

Progress Report

Northampton Borough Council

Audit 2007/08

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Background

- 1 In 2002, Comprehensive Performance Assessment (CPA) was introduced at single tier and county councils (ST&CCs) and at district councils in 2003/04, as a way of supporting councils to deliver improvements in services to local people.
- 2 Councils have prepared improvement plans following CPA and those councils classified as 'under performing' have received annual progress assessments by the Audit Commission. Those cases giving most cause for concern have also been the subject of formal engagement by the Communities and Local Government Department (CLG).
- 3 In March 2004 the Audit Commission published a CPA category for Northampton Borough Council. This assessment categorised the Council as 'poor'.
- 4 In June 2005 the Audit Commission published a progress report which found that the Council had made slow progress, and that services had not improved for local people. In March 2006 the Audit Commission published a second progress report which found that limited progress had been made and that the Council still had much to do including applying a greater focus on improving some of its weakest services.
- 5 In February 2007, the Audit Commission published a further progress report that found that the Council had made little progress since 2004 and had deteriorated in some key areas since the previous progress assessment. Its weakest services, whilst showing some improvement, continued to be among the worst in the country. Some key services, such as planning, had deteriorated.
- 6 The report made the following recommendations.

Recommendations
<i>R1 The Council must demonstrate stronger joint political leadership across all parties. The immediate priority for the strengthened leadership is to set a balanced budget for 2007/08 and ensure that this is delivered.</i>
<i>R2 The Council must ensure that it has effective managerial leadership which is critical to delivering the substantial improvements that must be achieved.</i>
<i>R3 The Council must urgently address weaknesses in the management and capacity in the finance function.</i>
<i>R4 The Council must strengthen its commitment to and engagement in strategic partnership working and co-operation with partners to develop joint delivery of services.</i>
<i>R5 The Council must continue to make improvements in service delivery. In the short-term the focus should be on delivering sustained improvements in housing, planning and benefits services.</i>
<i>R6 The Council must strengthen arrangements to secure the continuous improvement of services.</i>
<i>R7 The Council should take this report to an appropriate public committee meeting and share it with the Government Monitoring Board.</i>

- 7 On 30 March 2007 we set out the Audit Commission's proposals for monitoring progress against these recommendations. Minimum expectations of progress were set against each of the recommendations together with a timescale for assessing progress. These documents are attached as Appendices 1 and 2 and have been used to provide a framework for this progress check.

Our approach

- 8 The progress check took the form of an initial document review supported by interviews with key councillors and officers. The interviews took place on 4 and 5 July 2007. The focus was on the minimum expectations that the Council was expected to achieve by June 2007.
- 9 The findings of this brief assessment will contribute to the more detailed direction of travel assessment in autumn 2007.

Main conclusions

- 10 The Council has made adequate progress towards implementing the recommendations of the progress assessment published in February 2007, but the improvements are not embedded and the Council has still to show that they are resilient and will be sustained. The improvements are often not well evidenced and not all the recommendations identified as minimum requirements for this progress check have been met in full.
- 11 Progress against each recommendation is set out below.

R1 Political leadership

- 12 The Council is beginning to demonstrate stronger political leadership. This has been brought about mainly as a result of the May elections which saw one party gaining overall control of the Council. This party is the Liberal Democrats. There is some evidence of a greater degree of co-operation from opposition parties but there have been limited opportunities for the Council to demonstrate the strength of this commitment.
- 13 After the elections in May 2007, the Interim Chief Executive prepared a joint agreement which was signed by all three group Leaders. This set out basic principles for political co-operation to positively and proactively support, facilitate and progress the Council's improvement agenda. The agreement also set out a commitment to respect these principles and to not display behaviour that would undermine the principles.
- 14 Since the Liberal Democrats gained overall control of the Council in May changes to the Council's constitution have strengthened the role of the Leader and Cabinet to improve decision making and strengthen overview and scrutiny. These changes were agreed at full Council on 28 June 2007.

