



<b>Full Council</b>	<b>Tuesday, 26 September 2023</b>	<b>Matter for Information</b>
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**Report Title:** **Office for Local Government Best Value Guidance**

**Report Author(s):** **Sal Khan (Interim Strategic Director)**

<b>Purpose of Report:</b>	To provide Council with an update and summary of the recently developed draft statutory guide for best value authorities.
<b>Report Summary:</b>	<p>The Best Value Duty relates to the statutory requirement for local authorities to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p> <p>Guidance has been developed that aims to provide clarity on how to fulfil the Best Value Duty by describing what constitutes best value, the standards expected by the Department for Levelling Up, Housing and Communities and what intervention models are available for the Secretary of State in the event of failure to uphold these standards.</p> <p>This report summarises the guidance document, which is set out in <b>Appendix 1</b>, providing Council with the salient points of the guidance, focusing on the principles of best value as well as the themes of good practice for the running of a local authority that meets and delivers best value.</p>
<b>Recommendation(s):</b>	<b>That the content of the report and appendix be noted.</b>
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<b>Strategic Objectives:</b>	<p>Our Council (SO1)</p> <p>Our Communities (SO2)</p> <p>Our Environment (SO4)</p> <p>Our Partners (SO5)</p>
<b>Vision and Values:</b>	<p>"Our Borough - The Place To Be" (Vision)</p> <p>Customer &amp; Community Focused (V1)</p> <p>Resourceful &amp; Resilient (V4)</p>
<b>Report Implications:-</b>	
Legal:	There are no implications directly arising from this report.

Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6) Organisational / Transformational Change (CR8)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable.
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	Click to select comment.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	Click to select comment.
<b>Consultees:</b>	Senior Leadership Team
<b>Background Papers:</b>	None.
<b>Appendices:</b>	<b>1.</b> OFLOG Best Value Draft Guidance

## **1. Introduction to the Best Value Duty**

- 1.1 The Best Value Duty relates to the statutory requirement for local authorities and other public bodies to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions.
- 1.2 Best value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management. Failure to deliver best value can occur within any aspect of governance, the delivery of services or financial management. To help local authorities to achieve best value, government funds a programme of improvement support, primarily via the LGA including peer challenges, mentoring and the dissemination of best practice.
- 1.3 Where, over a period of time, continuous improvement is not demonstrated sufficiently the Secretary of State has legislative powers to intervene to ensure compliance with the Best Value Duty.
- 1.4 The guidance, as set out in **Appendix 1** to this report, aims to provide greater clarity to local authorities on how to fulfil the Best Value Duty by describing what constitutes best value, the standards expected by Government and the models of intervention at the Secretary of State's disposal in the event of failure to uphold these standards.

## **2. Principles of the Best Value Duty**

2.1 Section 4 of the guidance, as set out in **Appendix 1** to this report, suggests that the most appropriate approach to ensuring all authorities carry out their functions in compliance with the Best Value Duty is based on the principles which are summarised below:

2.2 Local accountability:

2.3 Accountability should primarily be to local residents and businesses. Statutory intervention will only be used when there are significant and extensive indications of failure and authorities are not delivering to the high standards which their local communities have a right to expect.

2.4 Continuous Improvement:

2.5 Every best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2.6 Openness to challenge and support:

Best value authorities are responsible for their own performance. Government expects these authorities to make their own arrangements to secure continuous improvement in the way in which their functions are exercised. This includes being open to external challenge and scrutiny, including in the form of regular peer challenges and participating in the broad range of formal and informal improvement initiatives available to authorities.

2.7 Expectations:

Government should be clear in its expectations of an authority to demonstrate it is securing best value in key areas such as governance, culture, finances and statutory services. Authorities need to demonstrate that they are making arrangements to secure continuous improvement in all these areas on an ongoing basis and at the necessary pace.

2.8 Prevention:

Government will engage early with authorities showing signs of not complying with the Best Value Duty and will encourage local authorities to come forward and ask for targeted support, to prevent challenges from escalating. It will act swiftly to investigate significant indications of failure and determine the appropriate support or model from a range of statutory and non-statutory options.

2.9 Meeting the cost of failure:

Whilst most authorities want to do the right thing, if Government was to reward failure by funding necessary improvement where there is best value failure, this could risk introducing a financial motive to fail. Local authorities are responsible for taking all reasonable steps to meet the financial cost of failure locally.

2.10 Default commissioner powers and de-escalation:

Lessons learned from past interventions have shown that when failure in a local authority has been more widespread than first thought, the requirement to expand commissioner powers has delayed improvement. In cases where there have been significant failure and where commissioners have been appointed, the department will make a default presumption that failure may be more pervasive. In such cases, commensurate powers relating to governance and senior appointments will be automatically provided to commissioners on appointment, unless there is good reason not to provide the default

powers.

### **3. Defining Best Value**

3.1 Section 5 within the guidance sets out seven overlapping themes of good practice for the running of a local authority that meets and delivers best value. These are summarised below:

#### 3.2 Continuous improvement:

Making arrangements to secure continuous improvement in performance and outcomes is a core requirement for achieving best value. Any organisation with a duty of best value needs to make effective arrangements to secure continuous improvement in the way in which all its functions are exercised on an ongoing basis and at pace. These arrangements will include inviting independent external challenge and scrutiny, in the form of regular service specific as well as corporate or finance peer challenges, engaging with sector support initiatives on offer and informal experience sharing among peers.

