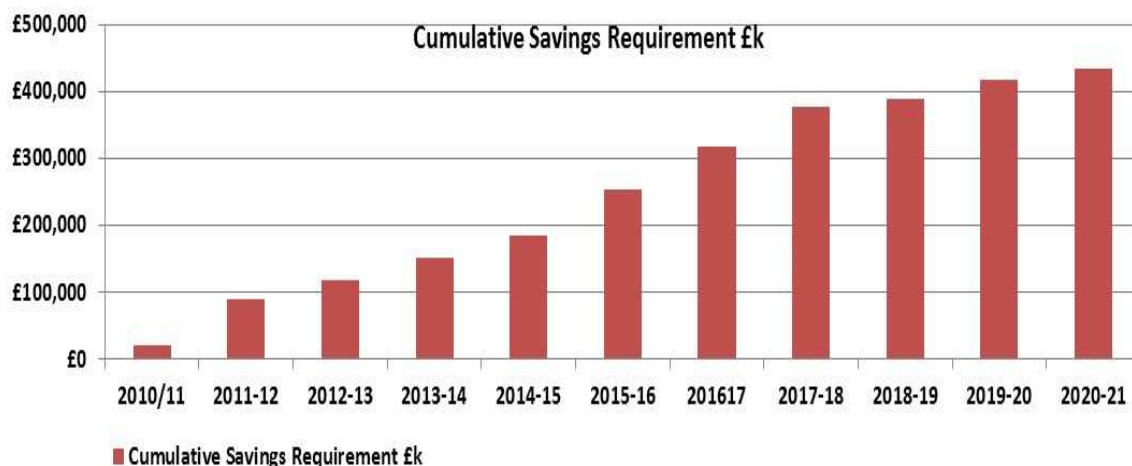
This also puts pressure on our health and care system and we know that locally have a pressured health and social care economy (low dementia provision, reduced places in care homes, limited investment in hospitals), reflected in high levels of Delayed Transfers of Care. Again we are working with our health colleagues to but in sustainable change through the Sustainability and Transformation Plan (STP) and use of the 2017-18 Better Care Fund, summarised in the picture below, but this is against a total health and social care deficit of some £200m. We are also investing in retirement villages and working with our providers to change the usage of their care provision to meet greater acuity levels.



2.6 Northamptonshire County Council Context

In NCC, we have effectively managed substantial funding reductions since 2010 and delivered efficiencies totalling £376 million. To date we have successfully minimised reductions in services, through reducing back office savings through initiatives such as our ever more successful LGSS shared services venture, which has added Milton Keynes as a shareholder since the 2016 equivalent Cabinet report. However savings have included some reductions such as reduced bus subsidies, the closure of some household recycling centres etc. At the same time wage costs have been kept at no more than 1% per annum, albeit distributed to ensure lower waged employees get a greater percentage increase.

By 2021, our total savings will have risen to almost £0.5 billion. Unfortunately, this still isn't enough.



Even five years ago, when the LGA started modelling all councils' "*ability to fund themselves*" going forward, the LGA recognised the fact that NCC was the county council least able to fund ourselves in the future, and indeed one of the worst positioned in the whole of the country. This was very much the result of the long term circumstances of NCC running back over many decades, not recent decisions by councillors of either political administration. As a result we've had to be bold and innovative, creating the Next Generation Council model to help us move forward, and we have zero-based our budget.

The Council Tax element of our funding makes up around half of our annual income. Historically we have been a county that has provided amongst the lowest annual Band D county council tax rates in England.

