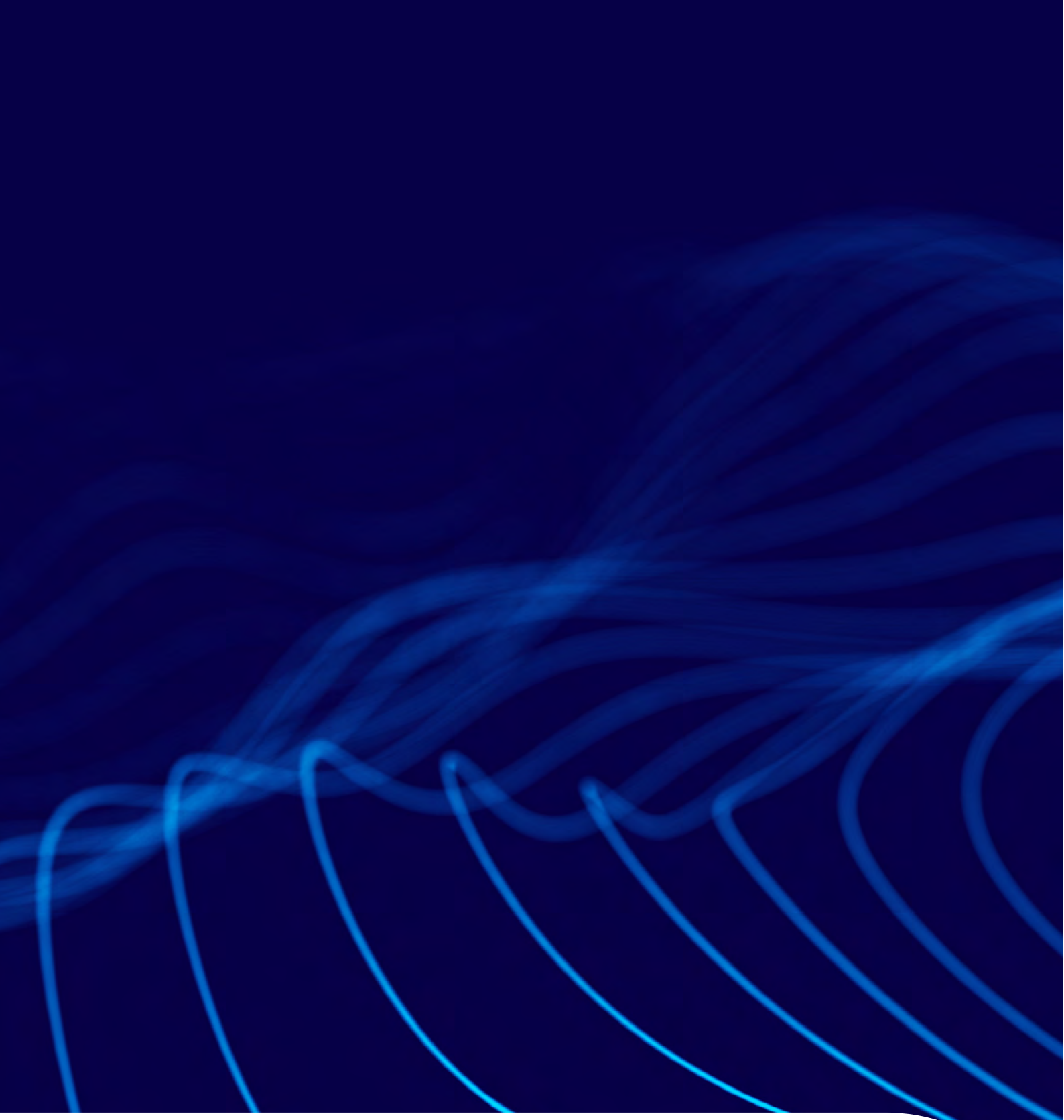
Grant Thornton

The Best Value Duty

Grant Thornton UK response to the MHCLG consultation on revised statutory guidance



1 This document sets out Grant Thornton UK's response to the Ministry of Housing, Communities and Local Government's consultation on the revised Best Value Duty statutory guidance. It follows the structure of the consultation's 21 questions.

