

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY & FINANCE COMMITTEE

Meeting date: 12 SEPTEMBER 2023

Title: OFFICE FOR LOCAL GOVERNMENT AND BEST VALUE GUIDANCE

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1 PURPOSE

- 1.1 To inform committee of the creation of the Office for Local Government and the publication of new Best Value Guidance.

2 BACKGROUND

- 2.1 At the Local Government Association annual conference, the Secretary of State for Levelling Up Housing and Communities, the Rt Hon Michael Gove MP, announced the establishment of the Office for Local Government (Oflog).
- 2.2 Oflog will provide authoritative and accessible data, and analysis, about the performance of local government, and support its improvement. The intention being this data will prompt questions about a local authority's performance.

3 INITIAL LIST OF METRICS

- 3.1 Oflog have now advised that the first areas of performance they will collect data on are:
- Adult Social Care
 - Waste Management
 - Adult Skills
 - Local Authority Finance

Annex 1 shows in more detail what will be collected.

4 BEST VALUE GUIDANCE

- 4.1 At the same time as the launch of Oflog, the Secretary of State launched a consultation into new statutory guidance on what constitutes Best Value, and the standards local authorities are expected to meet by government and residents.
- 4.2 This new guidance sets out seven themes of good practice for running an authority to secure continuous improvement and provide value for money. These include the characteristics of a well-functioning local authority and the indicators used to identify challenges that could indicate failure.

The final guidance will be issued after the government considers the response to its consultation.

Annex 2 sets out the seven themes included in the draft guidance.

5 RISK ASSESSMENT

5.1 FINANCIAL IMPLICATIONS

None arising directly from this report.

TECHNICAL ENVIRONMENTAL & LEGAL

None arising directly from this report.

REPUTATION

The Best Value Guidance sets out the Government's view of the characteristics of a well-run authority.

6 CONCLUSION

- 6.1 The Government is clearly concerned over recent failures at a growing number of local authorities, and the creation of Oflog and the new Best Value Guidance will be used to identify authorities that ultimately could face Statutory Government Intervention.

Once the final Best Value Guidance is issued a further report will be brought to committee.

NAME
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ANNEX 1



Department for Levelling Up, Housing & Communities

Office for Local Government

Launch Metrics

The metrics below will be included at the launch of Oflog.

Adult Social Care	
Number	Metric
1	Quality of life of people who use services - adjusted to account only for the additional impact of local-authority funded social care on quality of life, removing non-service-related factors (underlying health and care needs, gender, and so on) (1B in the ASCOF).
2	Quality of life of carers (1C in the ASCOF).
3	The proportion of people who received short-term services during the year – who previously were not receiving services – where no further request was made for ongoing support (2A in the ASCOF).
4	The proportion of people who use services who find it easy to find information about services (3D (1) in the ASCOF) – to be combined with 5 from 2024.
5	The proportion of carers who find it easy to find information about support (3D (2) in the ASCOF) – to be combined with 4 from 2024.
6	The proportion of requests for support to the LA which result in a service multiplied by the number of requests per 100,000 population.
7	Staff turnover in the workforce (The proportion of directly employed staff in the formal care workforce leaving their role in the past 12 months)
Waste	
Number	Metric
1	Proportion of household waste sent for recycling.
2	Residual (i.e., non-recycled) waste per household (tonnes).
3	Contamination rate of recycling - calculated as estimated proportion that is rejected of total amount of household waste sent for recycling.
Adult Skills (MCA)	
Number	Metric
1	19+ Further Education and Skills Achievements per 100,000 population – including apprenticeships.
2	19+ Further Education and Skills Achievements per 100,000 population – excluding apprenticeships.
3	Proportion of the adult population aged 16-64 with level 3+ qualification.
Finance	
Number	Metric
1	Reserves as a percentage of Net Revenue Expenditure.
2	Reserves as a percentage of service spend.
3	Total Core Spending Power per dwelling.
4	Level of Band D council tax rates.
5	Council tax revenue per dwelling.

6	Social care spend as % of Core Spending Power.
7	Debt servicing as % of Core Spending Power.
8	Total debt as % of Core Spending Power.