- 15 The Council set a balanced budget for 2007/08 which was agreed by full Council on 21 February 2007. This was identified as a key priority for strengthened political leadership. The potential shortfall in funding was met by efficiencies of approximately £2 million and savings of a further £4 million made up of reductions in service expenditure and a £0.8 million one-off use of reserves.
- 16 However, recent work by managers suggests that this budget may not be achievable. A report to Cabinet of 2 July 2007 forecasts an overspend of £963K unless immediate remedial action is taken. Work is underway to identify areas for further savings and to establish if there is likely to be a continuing impact of 2006/07 underspends in current and future financial years.
- 17 The Council has improved its financial capacity since the last progress assessment with the introduction and implementation of a new staffing structure. In addition its financial resources have improved by achieving significant contributions to earmarked and general reserves in 2006/07. The Council predicted in September 2006 an overspend on its 2006/07 budget of around £1.9 million, with mitigating action to be identified of up to £1 million to address the impact on reserves. The outturn as reported in the draft statement of accounts, after year-end transactions, is an overspending of £0.211 million resulting in the general fund non-earmarked reserves at the end of 2006/07 totalling £2.9 million.
- 18 Financial planning is improving but is not yet robust. Financial documents are difficult to interpret and the Council has not been focused in providing clear evidence to support its claims of improvement in financial monitoring and planning. It is difficult to see at a glance where efficiencies have been made or how implementation has taken place. There is no single detailed, agreed, robust project plan in place for the delivery of budget reductions and efficiency savings with clear financial targets, timelines and accountabilities. This information is contained in a number of documents, spreadsheets and cabinet reports and is difficult to extract.
- 19 There are clear arrangements in place to monitor the 2007/08 budget. The first report, due in May, was delayed due to lack of capacity and a strategic decision to use available financial capacity to close down 2006/07 accounts. However, the first budget monitoring report was reported to Cabinet on 2 July covering the first two financial monitoring periods of April and May. There is evidence that timely corrective action is being taken to address problem areas.
- 20 Better financial controls are having an impact on unbudgeted spending. Decisions that have financial implications not included in the budget now require agreement by the Section 151 Officer and the Council's Monitoring Officer as well as the portfolio holder. Standing orders have also been rewritten and consulted upon but not yet agreed by Council or fully implemented. Improved procedures for agreeing expenditure should further improve financial controls.
- 21 Plans are in place to improve budget monitoring further so that reports can be prepared at departmental management team level as well as for individual budget managers. This will enable Directors to have a better overview of spending within their departments.

R2 Managerial leadership

- 22 The Council has taken steps to ensure that it has effective managerial leadership. A review of senior management is currently under way aimed at ensuring the Council's senior managers have the necessary leadership capacity, skills and expertise. This review is being carried out by the Interim Chief Executive with external support and moderation and will be completed shortly.
- 23 A clear plan is in place for the recruitment to the Chief Executive's post. Arrangements have included significant involvement of stakeholders and partners. An Appointments Committee has been established and arrangements for selection and interviews have been finalised. A permanent Chief Executive is expected to be in post in October 2007.
- 24 Lines of accountability and responsibility are now much clearer to staff and managers. A new Management Board has been established to replace the previous rather large and unwieldy group. Minutes are taken and actions noted separately. These are reported and progress is tracked regularly. There is some evidence that this is having an impact and a more strategic focus is beginning to emerge.
- 25 The Council's Corporate Plan is not sufficiently robust to deliver sustainable improvements in services. The Council has produced a revised Corporate Plan covering the period 2007 to 2011 which was agreed on 28 June 2007. The Plan is based on what local people have said is important and sets out clearly the local context. It sets out how the Council will aim to deliver its part of the community vision for Northampton and sets this into the strategic context of other partnership activity such as work with the Local Strategic Partnership to contribute to delivery of the county-wide Local Area Agreement and delivering on the growth agenda in partnership with West Northamptonshire Development Corporation. However, whilst there are targets for 2007/08 these are not outcome focused, not prioritised and generally not quantified. For example the first priority is to improve the quality of the environment in which residents of Northampton live. The key action is to help local people feel safer and the measure is to reduce anti social behaviour and crime by March 2008. The plan does not identify the base line or the actual targeted reductions. This means that neither the Council nor local people will be able to measure the extent of improvement or achievement against this priority.
- 26 Service planning is not sufficiently robust to deliver sustainable improvements in services. Whilst service plans have been produced to agreed timescales, they are of variable quality. Value for money profiles have now been included and targets have been set to improve efficiency. Portfolio holders have not been engaged in the development of service plans and there are few links to strategic or policy development. Therefore their effectiveness in delivering the Council's overall policy priorities is limited. It is not clear how service plans are monitored or whether they are driving service improvement.

