Financial failure and corporate intervention at Northamptonshire County Council: A sorry saga but not a surprise

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Abstract

This paper examines the recent financial and corporate delivery history at Northamptonshire County Council. Drawing on institutional isomorphism, it demonstrates long-term inadequacies in the governance and management of the council and weaknesses in its collaborative working with key partners including the district councils in Northamptonshire. These contributed to the government's subsequent decision to reorganise local government across Northamptonshire and helps explain why this radical intervention in local democracy uniquely generated comparatively little public or political opposition.

Key Words: Financial and service failure, local government reorganisation, Northamptonshire County Council.

1. Introduction

The purpose of this paper is threefold. Firstly, it will apply institutional isomorphism to examine the antecedents to the issuing of two notices under Section 114 of the 1988 Local Government Finance Act by Northamptonshire County Council (NCC) in 2018 and the subsequent interventions by central government. A Section 114 notice is a legal requirement to report in the public interest, where a local authority fails to set (or is likely to fail to set) a balanced budget. As a result of these notices the government investigated the financial arrangements of NCC and instigated a corporate inspection under section 3 of the local Government Act 1999. Second, the paper examines how and why the government responded to the notices and inspection report and decided to re-organise the whole of local government across Northamptonshire rather than focus on the County Council which was the organisation responsible for its own financial inadequacies. All previous government interventions have focussed exclusively on the responsible authority. Finally, it provides insight as to why the case generated comparatively little public or political opposition to this radical intervention in local democracy, when previous interventions and local government reorganisations have been highly contested and strongly resisted.

1.1 Background and Context

Central government interventions in local democracy are a controversial issue with constitutional implications for the relationship between central and local government, although there is relatively little recent public management literature on this phenomenon, (Turner et al. 2004; Andrews et al 2006). Historically, prior to the turn of the century, interventions generally resulted from scandals or financial collapses or a combination of both (Campbell-Smith 2008). However, following the establishment of the Audit Commission in 1983 and the creation of performance management regimes across public services, central government interventions also resulted from performance management inadequacies and the failure by local public service providers to facilitate continuous improvement in their services to the public. These performance interventions, which were authorized under Section 3 of the Local Government Act 1999, were prominent during the New Labour administrations from 1997-2010, although the numbers noticeably decreased after 2005. Since 2010, under successive coalition and conservative administrations, interventions have generally, although not exclusively, been the result of service scandals with most of these involving social services or children's services e.g., Birmingham, and Rotherham (Kershaw 2014; Jay 2014), but all undertaken using the powers introduced by the 1999 act.

The intervention in NCC was triggered by the council issuing two Section 114 notices under the Local Government Finance Acts. All previous interventions, in local authorities focussed on the turnaround or recovery of the "failing" organisation. In Northamptonshire uniquely (at the time) it resulted in the reorganisation of local government across the county from a two-tier system of a county council and seven districts into a unitary system of two authorities. Over the previous ten years, responsibility for the Police and the Fire and Rescue Service have also been transferred from NCC to the Northamptonshire Police, Fire and Crime Commissioner (Home Office 2018).

Local Government intervention and local government re-organisations are usually very controversial issues yet in Northamptonshire they have generated relatively little public or political opposition. This paper explores the antecedents to these initiatives in order to provide some insight and explanation to why this has been the case.

After a long period of increasing financial support, the Local Government Sector experienced significant reductions in central government financial support between April 2010 and March 2018, estimated at 49.1 per cent in real terms (NAO; 2019). At the same time, the government restricted Local Authorities' (LAs) ability to raise council tax beyond proscribed levels despite the widening funding gap (MHCLG Select Committee 2019). During this period, service pressures were increasing from both a continuous increase in LAs' responsibilities and from increasing service demands (Murphy 2023).

2. Northamptonshire's Section 114 Notices

In 2018, NCC issued two notices under Section 114 of the 1988 Local Government Finance Act. They were the first council to issue a notice for nearly twenty years. NCC had depleted its reserves to such an extent that it would not have the resources to meet expenditure commitments and balance its budget in the 2018/19 financial year. The Government commissioned an independent consultant to investigate the council's financial affairs. The subsequent report concluded that NCC had "failed to comply with its duty under the Local Government Act 1999 (as amended) to provide best value in the delivery of its services" primarily because it "lost budgetary control and appeared to abandon strong and effective budget setting scrutiny" (Caller 2018 p1).

