

Appendix B: Interview Topic Guides

Council interview topic guide

1. Introduction

An introduction to the research and to reassure respondents of confidentiality. This included the aims and objectives of the work; the cohort coverage (councils across the political spectrum, geographies, and administrations); and that participation is voluntary, and in all cases will not affect the council's current or future relationship with MHCLG. It was made clear to each respondent that this is an opportunity to give constructive feedback to MHCLG, and any queries arising about policy, would be passed onto appropriate contacts in MHCLG post interview. All respondents were reassured that there was an open question at the end of the interview asking if there is anything else they would like to share with MHCLG that has not been covered in the interview key lines of enquiry.

2. Pre intervention & Drivers of the council's intervention

The aim was to explore the council's context prior to the intervention and any drivers / risk factors that led to the intervention.

a. What are the main challenges the council faced in the lead up to the best value intervention? Prompts:

- Governance issues
- Poor culture / behaviours
- Ineffective corporate / political leadership
- Weak local engagement and accountability
- Failing services or functions

b. Before the intervention, what did the council do to try and prevent the best value intervention? Prompts:

- Seek support from HMG / sector bodies. If so, what support?
- Implement a financial strategy, if so, can you tell me about this?
- Reduce costs.
- Increase revenue.

Probe: Why do you think these/this approach(es) failed to prevent the intervention?

c. How effective was Local Audit and role of auditors in helping you to understand the situation of the council and the challenges it faced?

Probe:

- Did your local audit function and the feedback from auditors equip you for the challenges the council faced?
 - o If so, how?
 - o If not, why not?
- Do you think local audit functions and independent auditors gave you the right information to help you prioritise and focus your decisions and resource allocation to local priorities?

- If so, how?
- If not, why not?

d. What do you think were the key triggers that led to intervention?

Prompt as necessary:

- Lack of corporate leadership
- Lack of political leadership
- Lack of corporate capacity
- Poor councillor conduct
- Conflict and distrust members and officers
- Lack of effective scrutiny, transparency, and public consultation
- Lack of acceptance/capacity for the need for improvement

3. Experience and Impact of Intervention

Key area of exploration for this interview, trying to understand the experience of the intervention from the local perspective and aspects that worked well / less well

a. The main aim of this work is to understand your views and experiences of government intervention. Overall, what did you think of the intervention? Views on the structure and process of the intervention?

Prompt:

- Diagnosis, discovery, action-planning, implementation, delivery

Probe:

- What was the relationship like between your council and the commissioners /best value experts that the government asked you to work with?
 - *For statutory interventions:* Did they have to use all of the powers the Secretary of State gave directions for?
 - Did you feel that was fair?
- If and how was the intervention tailored to your council?
- From your point of view, is/was there an explicit exit strategy?
 - If yes, was it clear to you and your citizens?

b. What were the outcomes of the intervention? Prompts: *Short term? Longer term?*

Probe:

- What did you think of the action plan / improvement advice?
 - How clear were the timelines? How was it?
- Did anything else impact the outcome of the intervention?
 - If so, what, and how did it impact the outcome?
- Have these outcomes had a wider reach than the council (e.g. relationship with or perceptions of neighbouring councils, local area/region etc)?
- If so, how

c. What aspects of the intervention worked well? Why?

Probe: What conditions allowed the intervention to work well? Prompts:

- Staff buy-in
- Fresh leadership

d. What aspects of the intervention did not work well? Why?

Probe: What conditions prevented the intervention from working well?

e. What impact did the experience of a best value intervention have on the council as a whole?

Prompts:

- Culture
- Workforce
- Loss of staff
- Low morale
- Costs

f. Since the formal notification, during the life of the intervention, how much has the council spent on its improvement?

Probe:

- Do you think the cost was justified? Why/why not?
- How much of this (£ or %) was best value expert fees and expenses?
- What do you think about councils in intervention having to fund the best value experts & fees?
- How much of this expenditure and any subsequent spend was directed, mandated, or advised by the commissioners or best value experts working with your council?
- How much internal resource was spent over the course of the intervention i.e. staff days?

4. Improving the Experience of Intervention

This key area of exploration is to understand how MHCLG can improve the intervention experience, so they feel more supportive to councils.

a. Based on your council's experience of intervention to date, what improvements would you make to the interventions? Prompt:

- The process (e.g. engagement, set up)
- Approach and operational model
- Role of best value experts (Commissioners/panellists/envoys)
- Action plan and improvement advice
- Exit strategy

b. How could the intervention be made more supportive for you? Prompt:

- The process (e.g. engagement, set up)
- Approach and operational model
- Role of best value experts (Commissioners/panellists/Ministerial envoys)
- Action plan and improvement advice
- Exit strategy

c. Do you think every intervention should be assigned a political advisor? Prompt:

- Why / why not
- Benefits / disadvantages

d. What lessons have you learnt from this experience that would benefit other councils?

Probe, if necessary, how would this benefit other councils?

e. Is there anything else you would like to share with MHCLG that has not been covered in our questions?

5. Close

This is where the interview was wrapped up and councils are given advice on next steps

a. Thank you for your time and valuable contribution to this project

b. If there is any follow-up information that you would like to send us, please direct it to LGLessonsLearned@veriangroup.com mailbox, with the title heading 'Lessons Learned from Best Value Interventions'.

c. Next steps:

- Engagement continues with councils, best value experts, a sample of LG sector bodies, and government stakeholders too through to the end of October 2025
- We will work towards a full draft report for early January 2026, and that will inform the consultation that will follow on the update to the statutory guidance on Best Value.

Best value expert interview topic guide

1. Introduction

Introduced the research, gave reassurance about confidentiality, and explains the interview process (as above in the Council Discussion Guide)

2. Background

This aims to understand the best value expert role and explore the drivers / risk factors that led to the intervention(s).

a. Briefly, what is your career background that has led you to this commissioner/best value expert role?

b. How many interventions have you been involved in?

c. Given your experience of intervening on behalf of the state, what are the causes of failure for the councils you have worked with? Please give specific examples by council.

Probe if involved in multiple interventions.

- What common or similar triggers (if any) did you notice across interventions?

d. How effective was Local Audit and roles of auditors in helping you to understand the situation of the council(s) and the challenges it faced? Probe:

- Have you seen the feedback from the Local Audit function / auditors?
 - o If so, how useful do you find it?
- Did the councils' local audit function, and feedback from auditors, equip you for the challenges the council faced? Please give a specific example.
- Do you think local audit functions and independent auditors give you the right information to help prioritise and focus your decisions and resource allocation for the LA?

3. Impact of Intervention

The aim is to explore the experience of intervention(s) from the best value expert perspective and identify aspects that work well / less well.

- a. The main aim of this work is to understand your views and experiences of government intervention. Overall, what did you think of the structure and process of the intervention?**

Prompt:

- Diagnosis, discovery, action-planning, implementation, delivery

Probe:

- Did you have to use all the powers the Secretary of State gave you?
- Is/was there an explicit exit strategy? In your view, was it clear to the council?
- At what point in the lifecycle of the intervention was the exit strategy put in place?
- How do you establish when to leave?

- b. How do you involve the council in the intervention?** Please give specific examples.

- c. Can you describe the relationship between the council and yourself and your intervention team?**

Prompts:

- Resistant to change?
- Open to change?

Probe: What impact did the relationship have on the intervention?

- d. How do you ensure that the council takes ownership of the actions you set out?** Please give specific examples by council.

- e. What were the outcomes of the intervention?** Prompts: Short term? Longer term?

4. Improving the Experience of Intervention

The aim is to understand how MHCLG can improve the intervention experience and support, so they are as efficient and effective as possible.

- a. Based on your experience of delivering intervention to date, what improvements would you make to the interventions?**

Prompt:

- The process (e.g. engagement, set up)
- Approach and operational model
- Role of best value experts (Commissioners/panellists/Ministerial envoys)
- Action plan and improvement advice
- Exit strategy

- b. Do you think every intervention should be assigned a political advisor?**

Prompt:

- Why / why not
- Benefits / disadvantages

- c. How could the intervention be made more supportive for councils?**

Prompt:

- The process (e.g. engagement, set up)
- Approach and operational model
- Role of best value experts (Commissioners/panellists/Ministerial envoys)
- Action plan and improvement advice
- Exit strategy

d. How could MHCLG provide more support for you and other best value experts when delivering interventions?