2 Our response draws on our work with local and Strategic Authorities across public sector external audit and public sector consulting, and reflects a synthesis of comments from colleagues across the firm.

Detailed responses

Question 1

Do you agree with the scope of this guidance?

Our response: Yes

3 We agree with the scope of the guidance as drafted, subject to two significant caveats.

4 Firstly, Government will need to consider how the Best Value Duty sits alongside the wider programme of public service reform currently under way, in particular the roll-out of significant fiscal devolution to Strategic Authorities and the assumption of responsibility by Mayors for public services beyond core local government functions.

5 The guidance should set out more explicitly how the Duty is intended to apply to Strategic Authorities in this evolving context, and whether the expansion of mayoral responsibility creates unintended consequences for how compliance is assessed, for example where a Mayor holds responsibility for, or convening influence over, a service that is delivered by a body other than the Strategic Authority itself.

6 Secondly, the role of the newly formed Local Audit Office will be crucial in providing an early warning system in terms of local authorities delivering Best Value on the ground.

Question 2

Do you agree with the six guiding principles proposed at paragraphs 18 to 27?

Our response: Yes

7 We agree with the six guiding principles.

8 We note that the six principles are distinct from the seven Best Value themes addressed from paragraph 28 onwards and covered by Question 3. The principles and themes overlap considerably in practice, and currently read as two separate lists that both describe, in different words, what a well-run authority looks like. The guidance should set out clearly how they connect, translating them into a single, coherent assessment framework and specifically explaining where governance ends and leadership or culture begins.

9 There is strong alignment between the current seven Best Value themes and the scope of Value for Money audit (as defined by the NAO's 2024 Code of Audit Practice). Consideration should be given as to how the revised Best Value guidance supports and complements the Code of Audit Practice, as it relates to Value for Money. The next update of the Code of Audit Practice should set out the role of the LAO and auditors in respect of Best Value duties.

Question 3

Do you agree with the seven Best Value themes at paragraphs 18 to 33?

Our response: Yes

10 We agree with the seven Best Value themes, but as already noted the overlap with the six principles needs to be resolved into a clearer, more usable framework, both for authorities carrying out self-assessment and for the department reaching a judgement.

11 There is also an overlap with the principles in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The guidance should acknowledge the connection between them explicitly, and invite authorities to consider the two frameworks alongside each other. A loose mapping between the seven Best Value themes and the CIPFA/SOLACE principles, showing where they correspond and where they diverge, would help authorities do this in practice. Separately, the guidance should state clearly whether any of the seven themes, or specific elements within them, are foundational relative to the others, and set out the dependencies between them.

12 Our experience, echoed in the Lessons Learnt Evaluation, is that governance weaknesses feature in the significant majority of challenged councils, ranging from discrete weaknesses to complete breakdowns and, in the most serious cases, allegations of corruption. Our own research indicates that good governance is dependent on effective council leadership creating the right

organisational culture, and that ineffective leadership, governance and culture contributes to weaknesses in relation to use of resources and service delivery. At the moment while Leadership and Governance are discrete BV themes, more could be done to clarify their foundational importance – they are prerequisites for the existence of effective behaviours and practices relating to the other themes. As such, Leadership and Governance should be recognised as foundational to the other themes, and given particular weight in Best Value inspections and in the improvement journeys of challenged councils, and the guidance should state this explicitly. In a broader sense, more could be done to identify dependencies and intersections between the themes. They are designed to overlap, and the overlaps that are present will enhance the robustness of the framework overall, but where the overlaps introduce dependencies (and where certain themes could be seen as providing the intellectual underpinning of others) the wording could be more explicit.

Question 4

Are there any Best Value themes missing that you think would be helpful to include?