Although the inadequate financial controls were entirely the responsibility of NCC, the inspection report also suggested that local government across Northamptonshire should be re-structured and two new unitary councils created from the County Council and the seven district and the Secretary of State should give serious consideration to whether Commissioners should take over the running of all services "save planning" currently provided by NCC (Caller 2018 p2).

The financial position deteriorated further, and in July 2018, NCC issued a second 114 notice after a budget shortfall of £70m was identified for 2019/2020. Following a statutory consultation exercise the government announced the council would be abolished and commissioners appointed to run the county council until new unitary arrangements could be established across the County (MHCLG 2018).

The government agreed with the creation of two new unitary authorities; and that the West and North Northamptonshire UAs, were to be established by April 2021. The West Northamptonshire UA would oversee Daventry, Northampton, and South Northamptonshire administrative areas, whilst North Northamptonshire would cover Corby, East Northamptonshire, Kettering, and Wellingborough (HMG 2019). In 2019, the government allowed NCC to increase its council tax by 5%, to aid its recovery.

The external monitoring and reporting of NCC's financial and service delivery performance had been the responsibility of the former Audit Commission from its establishment in 1983. However, following the change of government in 2010, the Inspection and reporting arrangements for individual Local Authority's ceased after the government announced the abolition of the Commission and the introduction of a new performance management regime known as Sector Led improvement (DCLG 2010; LGA 2011). From 2011-2015, the Commission with greatly reduced staff were effectively dealing with legacy issues. However, the National Audit Office (NAO) only formally took over responsibility for monitoring and reporting on local authority financial issues in 2015 (NAO 2015a), although it already had responsibility for overseeing DCLG, the central government department primarily responsible for Local Government (NAO 2019).

3. Institutional Isomorphism

Although NCC, and its district and borough councils, have now been replaced by two unitary authorities, throughout the period of this study it operated alongside its county council peers in the institutional setting of local government. This institutional setting, despite having different organisational forms, is largely homogenous in terms of the way it is funded, regulated and the nature of the services it provides. One way of examining NCC's experience, therefore, is through the conceptual lens of institutional isomorphism (Frumkin and Galaskiewicz 2004).

Comprehensive Performance Assessment (CPA), as with other performance measurement regimes, represent a constructed view of relative organisational performance (Osborne et al. 1995). As such the ways in which councils responded to such regimes can be seen from an institutional isomorphic perspective. Such theoretical interpretations have been used in the past to explore the development of new public management (NPM) (McSweeney and Duncan 1998), local government modernisation (Wayenberg 2006) and political decision-making (DiMaggio and Powell 1991). Change often results in the development of a high degree of homogeneity across organisations over time and can arise due to three potentially interrelated and dynamic mechanisms: coercive, mimetic, and normative isomorphism (DiMaggio and Powell 1991).

Coercive isomorphism implies the presence of some external force or organisation (a higher level of government for example or the imposition of CPA) and may be both formal and/or informal. In many ways, the regulation-heavy context of local government may be regarded as a largely coercive environment (Pilcher 2011), but does not preclude the existence of the other two mechanisms (Currie 2012). Mimetic isomorphism uses the modelling (or benchmarking) of other organisations within the field to initiate innovation, whereas normative isomorphism results from the gradual learning/improvement of an organisation or service over time.

Local authority performance could therefore be potentially linked to one or all of these isomorphic mechanisms, especially if changes appear to occur generically. Furthermore, isomorphism could be the result of individuals or organisations responding rationally to uncertainty; to sanctions or constraints; or to institutional rewards both financial or regulatory leading to intra-organisational homogeneity (DiMaggio and Powell 1991). This could also reflect the impact on the respective isomorphic mechanism, or combination of mechanisms, followed by an individual organisation. Given that the CPA regime included both incentives for improving performance and sanctions for poor performance, such an approach is useful and can be extended to the post-CPA era where arguably some of the extant coercive levers were largely removed by the incoming coalition government. Despite the onset of austerity and funding cuts during this time, local authorities allegedly had greater freedoms to exercise local choice under the localism agenda.

