

**REPORT TO: WEST OF ENGLAND MAYORAL COMBINED
AUTHORITY AUDIT COMMITTEE**

DATE: 11 DECEMBER 2023

REPORT TITLE: BEST VALUE GUIDANCE

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Purpose of Report

This report provides an overview of draft Best Value Guidance that has been published by Government, ensuring Audit Committee is sighted on the content of the guidance.

Recommendation

- Audit Committee is recommended to note the content of this report.

Reasons for recommendation

- Best Value Guidance is subject to periodic update by Government. Audit Committee should be aware of the content of this guidance as it carries out its work, ensuring there is a clear understanding of the conditions that might merit external intervention in an organisation. Audit Committee being updated on this guidance is in line with good governance practices.

Background / Issues for Consideration

- 2 The Government has recently published draft Best Value Guidance, providing greater clarity on how the Government expects the local government sector, including Mayoral Combined Authorities, to fulfil the Best Value Duty. The Guidance describes what constitutes best value, the standards expected by the department and the models of intervention at the Secretary of State for Levelling Up, Housing and Communities' disposal in the event of failure to uphold these standards.
 - 2.1 The guidance applies to MCAs and is therefore something Audit Committee should be sighted on.
 - 2.2 The local government scrutiny landscape is changing and MCAs are increasingly being incorporated into the new structures and systems that are

being put in place.

- 2.3 Alongside the March 2023 Budget, Government published the [English Devolution Accountability Framework](#), which set out how MCAs will be scrutinised and held to account by the UK Government, local politicians and business leaders, and by the residents and voters of their area. CLT was updated on the contents of the Framework earlier in the year.
- 2.4 Government has established a new Office for Local Government (Oflog), which will publish data and analysis about the performance of local government (and a range of other organisations, including MCAs). Four initial areas of focus have been established for Oflog: Adult Social Care; Waste Management; Adult Skills; and Local Authority Finance. The focus on Adult Skills has a direct relation to our work. Data is published through a new [Local Authority Data Explorer](#).
- 2.5 Oflog has also set an objective to ‘baseline’ devolution deals, publishing metrics to show the impact of devolution. Discussions between MCAs and Oflog have taken place and the challenge of comparing performance between areas facing differing challenges and differing circumstances has been highlighted.
- 2.6 One of the responsibilities Oflog is intended to perform is to detect early where authorities are at risk of potential failure and work with places to address issues early. The Government guidance specifically highlights Oflog will work with a range of bodies, but particularly MCAs, to ensure outcome metrics are used to hold devolved areas to account. It is not yet clear what this means in practice. Oflog data will eventually impact on Government’s views as to whether authorities are delivering best value.
- 2.7 Government has also now published a guide to [best value standards and interventions](#) that may be taken should standards not be met. The guidance sets out the standards authorities are expected to meet and seven themes of good practice for running authorities. The guidance sets out the range of interventions that may be undertaken where standards are not considered to be at the required standard.
- 2.8 The best value guidance:
 - Reiterates the Government expectation that all authorities have a corporate or finance peer challenge at least once every five years.
 - Sets out seven principles underpinning best value that authorities must be able to demonstrate (these are set out in Figure 1). For each principle, the government guidance sets out the type of indicators that show a risk of potential failure.
 - Highlights that Government will intervene where there is clear and significant failure and sets out the range of interventions that can take place (these are set out in Figure 2).

Figure 1: Best value principles

Principle	What this means in practice	Indicators of potential failure
Continuous improvement	Making arrangements to secure continuous improvement in performance and outcomes is a core requirement for achieving best value.	<ul style="list-style-type: none"> • Culture of denial/lack of openness to challenge • Poor member and officer development offer
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.	<ul style="list-style-type: none"> • Lack of strategic direction • Leadership losing sight of authority's role and function • Lack of organisational stability (high leadership turnover and overreliance on interims)
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.	<ul style="list-style-type: none"> • Significant weaknesses identified in audit reports • No meaningful risk registers • Decisions made without seeking appropriate advice
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.	<ul style="list-style-type: none"> • Widespread failure to follow process • Culture of bullying, distrust and broken relationships
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.	<ul style="list-style-type: none"> • Absence of deliverable medium-term financial plan • No credible plan to reduce debt • Issuing of S114 Notice
Service Delivery	Poor individual services can often be an indication of broader governance and financial weaknesses within an authority.	<ul style="list-style-type: none"> • Significant weaknesses identified in audit reports • Approach to contracting or contract management is weak
Partnerships & 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.	<ul style="list-style-type: none"> • Lack of appropriate governance in partnership arrangements • The authority shows weak ambition

Note: Figure 1 provides a summary of the best value principles. Broader descriptions of each principle and characteristics of success and failure are set out in the Government guidance.