R3 Management and capacity in finance

- 27 The Council has taken swift action to address weaknesses in the management and capacity of its finance function. Recruitment to key posts in finance is now largely complete and the Council has been able to recruit strong professionals into key posts. This has enabled the Council to finalise the 2006/07 accounts on time and to produce the first budget monitoring report for the July cabinet.
- 28 The Council has put in place a robust strategy for addressing any under performance in the finance section. A competency review is underway. All finance staff will go through an assessment centre and learning and development targets will be agreed with each individual. Progress will be measured through the performance management system. This provides a clear framework for addressing competency issues.

R5 Improvements in service delivery

- 29 Service improvement plans for the three weakest service areas of Housing, Planning and Benefits are generally of a better quality than their counterpart service plans. However, links between the two are not always explicit and it is not clear how the two are used in tandem to drive service improvement.
- 30 The Council has made some improvements to performance monitoring. The frequency of performance reviews has been increased and new weekly performance meetings mean that dips in performance can be addressed more quickly. Lines of managerial accountability are becoming clearer but there is recognition within Housing and Planning services of a need for greater professional support and service leadership. This is being addressed through restructuring of the two services.
- 31 Performance trends are largely positive. However, there are dips in performance in the most recent report (May 2007) for some performance indicators which are not well explained by the explanatory notes. This limits the effectiveness of any challenge by councillors or the Management Board.

R7 Sharing recommendations of progress assessment

- 32 The Council has circulated the February 2007 Progress Assessment report widely within the Council. It was published on the Council's website on the day of publication and shared with the former improvement panel which included external representation.
- 33 The Progress Assessment report was formally accepted by the newly-elected Cabinet on 5 June 2007.

Appendix 1 – Proposals for assessing progress in 2007

- 1 The Relationship Manager set out the following expectations of progress that could reasonably have been expected by June 2007 in a letter to the Council dated 30 March 2007.
- 2 The purpose of this document is to set out the AC's proposals for assessing the Council's progress in 2007/08 and the minimum expectations of progress in the key areas identified in the Progress Assessment recommendations (Appendix 1).
- 3 The Commission will assess the Council's progress in 2007/08 in June 2007 and again in undertaking the Direction of Travel assessment.
 - The June assessment will mainly consist of checking that the Council is achieving progress in implementing the recommendations of the 2006 Progress assessment. This will as far as possible be completed by normal RM activity in monitoring the Council's actions, in close liaison with the Council's auditors, KPMG. Any necessary 'on site' activity will be kept to a minimum. The out put will be a short report, not for publication but shared with the Council and GMB members.
 - The Direction of Travel assessment will be undertaken at the same time as those for all other district councils. For NBC this will involve from three to seven days on site activity by one or two inspectors. The exact scope will be determined nearer the time of delivery. The assessment will include checking progress since the 2007 Progress Assessment (updated for the June 2007 review) and will specifically focus on action taken against the recommendations in that Progress Assessment. The output will be a report which will be made public in the Council's A&IL.
- 4 If the Commission's conclusion is that the Council is not achieving adequate progress against its duty of continuous improvement (under Part 1 of the Local Government Act 1999), in either of the assessments listed above, it will consider what further action might be appropriate. In serious cases of failure to improve one of the options available to the Commission is to make a referral to the Secretary of State under section 13 of the 1999 Act.
- 5 Other inspection activity in the course of 2007/08.
 - We will check progress in improving the Council's housing services in the autumn 2007. This will involve three to five days on site work by a housing inspector. The assessment will inform and its findings reported through the Direction of Travel assessment. The output will be a report which will be available to the Council and GMB members, but will not be published.
 - We plan to undertake a full inspection of the Council's waste and street scene services as part of our 2007/08 work with the Council. The date has yet to be negotiated with the Council. A full inspection report will be published in the normal way.