Another facet of isomorphism is the extent to which it legitimates organisational actions and decisions within the institutional framework, something that also links it to the public value literature (Moore 1995). This is particularly important in the local government context both under the duty of best value, but also with the potential of sanctions. In this regard, important considerations relate to the extent to which organisations make isomorphic or non-isomorphic responses (George et al. 2006) with the former being regarded as more legitimising than the latter. However, in relation to performance management in particular, the complexity within institutional fields is often overlooked (Modell 2019) which may have an impact on the extent to which isomorphic responses occur, especially as individual local authorities will have different constituent stakeholder groups, history, wealth, and politics.

4. Methodology

This paper adopts a case study approach based upon publicly available archival data including government, audit and inspection reports, the Councils accounts, peer assessments and other reports issued by NCC, in order to examine the background, financial history and antecedents of NCC and the issuing of the Section 114 notices. It examines NCC's organisational and financial performance and the external arrangements that were intended to ensure NCC met its financial and fiduciary duties and provide the government and the public with the assurance that public money was being appropriately spent in the public interest. It identifies prior indications or signs of weakening financial performance at NCC and explores the effectiveness of the external assurance arrangements in place at the time.

The documentary evidence has been supplemented by 6 interviews with the former 'Northamptonshire' team from the (former) Government Office in the East Midlands (GOEM). The team were disbanded when the nine Regional Offices were closed in 2011. They were previously responsible for liaising and negotiating on behalf of central government departments with all organisations (public, private and third sector) in the Northamptonshire area and negotiated the Local

Area Agreements, provided support for the growth agenda and represented central government during intervention initiatives.

The paper draws inferences from existing academic and official literature to compare and evaluate NCC's experience in two periods. It evaluates the council's service delivery and financial performance in the period from 2002 up until the general election of 2010 when the performance management and monitoring arrangements for local authorities where focused around the Comprehensive Performance Assessment and Comprehensive Area Assessment (CPA/CAA) regimes co-ordinated by the Audit Commission (Campbell-Smith 2008). It also analyses NCC's service delivery and financial performance after the general election when the performance management and monitoring arrangements for local authorities was focused around the Sector Led Improvement regime, co-ordinated by the Local Government Association (LGA 2011; Murphy and Jones 2016; Ferry et al.2019).

These two phases help to establish the financial position of NCC in the period immediately before the issuing of the notices which has been the focus of the research, literature, and media interest about the case to-date. The paper demonstrates that long term inadequacies in the governance, management, service delivery, internal and external assurance arrangements, and the external support the council received needs to be appreciated if a full understanding of the nature and causes of the financial failure at NCC is to be realised. This will also explain why proposals for the radical restructuring of local democracy, service delivery and public assurance across Northamptonshire generated relatively little public or political opposition.

The paper contributes to the growing *'performance and financial management'* literature and to the emerging policy debate on local authorities in financial distress (Murphy 2023) by arguing that long-term inadequacies should be appreciated to gain a true understanding of the nature and causes of the financial failure at NCC. It seeks to do this through the lens of institutional isomorphism. As such it contributes to the limited academic literature on government intervention and the strategic turnaround of poorly performing local authorities and potentially to the development of future local and national policy on public service reform and the emerging concepts of financial resilience and financial vulnerability (Barbera et al. 2023).

5. Northamptonshire CC 2002-2010

In 1999, the Local Government Act introduced the best value regime which placed a new duty on local authorities to facilitate the continuous improvement of all their services and activities and confirmed that value for money was to be determined with reference to the economy, efficiency, and effectiveness by which authorities delivered their services. Comprehensive Performance Assessments was a performance measurement and improvement system that involved bringing together all performance information (performance indicators, self-assessments, external inspection reports and plan assessments and classified individual authorities on a five-point scale from poor through weak, fair, and good to excellent.

Prior to 2002, NCC had never stood out as a strong performer, nor was it one of those authorities that the Audit Commission or other inspectorates had highlighted to government as of corporate concern. It was however notable for being only the second council (after Lincolnshire County Council) to outsource significant amounts of its corporate back-office services to a private company (Hedra), created out of Lincolnshire County Council's support services in 2000.