Prompt:

- Training
- Other specific activities

Probe if necessary: how would this benefit you/others?

e. Preventing council failure is more effective and efficient than intervening when councils have fallen over. Discounting more funding, what recommendations would you make to government to prevent councils failing in the future?

f. Is there anything else you would like to share with MHCLG that has not been covered in our questions?

5. Close

This is where the interview was wrapped up and the best value expert is given advice on next steps.

a. Thank you for your time and valuable contribution to this project

b. If there is any follow-up information that you would like to send us, please direct it to LGLessonsLearned@veriangroup.com with the title 'Lessons Learned from Best Value Interventions'.

c. Next steps:

- Engagement continues with councils, other best value experts, a sample of LG sector bodies, and government stakeholders.
- We will work towards a full report for early January 2026 and that will inform the consultation that will follow on the update to the statutory guidance on Best Value.

Appendix C: Institute for Government Roundtables

Five roundtable discussions were conducted by the Institute for Government between September and October 2025.

Roundtable (by key group and date)	Attendant representatives
Roundtable 1: Sector (September 2025)	Special Interest Group of Municipal Authorities (SIGOMA) Local Government Information Unit (LGIU) District Councils' Network Core Cities UK Society of Local Authority Chief Executives (Solace) Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Association (LGA) London Councils Centre for Governance and Scrutiny Association of Directors of Children's Services (ADCS) Association of Directors of Adult Social Services (ADASS) Regulator for Social Housing
Roundtable 2: Supporting best value experts (October 2025)	Specialist experts involved in the following interventions: Warrington Borough Council London Borough of Tower Hamlets Birmingham City Council Wirral Borough Council Nottingham City Council Woking Borough Council Spelthorne Borough Council Thurrock Council
Roundtable 3: MHCLG & other government departments (October 2025)	Department for Digital, Culture, Media, and Sport Department of Health and Social Care Ministry of Housing, Communities and Local Government Department for Education
Roundtable 4: Chiefs of Staff on best value interventions (MHCLG) 27th October 2025	3 Intervention Case Leads from MHCLG 1 written feedback (in absentia)
Roundtable 5: MHCLG best value intervention and risk Senior Management Teams	9 senior managers of representatives from Local Government Stewardship and Interventions, and LG Finance Risk teams

Appendix D: Literature Review

Context

As outlined in the Methodology section of its final report, the Lessons Learnt evaluation was commissioned by Ministers because in the last five years there has been a significant rise of the number of councils entering a Best Value statutory or non-statutory intervention. The depth of challenge, change and complexity in the public sector has created a landmark moment for the reform and implementation of oversight and improvement of local government across a spectrum of policy areas – from the sector's Financial Settlement to Standards and Consult, Local Audit, Outcome measures, and an ambitious programme of Local Government Reorganization. It is against this backdrop that MHCLG has undertaken the 'Lessons Learnt Evaluation 2025', to understand how it could support councils to be not just 'fit, legal, and decent' but maintain the highest standards of performance and conduct.

The Lessons Learnt report builds on the foundations of the [previous desk-based research \(2020\)](#) of learning from cultural and governance failings in best value interventions but differs because for the first time ever it has undertaken structured engagement with each of the 24 councils that have experienced an intervention for the period June 2020-June 2025. The purpose is to capture learning from councils' improvement experience to inform policy, prevention, and intervention practice.

This Literature Review is a contextual piece in which to embed the fieldwork findings. It consists of a *documentary* review of literature on corporate failure that can lead to a council failing its Best Value duties. Service specific failures subject to their own inspectorate regimes are out of scope of the work, except where the service has exposed deeper corporate risk of failure of Best Value duties.

It assesses diverse literature from different sectors, including Central government, Parliamentary sources, local government sector bodies, policy think tanks, and academics to explore some of the project's key research questions such as: 'why does best value failure occur?' and 'what impact do best value interventions have?,' including 'how councils recover and ideas for improvement.'

Methods

A traditional literature review was undertaken (following the definition of Grant and Booth, 2009). Several sources were used to identify and search for literature, including the support of an information specialist in MHCLG and references found in key texts.

Although the cohort focuses on councils with experience of intervention in England only, source materials for the literature review were more expansive. The approach for inclusion/exclusion of sources was based on qualification criteria and filtering since the

literature on general council failure is extensive, but less so on best value failure specifically. Once identified, the decision to read and in/exclude texts was informed by a range of factors, such as their relevance, credibility of source, and date of publication (for more detail see sub annex to this section).

We are grateful to Dr Jason Lowther, a well-respected local government senior manager, academic, and Director of the University of Birmingham's Institute for Local Government Studies (INLOGOV) for his critical friend review of this Literature Review; and Professor Peter Murphy at Nottingham Trent University who provided academic readership of the very earliest draft.

Executive Summary of the Literature Review

The current Best Value statutory guidance outlines that Under Section 3 of the Local Government Act 1999, failure of Best Value duty involves the council's failure to "make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency, and effectiveness." (MHCLG, 2024).

This literature review indicates the continued prominence of governance, leadership, and culture (often referred to as 'GLC') problems in understanding and explaining best value failure.

In addition, analysis indicates that structural factors external to councils are increasingly prominent when examining factors that have led to best value failure. These include:

- financial constraints on the sector
- weakness of the Local Audit systemic
- equality influencing socio-economic geography
- role and policy of central government, and a lesser extent
- indirect global economic shocks (which have created workforce and cost challenges for councils).

The review also shows that substantive literature on the impacts of MHCLG's best value interventions is comparatively limited, because although the number of councils at risk is increasing, the number of additional and unique interventions remains small (two or three per year).[1] Indeed, such paucity and the five-year gap since the most recent government publication on learning, were determining factors in Ministers commissioning a more comprehensive Lessons Learnt Evaluation. MHCLG teams had much internal and top-down learning but hitherto have not gathered new and systematic information on the experience of interventions from a direct customer-first (council) perspective, and other priority stakeholders to compare intervention and improvement support actions.

A key question too is why, all things being equal, some councils fail when the vast majority do not. Are these councils 'outliers' or are there systemic structural factors driving council corporate risk. Whilst the literature review does not fully answer these questions directly, the sections that follow examine what the body of literature says on

why best value failure occurs, what actions are most effective in helping councils' recovery, and how interventions can be both prevented in the first place and improved when used as a case of last resort. Although undertaken separately, findings of the literature review and the original engagement of extended interviews and roundtables are consistent.

Drivers of Failure

Leadership

*'... our understanding of failure is simplistic
– Government's understanding of it even more so (CFPS, 2018a).*

Across the various sources there is consensus that problems with governance, leadership and culture ('GLC') are a key factor across council failure (MHCLG, 2020; Murphy and Jones, 2024). This supports a broader body of work on organisational performance that argues negative management characteristics such as weak leadership raise organisational risk (e.g. Andrews et al., 2006; Warrick, 2017).

Leadership problems are an important reason for failure (Dossett and Clifton, 2023; Ravaghi et al., 2017). This can comprise various indicators from poor decision making (MHCLG, 2020), which can itself result from, and give rise to, persistent leadership churn, to the absence of leadership. Additionally, a lack of understanding of the bigger picture, such as the council not developing a strategic vision or plan for its place, is another sign of ineffective leadership (Audit Commission, 2003).

Negative behaviours by political and senior managerial leaders can also impact council performance since this creates poor working relationships and conditions. Typically, this can be seen in the blaming of others, which can limit leadership reflexivity and decrease morale, whilst authoritarian behaviours can disempower staff and detrimentally affect collaboration (Dossett and Clifton, 2023).

Some literature sources found that a dislike of critique or challenge by leadership is a common characteristic of failing councils, as this can decrease openness to external scrutiny and accountability, and fosters conditions that are ripe for ineffective decision making (Audit Commission, *ibid*; MHCLG, 2021).