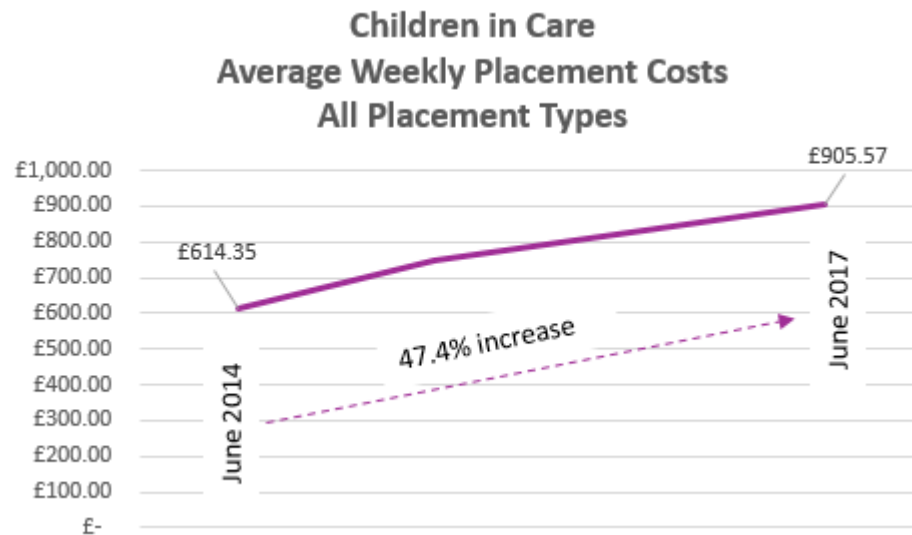
Every 1% increase in Council Tax generates an additional £2m or so in revenue. The council's decision to keep Council Tax low is of great benefit to our residents, however we are not allowed to increase Council Tax by more than 2% without considering the views of the public.

For the last 2 years Government has allowed local authorities to charge an additional specific precept for Adult Social Care, an area that is hugely under-funded not only here but across the country. Since last year we are allowed to charge this additional levy by no more than 6% by 2019/20.

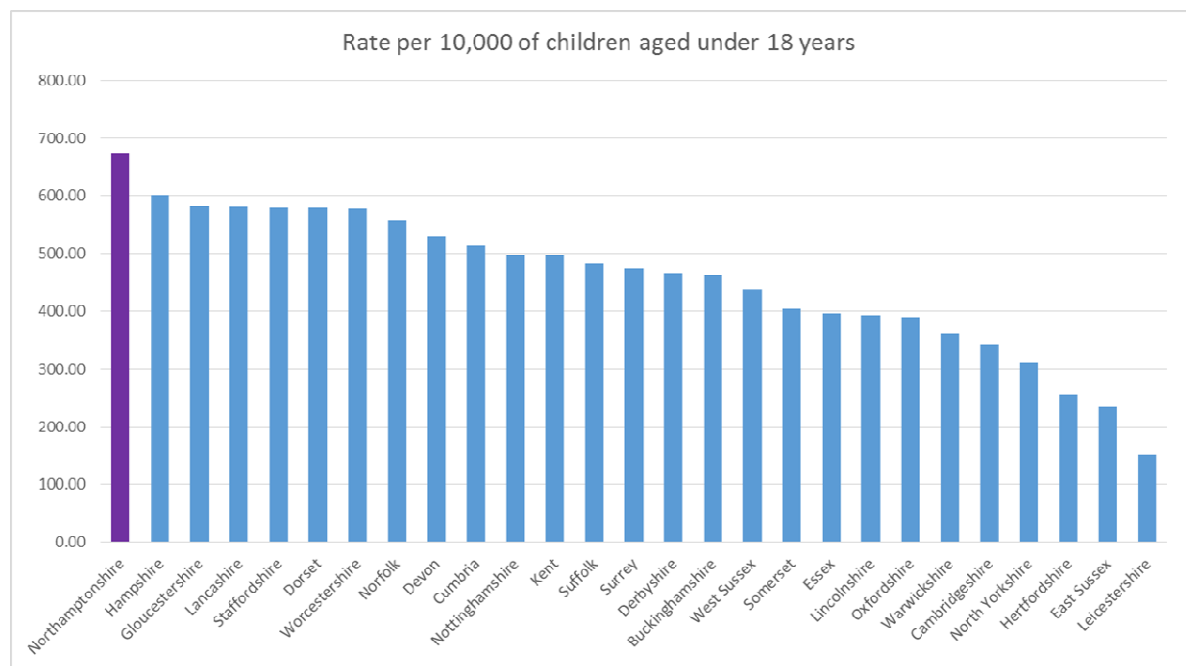
In 2014 the council published its "Mind the Gap" report, a comprehensive illustration of the relative underfunding of Northamptonshire County Council. At the time the financial modelling predicted that NCC would be underfunded in its Formula Grant by £43m between 2006/07 and 2019/20. So as an example, if we had been able to address this shortfall through council tax increases, we would have required more than a 20% increase in council tax.