Our response: Yes

13 The guidance needs a specific theme on the connection with residents, which highlights the links between community engagement and engagement with partnerships, while recognising the unique challenges and opportunities attached to a deeper and more fundamental model of community engagement and empowerment. This ranges from the formulation of overall priorities to the design, delivery and evaluation of services, and to the presence of effective systems of governance that can support the integration of these resident-focused measures with the "traditional" governance framework at every stage. In particular, an expanded section on community / resident engagement could highlight the importance of effective neighbourhood governance arrangements.

14 The guidance should also state explicitly that "continuous improvement" is not improvement for its own sake; the objective is the best use of public money in residents' interests. It should require reflective practice and a genuine learning culture embedded across the organisation. We expand on this in more detail below, but in its current form the guidance presents characteristics of a well-functioning authority that speak to the process requirements of continuous improvement, but does not explicitly prompt councils to reflect on how continuous improvement can be evidenced through visible improvements in the way that local people experience services provided to them (otherwise than through the prism of performance indicators).

15 We have a number of comments on the way that the themes are described overall, which should be read alongside our comments in Question 3 about the intersection between the themes, and between the themes and other elements of the BV framework.

16 Many of the "characteristics of a well-run authority" as drafted describe the existence of a procedural or structural element, for example performance monitoring or risk benchmarking, rather than whether that process is actually operating effectively. Others are expressed in generic terms (for example, an authority "prioritises scrutiny and challenge, including internal audit…") without setting out what good practice looks like in observable terms.

17 Government should restructure each table of characteristics into a three-level hierarchy: a small number of headline approaches; the specific measures that sit under each headline approach; and, under each measure, a question prompt that invites discussion as to whether that measure is actually working. "Systemic and structural approaches" is one example of a headline approach, not the only one; the guidance needs several headline approaches of this kind, covering the different ways a well-run authority secures continuous improvement. The illustrative example below sets out what this looks like for a single headline approach; government should develop the full set of headline approaches, each broken down in the same way, for each of the seven themes. The use of questions under the "indicator" heading would ensure that the list of characteristics is not seen as a checklist, but is instead used as a corpus of prompts to support conversation about improvement.

18 The overall approach taken to this level of detail will need to take account of a recognition that a wide range of organisations are Best Value authorities, and work will be required to ensure that the characteristics, as described, are not overly generic.

19 Illustrative example: a three-level structure for continuous improvement

Level	Example content
1. Headline approach	Systemic and structural approaches
1.1 Measure	The authority has dedicated resource in place for scrutiny and challenge.
1.1.1 Indicator	How do the arrangements for scrutiny support protect the time, resources and independence of the officers providing it?

20 Government should also set out, either in this section or in Section 6, exactly which sources of evidence it will use to reach determinations against each characteristic, for example the AGS, the Auditor's Annual Report, or other named documentation such as reports from sector regulators like Ofsted, CQC, the Regulator of Social Housing, and the Local Government and Social Care Ombudsman. The current description of the internal data used is too loose to give authorities confidence about how they will be assessed. A map of the evidence proposed to be used, its weighting (if relevant) and possible points of triangulation would support councils to use this data as well to ground their own understanding of their performance, and future prospects.

21 The need for the guidance to be integrated with the Local Outcomes Framework should also influence the detailed content of the descriptions under each BV theme. A clear evidence base for each area would assist in contextualising councils' BV obligations with their new obligations to report under the LOF. Government should make more explicit if it is indeed the case that the BV guidance should be taken alongside existing and forthcoming material on the LOF, to provide councils with a single framework within which they can describe their performance and effectiveness.

Question 5

Do you agree with the suggested key characteristics of a well-run authority and key indicators of potential failure in relation to continuous improvement?

Our response: Yes (subject to our general comments on Question 4)

22 We agree with the areas identified in relation to continuous improvement, and strongly welcome the emphasis placed on the Annual Governance Statement (AGS). A repositioning of the use of the AGS as a critical improvement tool is a key feature in the ongoing strengthening of the local governance framework, and of the BV system.