Culture

Culture, one definition of which includes shared practices, is a fundamental factor in organisational performance (Warrick, 2017); and there is consensus that an authority's culture plays a significant role in failure (Ravaghi et al., *ibid*).^[2]

Negative cultures that increase the potential for failure include poor behaviours, like bullying and harassment, especially by leaders and senior managers since these increase distrust and conflict amongst staff, and decrease communication and teamwork (MHCLG, *ibid*). The Audit Commission's (*ibid*) report argues that 'punitive climates of fear' can prevent challenges and, therefore, reduce good decision making by authorities.

Negative cultures in best value failing councils often involve closed, ‘group think’ mentalities that preserve the status quo (Audit Commission, *ibid*). For instance, in terms of political administration, both dominant political majorities and hung councils could create imbalances of power, groupthink, or adversarial behaviours, which may weaken decision-making. Challenging political cultures can have impacts on officers, for example by silencing more critical voices, not being open with information, and not bringing in new staff, especially from more diverse backgrounds.

Negative cultural atmospheres, defined by Gandy (2017) in his work on urban environments as shared feelings amongst a social group, might provide insight into common characteristics of failing councils. An atmosphere of overconfidence is highlighted in some literature, since this can result in dismissal or negation of risks (e.g. CFPS, 2018a). The Commissioners’ report on the former Northamptonshire County Council intervention argues that at ‘... the centre of these faults [at the council] was a state of hubris, characterized here as dangerous over-confidence’ (MHCLG, *ibid*).

Councils characterised by a cultural overconfidence typically cannot seek the right support or reverse underperformance themselves since their problems become invisible to them. This can be seen by a lack of awareness of their situation (LGA written submission, 2025).

Another negative atmosphere that can be present in councils at risk of best value failure is malaise that is a tiredness or helplessness, whereby failure becomes engrained, accepted, and normalised (MHCLG, 2021). The presence of negative cultures in authorities can be concerning because it may take a long time to change them (LCC Commissioners, 2023).

Governance

So far, we can see that the body of sources recognise that people and culture are at the centre of performance (Warrick, 2017), but the literature also draws attention to the importance of institutional systems of governance. Evidence shows that governance systems impact corporate performance and service quality, and that failure is more likely when governance problems accumulate (Audit Commission, *ibid*).

Dossett and Clifton (2023) highlight how poorly designed, ineffective internal structures can reflect defensive cultures and decrease accountability and risk in authorities, especially internal financial and audit systems.

Additionally, weak systems of oversight and scrutiny can also contribute to risk since they can hinder both the identification of problems and reduce challenges (CFPS 2018a). This is why the best value theme of continuous improvement states that councils and other forms of local authority covered by the 1999 Local Government Act should ensure they have challenging and robust processes for internal and external scrutiny (MHCLG, 2024).

MHCLG’s previous 2020 lessons learnt report highlights that ineffective scrutiny functions contribute to best value failure, with ineffective and weak internal systems of governance

signalling defensive cultures. That report cites members at Tower Hamlets, having to submit onerous Freedom of Information requests for business-as-usual data that would enable them to do their jobs effectively.

Commentators such as Dossett and Clifton (2023) attribute the weakening of internal corporate functions to the hollowing out of organisational capacity and capability resulting from systematic reduction of funding across the local government sector. However, this does not explain the conundrum that most councils experiencing the same environment have managed to retain effective corporate health. To comply with their statutory duties for services and balance their in-year budget books, most councils have made difficult decisions, prioritising frontline services at the expense of 'back-office' function and not slipping into best value failure. We need to examine other prevalent factors that might influence a council's entry into best value intervention.

External structural factors

Historically, central government has explained best value failure through governance, culture, and leadership problems. Dodd et al. (2025) argue that UK policy centres solely '... on the attribution of blame to individuals and organisations [councils]', with this viewpoint legislatively enshrined in the Local Government Act 1999 through best value. Murphy and Jones (2024) also espouse this view.

Some sources suggest that a singular explanation for failure is both inappropriate and increasingly inaccurate (Dodd et al., 2005; Ravaghi et al., *ibid*). Responding to economic, social, and political changes, emergent research - especially by academics and policy think tanks - provides a more nuanced understanding of the multiplicity of drivers of best value failure. This is not surprising given the greater focus on theoretical and conceptual sophistication in social scientific literature.

Such literature turns its attention to structural and external factors (see Ravaghi et al., *ibid*), such as global events, and wider structural issues (legislative, regulatory, and financial) that are outside the control of authorities. As Dodd et al (*ibid*) state: '... any attempt to explain organizational failure will not be complete unless the interplay between contextual forces and organizational dynamics is taken into account.' Such issues, whilst beyond the scope and span of control of this work and literature review, were nevertheless a recurring in the qualitative fieldwork elsewhere in the project.

Financial constraints

There is a larger body of sources that relate to public sector finance, as it is a cross-cutting issue beyond the local government sector itself. That has stimulated research interest amongst disciplines such as economists, accountants, and lawyers. Some of this multi-disciplinary literature argues that financial constraint is so severe that it is now a factor contributing to best value failure (Murphy and Jones, *ibid*). This aligns with a broader literature that argues for a relationship between limited financial resources and failure in public sector organisations (Ravaghi et al., *ibid*).

Research also illustrates a direct relationship between growing financial constraint in local government, and council declarations of Section 114 Notices (IfG, 2023; Laffin and Diamond, 2024). This is relevant because as Section 114s rise, so too do best value interventions. Section 151 (chief financial) Officers are responsible for ensuring the council's financial affairs are effectively managed, and may issue a formal report, a Section 114 Notice, to signal that the council is at risk of breaching its legislative duty and cannot balance its in-year budget. This means the authority's expected spending will exceed its available income (including use of reserves) for the financial year. Section 114s are likely to trigger an assessment of the council's risk of failure of its Best Value duties and constitute key indicators of best value risks. Public Interest Reports (PIRs) by independent external auditors can also play a role in providing an early warning sign of entrenched financial weakness or mis management.

When councils are experiencing severe financial difficulties, they may seek central government help. Exceptional Financial Support (EFS) is a temporary government measure to help local councils manage their budgets and continue providing essential services. Whilst councils' requests for EFS are out of scope of this work, it is important to acknowledge that such requests have been increasing steadily in recent years, (projected to reach 40 live cases by the end of this fiscal year). Some cases of best value failure due to weak financial management can overlap with EFS support (e.g. Nottingham, Woking, Croydon). Indeed, the government has stated that it is under 'no illusions about the scale of financial issues facing councils, and it has committed to restoring stability.' This includes a series of financial and other reforms to strengthen the sector so it can play its critical role in providing services (MHCLG, 2025).

Challenging financial conditions are hard to navigate successfully and can result in reductions to LA capacity and more risky commercial investments. One of the main reasons for increasing financial constraint in the sector is the decrease in LA core spending power since 2010.

The National Audit Office (NAO 2021) states that local authority core spending power declined by 26% in real terms from 2010-2011 to 2020-21, whilst the Public Accounts Committee (2018) estimated that the reduction in LA spending power was 28.6% from 2010 to 2018. LA spending power has risen since 2020/21, but Institute for Fiscal Studies (2023) estimates that the real terms spending power for 2024/25 is the same as for 2013/14 and 12% lower than for 2010/11.

Council core spending power has declined due to reductions in central government funding to the sector. Currently, councils receive 36%-82% of their income from central government (Clifford and Morphet, 2025). The Institute for Fiscal Studies (2024) estimates that central government funding to LAs fell in real terms by 46% from 2010-11 to 2019-20.

Much of the literature characterises the reduction in central government funding as financial 'austerity,' triggered by the Global Financial Crisis in 2010, prolonged by the Covid 19 Pandemic and on-going international events which have resulted in the reduction of expenditure across the whole of the public sector. Statistical analysis indicates that local government has been disproportionately affected by austerity,

compared to other services (such as health, policing, defence) which may be the result of political decisions or ideology (Laffin and Diamond, 2024). Others claim that local government has experienced 'perma' or 'super-austerity' (Clifford and Morphet, 2025).

The steady depletion of council coffers has also been affected by inflation and rising costs of some public services due to other pressures such as meeting Minimum Living Wage rises (LUHC, 2024).

