

OSMB and Audit Committee Workshop

Northamptonshire County Council: Could it happen here?

19th December 2018

Welcome and Introductions



Media Reactions



Some questions for us?

Can it happen here?

No

Do we need to make improvements?

Yes

Do we need to protect the organisation?

Yes

Areas of Focus Today

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**Financial
Resilience**



Culture



Accountability



Financial Resilience

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Definition of “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.

The CIPFA Financial Resilience Index

Themes:

- Reserves
- Spend on high pressure services
- Major funding streams
- Independent judgements

Workshop

How can Members gain assurance that this Council is financially resilient?

What do you need to see?

What questions could you be asking?

Areas for consideration

- Financial strategies
- Financial planning beyond next year
- Budget setting - process and scrutiny
- Budget performance monitoring
- Record of achieving budget savings
- Financial regulations, policies, procedures
- Financial risk appetite
- Financial risk management.
- Financial leadership and culture
- Good financial decision making

Improvement Areas

- Capital programme reporting
- Reporting of benefits realised from flexible use of capital receipts
- Updating financial procedures
- Capital Strategy (to support good decision making)
- Forward financial planning & budget setting for April 2020



Culture & Accountability

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NCC's Vision and Strategic Outcomes

Vision:

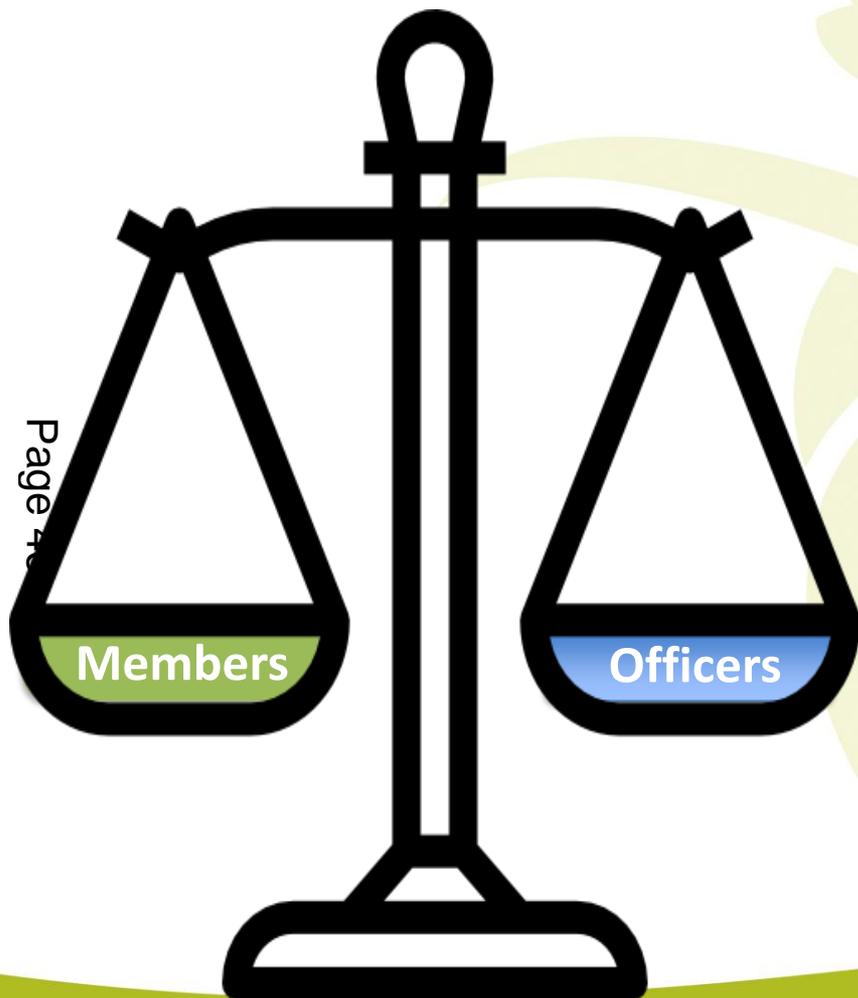
“Making Northamptonshire a great place to live and work”

The strategic ambitions for the Council were articulated through the following key outcomes:

- People of all ages are **safe, protected from harm** and able to live happy, healthy and independent lives in our communities
People have the information and support they need to make healthy choices and achieve wellbeing
People **achieve economic prosperity**, in a healthy low carbon economy which gives access to jobs, training and skills development
Communities thrive in a pleasant and **resilient environment**, with robust transport and communications infrastructure
- **Resources are utilised effectively and efficiently**, in coordination with partners and providers

Have they delivered any of their strategic ambitions?