23 We have answered "no" because too many of the characteristics as currently drafted are not yet fit for purpose. We provide more detail about this in our general comments under Question 4, above.

Question 6

Do you agree with the suggested key characteristics of a well-run authority and indicators of potential failure in relation to effective leadership?

Our response: Yes (subject to our general comments in Question 4)

24 We agree with the characteristics and indicators proposed. As with Question 5, government should draw a clearer and more functionally useful link between what "good" looks like and the corresponding indicators of potential failure, broken down using the same three-level hierarchy of headline approaches, measures and indicators set out at Question 5.

25 The guidance should also place more emphasis on internal and external candour, the willingness of leaders to speak openly about problems, both within the organisation and to external bodies. The guidance references the "Golden Triangle" of the Head of Paid Service, Section 151/73 Officer and Monitoring Officer only in passing; it should say more about the specific role these officers play in "uphold[ing] their duties and speak[ing] truth to power", and in leading a culture of good governance across the organisation, and about the duties all officers, not just those three, hold towards good governance irrespective of their substantive role. In our experience where this triangle is effective, councils tend not to make poor decisions whatever their political make up may be and whatever underlying financial pressures they may have.

26 Our comments under question 4 about the restructuring of the "characteristics" to provide better structure, and clearer questioning and evaluation prompts, also applies to this section.

Question 7

Do you agree with the proposed characteristics of a well-run authority and indicators of potential failure in relation to governance?

Our response: No (noting also our general comments in Question 4)

27 We have a number of specific concerns about the characteristics proposed, set out below, which lead us to answer "no" at this stage.

28 On "scrutiny and internal audit functions are challenging, robust, valued and contribute to the efficient delivery of public services": this implies that scrutiny and internal audit should be measured against the same standard, which we do not think is helpful. Evidence suggests that prioritising challenge for its own sake risks creating an environment where political point-scoring flourishes. The test of effective scrutiny should be whether better decisions have resulted from its involvement; scrutiny should be member-led and should encourage constructive, cross-party discussion.

29 Scrutiny arrangements also require appropriate resourcing – in particular, the "local scrutiny committee" model for strategic authorities, and the evolution of the scrutiny role in the SA context, may require particular reference.

30 In our experience – the same organisation can have good scrutiny and poor internal audit and vice versa. Some authorities do not sufficiently prioritise internal audit and it is sometimes under-resourced. In our view poor governance can go unchecked without a strong internal audit function, which is itself predicated on the presence of a productive culture of governance and leadership.

31 On "risk management informs every decision": we accept this probably is not intended to suggest risk management is the only input into decision-making, but the guidance does not say that, and a reader could reasonably take it that way. The guidance should make explicit that risk management is one of several sources of insight that inform decisions, alongside others such as resident and service-user evidence and value for money, rather than presenting it as a standalone test.

32 On "performance management and quality assurance information effectively measures outcomes and is frequently interrogated": the guidance should give more attention to the cultural underpinnings that allow governance to succeed in practice, rather than focusing on the presence of measurement systems alone.

33 The guidance should also prioritise member training, development and understanding explicitly, covering both the specific skills members need in role (for example chairing and questioning skills) and their understanding of how service delivery and spend align with need, together with their access to the information required to perform their role effectively.

34 More broadly, and consistent with Questions 3 and 5, the guidance should acknowledge the connection between the seven Best Value themes and the CIPFA/SOLACE Framework for Good Governance in Local Government, along the lines set out at Question 3, and signpost clearly the evidence sources it will use for determinations.

35 We do, however, support other characteristics of a well-functioning authority such as statutory officers and external auditors have regular and open communication throughout the year, and that public reporting on value for money, performance, and the stewardship of resources is completed in a timely and understandable way, with transparent responses to recommendations from external audit and regulators. We would agree that where the external auditor identifies significant weaknesses in relation to governance this should be seen as an indicator of potential failure.