Consequently, under the current funding system, Northamptonshire is chronically under-funded. Without a new funding formula, Northamptonshire will continue to be unfairly and inequitably impacted if we continue with the same mechanism. We receive £673 per person to spend on local services in this county. By comparison, most London boroughs get more than £1,000 per person. If we received the same level of funding as East Sussex County Council, we would receive an extra £115m per annum, despite having a substantially smaller population. This equates to an extra £159 per person.

Over the last three years we have seen the number of looked after children in Northamptonshire rise from 850 to c.1,050. We have also seen the average weekly cost of Children in Care placements increase by almost 50% in three years:

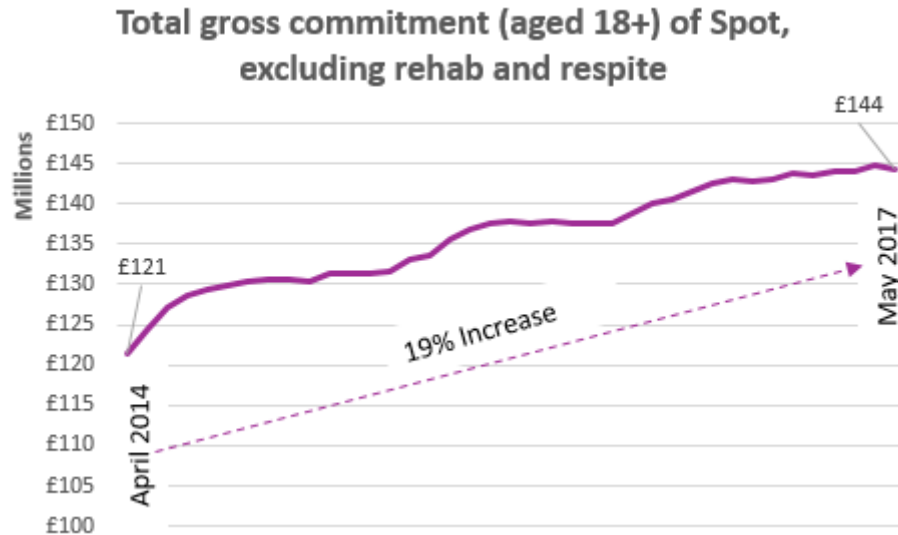


Demand into our system continues to be very high and complex compared to other statistical neighbours, again reflecting the socio-demographic makeup of the county. For example, this demand is illustrated in the rate Single Assessments Completed per 10,000, during the last 12 months:



Over the last three years we know that the average cost for service users aged 65+ has increased by 27.7% per week (£317 increasing to £405). This is caused by a combination of factors, but especially the increased level of complex needs in the ageing population who receive services from NCC.

To illustrate further, the cost of spot purchased support (support provided outside of block contracted provision) has increased by over 19% despite the number of service users supported by spot purchased support falling by 1.5% over the last three years. This points to a substantial increase in unit costs within the care market.



