

Wards affected:

General

Strategy Group – 12th January 2017

NCC Budget, MTFP and Council Plan Consultation

Corporate Issues

1. Purpose of Report

To propose a response to Northamptonshire County Council's (NCC's) consultation on its draft budget, medium term financial plan (MTFP) and Council Plan.

2. Advice

That it be RESOLVED:	<ol style="list-style-type: none">1. The draft consultation response to Northamptonshire County Council's (NCC's) draft budget, MTFP and Council Plan appended to the report be approved.2. That the Secretary of State for Communities and Local Government is called on to consider if he needs to intervene in the management of NCC under Section 15 of the Local Government Act 1999 to ensure that delivery of services critical to residents is not disrupted.
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3. Introduction

NCC is currently consulting on its draft budget for 2017-18, MTFP and allied Council Plan. Following the non-delivery of many of its savings proposals for 2015-16 and 2016-17, and continuing cost pressures, NCC faces major financial challenges.

It is thus making a number of proposals that have potentially significant impacts on Daventry District and this Council. It is therefore proposed to submit a response to this consultation, which closes on 24th January 2017.

4. Information

4.1 The consultation

NCC's consultation page for the budget and Council plan proposals is <http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/budgets-and-spending/Pages/draft-budget-and-council-plan-2017-18.aspx>. The details of the draft budget are given on the linked committee papers page, at item 06.

4.2 NCC's financial position

The draft response, in sections 2 and 3, outlines NCC's current and projected financial position. Due to a combination of failures to deliver previous savings and further cost pressures, NCC has great challenges in balancing its budget. It is also running its reserves at a very low level. The material is somewhat opaque, but it appears that NCC avoided running out of reserves this financial year through use of capital receipts on what it refers to as 'service transformation'. This would normally be unlawful, but NCC is taking advantage of a temporary permission from the Secretary of State for local authorities to use capital receipts in this way. Obviously, for this to continue to be of benefit NCC needs to continue to generate capital receipts and to have projects it can apply these to.

Overall the financial position can only be summarised as grave, with it being hard to escape the conclusion that NCC is at substantial risk of being unable to meet its financial obligations as they fall due i.e. technical insolvency.

It was the failure of NCC to have credible plans to balance its budget which caused its external auditors to give NCC a failure on its 'value for money' assessment. Since that time, NCC's own assessment of its ability to deliver its planned savings for 2016/17 has become slightly worse.

This conclusion about NCC's financial fragility applies now, and with greater force as time proceeds. Even assuming NCC was capable of delivering all the savings the draft budget projects, it has an unfunded deficit of £20.0m in the 2018/19 which continues in subsequent years. Apart from the general issues with delivering savings identified in section 2 of the draft report, specific concerns about the deliverability or impact (or both) of provided savings are outlined in sections 6 and 7 of the draft response. Of most obvious note, the proposed 'energy park' saving of £10.0m pa from 2019/20 is at least a year early, based on another report considered by the same Cabinet meeting.

This situation gives rise to challenges for DDC. Obviously, it can make a response to the consultation, and it is suggested this would be sensible. However, it also needs to consider what other steps would be sensible to protect the interests of the residents and businesses of the District. This is addressed further below.

4.3 NCC's proposals

NCC makes a series of proposals. For the most part these follow a familiar pattern of arguing that:

- NCC's service delivery will be more efficient, and costs better controlled, if it breaks its organisation down into a series of smaller parts (First for Wellbeing, Children's Trust, Northamptonshire Adult Social Services (NASS), etc.) with their own legal identity.
- Substantial savings can also be made by commercial trading, and that this also requires (generally legally separate) legal entities to conduct it.
- Particularly in the new Place Directorate, that having new commercial partnerships would be beneficial.

There is, of course, a range of other proposed savings but these are generally less significant. One proposal which NCC makes, for the abolition of this Council and all other district and borough councils in Northamptonshire, is discussed in more detail below.

4.4 Proposed consultation response

The draft response seeks to identify and address key issues of concern to Daventry District. This includes both direct service impacts and cases where proposals appear to be likely to be undeliverable or counter-productive and thus harm NCC's ability to deliver core services. Given the circumstances described in 4.2, the draft response also specifically addresses questions about NCC's financial stability.

The draft response has been shared with the other district and borough councils in the county and similar responses are expected to be made by each of them.

