

Full Council (Extraordinary) Meeting

Thursday 30th August 2018

At 7:00 pm in the Council Chamber, The Cube, George Street, Corby.

Present:- Councillor Rahman (Mayor), Ferguson, Addison, P Beattie, T Beattie, Beeby, Brown, Butcher, Caine, Cassidy, Colquhoun, Dady, Elliston, Eyles, Goult, Keane, Latta, McEwan, McGhee, McKellar, McNab, Pengelly, Petch, Reay, Riley, Watt & Watts.

24. Apologies

Apologies were received from Councillors Rutt & Sims.

25. Declarations of Interest

Members were asked to declare any personal interests they may have in the business to be discussed and/or indicate whether this was prejudicial or non-prejudicial, the nature of any interest, and whether they intended participating in the relevant agenda item. No declarations were made.

26. Local Government Reform in Northamptonshire – Secretary of State Invitation

The Monitoring Officer brought Members attention to two sheets circulated prior to the meeting. The first, which had previously been emailed to Members, provided some minor typographical amendments to both the ORS Consultation Report and the Proposed Submission document. These were noted.

Also circulated were amended recommendations which would be moved and seconded during the meeting. Amended recommendation 1 read – “*that Council determines not to respond to the Secretary of State’s invitation...*” In the event of amended recommendation 1 being approved recommendation 2 printed in the agenda report would automatically fall. Agenda report recommendations 3 & 4 remained unamended. It was intended to take a vote on each recommendation individually.

The Director of Corporate Services introduced the report in the absence of the Chief Executive.

The report noted that on 27th March 2018 the Secretary of State for Housing, Communities and Local Government invited all eight principal councils in Northamptonshire to “*develop and submit locally led proposals for establishing new unitary authorities across the county which will be right for the communities and people they serve*”.

The Secretary of State’s invitation stemmed primarily from the well-documented severe financial and operational plight that Northamptonshire County Council (NCC) faced continued to face and was expected to otherwise face in the future. This plight had most recently been evidenced by the issue in July 2018 of a second Section 114 Notice by its Chief Financial Officer. These statutory Section 114 Notices added to reports on NCC’s financial arrangements by a Secretary of State appointed inspector (‘the Caller Report’) and

by its external auditors (KPMG). Following the Caller Report, the Secretary of State assigned commissioners in May 2018 to oversee the management and decisions of NCC.

After receipt of the invitation, and a series of county-wide meetings between Leaders and Chief Executives, some principal Councils considered reports at their Council meetings in Spring 2018 which asked them to agree to work up a high level draft submission that met the guidance set out in the invitation and to return to Full Council for further debate to determine whether or not to submit a formal proposal to Government.

A draft submission had since been prepared and the report before Members invited consideration of the whole matter by Council. The report sought to establish the Council's formal position on reorganisation as prompted by the Secretary of State.

Any proposal had to be submitted to the Secretary of State by no later than Friday 31st August.

The agenda papers before Members included a copy of the proposed submission "Northamptonshire Local Government Reform Proposal", the PricewaterhouseCooper's report "Northamptonshire area local government reform – outline approach" and Opinion Research Services (ORS) report "Future Northants Report of Local Government Reform Consultation".

The views of the county Chief Finance Officers (CFOs) were included within the report. The financial impact of a proposal for local government reorganisation in Northamptonshire was likely to be substantial and the associated risks significant. To assess the financial implications pwc were commissioned to provide an independent report on the proposal. pwc have worked closely with all eight CFOs in the councils across Northamptonshire who had jointly written and signed off the financial implications section of the report.

The main conclusions from a financial perspective in pwc's report were set out on pages 11-17. The financial modelling in the report showed potential transition and transformation savings of up to £12.1m and £51.6m per annum, respectively. The likely one-off costs to achieve these savings would be £29.9m for transition and £41.9m for transformation. Whilst these savings were projected to improve the financial position in Northamptonshire there was still a funding gap over the medium term. The CFOs from all councils in Northamptonshire had reviewed and challenged the figures, their timing and the underlying assumptions contained in the report.

There were a number of financial implications arising from the submission of the proposal to government. The key ones were:

The primary implication was that the model assumed all councils balance their budgets on a sustainable basis prior to the new unitary authorities becoming operational in April 2020. Currently Northamptonshire County Council (NCC) was forecasting a potential shortfall of £60-70m in 2018/19 and had issued a section 114 notice. In 2019/20 NCC had a further savings target of around £52m. The total NCC financial deficit could be £122m over the next 18 months against an annual net budget of £441m. The delivery of these savings through on-going means was essential to provide the new authorities with a sustainable financial position to start from and it was likely that the savings required to deliver this balanced position would overlap with the transformation activity proposed for delivering further savings

in future years. There was almost certainly likely to continue to be a funding gap once savings programmes had been delivered.