Sandford (2025) argues that LA core spending has actually increased in real terms from £60bn in 2015 to £72.8bn in 2024 but at the same time, demand pressures and rising costs of statutory services, particularly for 'shop window' services of children's services, including special education needs and disabilities (SEND), adult social care, Planning and Housing (which includes homelessness) and waste collections (LUHC, *ibid*). Spend has tried to track demand but needs to have outpaced spending. For example, the cost of providing education, health and care for people aged 0-25 rose by 140% and temporary accommodation by 84% from 2015-24 due to higher demand alone (NAO, 2025).

The Parliamentary Levelling Up and Housing Committee took evidence that the rise in demand for temporary accommodation is due to increasing homelessness, which in turn is affected by limited affordable housing, rising housing costs, increased cost of living, and the policy of fixing local housing allowance rates at April 2020 levels (LUHC, 2024).

Against the backdrop of funding and demand pressures, the National Audit Office (NAO, 2025) states that an unsustainable financial burden is being placed on LAs.

This situation has been compounded by one year funding settlements from central government, which has made financial and service planning harder for councils over the medium-term (LGA, 2024).

Most sources highlight that the sector is in financial distress (LUHC, 2024; Sandford, 2025). Total reserves across the sector fell from £4.9bn in 2020/21 to £3.8bn in 2023/24, and the LGA (2024) argues that a funding gap of £4bn in 2024-25 will rise to £6.2bn by 2026-27. Murphy and Jones (2024) state that it is therefore not surprising that recent best value interventions are more focused on financial weaknesses and failures.

As far back as the Review of Relative Needs and Resources (2017) previous Conservative Governments had been thinking about reforming and updating funding allocations to reflect local needs more accurately. The current Government is now taking steps to reform local government finance through the Fair Funding Review 2.0. This reform will change how central government allocates funding to local authorities in England. A key aim is to update council funding formulas to better reflect current needs, by linking allocations more closely to deprivation levels using the Index of Multiple Deprivation (IMD). Reforms are planned for the 2026/27 fiscal year.

Local Audit system

Related to finance, some research argues that the local audit system (Local Audit Act 2014 Amended) is playing a role in best value failure (Brackley, 2025; Murphy, 2024).

They based their assertions on evidence that for the accounting year 2022/23, only one percent of councils submitted certified independent audit reports on time. In the absence of a central performance management system for local government, certified independent audit reports are crucial oversight mechanisms under the Local Government Accountability Framework (LGAF). This is a set of principles, a whole system of structures, with a review panel designed to ensure local authorities are effective, transparent, and responsive to the public. Key components include clear lines of accountability, transparent decision-making processes, performance monitoring, public engagement, and independent assurance from sources like peer challenges and external auditors. Delays to audit have increased risk in the sector, as it can lead to council decisions being made with incomplete or inaccurate financial information.

Auditing practices have also been criticised by Redmond (2023) for not assessing the financial resilience of a council in the mid-to-long term.

Several sources argue that the abolition of the Audit Commission and the privatisation of audit in 2015 (under the Local Audit and Accountability Act 2014) led to problems with local audit, and that current audit arrangements are not fit for purpose (Redmond, 2020; Grace and Thorogood, 2023).

Amongst several factors leading to the best value intervention of Birmingham City Council, including leadership and governance problems (BCC Commissioners, 2024), a decline in spending power, increasing service demands and inflation (Murphy, 2023), Brackley (2025) also draws attention to failings in auditing practices. He argues that declaration of the S114 notice by the council in 2023 which led to statutory intervention, was influenced by external auditors not identifying earlier in 2023 the risks relating to equal pay claims. Birmingham faced multiple challenges, but Brackley asserts the ineffective audit infrastructure delayed decision making and escalated the need for intervention.

Brackley's research offers credible since the empirical investigation, which involved documentary analysis and a systematic review of authority documents, was comprehensive and published in a peer reviewed academic journal.

Central-local government relationship

Emerging academic literature is arguing that the relationship between central and local government has contributed to best value failure (Dodd et al., 2025; Murphy and Jones, 2024). Some authors are drawing attention to the role of central government and its transformation of the local government system after 2010 (Brackley, 2025; Murphy and Jones, 2024).

Murphy and Jones (ibid) argue that there was a shift from 'collaboration, partnership, mutual respect and reciprocity' towards a more adversarial relationship between central and local government. This shift led to the emergence of 'austerity localism,' whereby

reductions in central government funding were accompanied by a Central Government narrative of local autonomy, efficiency, transparency, and individualism.

Consequently, the shrinking investment in managing the state has resulted in a reduction in public infrastructure to both prevent failure and support improvement. Authors refer to the abolition of the Audit Commission or the scaling back of the Leadership Centre for Local Government (Brackley, 2025; Murphy et al., 2019). Following this logic, the sector-led improvement regime that emerged after 2010 has not been as effective as planned in filling the gap, and this has added to the structural weakness of underlying crisis and failure in the sector (Brackley, *ibid*; Murphy and Jones, 2024).

Elsewhere Laffin and Diamond (2024) argue that the central-local government relationship has also been affected by a wider governance crisis. In a marked difference to the post-war era, councils have become disempowered agents of the Centre with limited capacity to influence national policy, unlike their peers across Europe. This has made it difficult for councils to make policy decisions that respond to local needs and conditions, and for local government as a sector to influence more controversial central decisions (e.g. economic austerity, inflation policy etc.) that have significantly raised risk for the sector.

From a council perspective, the situation is compounded by ongoing challenges within central government, such as a high level of Ministerial and civil servant churn, the preference for adaptive generalists over specialist technocrats, a focus on the short-term (following the length of election cycles) as opposed to the strategic long-term, and limited collaboration across government departments (IfG, 2022). Some commentators highlight the need for an empowered local government sector, comprised of strong institutions with a clear, consistent, and informed purpose (Parkes, 2025). Some of the best value expert interviewees to the Lessons Learnt evaluation point optimistically to the Devolution White Paper as a potential vehicle to deliver this.

‘Geography of failure’

Some literature suggests that there may be a trend of socio-economic ‘geography of failure’ emerging, whereby councils possessing certain socio-economic characteristics are more likely to face challenges that might result in failure of their Best Value duties, and higher risk of best value intervention.^[3] Large authorities in urban areas with denser populations, higher deprivation scores, claimant counts are over-represented in this group.^[4] These environments face complex challenges, such as high levels of socio-economic deprivation, relative poverty, high service demands, and diverse service needs (Andrews et al., 2006). Typically, such areas may be more difficult to manage and face rising costs, with increasing acuity of need. However, this emerging trend merits further research.

The increased challenges and risks of delivering service provision in deprived areas have been compounded by an uneven geography of austerity (Gray and Barford, 2018). IfG (2023) argues that in real terms the most deprived local authorities experienced the highest decline in core spending power from 2010/11 to 2014/15. Even in periods when

the decline in central government funding is uniform by deprivation, councils in deprived areas are at a disadvantage because they are less able to raise income from taxation (e.g. council tax receipts, Business Rate Retention) and fees and charges (Parliamentary LUHC, 2024).

Understanding Best Value failure

Given the different drivers of failure, there is an emerging debate about how a council's corporate failure can best be understood, and how the interaction of multiple factors can be explained (LUHC, 2024). Philips (Institute for Fiscal Studies) argues that failure occurs when broad factors that add pressure on the sector - like financial constraint - interact with negative particularities within authorities, such as governance, leadership, and culture. This would mean that individual authorities can have unique pathways to failure, and any attempts of support and recovery demand a tailored rather than formulaic or rigid model.

As this is a complex debate, deeper understanding and explanation of best value failure would benefit from more frequent and further theoretically informed analysis and original research. For example, Ravaghi et al. (ibid, 2017) explain organisational failure by referring to primary and secondary causes of failure; this identifies a main cause of failure (in a lack of organisational learning), whilst recognising that other factors can also play a role. A systems informed approach would understand LA performance outcomes as product of interrelationships within a dynamic system, which could highlight the complexity and specificity of failure. What is apparent is that to '... make progress we need to understand failure as a more dynamic and multi-faceted concept' (Dodd et al. 2025). Such complexity demands researchers have both a good understanding of the UK local government environment as well as theory of performance improvement and governance (as seen by the INLOGOV reports of the 2000-2010 intervention period).