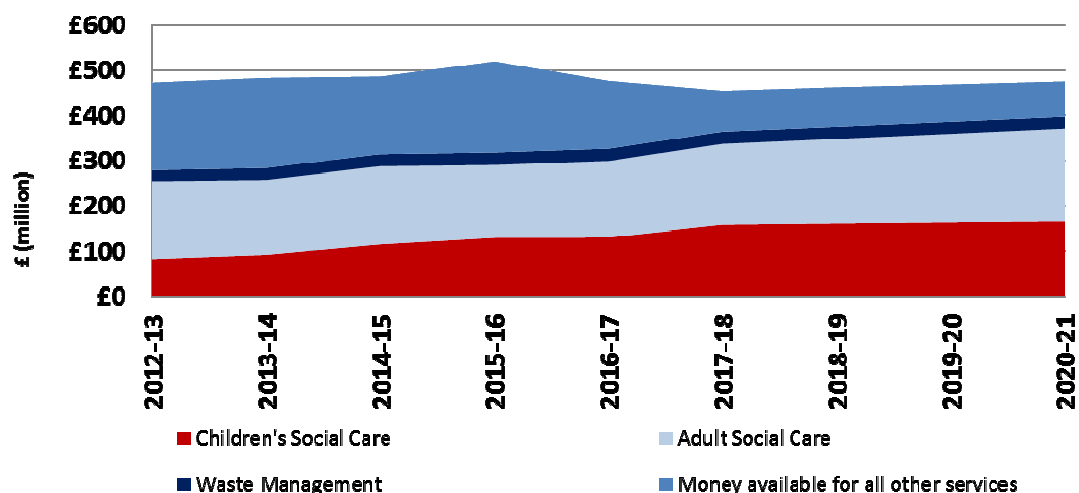
We are a council with a historically low council tax, low reserves and no strategic land holdings. Unlike many councils, NCC has, entirely through historic circumstance, been very asset poor and indeed reserve cash poor, so we do not have the options to invest our own capital nor exploit large land holdings like some councils. To put that in context, there are some London Councils that due to the London property bubble, have made so much from property development that they are in effect immune from Government austerity. Some of our immediate neighbours have assets advantages through historical circumstances which provide significant revenue streams, such as Luton Borough Council having majority shareholding of Luton Airport, or Cambridgeshire County Council having large farm holdings, which provide strong revenues as well as potential development opportunities.

Finally, Brexit is likely to have a disproportionate impact on Northamptonshire. On the one hand, we have a higher proportion of new National Insurance Numbers issued to EU residents (89.9% vs 75.5% nationally as of March 2017), on the other hand, from an NCC context, the county is more reliant on EU nationals to fill roles in the care sector (9% vs 7% nationally – 2015 data). The uncertainty of Brexit also makes it more difficult to plan for school places in the county, amongst other issues.

3. Proposed approach for budget setting

- 3.1 This convergence of trends- reduction in revenue, increasing demand, increasing costs and demographic change- is clearly financially unsustainable and is affecting all councils, but particularly those with social care responsibility, in what in LG parlance has been termed the 'graph of doom', with demand for services outstripping revenue, or as shown below social care squeezing expenditure on other services.

Funding Outlook for Northamptonshire County Council



3.2 Local government in the county areas cannot afford to continue with 'business as usual'. Even with a long-term solution to social care funding, there will still be a need for counties to decrease costs and/ or increase revenues. And this is why NCC has been pursuing a policy of becoming a self-financing Next Generation Council as set out in the Council Plan:



Figure circled shows Self-financing driver in the Council Plan Cube

3.3 To deliver self-funding agendas councils, including Northamptonshire, are re-appraising the role of capital spending. Whereas previously capital spending has been seen primarily as a means to achieve social goals, or as part of corporate asset management, councils are now investing in assets for revenue generation, investing to save, and delivering social value. NCC has taken the decision to invest £20m in commercial opportunities and is continuing to assess all alternative funding streams.