The cost of transition and transformation would need to be funded. The Proposed Submission recognised this as a challenge and councils would work with government to find a solution. If a solution to this were not found then the costs would need to be funded locally from any existing reserves, in-year savings or through Flexible Use of Capital Receipt. There was no certainty that local funds would be available to meet these one-off costs.

On the assumption the proposed move to two unitary authorities delivered the transition and transformation savings estimated there was still a funding gap in each year. It should be recognised the figures were at a point in time and would change. Further proposals would need to be implemented to deliver a balanced financial position.

The transition from eight to two new authorities would require the amalgamation, and in NCC's case the apportionment, of revenue budgets, capital programmes and the balance sheet (assets and liabilities) into those for the two new authorities. At this stage there was insufficient information available to fully assess the apportionment and amalgamation of costs, income, assets and liabilities.

The different levels of council tax in each of the seven Northamptonshire district and borough councils would need to be harmonised to one level, in each new unitary authority. The harmonisation of council tax would also need to include harmonisation of Council Tax Support. pwc had undertaken some initial modelling which was contained in the report before Members.

Northamptonshire was part of the SEMLEP Growth Area. The Proposed Submission recognised the funding challenges faced in growing areas, both the initial infrastructure costs and the on-going costs.

The Proposed Submission was being made at a time when there was uncertainty in the wider local government finance environment with the outcome of EU Exit, a Spending Review anticipated in 2019, the outcome of the Fair Funding Review expected in 2020, further changes to New Homes Bonus and the implementation of further reforms to Business Rates Retention from April 2020. Whilst all of these would impact on councils in Northamptonshire whether or not a proposal was made to government, it was not be underestimated the uncertainty this brought.

Further significant work to assess the detailed financial implications would be required if the Proposed Submission was submitted and accepted by government. CFOs would continue to work together on the financial implications as part of any transition process to new authorities.

The report summarised, it is clear from the pwc report that a unitary proposal would not solve the financial sustainability of local government in Northamptonshire on its own.

The report from pwc demonstrated the Proposed Submission contributed to reducing, but not eliminating, the funding gap. CFOs in all councils were broadly comfortable with the financial assumptions made by pwc in their report, which underpinned the Proposed Submission. It was stressed that these numbers were likely to be refined over time.

CFOs recognised the number and level of significant financial risks set out elsewhere in the report. CFOs advised that specific attention was given to these financial risks, including the importance of developing and implementing mitigating actions to these and any further financial risks that emerged.

CFOs believed it was essential Government worked with the councils to find a solution to the funding challenges and all councils, particularly NCC, deliver sustainably balanced budgets prior to 2020 to ensure the future financial stability of the new councils.

Aside from the assessment of pwc's modelling, as noted elsewhere in the report, indications from an area undergoing reorganisation from two tiers to unitary authorities suggest that it was wise for the Council to budget for up to £500,000 for the next steps. This was a best estimate. This amount was based on equal sharing between county local authorities of the overall costs (indicative £4m). It was being proposed that these costs be met from existing budgets and/or reserves.

Councillor T Beattie opened the debate on the report. Councillor T Beattie started by praising the local media on its coverage of this topic and keeping the public informed.

Councillor T Beattie catalogued the growing financial crisis at NCC and the key events which had resulted in Corby Council needing to consider the report before Members. There had been a lack of political leadership and mismanagement at NCC coupled with under funding from Government. There was increasing demand on local services which could have been forecast.

Councillor T Beattie was concerned for future service delivery within the county. This matter was not about self-preservation and the future of Corby Council; he had no difficulty with the concept of a unitary authority. This was about protecting services and facilities for local residents. The unitary proposal before Full Council would not be a "*panacea for the ills of the county*". There needed to be a wider review of funding for health and social care.

Councillor T Beattie reminded Members of his letter to the Secretary of State earlier in the year. In that he [Councillor Beattie] expressed the view that local residents would wish to retain its local Council. Since that letter, Corby Council had worked with its partner authorities to consult local people and develop a proposal within the narrow criteria set by the Secretary of State.

Both the ORS and particularly Corby Council's own consultation exercises had shown a clear majority of respondents wishing Corby Borough Council to be retained. The Council needed to reflect the wishes of local residents in not supporting the tabled proposal, but given that already five other local authorities in the county had approved the proposal, there was a need to be pragmatic. The proposal would be forwarded to the Secretary of State; as such there was a need for Corby Council to consider how it was going to engage going forward.

Councillor T Beattie explained that there was a need for Corby Council to allocate resources and staffing to working with other local authorities on the preparatory phase of the exercise, ahead of the likely establishment of a shadow authority from 1st April 2019. It was important that Corby's voice was heard.