#### 3.3 Leadership:

Effective political and administrative leaders who have a clear vision and set of priorities for their area, are key to building local economic growth, social cohesion and a healthy local democracy. When they model positive and effective leadership behaviours at all levels, this can be beneficial to a local authority's overall culture and governance. An indication of potential failure is a lack of corporate capacity resulting in a lack of strategic direction, oversight and sense of account. It is also essential that all officers with statutory responsibility, uphold their duties, both individually and collectively and, in accordance with good practice, report directly to the Chief Executive and, as necessary, to full Council. Statutory officers must work effectively together, and all must have a voice for key decisions. An authority that either fails to recruit to its statutory officer posts on a permanent basis over an extended period of time or has a high turnover in these roles indicates instability and potential wider cultural concerns.

#### 3.4 Governance:

A well-run council will have clear and robust governance and scrutiny arrangements in place that are fit for purpose, appropriate to the governance arrangements adopted locally (executive/committee system), understood by politicians and staff alike and reviewed regularly. Decision-making processes, within clear schemes of delegation, should be transparent, regularly reviewed, clearly followed and understood, enabling decision-makers to be held to account effectively. There should also be evidence of the decisions following good public law decision making principles (reasonableness, proportionality, fairness, etc.).

#### 3.5 Culture:

The culture of a local authority is determined by its shared values, ethics and beliefs, how decisions are made, as well as how elected members and officers behave, interact and carry out their roles. Political and administrative leaders that model strong and effective leadership are beneficial to a local authority's overall culture. An agreed set of shared corporate values which are effectively implemented and modelled across the authority are also essential to maintaining positive organisational culture. The existence of an outward facing, transparent and open culture, where challenge is welcome and acted upon are indicators of a modern authority and is also essential for ensuring continuous improvement runs throughout the organisation.

#### 3.6 Use of resources:

An authority must have in place and properly deploy an effective internal control environment to safeguard the use of resources, and clear and effective processes to secure value for money. It must have appropriate financial management, reporting and regulation arrangements in place, in accordance with CIPFA's Financial Management Code, to govern the strategic and operational management of its investments, funding, assets and companies. This includes ensuring it has the appropriate skills and capacity in place, commensurate with the complexity of its finances, using specialist expertise when needed. Authorities must appropriately comply with the Prudential Framework in making investment and borrowing decisions and not take on excessive risk. They should have effective systems for identifying, reporting, addressing and reviewing financial risk and have consideration of CIPFA's Financial Resilience Index. Investment decisions must have a commensurate level of scrutiny, transparency and approval to make sure that officers and members fully understand the risks. Financial management and reporting should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise when needed. Authorities should respond to audit recommendations and address issues identified in a timely way. Capacity constraints should be identified and recruitment to fill key posts prioritised. Succession planning needs should be considered, with a longer-term view as to when there might be a gap in senior, experienced officers.

### 3.7 Service delivery:

Poor individual services can often be an indication of broader governance and financial weaknesses within an authority. Equally, corporate governance failure almost certainly will at some point negatively impact how services are delivered locally, in terms of missed opportunities or silo working and a failure to make strategic connections. Local authority data, the assessments of other government departments and service regulators, such as Oflog, Ofsted, the Care Quality Commission, Planning Inspectorate and the Local Government and Social Care Ombudsman, identify whether services are being delivered efficiently and effectively, and whether authorities are responsive to customer complaints. Authorities should provide services at a comparable level to other authorities of a similar size and location when benchmarked.

### 3.8 Partnerships and community engagement:

Driving local economic growth, promoting social cohesion and pride in place is increasingly dependent on the effectiveness of partnerships and collaborative working arrangements with a range of local stakeholders and service users. Authorities should have a clear understanding of and focus on the benefits that can be gained by effective collaborative working with local partners and community engagement in order to achieve its strategic objectives and key outcomes for local people. Appropriate governance structures should also be in place to oversee these arrangements, and the process of consultation and engagement should be inclusive, open and fair. An inclusive approach that accepts challenge is an indicator of a confident organisation.

## 4. **Remaining Sections of the Guidance**

- 4.1 **Section 6** of the guidance focuses on how the DLUHC will engage with authorities that are not complying with the Best Value Duty. It states that they will view our financial management processes, the sustainability of our Medium-Term Financial Plans (MTFP), audit reports, statement of accounts etc.
- 4.2 **Section 7** focuses on 'Evidencing failure' within an authority and sets out how Government will engage before formal intervention by commissioning a Best Value Inspection.
- 4.3 **Section 8** focuses on the models of intervention through non-statutory models such as Improvement boards and Sector-led intervention, as well as through statutory interventions,

with either directions to the authority only from the Secretary of State or commissioner-led with directions to the authority.

4.4 **Section 9** details how the Government will exit intervention.

## **5. Next Steps for OWBC**

5.1 In order to ascertain how well the Council performs against the draft criteria a self-assessment exercise against the criteria (set out in Section 5 of the draft guidance) is being initiated and the outcome of the self-assessment exercise will be presented to members in due course.