ANNEX 2

1. Continuous improvement

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>Making arrangements to secure continuous improvement in performance and outcomes is a core requirement for achieving best value.</p> <p>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.</p> <p>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.</p> <p>Local authorities should also have a sense of collective responsibility for the performance of the sector and help other authorities to improve.</p> <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Delivering Good Governance in Local Government Framework, along with the Centre for Governance and Scrutiny and Localis Governance Risk and Resilience Framework can help authorities to identify, understand, and act on risks to good governance.</p>	<ul style="list-style-type: none"> • There is an organisational-wide approach to continuous improvement, with frequent monitoring, performance reporting and updating of the corporate and improvement plans. • There is some form of established transformation function or programme. • The authority arranges a corporate or finance peer challenge at least every five years, acts promptly on any recommendations given, and publishes the report of that review and progress updates. • The authority is willing to work with the external auditor to proactively identify areas for improvement and responds promptly and effectively to recommendations. • Professional development and appraisal at all staff levels is built into day-to-day work, with poor performance identified, monitored and effectively addressed, and good performance recognised. • The Annual Governance Statement, prepared in accordance with the CIPFA/ SOLACE Good Governance Framework, is the culmination of a meaningful review designed to stress-test both the governance framework and the health of the control environment. • Innovation is encouraged and supported within the context of a mature approach to risk management. • The authority shares a sense of collective responsibility for the performance of the sector and supports other authorities to improve. 	<ul style="list-style-type: none"> • A culture of denial and lack of openness to constructive advice and challenge. • A lack of awareness and reluctance to acknowledge weaknesses and engage with the sector support on offer (such as no corporate peer challenge in the past five years or alternative external assessment). • Evidence that attempts at improvement have not been effective over a sustained period of time. • The Annual Governance Statement is not used as an improvement document, is developed by officers without member oversight, is not kept up to date and/or is generic in tone and content. • Lack of engagement with and/or poor quality or non-existent member and officer training and development offer.

2. Leadership

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>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.</p> <p>When they model positive and effective leadership behaviours at all levels, this can be beneficial to a local authority's overall culture and governance.</p> <p>It is essential that all officers with statutory responsibility, including the Section 151 and Monitoring Officers, 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.</p> <p>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.</p> <p>When this is compounded by many senior positions being appointed to on an interim basis over an extended period, this can signal a problem.</p>	<ul style="list-style-type: none"> Members provide quality leadership by setting a clearly articulated, achievable and prioritised vision for officers to follow that puts place and local people at its heart. Senior officers have the capacity and capability to provide the authority with effective strategic direction. The authority's corporate plan is evidence based, current, realistic and enables the whole organisation's performance to be measured and held to account. Strategic priorities are aligned with the authority's financial strategy and delivery arrangements, and respond appropriately to local need, including the plans of partners and stakeholders. Members and officers, particularly those with statutory responsibility, including the Section 151 and Monitoring Officers, uphold their duties and speak truth to power. Strong financial management and reporting runs throughout the whole organisation. Robust systems are in place and "owned" by members for identifying, reporting, mitigating and regularly reviewing risk. Effective succession planning, with the recruitment and nurturing of officers with the necessary skills, ensures organisational resilience. Members and senior officers maintain constructive relationships and engage effectively with external stakeholders and the wider local community. A demonstrable commitment to leadership development. The authority has moved from multiple to all-out elections within the four-year cycle, which has enhanced stability and reduced ongoing campaigning that can hinder improvement. 	<ul style="list-style-type: none"> A lack of corporate capacity or capability, resulting in a lack of strategic direction, oversight and sense of accountability. Leadership losing sight of the authority's role and function as a leader of place and provider or enabler of services to local residents and businesses. A lack of understanding of public sector standards, the Nolan Principles and appropriate behaviour. Corporate plan is out of date, unrealistic and unaffordable and/or has too many priorities. Poor ownership and accountability by the Section 151 Officer, leading to poor quality financial management. Section 151 and Monitoring Officers do not report directly to the Chief Executive or are not involved in key decisions. Risk management ownership and discussion is limited to the Audit Committee rather than across the organisation. A lack of political and/or organisational stability, with high leadership turnover, key posts remaining vacant or an overreliance on interim officers, creating a lack of continuity and/or decisions in the long-term interests of the authority. Leadership at both political and managerial levels is distracted and involved to an unhealthy extent on internal battles. The absence of both a fit for purpose and regularly reviewed people plan, procurement strategy and IT strategy. A loss of stakeholder and public confidence. A sense of insularity, a failure to tolerate internal or external challenge, and to recognise the need for improvement.