4.5 Unitary proposals

NCC proposes the abolition of DDC along with the other district and borough councils of the area. NCC would then take on the responsibilities, liabilities, assets and reserves of all seven abolished councils.

In considering this matter, it may be noted that Daventry District Council exists to serve the people of Daventry District, as directed by the democratically elected representatives of the adult population. It is therefore reasonable for any proposals for changes to government structures, including the Council itself, to be tested against the criterion of benefit, or otherwise, to the people of Daventry District. This is not the same as the Council seeking to protect itself; it may conclude that the District would be better served by a different local government arrangement.

For the reasons given in section 7 of the draft response, it is suggested that a unitary Northamptonshire would be (in summary):

- Inappropriate, as it would fail to reflect the very different needs, characters and identities of the different parts of the area, and would harm the functioning of democracy.
- Ineffective, in that it would not actually solve NCC's financial problems.
- Misdirected, as it would distract from the real challenge and goal which is the integration of health and social care.

Alternative suggestions are made in section 8 of the draft response. These focus on the integration of health and social care whilst reinforcing the genuinely local character of local democracy.

More generally, it is suggested that should NCC fail financially and be put into Government administration, it would be in the interests of the residents of Daventry District, and of all districts in Northamptonshire, for there to remain a functioning and effective layer of local government. Continuing district and borough councils would provide this.

4.6 Seeking intervention

As was mentioned in 4.2, careful examination of NCC's budget and MTFP suggests it is at substantial risk of being unable to meet its financial obligations as they fall due i.e. technical insolvency. Since local authorities are not permitted to become insolvent, this would inevitably trigger central Government intervention. This would probably be under Section 15 of the Local Government Act 1999, which provides for the Secretary of State to take over all or any of the affairs of a local authority which is failing in its best value duty. This is the mechanism used in Tower Hamlets and Rotherham, albeit the reasons for intervention were different in those cases. There are also specific powers relating to education and social services, which might be used in parallel.

However, having an intervention after a financial failure would be damaging for both residents of the area, whose services might be disrupted, and for its overall reputation. It would, therefore, be best avoided.

It is therefore suggested that the Secretary of State be asked to consider if he needs to intervene now, on the basis that the risk of NCC's financial failure is too high and needs to be avoided. It is recognised that this is an unusual and indeed undesirable step for one local government to take in relation to another, but it is suggested that the current circumstances are sufficiently unusual to justify it.

5. Implications

5.1 Financial – There are no financial implications arising from responding to the consultation. However, the choices NCC and the Secretary of State make have the potential for financial impacts upon DDC, hence the proposed response.

5.2 Personnel – There are no personnel implications arising from responding to the consultation. However, choices NCC and the Secretary of State make may ultimately have personnel impacts upon DDC, hence the proposed response.

5.3 Legal/Constitutional – The legal issues around intervention by the Secretary of State are outlined in the body of the report. Other than that, no specific action on DDC's part is proposed. If actions arose from any of the areas of discussion suggested, the implications of these would be considered at that time.

5.4 Environmental – There are no environmental implications arising from responding to the consultation.

5.5 Policy – The consultation response reflects DDC's policy aspirations, in particular the 'efficient and effective council' theme of the Corporate Strategic Plan. It also reflects many of the items in of the Community Strategy, perhaps most strongly the Key priority 'Health and Wellbeing'.

5.6 ICT – No new or modified DDC ICT would be required as a result of responding to the consultation.

5.7 Crime and Disorder – No crime or disorder implications would arise from responding to the consultation. However, the choices NCC and the Secretary of

State make have the potential for such implications, hence the proposed response.

5.8 Human Rights – Whilst NCC will need to consider the conformity of its proposals with Convention rights no issues are raised for DDC in responding to the consultation.

5.9 Equalities – No issues arise for DDC in responding to the consultation. NCC has published a number of draft equality impact assessments as part of the consultation. Some of these are rather sparse and in some cases their adequacy may be questioned given the scale of service changes proposed. However, other stakeholders are likely to be in a better position to comment than DDC.

6. Conclusions

NCC is making a set of proposals for its organisational future that reflect a very challenging financial position and which inevitably pose risks to the future of services for which it is responsible in Daventry District. There are also potential direct impacts on DDC as an organisation. It is therefore appropriate to make a response to the consultation, and to consider asking for the Secretary of State to assess if he needs to intervene to prevent NCC undergoing financial failure.

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Background papers:
None.

Previous minutes:
None.

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