No Direction



- Northamptonshire County Council leaders ignored warnings about a financial crisis **three years ago**, government inspectors have said.
- A letter from 2015 showed that the authority had overspent by £43m just seven months into the financial year.

2015 Crisis Warning

Then Director of Finance (Mr Bowmer) in 2015 wrote “We are experiencing a significant financial crisis but there is **avoidance of the term** and a **lack of action** appropriate for the situation we find ourselves in. At the heart of this is the corrosion of our financial management arrangements over the past 18 months; there has been **a change of culture and behaviour** where overspending is acceptable and there are no sanctions for failure”. Mr Bowmer also warned that the impending crisis could place the council “at great risk in the future”.

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Max Caller stated that “Mr Bowmer’s letter was not treated as a wake up call”. Inspectors believe if the warning would have been heeded, “the council would not have to find £70m of savings this year”.

- Tony McArdle “It is abundantly clear that the warning signs for Northamptonshire were there and were recognised”.

NCC Independent Auditor's Report

13/14

KPMG: **Satisfied** in all significant respects, Northamptonshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2014

14/15

KPMG: **Satisfied** in all significant respects, Northamptonshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2015

15/16

KPMG: **Not satisfied** in all significant respects, Northamptonshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2015. The Authority did not have proper arrangements in place to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions in the year ended 31st March 2016

Culture



A group of moral principles or set of values that define or direct us to the right choice

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'the way we do things around here'



Definition of Good Governance

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'Doing the right things in the right way – putting the public interest in decision making at all times'

Definition

It means:

- **Reflecting the organisations values** – the principles and standards underpinning the way we interact with others to support excellent service delivery
- **Behaviour** – the way we conduct ourselves and act out those values as part of our day to day functions in business operations and service delivery (the 10 principles of public life). How this is perceived by colleagues, members of the public, partners, suppliers and the media
- **Good Governance** – achieving business success by having the good systems and processes in place to run the Council well

Definition- A Learning Culture

It means distinguishing between:

- **Simple mistakes or errors** – individuals should not be ‘blamed’ for things going wrong but they should be held accountable for their actions and learn from mistakes
- **Risky behaviour** – having a strong risk and control culture. Clearly understanding your risks and their potential impact. Where risk decisions need to be improved then individuals should be coached and educated to be more careful
- **Reckless behaviour** – systems and processes set up to encourage people to comply but where they deliberately override controls – action is taken

Definition – Just Culture

Human Error	At-Risk Behavior	Reckless Behavior
Inadvertent action: slip, lapse, mistake	A choice: risk not recognized or believed justified	Conscious disregard of unreasonable risk
Manage through changes in: <ul style="list-style-type: none"> • Processes • Procedures • Training • Design • Environment 	Manage through: <ul style="list-style-type: none"> • Remove incentives for at-risk behaviors • Create incentives for healthy behaviors • Increase situational awareness 	Manage through: <ul style="list-style-type: none"> • Remedial action • Punitive action
Console	Coach	Discipline/Sanction

What does good look like?