> "At the time both Northamptonshire and Lincolnshire had been demonstrably poor at direct delivery of financial and back-office services, what made them think that they would be

experts at commissioning and controlling the outsourcing of such services? It may have been a desire to be innovative but arrogance and an uncritical prejudice towards market solutions was undoubtedly part of the delusion."

(Official 1. Government Office East Midlands).

In December 2002 when the first CPA results were published, NCC was classified as a weak authority having scored weak for its service delivery and weak for its 'ability to improve' placing it 136th out of the 150 single tier and county councils (AC 2002a). It also scored weak for its 'Use of Resources' which at that stage was a judgement from its external auditor. Table 1 shows the overall category 'scores' for all county councils throughout CPA.

Table 1to be inserted here

Although the government formally intervened and appointed Lead Officials and Monitoring Boards to facilitate the strategic 'turn around' of the thirteen authorities in the 'poor' category, and two in the 'weak' category in the first year (2002/2003), Northamptonshire CC was not subjected to the formal intervention established for failing or significantly underperforming local authorities (AC 2002b; Murphy and Jones 2016; Hammond 2018).

In this regime, Lead Officials (with senior experience in local authorities) were appointed by the government and reported directly to designated ministers on a case-by-case basis. They were aided by monitoring boards which had a core membership from the IDeA and the Government Offices and complemented by officers and politicians from other local authorities, the Audit Commission and other improvement agencies thus enabling them to utilise all three types of institutional Isomorphism in appropriate circumstances.

In December 2003, the Commission reported that overall, councils were improving because 26 out of 150 single-tier and county councils had improved by at least one CPA category, compared to just 9 that had reduced by a category (AC 2003). NCC however, remained in the weak category although its Use of Resources score had improved to 3. In the final year of the first iteration of CPA single tier and county councils continued to improve and in 2004 fifty-two councils improved sufficiently to move up at least one category which was twice as many councils as the previous year. This included NCC which went to 'fair' principally because of an improvement in the 'Use of Resources' score (AC 2005a).

The second iteration of CPA was being developed for single-tier and county councils during 2005 (AC 2005b) but before that had been resolved in September 2005, the commission published its CPA results for district councils which had been carried out over 2003 and 2004 (AC 2005c). The performance of the district councils is of significance because the subsequent local government re-organisation implemented following the Section 114 notices included all seven of the district councils.

In 2003/2004, District Councils were assessed on their services, use of resources and corporate performance. At this stage it is worth noting one characteristic about the structure of local government in Northamptonshire at that time. Northamptonshire had the greatest number of the smallest category of district councils namely those that served a host population of 85,000 or less. Six out of the seven districts in Northamptonshire fell into this category, the highest concentration of small districts in the country. The remaining council Northampton Borough Council had a population of over 200,000 which was almost 40,000 more than the next largest district council at the time.

When the District Council scores were published that there was a disproportionate number of small district councils in the poor and weak categories (AC 2005c). Northampton BC was also one of only nine districts categorised as poor while Corby BC was categorised as weak. By the end of 2004 the intervention arrangements for district councils included councils that were referred to as the 'weak weaks' whose capacity and efforts at improvement were deemed inadequate. Corby as well as Northampton were subjected to formal intervention and Lead Officials and Monitoring Boards appointed to oversee their improvement. Corby's recovery was short, and it was taken out of intervention relatively quickly and by 2007 it was a 'good' authority. In contrast Northampton BCs intervention was the second longest intervention ending only in 2008. By 2009, Wellingborough DC, which had an excellent rating in 2004, had deteriorated to weak, the largest fall in the performance of any district that was recategorized (AC 2009a).

In 2005 a new tougher and more comprehensive CPA regime was rolled out for Single Tier and County Councils to be followed in 2006 with a new version for district councils. By this time there was considerable collective buy-in from the sector as the government, the regional offices, the local authorities, the LGA and the inspectorates and regulators were all contributing to the general 'improvement' infrastructure and support, as well as to the intervention arrangement in poorly performing councils. They deployed all three types of institutional isomorphism as they collectively provided, commissioned, or facilitated databases and intelligence, peer support for both elected members and senior officers and improvement grants to councils. They were all active in Northamptonshire and available to NCC and the districts as part of the improvement regime.

