



COUNCIL

9th AUGUST 2018

THE CHIEF EXECUTIVE AND THE COMMISSIONERS

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|-------------------------|---|
| Subject: | Northamptonshire County Council Actions in Response to s114 Notice |
| Recommendations: | That Council:- <ol style="list-style-type: none">1. Approves the action plan set out in this report;2. Proposes the action plan to the Commissioners;3. Delegates authority to the Chief Executive, in consultation with the Leader of the Council and subject to the agreement of the Commissioners, to take all subsequent steps to implement the action plan;4. Note the comments of the s151 Officer on monitoring the effectiveness of the action plan. |

1. Purpose of Report

- 1.1 The s114 notice considered previously on this agenda, if accepted by the Council requires that the Council recommend what action (if any) it proposes to take.
- 1.2 This report sets out a proposed Action Plan detailing the steps to achieve significant reductions in spending in both the current and future years, including; the governance, management, process and focus of the work.

2. How this decision contributes to the Council Plan

The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through safeguarding the county's communities.

3. Background

- 3.1 The Commissioners appointed CIPFA to establish an accurate, up to date financial position with a focus on determining the robustness of the 2018/19 budget.

- 3.2 Building on the position reported in the Period 2 finance report they have identified a likely deficit of £60m to £70m.
- 3.3 This is informed by discussions with the external auditor. As the audit of 2017/18 has not yet finished there is some uncertainty and elements of judgement on accounting treatment outstanding.
- 3.4 The £60-70m range includes an estimated carried forward unfunded deficit in the region of £34m from 2017/18. Coupled with difficulties in the 2018/19 budget of a further £30m means that radical action needs to be taken in this current and future financial years to reduce spending. If appropriate action is not taken the deficit could realistically increase to circa £180m by March 2021.
- 3.5 The current position and the difficulty in delivering any new savings is reflected in the s114 report issued by the s151 officer on 24 July 2018 which Members considered earlier in this meeting.

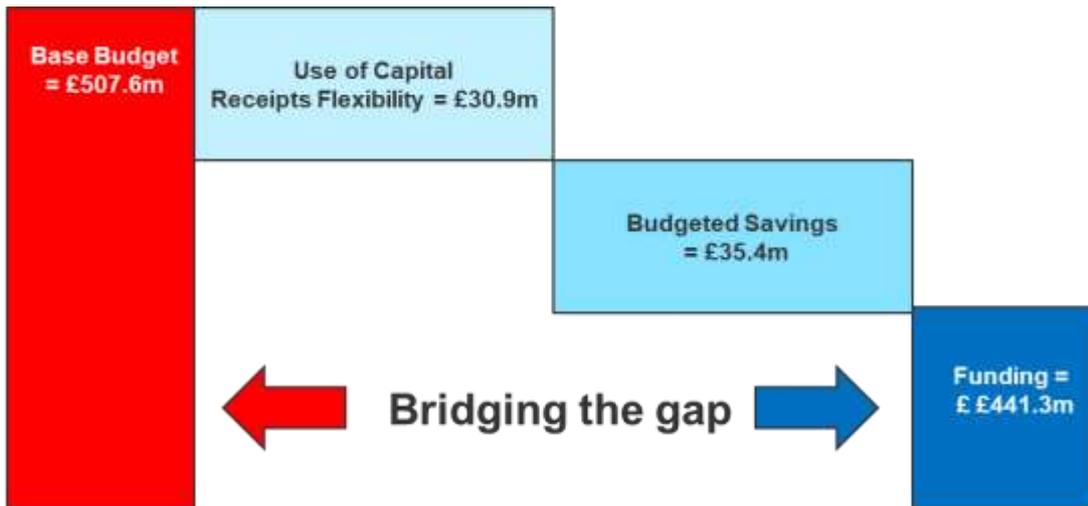
4. 2017/18 Accounts – Unfunded Deficit up to £34m

- 4.1 Work is underway with external auditors KPMG to close the Council’s accounts to confirm the actual deficit from 2017/18 which is estimated at up to £34m. How this is made up is shown in the chart below:



4.2 2018/19 Budget

- 4.2.1 When it set its budget on February 28th 2018 the Council could only balance spending with funding through un-evidenced targets relating to:
- Use of capital receipts flexibility of £30.9m
 - Budgeted savings of £35.4m