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INTERNATIONAL FRAMEWORK: GOOD GOVERNANCE IN THE PUBLIC SECTOR



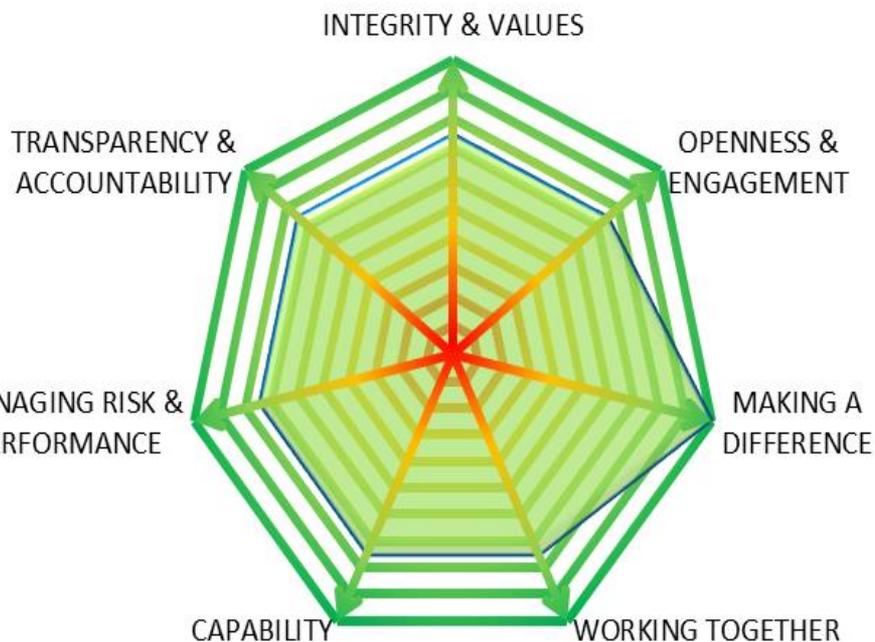
delivering good governance

in Local Government Framework 2016 Edition



Evidence demonstrating good governance

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Principle 1 - Integrity & Values	Substantial Assurance
Principle 2 - Openness & Engagement	Substantial Assurance
Principle 3 - Making a difference	High Assurance
Principle 4 - Working together	Substantial Assurance
Principle 5 - Capability	Substantial Assurance
Principle 6 - Managing risk & performance	Substantial Assurance
Principle 7 - Transparency & accountability	Substantial Assurance

Governance Review – Culture and Ethics - underway

- Will provide insight and assurance on culture and ethical framework – supporting success and good governance going forward
- Review Sponsor to help smooth the way – senior officer (Debbie Barnes) and member (Councillors Barry Young and Jackie Brockway)
- Survey – using results of staff survey and Councillor survey
- Data analytics to provide Corporate Health Indicators
- Discussions with key stakeholders
- Focus Groups
- Measuring Success - Maturity Model

Culture: Good Practice and Poor Practice

Good Practice

Behaving with integrity - Governing body members should behave with integrity. Each governing body should promote a culture where acting in the public interest at all times is the norm, together with a continuing focus on achieving the entity's objectives.

Demonstrating strong commitment to ethical values - Ethical values should permeate all aspects of a public sector entity's operation, and these values should underpin the personal behaviour of all governing body members and staff.

Respecting the rule of law - Public sector entities at all levels may be involved in creating, interpreting, applying, or enforcing laws. Such activities demand a high standard of conduct to prevent these roles from becoming tainted and losing their credibility.

Poor Practice (NCC)

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.

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.

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.

Accountability: Good Practice and Poor

Good Practice

Implement good practices in transparency - Public sector organisations should be open and accessible to its various stakeholders.

Implementing good practices in reporting - Reports should be written and communicated in an open and understandable style appropriate to the intended audience.

Assurance and effective accountability -Public sector entities are subject to standards statutes, regulations, governance codes, and statements of best practice—and must have effective arrangements for demonstrating adherence to them.

Poor Practice (NCC)

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.

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.

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 clear line of sight for accountability

Audit functions needed to be more effective – valued for assurance and improvements

Lack of compliance with financial procedures

CMB not working as a collective group on the financial position

Workshop

How can Members gain assurance over the Council's culture and values?

What do you need to see?

What questions could you be asking?

LCC Culture: Values and Behaviours

The council has adopted a number of important values and behaviours which apply to all who work for the council.

Professional

Respectful

Resourceful

Reflective

Conduct at Meetings

Induction for new members and staff on standard of behaviours

Effective Audit Committee

Effective Audit Functions

Codes of Conduct

Whistleblowing

Effective Scrutiny

Lessons Learnt - complaints acted upon

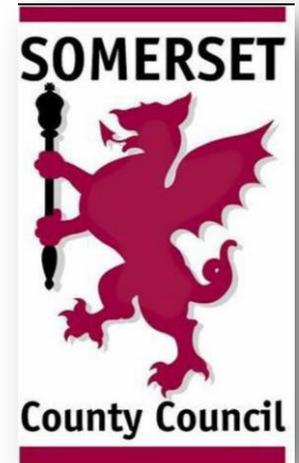
Legal advice welcomed

Do we live and breathe our values and behaviours?

Improvement Areas

- Outcome of Governance Review – Phase 2. Report should be published for the March 2019 Audit Committee
- Has the changes in scrutiny made a difference?
- Financial Procedures – clearer lines of accountability

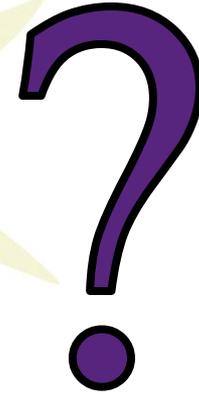
Councils under financial strain



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Thank you
Any Questions



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