Councillor T Beattie raised concern that the proposal was not financially sustainable without Government money and represented a loss of local accountability and threat to local services.

Councillor T Beattie MOVED the amended recommendations. Councillor Addison SECONDED the amended recommendations.

Councillor McKellar stated that there was enormous pride in Corby and its recent achievements. The governance solution being proposed would not deal with the inherited debt from NCC. The proposed new unitary councils were not the answer. Residents in Corby had clearly expressed their views and those needed to be fully taken into account. Corby had a different history, culture and demographic to its neighbouring towns; this would be lost within a unitary structure. Councillor McKellar stated that he would be voting against the unitary proposal.

Councillor Butcher felt that the whole process was undemocratic with districts being dictated to by Government. Residents in the borough were not in favour of a unitary council. The new councils would be saddled with debt. Local residents had already paid for NCC services and were being told to pay twice. Councillor Butcher thanked the Leader and the Deputy Leader for the work they had undertaken on this matter.

Councillor Reay was sad at having to contemplate the abolition of Corby Council. Councillor Reay stated that Corby Council was financially solvent and was delivering good services to the local community. There was an enormous amount of local pride in the regeneration of Corby and the facilities provided. This situation was no fault of Corby Council but due to financial mismanagement of NCC and years of Government decreases in money to local government. NCC had set low council tax increases over many years which eroded their base budget, storing-up financial problems. Councillor Reay drew attention to the current wave of NCC cuts in libraries, buses and adult social care provision. Residents and taxpayers deserved better.

Councillor McGhee suggested that this was the "*death of real local democracy*". The NCC political administration had been warned over a number of years that NCC was becoming financially unsustainable. Councillor McGhee stated that he could not support the unitary proposal but recognised that Corby Council would need to work with partners going forward. Councillor McGhee stated he would be supporting the proposed allocation of resources and participation in preparatory phase working with other local authorities. It was important that Corby's interests were protected and there needed to be a good outcome for local residents. Councillor McGhee reminded Members that Corby Council still would have work to do over the next two years, providing services and serving local residents.

Councillor Keane felt that Corby had witnessed a number of successes and achievements. District councils across the county had been successful. Corby Council was "*local government done right*". The county's residents would be paying for the mistakes made at NCC.

Councillor Dady raised concern regarding the proposed allocation of £500,000. Councillor Dady felt that these resources could be used within the borough on services and continuing regeneration.

Councillor Brown expressed her pride in Corby and what it had achieved over the years. It was important going forward that Corby's voice was heard and local resident's services protected.

Councillor Cassidy was concerned that there was only one option dictated by Government. A combination of NCC mismanagement and Government austerity measures had led to this situation. The 2-unitary option was not credible. The overwhelming response from local residents in Corby was against the unitary option.

Councillor P Beattie raised concern that Corby's local Member of Parliament was not present. Councillor P Beattie felt that it would have been appropriate for Tom Pursglove MP to attend.

Councillor Watt felt that it was important that any new council started on a sound financial footing. He raised concern regarding the debt to be carried forward from NCC to the two new unitary authorities. Councillor Watt felt that housing and Culture & Leisure needed to be protected in Corby. Corby's representatives needed to continue to play a full part going forward.

Councillor McKellar again expressed his support for the amended recommendations. It was clear that NCC had made mistakes and had eroded their financial reserves.

Councillor Petch felt that local residents would appreciate where the blame for the financial crisis lay. Residents deserved better. Local council assets and financial reserves were at risk. Local people may lose their jobs and careers. It was important that Corby Council were involved in future discussions on service delivery and future local authority structures. Councillor Petch stated that he would not support the unitary option but recognised the need for Corby "*to be at the table*" protecting local interests.

Councillor Butcher also queried that absence of the local Member of Parliament, who had been in Corby earlier in the day. Councillor Watts indicated that in her recent discussion with Tom Pursglove MP he had indicated that he was keen to assist the Council going forward to ensure inward financial investment continued and local government in the county was provided Government assistance.

Councillor Watts expressed her sorrow that the Council had found itself in this position, through no fault of its own.

Councillor McGhee stated that there was a lack of Government funding combined with NCC mismanagement of resources. Councillor McGhee highlighted the role of local Members of Parliament who had voted in favour of reduced funding to local government.

Councillor Pengelly reminded Members of NCC's mismanagement of services and resources. Services had been outsourced, failed and subsequently brought back in-house. Money had been lost on failed projects.

Councillor Pengelly felt that going forward it was important that all Corby Borough Members were kept updated on the preparatory work ahead of any shadow authority being established on 1st April 2019. Councillor Pengelly suggested that this could be achieved through a standing item on One Corby Policy Committee agendas.