Government reports on Best Value interventions

There is a paucity of substantive literature exploring the *impact* of best value interventions, (e.g. MHCLG 2020, 2021) including how local authorities recover and the most effective actions for improvement, which requires further investigation. This body of the desk research examines MHCLG's best value publications and a selection of the intervention progress reports to highlight the type of actions that worked well for councils on their road to recovery. The authors of these sources are government officials and the best value experts assigned to councils in intervention – they are not by the councils themselves so won't necessarily express the council's direct experience.

Publications include the previous lessons learnt study (MHCLG, 2020) which analysed interventions at six councils^[5], providing high level insights on the remedial actions taken in councils to help them on their road to recovery. Overall, the responses were designed to address internal governance, leadership, and culture problems identified by best value experts so that the council could be responsible for its improvement. The MHCLG studies

are empirically robust, analysing the documents associated with interventions that were produced by best value experts.

Much of this literature was not informed by direct council experiences of intervention and pre-date the increase in interventions and ESF applications from 2020 (the period in scope of this report). Whilst most findings are still applicable, they are not repeated in this work as the scale and complexity of challenge councils now face, and the far-reaching impacts of intervention, demand a renewed exercise that might offer a different (external, council) perspective. Indeed, this is the rationale for the current lessons learnt evaluation, which prioritises customer-centred engagement with Chief Executives and political Leaders/Elected Mayors of the councils that have been in intervention in that time.

Intervention responses

Leadership

As stated previously, leadership is a recurrent theme throughout the body of research on corporate effectiveness in local government, and when it fails – whether at political or senior management levels – best value intervention often follows. Given its importance as a driver of failure, a common response by intervention teams to help councils recover has been to install new corporate leadership.

This is especially the case where the existing leaders have presided over the problems being embedded, or where there is non-commitment to leading improvement. Changing the Chief Executives and strengthening the senior management teams, such as statutory officers (Section 151 (Director/Chief of Finances) and Monitoring Officers), is often a common response in statutory and non-statutory best value interventions alike.

Pre-2020 best value interventions where the replacement of leadership has been important to recovery include Rotherham Metropolitan Borough Council, Northamptonshire County Council, London Borough of Tower Hamlets, Liverpool City Council, and Birmingham City Council (MHCLG, *ibid*). Similarly, recruiting two new experienced Finance directors, and improving the capability of budget managers, helped to stabilize the financial position at Northamptonshire (MHCLG, 2021).

Refreshing the political leadership profile through new elected members was also seen as important. It is often an effective response where there is political resistance to addressing problems, (e.g. Northamptonshire) or limited scrutiny (e.g. Rotherham).

Diversity

This is also an effective way to introduce diversity of profile, mindset, and practice. For example, a mixture of long standing and newer elected members can help to tackle complacency of the status quo, but retains expertise and organisational memory, whilst introducing new ideas, scrutiny, and challenges (MHCLG, 2020). In addition, the

appointment of political advisors or mentors helped political leaders with decision making and lent credibility to the interventions team – a view reinforced in the current fieldwork.

Introducing diversity into a failing council makes a positive impact across leadership, staffing, and culture. It disrupts issues such as 'group think,' toxic cultures, and negative behaviours that can undermine continuous improvement, partner relationships, decision-making, delivery, and employee satisfaction levels. All of which may damage trust and wider the accountability gap for citizens. This cocktail of conditions makes a council less effective, less productive, and more likely to be weak on its Best Value duties.

Strategic vision

Another important feature of effective recovery is the council's ownership of a compelling, bold, yet achievable strategic vision, backed by associated local action plans. These plans are needed to guide a council's overall strategic ambition and direction, and the details of individual corporate functions (e.g. staffing, digital technology), and core services (housing and homelessness, social care). They are both a blueprint and tool for improvement but also act as a written record against which progress can be measured transparently. Their absence can signal ineffective leadership. Literature on organisational performance (e.g. Warrick, *ibid*) indicates that having a compelling vision and strategy is a central component of high-performance cultures. Developing strategic council plans has often been recommended by best value intervention teams.

Negative behaviours and Cultures

MHCLG reports highlight the importance of addressing negative behaviours and cultures amongst and between officers and councillors in aiding council recovery. A common technique used to tackle poor council behaviours taken by intervention teams is establishing stronger governance structures to improve scrutiny and transparency (e.g. around grant awards and data at Tower Hamlets, 2017). Intervention teams may also recommend an independent review of grievances, with the aim of strengthening the council's complaints process to ensure accountability to staff and citizens when things go wrong.

It is also important that councils in intervention develop a mindset and culture that is open to external challenge and seek improvement support. Commissioners in Northamptonshire (2018) required the council to work with the Centre for Public Scrutiny (now renamed the Centre for Governance and Scrutiny) to implement a new governance structure enhanced by member training to ensure they understood the council's code of conduct.

Similarly, during the statutory intervention at Nottingham City Council commissioners discovered that the political leaders and elected members were ignoring a new constitution that had been recommended when the authority was in non-statutory intervention. The new constitution could not be properly implemented until behaviours improved across the authority.

Community engagement

Implementing measures to improve behaviour can enable wider improvements across the council. The CfPS (2018b) was appointed to work with Kensington and Chelsea to improve its governance and scrutiny function. A main recommendation to change the council's paternalistic culture was to improve engagement with residents, and provide opportunities for them to be heard, such as through a citizen's assembly (ibid).

Modelling positive behaviours and culture

The MHCLG studies found that to achieve effective behaviour and culture change, best value experts must model good behaviour themselves. This could include being more transparent and inclusive in decision-making, seeking to establish consensus as opposed to being drawn into conflict, and engaging a diversity of staff at all levels. This approach was important at the Rotherham intervention because of the depth of cultural and behavioural problems involved (Casey, 2015). This chimes with the assertion that the most successful leaders recognise that they are 'stewards of culture, not just of performance' (Parkes, 2025),

Improvement Support

Accessing support from the wider improvement ecosystem is important to help councils improve in the short term to stabilise the authority, and to sustain a positive direction of travel through continued improvement. As outlined previously, we have seen how organisations such as the CfGS can help councils bounce back from failure, aiding recovery in the fundamental functions of governance and scrutiny.

Elsewhere, government officials and best value intervention teams have appointed other external bodies with a focus exclusively on the public sector to undertake financial reviews that have also supported recovery. The Chartered Institute of Public Finance and Accountancy (Cipfa) is professional accountancy body, working across public services, central and local government, and major accountancy firms, setting standards for public financial management. It also offers support and training. This organisation has identified financial irregularities, improved financial practices, and pathways back to financial health at Liverpool, Spelthorne, and Northamptonshire interventions.

Best value failing councils often require support with local audit as it is another mechanism that can inform corporate decision making and ensure effective resourcing and oversight. A combination of government bodies, professional organizations, and audit firms provide support to local authorities in this area.

The literature review indicates a growing consensus that the current local audit system in England is not fit for purpose and has been cited as both a contributory factor to best value failure and a hinderance to a council's long-term recovery (Brackley, 2025; Murphy and Jones, 2024). They highlight the interdependencies between the quality of the

oversight and improvement regime and the ability to support improvement during intervention.

Considerable cross-government investment has been made in the rich and varied support ecosystem, for local government. Whilst there is variety of choice, there is a high level of fragmentation; and even councils with a high level of self-awareness that they are at-risk or who have fallen over or are failing in their best value duties can find it daunting to access the right support at pace. And the very reality of multiple providers and fragmentation of the support infrastructure can make it challenging for a council to join up the support in the most appropriate way. This is a case for simplification, with learning from Devolved Areas (e.g. Scotland and Wales) where management of local audit is centralised. In the short term, this sort of clarity can be offered by the intervention teams, but councils need to own their improvement, and to sustain it, be open to external challenge, scrutiny, and support.

Local circumstances

The deployment and effectiveness of improvement responses by an intervention team can vary depending on local problems faced by authorities, which emphasise the complexity of failure.