However, in Northamptonshire, if there was one major issue that rivalled the publication of local inspection results in the local media it was the 'growth' agenda and major new development proposed for the county. The Regional Planning Guidance (DETR 2001) had identified Northamptonshire as suitable for its 'high growth' scenario with major locations for growth in dwellings, industry, and infrastructure. The Corby/Kettering/Wellingborough area was to accommodate an additional 34,000 new dwellings and Northampton an additional 30,000.

It quickly became apparent that the local authorities in Northamptonshire, left to their own devices, would not be willing or indeed capable of delivering this level of new development. A Milton Keynes and South Midlands Strategy (Government Offices East, East Midlands and South-East of England 2005) and a strategic implementation board initially chaired by the Deputy Prime Minister established a North Northamptonshire Development Company and the West Northamptonshire Development Corporation which were funded to help the county and district planning authorities deliver the growth agenda.

> "Once the development corporations became established, strategic, and local planning was gradually transferred away from the county and districts and the service improved".
>
> (Official 2 Government Office East Midlands).

The geographical areas of these two development areas were co-terminus with the district council boundaries of Corby, Kettering, Wellingborough and East Northamptonshire in the north, and Daventry, Northampton and South Northamptonshire in the West. They would later be the proposed boundaries of the new administrative areas of North and West Northamptonshire UAs.

At that time another area of growing concern both nationally and locally was Community Safety. Crime and Disorder Reduction Partnerships (CDRPs) led by the police and local authorities had been established in every local authority area by the Crime and Disorder Act 1998. Both the Home Office and Her Majesty's Inspectorate of Constabulary became increasingly concerned at the performance and effectiveness of a small number of these statutory partnerships, and Northamptonshire had received £926.8 million in grants for crime reduction initiatives (NAO 2004; House of Commons Public Accounts Committee 2005). The NAO and the PAC were critical of the efficiency and effectiveness of this spending and the Home Office established a 'Partnership Support Programme' to drive up the performance of these partnerships.

> "The Northamptonshire intervention was the first intervention in a county group of failing CDRPs. The Home Office mobilised huge amounts of external help, and Northamptonshire later provided lessons and a case study for subsequent national guidance for the police produced by PA Consulting" (2008).
>
> (Official 3 Government Office East Midlands).

In short NCC was not only poor at delivering its own services against its own priorities it was also poor at delivering services to meet shared priorities that required working in partnership with its key stakeholders including the district councils,. By 2008 NCC were in the 2-star overall category and the only service scores above 2 were in Environment and Culture where extensive external support had been provided.

Table 2 and 3 to be inserted here

Source: Audit Commission reports and scorecards

NCC's inadequacies at collaborative working was again confirmed by their Local Area Agreements (LAAs). LAAs were 3-year agreements between central government and a local area working through its Local Strategic Partnership.

> Northamptonshire's Local Area Agreement generally had the narrowest scope, the least challenging targets, and the least innovation of the 9 LAA's in the East Midlands yet the authority still consistently struggled to meet their own targets.
>
> (Official 4. Government Office East Midlands).

Delivering LAAs was also central to the assessment regime that replaced CPA in 2008 namely Comprehensive Area Assessment (CAA). CAAs were carried out just once in 2009. NCC scored "adequate" for its overall assessment and adequate for its Use of Resources. In CAA, "adequate" was defined as an organisation that "meets only minimum requirements". Not surprisingly by 2009 NCC was in the worst 5% of authorities for "residents who are satisfied with the way the council runs things" (AC 2009b p2).

6. Northamptonshire CC 2010-2018

This section discusses NCCs performance between 2010 and 2018 when the Section 114 notices were issued, and their report declared that NCC "failed to comply with its duty to provide best value in the delivery of its services." (Caller 2018 p1). During this period Local Government experienced significant reductions of up to 49% in real terms in central government financial support (NAO 2019). The government also restricted Local Authorities' ability to raise council tax beyond proscribed levels to fill a widening funding gap (DCLG Select Committee 2019). During this period English councils including NCC increasingly used their reserves, and sometimes capital allocations (illegally) to fund revenue expenditure.