4.2.2 The use of capital receipts flexibility beyond what was contemplated in the guidance was ill conceived and, based on the evidence provided, only £1.2m, of the £15.9 million so far identified would appear to be legitimately transformational. Together with a shortfall in savings, slightly higher than that reported this leaves a projected deficit in 2018/19 of £64.4m, set out in the table below:

| | £m |
|---|-------------|
| Potential unfunded deficit in 2017/18 brought forward | 34.0 |
| Shortfall in delivery of budgeted savings in 2018/19 | 11.3 |
| Shortfall in budgeted transformational spend in 2018/19 | 29.7 |
| Shortfall in unbudgeted transformational spend in 2018/19 | 0.6 |
| Net budget variations reported in 2018/19 | (11.2) |
| Project deficit in 2018/19 | 64.4 |

At this stage it is judged that the overall deficit, reported in the s114 report could be between £60m - £70m with no further corrective action.

There is no allowance for the replenishment of reserves in this range.

4.3 Medium Term Financial Planning

4.3.1 The Council has done limited work on a Medium Term Financial Plan (MTFP) other than removing assumed expenditure and grant funding relating to the Fire Service from 1st April 2019 and making forward projections of inflation, growth and grant income.

4.3.2 The Council's analysis does not include any reliance on capitalising transformational spend beyond 2018/19 and identifies only limited savings in 2019/20 and 2020/21.

4.3.3 Based on the projected deficit in 2018/19 and the analysis undertaken by the Council in the MTFP, the table below sets out the Council's projected financial position to 2020/21.

| | 2018/19 | 2019/20* | 2020/21* |
|--------------------------------|----------------|-----------------|-----------------|
| | £m | £m | £m |
| Brought forward deficit | 34.0 | 64.4 | 119.9 |
| Net budget before mitigation | 507.6 | 480.1 | 500.7 |
| Available funding | (441.3) | (423.1) | (438.4) |
| Mitigation | (35.9) | (1.5) | (3.3) |
| Deficit carried forward | 64.4 | 119.9 | 178.9 |

*Fire and rescue service omitted from 2019/20

This further underlines the dire financial position of the Council is in and the need to for a determined and sustained response.

5. Proposed Action Plan

5.1 Extended controls on expenditure

- Restrictions on Officers' ability to enter into contracts and place orders
- End all off-contract spend
- Central control and sign-off of expenditure above £1,000 excluding vulnerable Children and Adults placements
- Children's and Adults panels comprising Assistant Director and Finance representative
- Strict controls on vacancies and agency contracts
- Revise Financial Regulations to align with new restrictions

5.2 Radical Service Reductions and Efficiencies

5.2.1 Areas which will be examined for rationalisation will include:

- Contract renegotiation/review including PFI
- Children's Services – factors for comparatively high spending including numbers of referrals and numbers in the care system
- Adults Services – Learning Difficulties, Fees and Charges and NHS contributions
- Road Maintenance
- Transport, including home to school transport
- Property rationalisation, working with other public sector partners
- LGSS and Business Support
- Waste Management
- Culture (Museums/Libraries etc.)
- Capital Programme and its funding
- Staff redundancy programme

5.2.2 Methodology to be applied to identify service reductions

- The forensic analysis of budgets and spend to determine what is spent on core and non-core activities in line with priorities discussed by Council at its meeting on 1st August 2018
- For core activities reduce the costs (staff/third party payments etc.)

- For non-core activities minimise or eliminate them entirely

5.3 Maximising Income

- Optimising council tax and business rate income in partnership with district and borough councils – eg single person and other discounts
- Review all fees and charges

5.4 Where appropriate transfer services to other organisations

- Parishes/districts/voluntary and community, e.g. subsidised rural bus services, community libraries, grass cutting

6. Delivering the Actions

6.1 Establish a Strategic Coordinating Group

The group will meet weekly and comprise: Commissioners, Leader, Lead Member for Finance, Chief Executive and s151 Officer. This ensures:

- Coordinated decision making – that the new team's work synchronises with or encompasses other savings plans
- Parallel processes are integrated with this new approach, eg, Chief Executive Approval Panel, the Improvement Board and Star chambers

6.2 Improve Financial Management and Planning

- Repatriate strategic finance from LGSS
- Review the capability and capacity of the finance function
- Improve budget monitoring
- Align the current budget with core/non-core services
- Update the Medium Term Financial Plan

6.3 Establish a Transformational Task Force

The task force will form part of the new transformational approach to identifying cost reductions aligned to the Council's spending priorities. Recommending the actions that need to be taken to achieve these cost reductions and providing oversight to the implementation of these cost reductions.