- The inspection work set out above will be set out in the Audit and Inspection Plan 2007/08 together with the work planned by the Council's auditors KPMG.
- An inspection of the Council's community safety services was planned in 2006/07 and was to take place in August 2007. The inspection was delayed with the agreement of the Council to avoid overlap with Home Office improvement work. It has now been agreed that this will not take place in August 2007. The timing of the assessment will be kept under review by the Relationship Manager and the Interim Chief Executive and will be discussed further once the outcomes and recommendations of the Home Office's work are known.

Appendix 2 - Minimum expectations of progress

- 6 The following sets out the Commission’s minimum expectations against the recommendations included in the Progress Assessment. The dates (eg June 2007 or Direction of Travel) are the dates when we will be assessing whether progress has been made.

R1	<p>The Council must demonstrate stronger joint political leadership across all parties. The immediate priority for the strengthened leadership is to set a balanced budget for 2007/08 and ensure that this is delivered.</p> <p>A clear joint agreement, post the elections, for political co-operation to deliver improvement and agreed arrangements in place.</p> <p>Co-operation is sustained and effective.</p> <p>A balanced budget for 2007/08 is set;</p> <p>A detailed, agreed, robust, project plan in place for the delivery of the identified budget reductions and efficiency savings with clear (financial) targets, timelines and accountabilities. Implementation will be underway.</p> <p>Clear arrangements in place for officer and member accountabilities for the delivery of the budget reductions and efficiency savings.</p> <p>Arrangements in place - and being actioned – to monitor the 2007/08 budget to ensure that appropriate action is being taken to deliver the budget. This will include clear reporting arrangements. There will be evidence already, if necessary, of timely and effective corrective action.</p>	<p>June 2007</p> <p>Direction of Travel March 2007</p> <p>June 2007</p> <p>June 2007</p> <p>June 2007</p>
R2	<p>The Council must ensure that it has effective managerial leadership which is critical to delivering the substantial improvements that must be achieved.</p> <p>A clear plan, which the Council has started to implement, for how it is going to ensure its most senior managers have the necessary leadership capacity, skills and expertise including:</p> <ul style="list-style-type: none"> • A clear, timed plan for the recruitment of the Chief Executive’s post, including how the Council will seek to ensure that it makes a sound appointment. • The Acting Chief Executive to assess the capacity and skills of the paid service and identify gaps and agree plans to address them. 	<p>June 2007</p> <p>June 2007</p> <p>August 2007</p>

	<ul style="list-style-type: none"> Evidence that actions agreed at SMT are actioned, reported back and have impact. Robust, SMART Corporate Plan and service plans for 2007/08 in place and in use. 	<p>June 2007</p> <p>June 2007</p>
R3	<p>The Council must urgently address weaknesses in the management and capacity in the finance function.</p> <p>A clear recruitment and retention plan which is being actioned urgently, plus robust contingency and short-term plans to ensure the 2007/08 budget and financial management processes are not compromised.</p> <p>Agreed strategy for dealing with any under-performance in the section and evidence that the activity is underway.</p>	<p>June 2007</p> <p>June 2007</p>
R4	<p>The Council must strengthen its commitment to and engagement in strategic partnership working and co-operation with partners to develop joint delivery of services.</p> <p>Evidence of increased engagement and the reputation of the Council amongst its partners will have improved.</p> <p>Evidence of active collaboration and participation with partners to deliver some services jointly.</p>	<p>DoT</p> <p>DoT</p>
R5	<p>The Council must continue to make improvements in service delivery. In the short-term the focus should be on delivering sustained improvements in housing, planning and benefits services.</p> <p>Coherent, SMART improvement plans in place for the three services identified above.</p> <p>Evidence of proactive performance monitoring and management processes for each service and clear lines of managerial accountability.</p> <p>Housing services improving.</p> <p>Planning services improving.</p> <p>Benefits Pis show consistent improvement trend as evidenced by 2006/07 outturn data plus part-year data at time of DOT assessment</p>	<p>June 2007</p> <p>June 2007</p> <p>DoT</p> <p>DoT</p> <p>DoT</p>
R6	<p>The Council must strengthen arrangements to secure the continuous improvement of services.</p> <p>Clear approach evident by 2008.</p> <p>Value for Money and VFM arrangements improving.</p>	<p>DoT</p> <p>DoT</p>

R7	The Council should take this report to an appropriate public committee meeting and share it with the Government Monitoring Board. Taken place or scheduled. AC's Relationship Manager notified.	June 2007
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