The Coalition Government initiated new policies of austerity-localism, (Lowndes and Pratchett 2012) and "sector-led" performance management and improvement (LGA 2011). Sector-led improvement was still relatively dependent on institutional isomorphism, but the coercive element was considerably reduced and assumed to be replaced or compensated by mimetic and normative isomorphism. The

2012 Local Government Finance Act changed the framework for the funding of local authorities and the Local Audit and Accountability Act 2014 established new arrangements for the audit and accountability of local public bodies (CIPFA, 2019). In 2010 the government announced the abolition of the Audit Commission, Local Area Agreements and CAA and the LGA closed its Improvement and Development Agency.

The nature, form, and scope of financial and performance data gradually deteriorated from the pre-2010 period (Ferry et al. 2019). The financial data deteriorated to such an extent that in 2019 the Secretary of State invited Sir Tony Redmond a past president of CIPFA to conduct a "review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014" (Redmond 2019 p1). This review concluded in 2020 that local Public Audit was no longer "fit for purpose" with 34 recommendations for its replacement (Redmond 2020) All of its recommendations were subsequently accepted by the government, but no legislation to implement the key recommendations has been forthcoming.

Although there were significant changes in the form of the evidence available, it is still possible to evaluate the service and financial performance of NCC through academic and official sources in the period 2010-2018. Whilst exact comparative databases are not available it is possible to deduce and evidence high level trends in NCCs organisational and service performance and in its financial management. This paper draws on the financial and performance information that was available and identifies some major critical incidents or developments that help to inform the reactions to the 114 notices.

6.1 Service Delivery - Children' Services

The children's services budget at NCC was the largest council budget in 2010/2011 (Department of Education 2012) in common with all county councils, NCC faced increasing demand pressures on children services particularly after 2012/13. Northamptonshire had a relatively young and growing population as the MKSM growth area predominantly provided new family housing.

Three Ofsted inspections undertaken in the period January to March 2013 reported significant weaknesses in NCCs' arrangements for child protection (March) adoption services (May) Children's Safeguarding Services, Adoption Services and looked-after children (August) which led to the issuing of a formal Direction in October 2013 (Department of Education 2013).

By 2015/16, the council was reporting financial challenges in providing services in all three of the children's directorates service areas which resulted in an overspend of £20.9m on the budget. When Ofsted inspected in April and in October 2018 it still found that

> *"Against a backdrop of recent significant financial uncertainty and changes in leadership at corporate and managerial levels, services considered during this visit have significantly declined… since the single inspection in 2016. This uncertainty has contributed to significant shortfalls in social work capacity across the service, resulting in unmanageable caseloads and high volumes of unallocated and unassessed work".*
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> *(Ofsted 2018 pp1-2).*

6.2 Adult Social Services

Adult Social Services is the second largest budget in county councils and because of demographic changes and other factors demands on adult services have been increasing throughout the study period of this paper. In 2010, the Care Quality Commission (CQC), graded NCC as ‘performing well’, they also considered NCC’s capacity to improve was ‘promising’.

However, over the next two years, NCC established, and signed arm’s length service contracts to implement its self-styled “Next Generation” model of social care. The authority hoped this would produce savings of “approximately £96.7m”, unfortunately by 2016/2017 it had generated a trading loss of £944,000 (Caller 2018). In 2016, the council acknowledged that it was not getting the expected financial benefits and by November 2017, admitted the initiative had “failed” and that NCC could have saved £2.3 million by simply placing these clients in spot placements at the average rate of a spot residential place at the time (Caller 2018).

6.3 Police and Fire and Rescue Services

NCC were the Police Authority for Northamptonshire until 2013 when the government introduced directly elected Police and Crime Commissioners to provide a direct democratic link to residents. All the major political parties supported the introduction of PCCs and recent local experience with the crime and reduction partnerships meant there was little local opposition to the imposition of a PCC in Northamptonshire. The first PCCs were elected in 2012, and the most recent in 2024. The Local Government Financial Settlement had an identifiable ‘block’ of funding for the police, and this was simply transferred to the Police and Crime Commissioner.