The task force's objectives will be to deliver transformational programmes and activities, including robust business cases which will:

- Reduce non-priority spending to the minimum or to eliminate it
- Redesign service to deliver better outcomes at lower cost
- To achieve significant, sustainable reductions in priority spending

Working with service managers, this will entail a forensic review of all budgets and all categories of expenditure aligned to the Council's spending priorities.

It will be necessary for the task force to have the right skills and an appropriate level of resource, together with the ability to call on specialist service expertise, if it is to be effective. The range of skills required by the task force encompasses financial, commercial/procurement, HR, project management and service specific.

The task force is likely to comprise of a combination of seconded Council staff and externally sourced resources.

7. Consultation and Scrutiny

The report has been consulted on internally with the Executive Director of Finance, the Leader and Cabinet Member for Finance. It is a requirement of legislation that Council consider this report within a defined timescale. Any decisions which flow from it may be subject to scrutiny.

8. Response of the s151 Officer on the effectiveness of the action plan

In my role of s151 Officer I will form part of the Strategic Coordinating Group and will monitor the effectiveness of the actions of the task force to ensure they are achieving the savings required. This will form part of the budget monitoring reports to Cabinet.

9. Equality Screening

| | |
|---|-------------------------|
| Reason that no EqlA is required | ✓ as appropriate |
| The paper is for information only | |
| The proposal/activity/decision has no impact on customers or the service they receive | |
| The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive* | |
| Other (please explain further) | ✓ |

* where a proposal affects staff, the appropriate HR processes will be followed, which have already been subject to the EqlA process and will be compliant with HR legislation

9.1 As proposals are identified and developed through the work carried out by the task force, impact assessments will be completed to assess potential impact on groups with protected characteristics.

10. Financial Implications

10.1 The task forces objectives are set out in the report and will improve VFM, make services more cost effective, deliver cashable savings and make a significant return on investment in 2018/19 and in future years.

10.2 There will be a cost, which will need to be quantified and a business case prepared. It will be part of a further report to council.

10.3 The investment is one-off and transformational. It will be funded from Capital Receipts.

11. Risk and Business Continuity Management

a) Risk(s) associated with the proposal

| Risk | Mitigation | Residual Risk |
|--|---|---------------|
| The recovery team do not deliver adequate additional savings | The team will report weekly to the new Strategic Coordination Group to ensure that they are delivering additional savings. Their work will also feed into the Council's reporting structure | Amber |

b) Risk(s) associated with not undertaking the proposal

| Risk | Risk Rating |
|---|-------------|
| The Council's deficit will continue to rise and the Commissioners will be forced to take control of the Council | Red |

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| Author: | Name: Team: |
| Contact details: | Tel: 01604 Fax: 01604 Email: |
| Background Papers: | |
| Does the report propose a key decision is taken? | YES |
| If yes, is the decision in the Forward Plan? | NO |
| Will further decisions be required? If so, please outline the timetable here | Business Case for the work of the recovery team |
| Does the report include delegated decisions? If so, please outline the timetable here | |
| Is this report proposing an amendment to the budget and/or policy framework? | NO |
| Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB) | YES Name of SFM: Mark McLaughlin Not applicable |
| Has the report been cleared by the relevant Director? | YES Chief Executive, Theresa Grant |
| Has the relevant Cabinet Member been consulted? | YES Leader and Cabinet Member for Finance |
| Has the relevant scrutiny committee been consulted? | Not applicable |

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| Has the report been cleared by Legal Services? | YES Solicitor's comments: |
| Have any communications issues been cleared by Communications and Marketing? | YES/NO Name of officer: |
| Have any property issues been cleared by Property and Asset Management? | Not Applicable |
| Are there any community safety implications? | No |
| Are there any environmental implications: | No |
| Are there any Health & Safety Implications: | No |
| Are there any Human Resources Implications: | YES The Recovery team will include internal secondments which will have an impact on the teams that the staff are from. Workloads will have to be re-assessed. |
| Are there any human rights implications: | No |
| Constituency Interest: | No |