36 Our comments under question 4 about the restructuring of the "characteristics" to provide better structure, and clearer questioning and evaluation prompts, also applies to this section.

Question 8

Do you agree with the proposed characteristics of a well-run authority and indicators of potential failure in relation to culture?

Our response: Yes (subject to our general comments in Question 4)

37 We agree with the characteristics and indicators of potential failure in relation to culture. Consistent with our comments at Questions 3, 4 and 7, the guidance should draw more explicit connections between the culture theme and the leadership and governance themes, given how closely culture is shaped by, and in turn shapes, both.

Question 9

Do you agree with the proposed characteristics of a well-run authority and indicators of potential failure in relation to use of resources?

Our response: Yes (subject to our general comments in Question 4)

38 We agree with the characteristics and indicators proposed for use of resources. As with other themes, government should signpost clearly the evidence base it will use to reach a judgement, for example the CIPFA Financial Resilience Index, the Auditor's Annual Report, external auditors use of statutory powers, or Section 5 and Section 114 notifications, so that authorities know exactly which sources will inform any assessment.

39 Consistent with our comments at Questions 3, 4, 7 and 8, the guidance should draw out more explicitly the connections between leadership, governance and culture on how these shape a well-run authority in relation to use of resources.

Question 10

Do you agree with the proposed characteristics of a well-run authority and indicators of potential failure in relation to effective service delivery?

Our response: Yes (subject to our general comments in Question 4)

40 We agree with the characteristics and indicators proposed for service delivery, subject to our general comments above about ensuring the characteristics describe effective operation rather than simply the existence of a plan or process.

41 Consistent with our comments at Questions 3, 4, 7 and 8, the guidance should draw out more explicitly the connections between leadership, governance and culture on how these shape a well-run authority in relation to effective service delivery.

Question 11

Do you agree with the proposed characteristics of a well-run authority and indicators of potential failure in relation to partnerships and community engagement?

Our response: Yes (subject to our comments in Questions 3 and 4)

42 We have already noted our view that a specific theme relating to community engagement would allow councils, and Government, to more fully reflect on and assure the centrality of resident involvement to authorities' governance systems.

43 With that caveat, we agree with the characteristics and indicators proposed. We would particularly highlight, for Strategic Authorities, the importance of the quality of relationships with constituent councils, given how much delivery in this theme depends on genuine buy-in from constituent members rather than formal governance arrangements alone.

44 Consistent with our comments at Questions 3, 4, 7 and 8, the guidance should draw out more explicitly the connections between leadership, governance and culture on how these shape a well-run authority in relation to partnership working and community engagement.

Question 12

Are you happy with the level of clarity and detail in the description of how the department decides the most appropriate response to supporting authorities at risk of Best Value failure?

Our response: No

45 We do not think the guidance currently provides sufficient clarity or detail about how the department decides on the most appropriate response to an authority at risk of Best Value failure, or about government decision-making on Best Value more generally.

46 Government should publish a process map or flowchart setting out the different levels of intervention and support, and the gateways or triggers between them, which summarises and builds on the Government's "Lessons learned from Best Value interventions" research as well as the LGA's 2024 governance and assurance framework for local government. This is necessary to give authorities, residents and other stakeholders a transparent and predictable framework. This should include greater clarity on how different government departments, inspectorates, regulators and other bodies with a relationship, and/or oversight role, relating to local government work together to identify and prevent risk.

47 Government should also be clear on the role and responsibility of the Local Audit Office in supporting the Government in the identification of, and response to, authorities at risk of Best Value failure.

Question 13

Are you happy with the level of clarity and detail in the description of the non-statutory tools used?

Our response: No

48 We do not think the guidance currently provides sufficient clarity or detail on the non-statutory tools available.

49 The guidance should set out the central role the Annual Governance Statement (AGS) is expected to play throughout this process, both as a source of evidence for the department and as a document through which authorities demonstrate their own recognition of, and response to, emerging risks.