When in 2015, the NAO issued a scathing report on the financial sustainability of Fire and Rescue Services (NAO 2015b) and the government transferred responsibility for national policy from DCLG to the Home Office, the government instituted a series of reforms based on the police reforms. As well as new performance management arrangements it enabled the governance of Fire and Rescue Services to be transferred from Local Authorities to the PCC (Murphy et al. 2019, 2020).

Unlike the proposals for the police this transfer of responsibility was discretionary and dependent upon a ‘local case’ being made by the PCC. The Northamptonshire PCC was one of the first PCCs to develop a local case. There was little local opposition from the local authorities, the local MPs or the local populace and in April 2019 Northamptonshire Fire and Rescue Services was formally transferred to the PCC who became the Police, Fire and Crime Commissioner (PFCC). The Northamptonshire PFCC became only the second PFCC in England and one of only two (so far) that has effectively been uncontested and didn’t need approval by the Secretary of State.

There are two factors worth noting from these transfers. By transferring the non-hypothecated police and fire service budgets to the PFCC, the overall budget and NCC’s operational financial flexibility to ‘vire’ expenditure between budget allocations was reduced. Secondly local politicians and citizens were increasingly accepting that radical changes to the structures of local governance in Northamptonshire might be justified.

6.4 The overall financial performance 2015-2018.

Local Government as a whole, experienced significant reductions in central government financial support in real terms between the April 2012 and March 2018 (NAO 2019) and the government also restricted the ability of councils to raise council tax beyond certain levels thus generating a widening funding gap (MHCLG Select Committee 2019).

In 2016, NCC acknowledged they had not raised council tax by the maximum allowable over the previous years, but still maintained that services were underfunded by central government compared to other similar councils (NCC 2016b). However, in 2015, the auditors were reporting that NCC had failed to perform due diligence in making key decisions on financial management as their financial experts and professionals failed to value assets properly. In 2015/16, a third-party company, had been recruited to revalue assets for the Council but the auditors found that the valuation had been conducted improperly and raised concerns on the valuation of fixed assets.

> *"The Authority is unable to demonstrate a review of the assumptions, nor it is able to demonstrate the acceptance of the default actuarial assumptions used as part of the valuation process. The Authority should evidence the review of all assumptions used by the Actuary to ensure relevance to the organisation. Where appropriate, the Authority should challenge these assumptions."*
>
> *(KPMG 2017 p. 29.)*

In 2017 they recommended that the valuation be re-assessed by external qualified professionals, which NCC senior management dismissed.

> *"the decision has been taken to use the assumptions provided by the* [the councils] *actuary. There are a number of reasons for this, the main ones which have been outlined are (1) Lack of in-house expertise to be able to challenge assumptions, (2) NCC Assumptions are unlikely to vary from other similar local authorities, and (3) Cost of changing assumptions".*
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> *(As reported by KPMG 2017 p. 29.)*

As from 2016/17, NCC used £42.5m from capital receipts to balance the revenue budget (NCC 2017). Members and officers did not apply the rules laid out in statutory guidance for the Use of Capital Receipts which disallowed the use of capital receipts to support recurrent revenue expenditure (KPMG 2017). This recommendation was ignored and in 2017/18, NCC used £35.8m of one-off resources to supplement the revenue account (NCC 2019).

> *"The non-delivery of savings … and the lack of accountability for that non-delivery is manifested with budgets being reinstated without any attempt to explain why the saving was not achieved. The same applies to budget overspends, which seem to be classified as 'pressures' and then just added into the budget the following year with limited challenge."*
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> (Caller 2018 p. 24).

By 2018 the government had effectively run out of patience with NCC, it therefore embraced the Best Value Inspector's suggestion and implemented local government reorganisation across Northamptonshire.

7. Discussions

The previous two sections examine the antecedents to the issuing of two notices under Section 114 of the 1988 Local Government Finance Act by NCC in 2018 and the subsequent intervention by central government in the county. Uniquely the government decided to re-organise local government across Northamptonshire rather than focus on NCC. There was comparatively little public or political opposition to this radical intervention in local democracy, when such rare and radical interventions are invariably highly contested and strongly resisted.