3.4 As we move away from the burning platform of an unsustainable local government model, towards a Next Generation Council model, which will allow us to be sustainable, given the context described above we will:

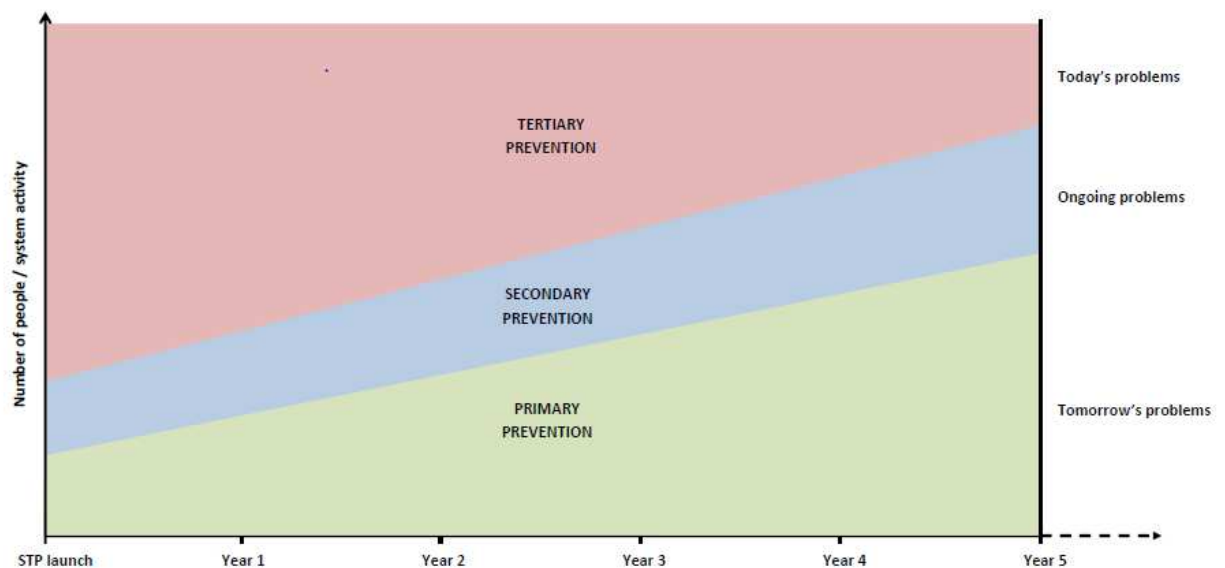
- a) Increase the trend to spending money on statutory services only, especially social care;
- b) Increase our focus predominantly on tertiary prevention in line with the STP prevention business case, i.e. having a greater short term impact on higher placement costs;
- c) Continue to work with the LGA and CCN to push for fairer funding for counties and for social care, working with local MPs and other key stakeholders in getting a fairer funding deal for Northamptonshire. This does accept that austerity and public sector funding controls are necessary, but ensuring greater parity of funding, and importantly that social care pressures are balanced equally against health pressures.

3.5 Our proposed approach is multi-faceted and outlined below:

a) **Move towards tertiary prevention:**

NCC's ambition has always been to invest in preventative, universal services which allow communities and residents to flourish, as well as tertiary prevention, to help stem the costs of tomorrow's problems. This has been warmly welcomed from many sectors in Northamptonshire and outside observers, including the CEO of Public Health England, and manifested itself in the creation of First for Wellbeing (FfW) CIC with Northamptonshire Health Foundation Trust and the University of Northampton. This was investment on top of statutory public health schemes such as smoking cessation. Unfortunately, in the context we are operating, especially the rise in unfunded social care costs, we are now in the difficult position of not being able to invest in services which will address potential future needs. To put this simply, we know that investing £1 now in primary prevention services could generate a significant return on investment in say 10 years' time. But the demand and pressures we are facing mean that we do not have this luxury, and we need to spend this £1 on avoiding increased demand tomorrow, by targeting services at those people who are likely to need statutory costly interventions in the near future. The diagram below is taken from the STP prevention case and clearly represents the focus on tertiary prevention across the health and social care system.