Without exception the common drivers across failing authorities relate to governance, leadership, and culture (GLC). In one London borough, a small circle of Cabinet members who were failing in their duties by ignoring economic risks and the substantial exposure of financial risk on unsuccessful commercial investments made by the council (Wood, 2020). This meant that the starting point for its Improvement and Assurance Panel (2021) was to manage the next steps for these investments, such as administration and corporate sales before tackling the council's organisational issues.

In a large unitary, the statutory intervention also contended with governance, leadership and cultural problems, and weak financial mismanagement. However, the intervention team had to navigate uncertainties over the amount of the council's equal pay liability claim, and a delay to the contracted Oracle IT system (a new enterprise resource management system that produces financial statements) estimated to cost over £90m. This required a forensic accountancy investigation and wider collaboration with auditors and resulted in some difficult decision making over financial projections and an appropriate response.

Additionally, whilst there were undoubted issues with governance, leadership and culture, failure to comply with, and act on Best Value duties of community engagement were

unique local features of some closed pre-2020 interventions (e.g. Rotherham, Kensington, and Chelsea).

Analysing interventions

Some academic literature provides a conceptual analysis of recovery processes underpinning organisational interventions. Ravaghi et al. (2017) argue that turnaround strategies tend to be characterised by reorganisation, retrenchment, and repositioning. Reorganisation involves the replacement of leadership, e.g. Chief Executives, senior management teams, and corporate restructuring. Retrenchment involves reducing financial expenditure and non-statutory public service provision. Repositioning involves aligning an organisation with a new strategy and way of operating.

A limitation of Ravaghi et al.'s (ibid) work for this review is that it does not focus solely on councils since it includes other public sector and private sector organisations. However, the reorganisation of authorities has been a key strategy in best value interventions and retrenchment has become increasingly common since 2020 due to financial pressures on the sector.

Researching 15 local authorities classified as 'underperforming' in 2002, Skelcher et al. (2005) provide a conceptual framework for understanding the conditions needed for turnaround in authorities. They argue that three factors impact on turnaround:

- a) *Cognition* – the extent to which leadership understand an authority's performance challenges.
- b) *Capability* – the ability of leadership to construct an appropriate vision and generate support for the vision within the organisation.
- c) *Capacity* – the extent to which the LA has the political and managerial capacity to implement the vision.

They found that different external and internal mechanisms could be more and less effective in improving the different factors. For example, external mechanisms that improved cognition in councils included lead officials, monitoring boards and ministerial visits, whilst internal mechanisms that worked included changing corporate leadership and political mentors and peer challenge.

By comparison, external mechanisms that impacted capability included monitoring boards and internal mechanisms that aided change were collaborative leadership, and member and staff development. To improve capacity, successful external mechanisms included financial flexibility, outsourcing, and useful internal mechanisms included selective restructuring and training.

The study found that the speed of turnaround was affected by the rate at which the three factors improved. Some councils experienced a faster turnaround because they were able to make rapid changes in cognition, capability, and capacity. For example, some new leaders were able to make fast improvements in capability because they were highly

effective in creating visions and forging alliances between staff and stakeholders. By comparison, others experienced slower turnaround as improvements in cognition, capability, and capacity stalled. For example, in some councils newly installed leaders could not change cognition and capability because of lack of experience or over-reliance on ideas that worked in previous councils, but not in the current one.

Skelcher et al. (2005) provide a useful framework for understanding how councils can be turned around, and the external and internal mechanisms that can help recovery. However, at the time of writing, the research is 20 years old, and an exploration of its continued relevance in what is a different economic, social, and technological context would be worthwhile.

Improving interventions

In the policy context of localism and devolution, the sector's interest and discourse with Best Value interventions have been high. Ideas to improve Best Value non-statutory and statutory interventions have focused on strategy effectiveness (changes towards a proactive and preventative approach and models) rather than efficiency of current operations (e.g., how the intervention processes can be improved).

In its 2018 report, the CfPS (2018a) argued that the current best value models of intervention need to change, and sector-led improvement further strengthened. It argued against the Secretary of State's mandate to make the final decision on intervention as this introduces risks of political motivation/'influence' rather than it being objectively evidence-based. It also stated that the best value approach uses a culture of performance management and assessment, which includes ideas and measurement of accountability, and which it perceives as out of step with the complexities of place-based service delivery, and crisis response on the front line.

The same report also argued that the intervention model is too focused on high profile and catastrophic failure events, which means less attention is paid to prevention and more nuanced forms of engrained failure. By the time a best value intervention takes place, councils are 'too far gone' and then subjected to a 'tough, bruising' experience (ibid, p. 4). Strengthening sector-led improvement has the potential to reduce the need for costly and demoralising government intervention.

These arguments do not go uncontested. Some authors argue that the poor quality and limitations of local government performance data stem from the abolition of the Audit Commission. That led to the reduction of data collection and analysis in councils – the prime purpose of which was for performance inspection, but which councils found useful for their corporate and business planning. Thereafter, inspection records were archived, and performance data collected from councils was analysed by others (see Murphy et al., 2019). This has reduced council capacity and capability of both performance data but also impacted oversight and transparency. Instead, councils now sign up to LG Inform data portal (provided by the Local Government Association as part of its sector-led improvement offers) to self-service data reports and compare their performance with

nearest-neighbour groups. LG Inform has filled the gap and councils find it very useful, but the nature of the Audit Commission/Comprehensive Performance Assessment approach was exactly that - its *comprehensive* evaluation, back by collective, mutually supportive use of expert agencies to provide an evidence base (and the sanctions that went with it), including transparent public reporting (Lowther, Joyce, and Whiteman, 2025).

Prior to 2011, the presence of Regional Government Officers and the location of the District Auditor role in each council, also meant that central government had a more informed, deeper understanding of local level complexities. The introduction of non-statutory Best Value Notices, which signal that government concern that the council is 'at risk of failing its Best Value duties,' led to accusations that central government focuses on high profile failure. Many local government players agree with the CfGS that more must be done proactively prevent councils reaching this crisis point in the first place.

Some of the literature argues that interventions are increasingly too short-term in outlook, e.g. in the use of stabilization responses that focus on reducing budget deficits through service cuts and asset sales to achieve financial health in the near term. This means that less attention is paid to creating long-term sustainable improvement by fundamentally transforming corporate, financial, and service failures within authorities (Murphy and Jones, *ibid*). This trend is not new. Turner and Whiteman (2005) similarly findings that some authorities focused on short term changes to improve Comprehensive Performance Assessment scores in the early 2000s. The reasons for this trend merits further investigation, but in the current climate it conveys something about the scale of financial challenge in both local and central government, uncritical acceptance of new public sector management theory, and highlights the difficulty of organisational transformation and sustainable continuous improvement.

On the latter, Parkes (2025) asserts that improvements to organisational performance are not about structural reorganisation and new operating models per se, but rather about cultural change. Within the context of intervention, this would place priority on the development of good leaders who value their people and create positive cultural conditions conducive to high performance rather than 'environments of fear.' Such cultural transformation is a long-term commitment, and as councils in intervention often are in breach of their legal duty of balancing their books in year, the improvement actions required are multi-dimensional.

The intervention model is just one element of the local government accountability framework (LGAF) which interacts with related oversight, inspection, and improvement regimes across central and local government. In making the case for structural reform, some authors suggest intervention can learn from previous regimes, such as the Audit Commission's Comprehensive Performance Assessment 1997-2010 (Brackley, 2025; Murphy and Jones, 2024).

Murphy and Jones (*ibid*) argue that central and local government should be working more through the lens of collaboration and partnership. (This is a view shared by most sector bodies, most notably the LGA, throughout fieldwork findings throughout the Lessons

Learnt fieldwork, which has extended a hand to work collaboratively on new prevention products for councils-at-risk but not yet in crisis.

These authors also state that the infrastructure for monitoring and improvement should be enhanced, including through the reinstatement of a national system of performance data and standards since these are important in risk identification and the fast turnaround of LAs in intervention. The emerging Local Outcomes Framework (LOF) would enable both local and central government to track aspects of performance against national priority outcomes to better assessment of a council's overall performance.