3. Governance

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>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.</p> <p>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.).</p> <p>Codes of conduct and HR processes should be to sector standard and ensure effective support for whistle-blowers.</p>	<ul style="list-style-type: none"> Effective procedures are in place and followed to ensure members and officers at all levels comply with the Nolan Principles and relevant codes of conduct and policies. This includes adequate protections and support for whistle-blowers. The authority's scrutiny function is challenging, robust and contributes to the efficient delivery of public services. Risk awareness and management informs every decision. Full Council alongside the Audit Committee takes an effective overview of the systems of control, audit and governance. Appropriate financial, commercial and legal expertise is obtained, including from external sources, and due diligence completed on any key or novel decision. Committees and individuals charged with governance have the appropriate experience, skills and expertise to perform their role. There is proper member oversight (as shareholders) of companies and partnership bodies, in accordance with the Local Authority Company Review Guidance and their existence is regularly and independently reviewed. Performance management information measures actual outcomes effectively and is frequently interrogated. Lessons are learned from complaints. 	<ul style="list-style-type: none"> Significant weaknesses identified in annual audit reports, and/or statutory recommendations or a public interest report issued. Credible allegations of corruption or maladministration. Political or ideological activity by council officers visible. Key decisions are made in informal meetings and are not effectively recorded, leading to a lack of clarity on who is responsible for them. Decisions made without seeking appropriate advice. Political indecision, with key decisions not being fully implemented and/or decisions being frequently reversed. Scrutiny functions are undermined and there is a lack of pre-decision scrutiny. Internal audit does not meet PSIA standards and fails to consider identified high risks. Audit Committee's brief is too wide, meets infrequently, and its effectiveness is undermined. There are no meaningful risk registers at a corporate level and risks are not owned by senior leaders. Risk registers appear to downplay some risks and lack action to mitigate risk. Performance management information is not consistently used, does not measure outcomes where relevant and underperformance is not effectively addressed. No independent oversight or members of relevant committees in accordance with good practice. Excessive secrecy and failure to accept councillors' right to know. Member/officer codes of conduct and arrangements for reviewing standards complaints, are not regularly reviewed.

4. Culture

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>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.</p> <p>Political and administrative leaders that model strong and effective leadership are beneficial to a local authority's overall culture.</p> <p>An agreed set of shared corporate values which are effectively implemented and modelled across the authority are also essential to maintaining positive organisational culture.</p> <p>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.</p>	<ul style="list-style-type: none"> • Members and officers promote and demonstrate the highest ethical standards and appropriate working behaviours through established shared values and ways of working. • A culture of cooperation, respect and trust between and within members and officers exists, along with a commitment to transparent decision-making. • Civil working relationships (and communication) between Group Leaders despite political disagreements. • A commitment to promoting transparency and sharing information with the public. • Respect for a councillor's right to know and enquire. • The existence of a proactive and welcoming attitude to external challenge and scrutiny. • Appropriate processes are in place to address issues such as harassment and bullying. • An accessible whistleblowing policy, of which there is wide awareness and confidence that it will work. • Demonstrable steps to engage openly and honestly with staff. 	<ul style="list-style-type: none"> • A widespread failure to follow due process, the constitution and codes of conduct. • Risks are covered up rather than identified to protect reputations. • Credible allegations of corruption or maladministration. • The respective roles of members and officers, and the interface between them, are rejected or misunderstood, and over-involvement of members in operational decisions or of officers in setting strategic political vision. • A culture of bullying, distrust and broken relationships exists. • The organisation is paralysed by a large number of procedural issues. • Under- or non-engagement of the standards regime, with doubt cast on its credibility and legitimacy. • Disciplinary and complaints systems are not deployed, leading to a sense that certain individuals can act improperly with impunity. • High numbers of staff grievances and staff turnover due to morale issues. • High numbers of standards complaints by members against members are upheld. • Poor outcomes identified from staff surveys. • A culture of secrecy and overuse of urgency arrangements, confidential or delegated action reports and a failure for such reports to be reported in a form which allows scrutiny. • Members and officers have limited understanding of declarations of interest and of gift and hospitality registers, which are not monitored or regularly updated. • A website that is difficult to navigate, where key documents are either missing or drafted in a way that information is inaccessible to the public.