This means that we have to increase our focus on statutory services, particularly those in social care, by redirecting the money we are currently investing in primary prevention (such as community grants, primary prevention delivered by First for Wellbeing) towards interventions which have immediate, tangible and quantifiable impact on today's service provision. We will at the same time direct more adult social care tertiary prevention schemes into FfW, which the owners of FfW fully support.



b) **Requests to DCLG:**

Through recent meeting with DCLG by the CEO and Group Finance Director, we have also put our requests to DCLG for support to ensure our sustainability, asking that:

- iBCF is made part of base-funding
- Capital flexibilities are extended
- The threshold for Council Tax referendum is removed
- Financial assistance is provided for our rising numbers of children in care
- Costs of accommodating and supporting Unaccompanied Asylum Seekers are fully recovered

c) **Ensuring our direction of travel is aligned with the local Sustainability and Transformation Plan:**

We are working with colleagues in Health to address system-wide issues. However we are seeing a change in shorter term focus from NHS England to delivering improvements in urgent care and delayed transfers of care, and a re-positioning of the iBCF funding. We see this as a symptom of the national context already highlighted above, and recognise our own proposed approach is similarly urgent care focussed to ensure overall health and social care funding and stability, but this may affect community provision.

d) **Exploitation of commercial opportunities:**

NCC will continue to seek out commercial opportunities and alternative funding sources, whilst also exploring the role we play in the local market. This will include reviewing our role in market provision.

e) **Putting pressure on Government to acknowledge our unfair funding situation:**

With the support of partners and MPs, we will be carrying out a campaign aimed to present our case to Government. Our “Fair Funding” campaign will seek to influence decisions about funding for the County Council.

3.6 In summary, we think that the context for NCC and other social care upper tier authorities is much starker, particularly given the changes in national, coupled with social care market conditions and greater short term focus by NHS England. This means that as we continue to innovative towards the Next Generation model, including the completion of the children’s company and Managing Agent in spring 2018, we believe we require even greater financial focus on statutory and in particular statutory social care provision and tertiary prevention if we are to continue to safeguard the people of Northamptonshire. The first detailed proposals about how our outlined approach will be delivered will be presented to Cabinet in October 2017.

4. Equality Screening

4.1 A high level Equality Impact Assessment (EqIA) has been undertaken for the proposal in this paper to move towards tertiary prevention. It is acknowledged that further work is required to fully assess the impact, and the EqIA will be developed as this work is undertaken. It is clear that this will affect all service users who share all protected characteristics identified by the Equality Act 2010. However, the further work that will be done on this will ensure that, whether people access our statutory services or resources from other agencies, support will still be available when it is needed the most.

4.2 The EqIA can be found at:

[http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/equalities/equality-impact-assessments-eqias/Pages/business-intelligence-and-performance-improvement-equality-impact-assessments-\(eqias\).aspx](http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/equalities/equality-impact-assessments-eqias/Pages/business-intelligence-and-performance-improvement-equality-impact-assessments-(eqias).aspx)

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Background Papers:	
Does the report propose a key decision is taken?	NO
If yes, is the decision in the Forward Plan?	N/A
Will further decisions be required? If so, please outline the timetable here	Subsequent decisions on the Council’s budget will be taken by Cabinet and Full Council in line with the established timetable for financial planning, including consultation on future budget proposals and setting the Council’s budget for 2018/19 in February 2018.
Does the report include delegated decisions? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been	YES

cleared by the Strategic Finance Manager (SFM)?	Name of SFM: Damon Lawrenson
Have any capital spend implications been cleared by the Capital Investment Board (CIB)?	N/A
Has the report been cleared by the relevant Director?	YES Name of Director: Dr Paul Blantern
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Councillor Heather Smith
Has the relevant scrutiny committee been consulted?	NO Scrutiny Committee:
Has the report been cleared by Legal Services?	No Name of solicitor:
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	N/A Name of officer:
Are there any community safety implications?	None apparent at this stage.
Are there any environmental implications:	None apparent at this stage.
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	Countywide