

Appendix A

Briefing Paper

OSMB and Audit Committee Workshop

Lessons learnt from Northamptonshire County Council

19th December 2018

10:00 – 11:30

Summary

The purpose of this briefing paper is to provide you with background information prior to the OSMB and Audit Committee workshop on 19th December 2018. The information contained within this document is based upon the findings from the following reports;

- NCC Best Value Inspection
- KPMG External Audit Interim Report 2017/18 NCC
- LGA Financial Peer Review

NCC's performance can be characterised and assessed by looking at three key factors;

Financial Resilience

Financial resilience describes the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures and growing demand, tightening funding and an increasingly complex and unpredictable financial environment.

Culture

Organisational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organisation.

Accountability

The obligation of public sector organisations to be accountable and answerable for their policies, decisions and actions, particularly concerning public finances.

NCC failed to balance its budget and plan effectively. Max Caller, the lead inspector stated that NCC had ignored a growing financial crisis at the authority, which he said had been beset by poor management, lack of scrutiny and unrealistic budget setting. There were major failings from both members and officers. Reports found that senior councillors and officers ignored or evaded criticism and challenge, and budgets were set without regard to need, demand or deliverability. These failings resulted in;

- Section 114 notices being issued
- Commissioners taking control of the authority
- Children's services failing to perform at an adequate standard
- And much more.....

What lessons can be learnt? – Do we need to do things differently to prevent any of these issues happening here?

Financial Resilience

Poor decision making at both member and officer level

Following the issue of the Section 114 notice in February 2018 and the KPMG Advisory Notice on the Budget also in February 2018, the Council still appears to struggle to take the necessary decisions at both member and officer level to control and restrain expenditure to remain within budget constraints.

Cannot make informed decisions due to poor organisation processes

In 2016/17 KPMG identified that the average number of budgets submitted throughout the year was 68%. This meant that information was not available to management or members to make informed decisions based on actual financial performance or in a timely manner.

Councillors were unclear and unaware about NCC's use of Capital Receipts

The main way in which NCC has sought to balance its budget since 2016/17 is to make use of the flexibility allowed by Government to use capital receipts for transformation purposes. Councillors were neither clear nor briefed on the rules and application of this funding source.

The scrutiny process was abandoned

Following an Ofsted inspection report published in August 2013 which resulted in an "inadequate" judgement and the subsequent Statutory Direction, NCC lost tight budgetary control and appeared to abandon strong and effective budget setting scrutiny.

Culture

Criticism was not accepted and no strategies to address issues were implemented

The council did not respond well, or in many cases react to external and internal criticism. Councillors were also refused information when they sought clarification. Individual Councillors right to know was not understood and Councillors had been refused information when they asked questions. It was also noted that Members were told they were not to be given access to some information.

Reports to members were not provided promptly

Matters that the Audit Committee had wanted reports on had on occasions took many months to compile, and the audit committee needed to be persistent in their requests.

Major organisation restructures

Over the past 5 years there has been significant change in the personnel at the top of the officer structure in NCC. All the Executive Directors have been replaced, in some posts more than once.

Accountability

Organisational structure issues with no clear line of sight

There are a number of areas where the relationship with LGSS (Local Government Shared Services) at best confuses accountability and at worst prevents it.

No ownership or accountability

There was a severe lack of accountability for the non-delivery of savings and that non-delivery is manifested with budgets being reinstated without any attempt to explain why the saving was not achieved.

Appendix

1. NCC Best Value Inspection:

<https://www.gov.uk/government/publications/northamptonshire-county-council-best-value-inspection>

2. KPMG External Audit Interim Report 2017/18 NCC:

<https://cmis.northamptonshire.gov.uk/cm5live/Document.ashx?czJKcaeAi5tUFL1D TL2UE4zNRBcoShgo=SacwVD14wUqAvF0UMdr1OAozbBxmNsAgUZfxTHHsCm67GYo5AahpRw%3D%3D&rUzwRPf%2BZ3zd4E7lkn8Lyw%3D%3D=pwRE6AGJFLDNIh225F5QMaQWCtPHwdhUfCZ%2FLUQzgA2uL5jNRG4jdQ%3D%3D&mCTlbCubSFfXsDGW9IXnlq%3D%3D=hFfIUdN3100%3D&kCx1AnS9%2FpWZQ40DXFvdEw%3D%3D=hFfIUdN3100%3D&uJovDxwdjMPoYv%2BAJvYtyA%3D%3D=ctNJFf55vVA%3D&FgPIIEJYlotS%2BYGoBi5oIA%3D%3D=NhdURQburHA%3D&d9Qjj0ag1Pd993jsyOJqFvmyB7X0CSQK=ctNJFf55vVA%3D&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJFf55vVA%3D&WGewmoAfeNQ16B2MHuCpMRKZMwaG1PaO=ctNJFf55vVA%3D>

3. LGA Financial Peer Review:

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Documents/Northamptonshire%20CC%20-%20FINAL%20Feedback%20Report.pdf>

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