2.9 Where Government perceives there to be risks that an authority is not continuously improving in line with the best value principles it may intervene to tackle areas of perceived failure. Five specific types of intervention are set out in the guidance ranging from the issuing of notice requiring an authority to take action, through to the appointment of external commissioners who can be appointed to take on decision making functions across an authority.

Figure 2: types of intervention in authorities judged to be at risk of failure

Intervention type	Intervention approach
Best Value Notice	<ul style="list-style-type: none"> • Two types of notice can be published: • A non-statutory notice from a senior civil servant formally setting out concerns, usually stays in place for 12 months. The notice requests engagement with Government and may include requirement for an improvement plan. If a plan is already in place, further information may be sought. The notice may set out specific requirements for reporting progress and government may require further action from authorities. All material is made publicly available. • A statutory notice sent by the Secretary of State (following a similar model to above).
Non-statutory improvement board	<ul style="list-style-type: none"> • A panel to support authorities with improvement made up of individuals with relevant experience and skills. • Panels provide advice and support but are advisory and have no statutory powers. • Terms of ref set by the authority (sometimes in agreement with Gov)
Sector-led intervention	<ul style="list-style-type: none"> • Partnering an authority identified as at risk with another authority that has a good track record in the areas of concern within the at risk authority.
Directions only statutory intervention	<ul style="list-style-type: none"> • The Secretary of State directs specific action deemed necessary or direct that an authority reviews how it exercises specific functions. • There is usually a period where the department will make an authority aware that the SoS is 'minded to' issue a direction (to allow for discussion) but the SoS can act without issuing a 'minded to' notice.
Commissioner led statutory intervention	<ul style="list-style-type: none"> • The SoS can direct that some or all of the functions of an authority be exercised by the SoS or their nominee (commissioners). • Commissioners seek to guide decision making but have powers to take decisions if required. • Commissioners stabilise and then determine an exit strategy to return all functions to an authority. • Commissioners provide reports on progress to the SoS and are supported by officers from DLUHC (authorities

	must cover the fee associates with having commissioners).
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2.10 A final draft of the best value guidance is expected to be published soon, this can be circulated to Audit Committee members if helpful.

Consultation

3.1 This report has not been subject to consultation – it is a report for information.

Other Options Considered

4 N/A

Risk Management/Assessment

5 The content of this report highlights the conditions under which external intervention in the running of local authorities might occur. Audit Committee having a clear understanding of these issues will help ensure oversight and scrutiny of the MCA plays a clear role in ensuring external intervention is avoided.

Public Sector Equality Duties

6 There are no direct equalities duty issues associated with this report.

Climate Change Implications

7 There are no specific environmental considerations directly relevant to the content of this report.

Report and advice reviewed and signed off by: Roger Hoare, Director of Environment

Finance Implications, including economic impact assessment where appropriate:

8 There are no direct financial implications arising from this report. The report details good governance and financial management conditions that we should expect to see in all local authorities. Should the Mayoral Combined Authority fail to fulfil these criteria, there would be financial implications to consider.

Report and advice reviewed and signed off by: Selonge Russell, Head of Finance and Deputy Section 73 Officer.

Legal Implications:

- 9 There are no direct legal implications arising from this report. The report details the type of circumstances under which external intervention in the running of local authorities might occur. Should the MCA fail to fulfil these criteria, there would be legal implications to consider.

Report and advice reviewed and signed off by: Daniel Dickinson, Interim Director of Legal and Governance

Human Resources Implications:

- 10 There are no direct HR implications arising from this report.

Report and advice reviewed and signed off by: Alex Holly, Director of People and Assets

Land/property Implications

- 11 There are no direct land or property implications arising from this report.

Report and advice reviewed and signed off by: Selonge Russell, Head of Finance and Deputy Section 73 Officer.

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