Service-specific performance data is not a substitute for the interventions assessment data. Certain services do have their own inspection regimes (e.g. children's services and social care and Ofsted), but they do not necessarily give us a holistic assessment of organisational weakness. The Local Outcomes Framework digital tool will provide transparency over local progress towards key national priority outcomes across a range of services, helping central and local government to identify where further support and challenge is needed to improve outcomes for local citizens. When combined with wider data, insight from the Local Outcomes Framework may prevent some service failures escalating to corporate level, and MHCLG is exploring how the Framework could be used to enrich the best value framework and assessments of compliance with the best value duty.

Many authors state that any reforms should include the local audit system (Brackley, 2025) and funding reform (Pike and Shaw, 2024; Sandford, 2005). Others argue that deeper fiscal devolution needs to be considered (LUHC, 2024) and creative ways found to raise the spending power of Local Government, including through local taxation (Travers, BBC 2024). Overall, such commentators conclude that improvements to best value intervention models will provide some benefits in terms of process and relationships, but in and of themselves are not enough to address deeper structural problems or prevent failure increasing in the sector. What is required is fundamental reform of funding allocation to local needs (Ogden, on BBC 2024).

Conclusions

The literature review has found that governance, leadership, and culture are amongst key drivers for best value failure by councils. Differing from previous MHCLG studies, it argues that external structural factors that are outside the control of authorities increasingly matter in that they can exacerbate the vulnerabilities of councils already displaying weaknesses in governance, financial management, culture, and leadership, as the key drivers of corporate failure.

There is evidence that financial constraints, the local audit system, the quality of the central-local government relationship (e.g. the broader oversight and improvement regime) and potentially socio-economic geography can also contribute to councils' vulnerabilities to failure. This argument has policy and research implications that were considered as part of the Lessons Learnt Evaluation.

There is a paucity of more recent literature specifically on MHCLG's best value interventions, (unsurprising given the complexities and sensitivities for all parties), but these lessons learnt evaluation report hopes to plug the gap.

Some sources indicate how councils that have been in intervention have been supported and how they have improved (Skelcher et al., 2005; MHCLG, 2020). Short term remedial measures include financial 'balancing of the books,' overhaul of governance and decision-making processes, new codes of standards and conduct, strategic visions, and Local Plan. However, some authors argue that there is now a trend for best value interventions to overlook more sustainable long-term transformation responses for sustainable improvement (Murphy and Jones, 2024).

Related to this, some sources argue that a coherent programme of public service reform is required to help council recovery. This is because it is interdependent with, and impacted by, the broader whole-system oversight and accountability regime, as well as its ability to access external improvement support. Best value interventions are situated within and impacted by this broader regime, so operational process improvement to intervention models in and of themselves will not be enough to stabilise the local government system and build the required levels of protection and resilience councils need to face today's current challenges.

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A Note on how the literature review was undertaken

- I. Based on analysis of published sources, the aim of the literature review was to better understand the reasons for best value failure and the impact of best value interventions, including how LAs recover, the most effective remedial actions taken, and ideas for improvement. The information provides contextual findings and insights for the empirical sections of the Final Report.
- II. It is a traditional literature review and not a systematic literature review, which systematically searches for and appraises research evidence, since the latter can take months. Traditional literature reviews are a valid form of review, although they can have limitations such as omitting literature (Grant and Booth, 2009).
- III. The sources used to search for literature included:
 - Search engines: EBSCOhost and Web of Science
 - An information specialist, from the department's InfoPoint service, carried out a search
- IV. Search terms used included:
 - Best value
 - Best value intervention
 - Best value failure
 - Local authority failure (with geographical variants, e.g. England, UK)
 - Local authority risk (with geographical variants)
 - Local authority improvement (with geographical variants)
 - Local authority performance (with geographical variants)
- V. Reference sections of key texts, i.e. 'reference hopping'

- VI. MHCLG colleagues familiar with literature
- VII. An academic with expertise in interventions, and the oversight and improvement regime.

Table D.1: Final selection and qualification criteria for literature sources

Criteria	Feature and guiding principle	Notes
Relevance	<p>Specificity – focus on literature that pertains directly council/LA failures, e.g. best value framework themes and interventions</p> <p>Alignment – source relates to topic</p>	Proportionality (30-50 directly useful sources)
Quality	Credibility of sources, including the organisation and author, whether it is peer reviewed, type of publication and stakeholder reactions	Indicate contestations; bias expected but we should give them equal consideration
Publication dates	<p>Most recent – e.g. post 2020 sources to ensure relevance and fill gaps</p> <p>Historical – pre-2020 publications that are seminal</p>	The review focused on more recent literature due to the complexities of the current context, but more seminal works were included
Methods	<p>How the sources compiled their findings – e.g. the research methods used and theoretical frameworks</p> <p>Validity and reliability (relate to credibility)</p>	The review sought a diversity of sources (e.g. on political, sectoral, corporate, and service levels) to capture different perspectives
Findings and conclusions	<p>Relevant, quality, timeliness, and direct applicability of findings to our understanding council failure and best value interventions</p> <p>Extent that approach is relevant to the evaluation research, and forthcoming policy development</p>	How the findings might be affected by the trustworthiness of data and limitations was considered
Real-world application: policy and practice	<p>The practical implications of the findings, e.g. governance, leadership, and accountability, etc.</p> <p>If/how findings can be applied to explain practical/tangible examples of council failure and resolutions</p>	This was considered against a wider context of a single system of accountability and reform (i.e. the regime)

- I. Literature from multiple types of sources and that used different methods were considered for the review. Therefore, the literature review contains diverse literature from government, policy think tanks, LA sector organisations and academic sources, with varied perspectives and approaches. All sources were on LAs in England, and interventions in other countries were excluded due to time constraints.
- II. The decision to select sources for the review was based on the qualification criteria in table 1. Some literature ticked the boxes for all criteria, but many sources were stronger on some criteria and weaker on others. In these cases, a judgement was made based on the strengths and weaknesses of the source. For example, some sources were included because of their high relevance and real-world application, whilst others were less relevant (e.g. on organisational failure, rather than best value failure) but were included in the review because of high credibility and robust methods. Some sources were recommended following academic review, with an assessment against the criteria still followed.
- III. The following process was used to organize and synthesize the information, and draft the literature review:
 - The results of searches were documented
 - Comprehensive notes were taken with key arguments, quotations and associated page numbers recorded
 - Core themes and arguments were synthesized and organized through mapping
 - Readership of early drafts was undertaken by an academic specializing in research. The final draft reviewed by an academic specializing in local government and intervention.
- IV. There are limitations to the review, which follow limitations with traditional literature reviews (Grant and Booth, 2009). The focus on more recent literature has meant that only a few studies from the pre-2010 period of Comprehensive Performance Assessment is included, which is when the Audit Commission commissioned research. This literature is around twenty years old. Examining its applicability to the current context would be a worthwhile project. The diverse array of literature from different sectors means that the quality and credibility of sources vary, and a search term with the word ‘turnaround’ for example would have been useful since this can be found in work on organisational failure.

^[1] This may change in the future if the number of best value interventions increases significantly.

^[2] As it does in service organisations like Fire and Rescue Services (HMICFRS, 2023).

^[3] See Ravaghi et al. (2017) for evidence of a relationship between public sector failure, poverty, and deprivation in an area.

^[4] Anecdotal evidence suggests that authorities with low density populations distributed across a wide area containing hidden pockets of deprivation and complex service needs may be at risk; this also merits further investigation.

^[5] The report analysed statutory interventions at London Tower Hamlets, Rotherham, Doncaster and Northamptonshire and non-statutory interventions at Birmingham, Kensington, and Chelsea.

Appendix E: International approaches to local government failure

Introduction

The UK Government is perceived as one of the most centralised systems in Europe. This view is characterised on central fiscal controls and limited tax raising powers of local authorities, and their over-reliance on central grant funding. In comparison with other countries, less than 6% of total tax revenue in the UK is raised locally, compared to an OECD average of just under 11%, and in other European countries, a much higher proportion of spending is decided at a subnational level.¹ In England, the UK has a centralised approach, backed by statutory powers placed on councils to deliver to **best value** duties.