5. Use of resources

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>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.</p> <p>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.</p> <p>This includes ensuring it has the appropriate skills and capacity in place, commensurate with the complexity of its finances, using specialist expertise when needed.</p> <p>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.</p> <p>Investment decisions must have a commensurate level of scrutiny, transparency and approval to make sure that officers and members fully understand the risks.</p> <p>Financial management and reporting should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise when needed.</p> <p>Authorities should respond to audit recommendations and address issues identified in a timely way.</p> <p>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.</p>	<ul style="list-style-type: none"> • The financial strategy and budgets are clearly aligned with strategic priorities and there is a robust process for reviewing and setting the budget. • Human resources and fixed assets are managed efficiently and effectively. • A robust system of financial controls and reporting exists, which provide clear accountability and ensure compliance with statutory requirements and accounting standards. • Compliance with the Prudential Framework, a clearly presented Investment Strategy, Capital Strategy and Minimum Revenue Provision (MRP) policy exists. • A clear strategy exists to maintain adequate reserves. • There is collective accountability for the budget and medium-term financial plan, rather than a siloed approach to management. • There are regular financial reports to Cabinet and training for all members on finance. • Robust systems are in place to identify, report, address and regularly review financial risk. • Sustainable, competitive corporate functions including procurement and IT which deliver value for money. • The Audit Committee has the knowledge, skills and independent expertise to provide robust challenge and ensures effective controls are in place and issues addressed. • The purposes of companies are carefully considered and regularly reviewed, with effective governance and oversight arrangements in place. • Effective project management of projects to enhance governance and effective use of resources. 	<ul style="list-style-type: none"> • Absence of a deliverable and clear medium-term financial plan, approved by the authority's Cabinet or finance committee (as appropriate) and full council. • Consistent overspends, frequent use of virements, and no credible plan to reduce unaffordable debt and maintain sustainable finances, and recurrent non-delivery of savings plans. • Avoidance of/failure to implement difficult budget decisions. • No evidence of transformation to create efficiency savings. • Inadequate reserves, savings not achieved and poor benefits realisation. • Consistent reliance on reserves to balance an outturn position. • Unlawful or excessively risky borrowing and investment practices with no adequate risk management strategy in place for financial losses. • Failure to manage the risks associated with companies. • An authority that has issued a Section 114 Notice. • Significant weaknesses identified in the annual audit report for financial sustainability, and/or statutory recommendations or a public interest report is issued. • High dependency on high-risk commercial income for service delivery and balancing budgets. • Non-compliance with accounting requirements regarding MRP. • A finance function that is not fit for purpose owing to capacity or capability issues. • Underinvestment in back-office services, which affects capacity and succession planning. • Inefficient or uncompetitive procurement arrangements that do not deliver value for money. • IT that is not capable of doing the job for which it is designed.

6. Service delivery

Description	Characteristics of a well-functioning authority	Indicators of potential failure
<p>Poor individual services can often be an indication of broader governance and financial weaknesses within an authority.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Service plans are clearly linked to a local authority's priorities and strategic plans – a golden thread that runs through to individual objectives and accountability. • Service delivery is evidence-based, customer and citizen focused, and meet the needs of different groups within the community. • The authority has an effective and accessible complaints process and provides appropriate redress. • There are clear and effective mechanisms for scrutinising performance across all service areas. Performance is regularly reported to the public to ensure that citizens are informed of the quality of services being delivered. • Procurement processes are economic, efficient and ensure the outcomes of efficient contract procurement and management. • The authority achieves the best balance of cost and quality, considering the resources available, in delivering services, having regard to economy, efficiency and effectiveness. • The local authority takes an innovative approach when considering how services will be designed and delivered in the future. 	<ul style="list-style-type: none"> • Significant weaknesses identified in the annual audit report for economy, efficiency and effectiveness, and/or statutory recommendations or a public interest report issued. • Critical reports from regulator, inspectorate and/or ombudsman show failings which may have resulted in intervention by other government departments. • Intervention from other government departments is not delivering results. • A high level of complaints made to the Local Government and Social Care Ombudsman and/or an annual letter to the authority requesting action to improve with no associated action plan. • Transformation is in name only. Opportunities for efficiency savings and improvements have not assessed in a meaningful way. Exotic or novel solutions are pursued that lack rigor or adequate risk appraisal. • The approach to contracting and contract management is weak, resulting in poor quality public services that do not represent value for money. • Excessive use of contract Standing Order waivers. • Poor tracking of benefits realisation on service improvement. • Services data suggests poor performance and outcomes compared to similar local authorities, e.g. adult social care quality of life score, planning applications completed to time.

7. Partnerships and community engagement

Description	Characteristics	Indicators of potential failure
<p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • The authority provides effective leadership of place through its elected members, officers and constructive relationships with external stakeholders. • An organisational culture exists that recognises the value of working with local partners to achieve more efficient and effective policy development, local economic growth and investment, better services, and customer-focused outcomes. • There is early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services. In some cases, this involves co-design of services. • Evidence of joint planning, funding, investment and use of resources to demonstrate effective service delivery, but transparent and subject to rigorous oversight. • Partners and local residents are involved in developing indicators and targets, and monitoring and managing lack of performance. The authority may be beginning to experiment with more participative forms of decision-making. • The authority drives social and environmental value in their place through mechanisms like procurement and employment. 	<ul style="list-style-type: none"> • Lack of appropriate governance in partnership arrangements. • The authority shows weak ambition (or is overly ambitious) and fails to seize opportunities for building prosperity and opportunity for local people and businesses, promote social cohesion and pride in place. • The authority does not seek and consider feedback from citizens and service users on performance when developing improvement plans. • Poor outcomes identified from resident or partner surveys. • Poor or non-existent communication with partners on issues impacting on their business. • Consultation is perfunctory with a focus on complying with statutory minimums.