When looked at through the lens of isomorphism, the evidence suggests NCC has been blind to external advice and evidence until the point of intervention, a pattern that repeats itself both before and after 2010. During the CPA/CAA era, NCC was not subjected to a "corporate" intervention, although individual services saw substantial interventions, and strategic service alliances effectively led from outside the council. This resulted in variations in individual service scores but did not significantly affect overall performance scores, which remained consistently low. There was a reticence to follow the isomorphic tendencies displayed by other councils, which had led to significant improvements across local government (AC 2019c). Indeed, whether or not the CPA/CAA was itself seen as a coercive device, normative pressures from professional bodies within local government, such as CIPFA (e.g., the CIPFA Financial Management Model of 2004 which aligned closely to the corporate and financial lines of enquiry under CPA) (Beauchamp and Hicks 2004) and SOLACE (Walker 2006), contributed to a very strong isomorphic trend of improvement within councils. Excellent councils were acknowledged as 'beacon' authorities for others to learn from, with benchmarking and best practice guidance disseminated by the IDeA and the Audit Commission. These isomorphic mechanisms resulted in a strengthening of the institutional environment. The Audit Commission was both a regulator and a supporter of local government development. So, in this sense, during the CPA/CAA era, apart from responding to service-based interventions, NCC was generally following a non-isomorphic path, seemingly unable to capture potential benefits that this could bring and ploughing its own furrow and ignoring the isomorphic change taking place elsewhere. This clearly contributed to its subsequent post CPA malaise.

After 2010, NCC continued with this idiosyncratic approach, largely ignoring the "coercive" recommendations of its auditors until the eventual issuing of the first Section 114 notice. While non-isomorphic behaviour is not necessarily bad of itself, and indeed could, when enacted appropriately, break the equilibrium, and promote a positive force for change, NCC does not appear to have understood the inadequacies of its own capabilities for example when creating complex company structures to deliver its statutory services. Such approaches reflect choices made elsewhere within the sector and show to some extent that a degree of mimetic isomorphism was at play in their adoption. However, there is a clear sense that NCC was adopting new ideas and initiatives without appropriate due diligence, and not applying memetic or normative practices by including suitable decision making and governance structures to underpin its innovations. This is evident in the inappropriate use of one-off resources to support revenue deficits and the way that it ran down its reserves in the period leading up to the first section 114 notice. From a normative local government financial management perspective these should not have happened.

8. Conclusions

Local government modernisation, continuous improvement, collaboration, and the achievement of best value relied significantly on the effective operation of isomorphic mechanisms particularly before 2010 and to a lesser extent after 2010. Prior to 2010, institutional isomorphism in all three forms (coercive, mimetic, and normative) was generally operating effectively across the local government sector although NCC was minimally engaged with the agenda. After 2010 when the more coercive performance management and public assurance arrangements were significantly reduced, NCC were implementing self-generated strategies and initiatives without significant evidence or due diligence. By 2018 austerity policies were significantly affecting all authorities across the sector and relatively ineffective mimetic isomorphism was all that NCC experienced. The loss of institutional support from the sector together with the loss of local democratic support meant proposals for local government re-organisation did not meet the expected opposition.

NCC consistently displayed financial weaknesses and mismanagement, in its local leadership, in its strategic and operational delivery and in its collaborative working with key stakeholders. Prior to 2010, it received considerable external support as part of the government's local government improvement agenda and investment in local authorities which, to an extent, mitigated the impact on its service users and citizens. Following 2010, when central government implemented a policy of austerity on locally delivered public services, dismantled the improvement infrastructure, and abolished the Audit Commission, NCCs corporate inadequacies for a time became less visible to the government and national stakeholders although not to the local population. The section 114 notices did not arise from a single major financial challenge they were the final straws that broke the camel's back.

Declaration of Interest Statement.

The first author of this paper was the director of the Northamptonshire Team at the Government Office East Midlands and was Lead Official and Chair of the Monitoring Boards for the Government Interventions at Corby Borough Council and Northampton Borough Council.

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