Councillor Caine expressed her deep concern on the potential impact of future financial cuts on youth services. There had already been a reduction in funding and Councillor Caine felt that it was important that services to young people were not reduced further.

Councillor P Beattie felt that the local Member of Parliament should have attended, but noted his comments forwarded by Councillor Watts. Councillor P Beattie hoped that Tom Pursglove MP would use his influence to ensure that Corby obtained a fair deal.

Councillor Eyles expressed his pride in Corby and the Council for what it had achieved. Councillor Eyles drew particular attention to the social housing built and the investment made in leisure facilities. He had deep concerns regarding the future and whether a new local authority would continue with the development and regeneration programme. The debt from NCC would be "*hanging over*" the new authority. Councillor Eyles was concerned regarding potential asset stripping to meet the NCC debt. Councillor Eyles suggested that "*it could devastate Corby*". Councillor Eyles reminded Members that Corby attracted visitors from outside drawn to the town's leisure and shopping facilities.

Councillor Riley had seen Corby grow and develop. Local residents and the Council could be proud of how the local community had come through difficult times and had a town which was growing and with excellent facilities. Corby Council was paying the price for others failure.

Councillor Beeby gave his full support to the leadership and to officers. Corby Council had come through difficult times and had previously had to make difficult decisions. These had laid the foundation for recent success, growth and regeneration.

Councillor Pengelly was keen to ensure that adult and young people's social care was retained in-house, with clear political control by the two new unitary authorities. Outsourcing should be avoided.

Councillor Pengelly also suggested that the Council should not rule out a legal challenge against the Government. The process being forced on local authorities within the county was unfair.

Councillor McNab stated that NCC mismanagement and the Government's austerity agenda had led to this situation. Councillor McNab was concerned that there was not enough detail in the report, regarding how the new authorities would function. Councillor McNab also supported the idea of looking at whether there were any opportunities to challenge the Government through the courts.

Councillor McKellar again stated that he was opposed to the unitary option but recognised it was likely to become a reality. Councillor McKellar reminded Members that if Corby Council voted not to support the proposal the Secretary of State was required to consult. This consultation needed to be monitored.

Councillor McGhee suggested that there was likely to be significant increases in Council Tax going forward once the new unitary authorities were in place.

Councillor Latta moved to conclude the debate and move to a vote.

Councillor T Beattie concluded the debate reminding Members that it was important that Corby's voice continued to be heard and local residents represented. Councillor T Beattie noted Member's views. The financial crisis was the result of action and/or inaction on the part of NCC, Government and local county Members of Parliament. There was a lack of financial stability going forward.

Members agreed that a recorded vote be taken on each recommendation. It was noted that if the amended recommendation 1 was approved, the report's recommendation 2 would automatically fall. The remaining two recommendations would be voted on individually.

RESOLVED that:-

- i) Council determines not to respond to the Secretary of State's invitation;

those voting in favour - Councillors Addison, P Beattie, T Beattie, Beeby, Brown, Butcher, Caine, Cassidy, Colquhoun, Dady, Elliston, Eyles, Ferguson, Goult, Keane, Latta, McEwan, McGhee, McKellar, McNab, Pengelly, Petch, Rahman, Reay, Riley, Watt & Watts. There were no votes against and no abstentions.

- ii) Subject to the submission of "Northamptonshire Local Government Reform Proposal" by any council, Council endorses the Chief Executive's deployment of resources required to progress work on the next steps including those ahead of any decision by the Secretary of State, up to a maximum of £500,000 to be taken from existing budgets and/or reserves; and

those voting in favour - Councillors Addison, P Beattie, T Beattie, Beeby, Brown, Butcher, Caine, Cassidy, Colquhoun, Elliston, Eyles, Ferguson, Goult, Keane, Latta, McEwan, McGhee, McKellar, McNab, Pengelly, Petch, Rahman, Reay, Riley, Watt & Watts. Councillor Dady voted against; there were no abstentions.

- iii) Subject to the submission of the "Northamptonshire Local Government Reform Proposal" by any council, Council approves the interim governance structure of a Northamptonshire Central Programme Team overseeing a West Northamptonshire Project Board and a North Northamptonshire Project Board for the preparatory phase leading up to shadow authorities.

those voting in favour - Councillors Addison, P Beattie, T Beattie, Beeby, Brown, Butcher, Caine, Cassidy, Colquhoun, Elliston, Eyles, Ferguson, Gault, Keane, Latta, McEwan, McGhee, McKellar, McNab, Pengelly, Petch, Rahman, Reay, Riley, Watt & Watts. Councillor Dady voted against; there were no abstentions.

27. Close of Meeting

Meeting closed at 8:22 pm.