50 The guidance should also clarify the specific role of the external auditor in providing assurance, and how the Best Value framework as a whole links with the "three lines of defence" model of assurance: management, internal audit and risk functions, and external audit and inspection. More generally, we think the guidance should place greater weight throughout on authorities' own internal and local systems, particularly the external auditor, rather than framing assurance mainly in terms of the department's own tools and interventions.

51 On Early Assurance Letters specifically: statutory guidance cannot impose a formal obligation, but government should set a clear expectation that an Early Assurance Letter is brought to the formal attention of the external auditor and the chair of the Audit Committee, given that Early Assurance Letters are not ordinarily published. The guidance should also set out how the issuing of, and response to, an Early Assurance Letter engages with the Monitoring Officer's Section 5 duty and the Section 151/73 Officer's statutory duties, given the overlap between these officers' responsibilities and the matters an Early Assurance Letter is likely to address.

Question 14

Are there any other ways in which the government could engage earlier with individual authorities to prevent any challenges experienced from escalating?

Our response: Yes

52 Government should emphasise the connection between this process and the Exceptional Financial Support (EFS) process, and between this process and the sector-led support offered through the Local Government Association (particularly including CPC), so that authorities and government alike have a single, coherent view of the range of engagement and support mechanisms available at any one time.

Question 15

Are the different approaches to independently assess an authority's compliance with the Best Value Duty sufficiently clear?

Our response: Yes

53 Yes, subject to our comments at Question 13 about the role of the external auditor and the three lines of defence.

54 The guidance should specify Key Lines of Enquiry (KLOEs) for Best Value Inspections that map explicitly onto the seven Best Value themes, so that inspections, and the judgements reached in them, are applied consistently across different authorities and different inspection teams. It should also set out the level of detail Best Value Inspections are expected to go into, the level of evidential detail expected in the final report, and a consistent methodology for how evidence is gathered and synthesised across an inspection.

55 The guidance would also benefit from including detail on how Government appointed Commissioners and Envoys work with other organisations supporting a council's improvement journey, including external auditors, so that there is a consistently applied approach.

Question 16

Are the different models of intervention sufficiently clear?

Our response: Yes

56 Yes, but government should map out how it will move between the Envoy and Commissioner models during an intervention, both stepping up and stepping down, including the specific triggers for, and consequences of, each transition.

57 The guidance should also set out more detail on the use of independent improvement panels and other informal intervention mechanisms that sit alongside the formal models described.

58 More detail is needed on the use of directions, both in a directions-only intervention and in relation to a Commissioner's power to direct. On the latter, the guidance should recognise that the threat to direct carries, in practice, many of the same consequences for the authority and for public confidence as a direction actually being issued.

59 The guidance should also set out how Commissioners themselves are held accountable, whether from within Whitehall or within the authority, for example through the scrutiny function.

60 Finally, the guidance should address the role of the Audit Committee and the external auditor during a period of Best Value intervention: specifically, what intervention means for the external auditor's obligation to produce statutory recommendations, and whether it changes the rhythm or nature of external and internal audit work during that period.

Question 17

Are the descriptions of the different phases of an intervention sufficiently clear?

Our response: Yes

61 Yes, but government should describe the first phase as "stabilisation" rather than "response", and should explicitly identify the end of this phase as the point at which a longer-term improvement plan is firmed up. "Stabilisation" provides a better description of the likely activity being led by councils under intervention during this period, and emphasises the continued importance of council, and councillor, leadership even during a period in which Commissioners will be active at the start of an intervention.

62 Government should be clearer overall about the expected scope and nature of recovery plans, recognising that this will vary depending on each council's unique circumstances, and Commissioners need to be consistent in how their own expectations, and government's, map onto the challenge they provide to councils as recovery plans are developed. This matters because councils are often developing recovery plans when they are at their weakest, for example a few months into an intervention, when morale is low and there may be significant churn among senior officers. The guidance should say more about the nature of support provided into the system at this point, so that any challenge on a council's capacity and capability to deliver a recovery plan reflects the conditions the council is actually operating in.

