

Report of the Cabinet Member Resources and Asset Management

Introduction

I have been asked by Councillor Atkinson to report on:

'Will the Council provide a report on what went wrong at Conservative run Northamptonshire County Council, who issued a section 114 notice last Friday after warning that the demands of another five years of cuts was "getting towards the impossible" and for this report to advise what the lessons are that Devon County Council can learn from this.'

Response

On February 2nd the Chief Finance Officer of Northamptonshire County Council issued a section 114 notice under the Local Government Finance Act 1988.

A section 114 notice is served when it appears to the section 151 Officer (Chief Finance Officer) that the expenditure of the authority incurred or proposed to be incurred in a financial year is likely to exceed the resources available to meet that expenditure.

Once a section 114 notice is issued, then the full council must meet within 21 days to consider the notice and the council's financial position. Until that meeting takes place, then all new expenditure is forbidden unless it is for the protection of the vulnerable or for existing contracts, such as the payment of salaries and pensions. In practice restrictions may go on beyond the meeting date until a financial solution is found.

The issuing of a section 114 notice is a very serious and rare event. The council is in effect declaring that it has run out of money or will run out of money soon. It seems that the last section 114 notices were issued about 20 years ago by Hackney London Borough Council and Milton Keynes.

Northamptonshire issued a section 114 notice as in 2017/18 it is facing an overspend of £21.1million but has available reserves of only £12millions. The council is therefore in danger of ending the financial year with a negative general fund balance. From the outside, it is difficult to know if Northamptonshire County Council is the first of many councils who may find themselves in this difficult situation as years of austerity take their toll or whether this is a result of a set of circumstances unique to Northamptonshire.

Certainly, times have been hard for Local Government and it has been difficult to balance the books whilst still maintaining the fabric of essential services. Surrey County Council recently declared that it too was having financial problems and faced a budget gap of £105 millions. This was summed up in the Sunday Times headline of "Grab your leaf blower and prepare for the aposhcalypse, Surrey's gone skint". More seriously, Rob Whiteman, Chief Executive of the Chartered Institute of Public Finance and Accounting has said "this time next year I think that there could be another handful of councils in the position of insolvency. In two years it could be in double figures".

However, it would seem that Northamptonshire has had very low reserves for a number of years. It has ignored the warnings of External Audit and is currently the subject of a value for money inspection commissioned by Sajid Javid. Despite low levels of funding that go back years it has recently spent £53millions on new office accommodation. There has been much 'churn' amongst its key senior officers. It has placed faith in savings from a transformation programme called 'next generation' that have failed to materialise. So, are there any lessons that Devon County Council, or any Council, could learn from Northampton?

The following are suggested:

1. Make sure that your level of reserves is adequate.
2. Challenge the savings offered by transformation programmes, do not take them at face value and monitor their achievement.
3. Beware of large projects that involve new office buildings.
4. Try to make sure that you have a strong stable Chief Officer Team and a strong stable finance function.
5. Always keep an eye on the cash position.

Councillor John Clatworthy
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Resources and Asset Management