63 The guidance should also recognise that the relationship between the council and any appointed Envoy or Commissioner changes at each phase, and require a different form of memorandum of understanding (MoU) at each stage, agreed between the Envoy/Commissioner, Cabinet and Chief Officers, and reviewed regularly, so that mutual expectations remain understood as the intervention progresses.

Question 18

What are the key indicators that an authority can sustainably continue their own improvement and an intervention can end?

Our response: Response provided below

64 It is important that this assessment is not made solely by the appointed Envoys or Commissioners, as appears to be the case under the current framework. Government should base its view primarily on the appointed Envoys' or Commissioners' own assessment of progress, informed by a self-assessment from the authority itself, delivered through its Annual Governance Statement, together with advice from the external auditor. Triangulating these three sources of evidence gives the Secretary of State a rounded picture that reflects the authority's own commitment to improvement, independent external assurance, and the on-the-ground judgement of those directly supporting the authority. We are conscious that, by extension, such an approach will require that many councils seek to strengthen the process by which the Annual Governance Statement is developed and agreed.

Question 19

Do you agree with the approaches described for providing post-intervention support and monitoring?

Our response: Yes

65 Yes, but post-intervention support should be bespoke and genuinely time-limited, not open-ended, to avoid creating a permanent dependency on central support and to keep the focus on the authority sustaining its own improvement.

66 Government should also build in a role for support from neighbouring or comparable authorities, and more widely across the sector-led improvement offer, subject to those authorities having the capacity to provide it and to appropriate funding being in place to support them in doing so.

Question 20

Are there any other ways in which the government could provide post-intervention support and monitoring to an authority exiting formal intervention?

Our response: Response provided below

67 Any expanded offer should be sized against the realistic number of authorities likely to be in intervention at any one time and the resource available to support them all. A sustainable model for ongoing post-intervention support needs to be sector-led, and funded accordingly, rather than reliant on the department directly resourcing bespoke support for every authority exiting intervention.

Question 21

Are there any areas missing from the statutory guidance that you think would be helpful to include?

Our response: Yes

68 The final guidance should reflect the following cross-cutting points, raised throughout this response:

- The criticality of effective leadership on good governance, use of resources, and organisational culture **(Question 3)**;
- action to reorganiser the characteristics of well-functioning / poorly-functioning authorities, organised to support questioning prompts **(Question 4)**;
- a process map or flowchart illustrating the different levels of support and intervention and the gateways between them **(Question 12)**;
- explicit alignment between the seven Best Value themes and the CIPFA/SOLACE Framework for Good Governance, including any dependencies or foundational elements between themes **(Questions 2, 3 and 7)**;
- linkage to the NAO Code of Audit Practice and subsequent LAO **(Question 3)**;
- clearer identification of the evidence sources, for example the AGS, the Auditor's Annual Report, or other named documentation, that the department will use to reach determinations against each characteristic **(Questions 5, 9 and 13)**;
- Key Lines of Enquiry for Best Value Inspections, and a consistent methodology for gathering and synthesising evidence **(Question 15)**;
- clarity on the role of the LAO and the external auditor and the three lines of defence throughout the Best Value framework, including during a period of intervention **(Questions 13 and 16)**;
- the expectation for, and process around, a memorandum of understanding between any appointed Envoy or Commissioner, Cabinet and Chief Officers, reviewed at each phase of an intervention **(Question 17)**;
- clearer triggers and consequences for stepping between the Envoy and Commissioner models, and clearer accountability arrangements for Commissioners themselves **(Question 16)**;
- consideration of resourcing Local Scrutiny Committees and community engagement **(Question 7)**; and
- consideration of how planned local accounting officers or strategic authorities integrate their responsibilities with other statutory officers.

GRANTTHORNTON.CO.UK

© 2026 Grant Thornton UK Advisory & Tax LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK Advisory & Tax LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication. DTSK-14443

Grant Thornton