Local government failure. In England, there is a convincing body of evidence highlighting the drivers of local government failure. This can manifest in many ways, such as weaknesses in financial management, leadership, governance, culture, underperforming service delivery, and in some cases, corruption. Comparing how different governments respond to such failures highlights distinct approaches to balancing local autonomy, central oversight, and financial sustainability.

This is reflected in the range of approaches to both policy and practice. Nordic and Northern European countries (e.g. Sweden, Denmark) embed strong constitutional protection for local self-government, emphasizing legal scrutiny and preventative oversight rather than direct intervention. Preventative oversight involves proactive measures to identify and address potential issues before they escalate into serious failures. This typically involves regular audits, early warning systems, financial monitoring, and advisory support to help municipalities maintain good governance and financial health.

By contrast, Southern European countries (e.g. Spain, Italy, France) maintain significant central authority, including powers to dissolve failing councils.

English speaking (Anglophone) nations and devolved administrations (e.g. New Zealand, Wales, Scotland) blend statutory frameworks with an emphasis on self-improvement and sector-led support, whilst Japan combines constitutional local autonomy with strong administrative and fiscal controls.

Frequency of intervention. This note does not compare the frequency of local government intervention across countries because reliable, like for like data is not available. Nations define intervention differently and most do not publish centralised, long-term statistics. This note therefore focuses on structures, powers, and approaches.

¹ [The impact of revenue centralisation on London's economic growth | London City Hall](#)

Federal systems. This note does not include the United States or Australia as comparators. Both countries operate under federal systems, where local government structures, powers, and intervention mechanisms are determined at the state level rather than by a single national government. This federalised context makes direct comparison with England’s unitary system less meaningful for the purposes of this analysis.

Definitions. Not all countries use the term ‘commissioners’ or have equivalent roles when intervening in local government. To ensure clarity and consistency, this note will refer to all international intervention figures as ‘change agents’. Similarly, as terminology for local authorities varies internationally, we will use the term ‘municipalities’ to refer to all international local government bodies discussed in this comparative analysis.

The English model: Best Value and central government intervention

The 1999 Local Government Act places a duty of **best value** on local authorities, requiring them to show that they have arrangements in place to secure continuous improvement in how they carry out their work.² Government guidance interprets this broadly under seven themes of **best value**, covering the council’s ability to deliver balanced budgets, maintain statutory services (such as adult social care and children’s services), and achieve value for money in all spending decisions.³

Although the Secretary of State holds broad powers to intervene when a council fails in its **best value** duties, intervention is, historically, rare. Between 2010 and 2020, statutory directions were issued in only a handful of cases, but this has since risen significantly. These interventions have ranged from non-statutory (often with informal improvement support) to statutory (with Commissioners with powers and Directions to take over council functions).

Local autonomy

When local autonomy is constitutionally protected, interventions by central government tend to be less frequent and less severe, often limited to legal or financial oversight. In these systems, municipalities are expected to resolve issues themselves. In contrast, where local powers are only set out in law, and not enshrined in a constitution, central government typically retains greater scope to intervene, reorganise, or dissolve municipalities.

In **Sweden**, local self-government is enshrined constitutionally in the Instrument of Government. The Constitution states that ‘Swedish democracy is founded on the free formation of opinion and on universal and equal suffrage’ and that ‘it shall be realised through a representative and parliamentary polity and through local self-government.’⁴

The Swedish Local Government Act gives constitutional protection and broad powers to municipalities to manage their own affairs, raise taxes and determine service delivery

² [Local Government Act 1999](#)

³ [Best value standards and intervention: a statutory guide for best value authorities - GOV.UK](#)

⁴ [the-instrument-of-government-2023-eng.pdf](#)

based on local need. This high level of autonomy is supported by preventative fiscal oversight (specifically focusing on monitoring budgets, debt levels, and financial practices to ensure sustainability) and equalisation mechanisms, which are designed to compensate for difference in local tax bases and financial resources. As a result, municipalities with fewer resources can provide the same level of service delivery as those in stronger financial positions.

Denmark takes a similar approach. Article 82 of the Danish Constitution states that ‘the right of the municipalities to manage their own affairs under the supervision of the State shall be laid down by statute.’⁵ They therefore have high autonomy over services and fiscal planning, with annual budget agreements providing a cooperative framework between central and local government.

Farum Municipality, Denmark (2001)

In Denmark, the Ministry of Interior and Health placed Farum Municipality under administration in 2001 after the mayor was involved in a financial scandal and the municipality did not comply with overdraft rules. The Ministry required special financial reporting, ordered investigations under municipal law, and escalated the issue to Parliament, which led to a statutory commission. The municipality was merged with another as part of wider municipal reform, despite reluctance due to poor finances. Farum had to raise its municipal tax and received a special Government subsidy paid over 15 years. This intervention led to national reforms to tighten borrowing rules and improve oversight of municipal functions through audit reporting.

By contrast, in **Spain, Italy and France**, the autonomy granted to municipalities is subject to state imposed legal and political conditions. The Spanish Constitution allows central government to ‘take the necessary measures to compel an autonomous community to meet its obligations or to protect the general interest of Spain.’⁶ Under the 1985 Law on the Bases of Local Regime, councils can be suspended or dissolved in cases of severe mismanagement.

In Italy, the TUEL, and in France, the Code Général des Collectivités Territoriales, authorise central or regional authorities to dissolve councils, appoint change agents, or assume administrative control when there is a breakdown in governance or financial management.

New Zealand, Wales, and Scotland occupy a middle ground. Municipalities have statutory autonomy, but ministers retain powers to step in where there are serious governance or financial problems. New Zealand’s Local Government Act 2002 provides for the appointment of Commissions, observers, or managers, depending on the severity of the issue.

⁵ [the-constitutional-act-of-denmark.pdf](#)

⁶ [Spanish Constitution | Spanish Senate](#)

In Wales, the Local Government and Elections (Wales) Act 2021 focuses on sector-led improvement and self-assessment, with ministerial involvement reserved for exceptional circumstances.

Likewise, in Scotland, the Local Government in Scotland Act 2003 imposes a best value duty, monitored and enforced by independent bodies such as the Accounts Commission and Audit Scotland.

Japan also employs a mixed approach. Article 92 of its Constitution guarantees local autonomy, operationalised by the Local Autonomy Law of 1947. The Ministry of Internal Affairs and Communications oversees governance, regulatory compliance, and financial matters, and may intervene directly if required. Mechanisms include administrative guidance, municipal mergers, and, in cases of ongoing failure, direct central government intervention.

Yubari City, Japan (2007)

Yubari City faced severe financial distress and declared bankruptcy in March 2007, which triggered intervention under Japan's Local Government Financial Construction Law. The Ministry of Internal Affairs and Communications required a Financial Reconstruction Plan, froze discretionary spending, and imposed asset sales and personnel cuts. A state-appointed oversight committee monitored compliance and approved budgets. The intervention resulted in a reduction of debt by more than 60% over a decade.

The Japanese government passed the Local Finance Soundness Law in 2007, aimed at ensuring early warnings and recovery plans would be set in motion for any municipality where even the mildest signs of financial stress become evident.

The nature of intervention

Whilst the extent of local autonomy can influence both the risk of local authority failure and the likelihood of central intervention, it is the strength and design of legal and institutional frameworks (such as oversight, regulation, and support mechanisms) that are most influential. In systems where autonomy is balanced with strong preventative oversight and clear accountability, municipalities are often able to resolve issues themselves. However, where autonomy exists without sufficient regulation or support, there may be greater risk of fragmentation of oversight, and governance or financial problems going unchecked, potentially demanding more direct intervention.

Countries such as Sweden, Denmark, New Zealand, Scotland, and Wales use a staged model of local authority intervention. Oversight begins with audits, advisory support, and checks for legal compliance; and only progressing to formal improvement actions or direct intervention if necessary. This contrasts with France, Spain, and Italy where intervention is more centralised and directive, often involving direct state control or dissolution of

councils. Japan sits between these models, combining administrative guidance with formal sanctions when required.

In countries where municipalities have significant autonomy, such as Sweden and Denmark, central intervention is rare and tends to concentrate on ensuring legality and fiscal responsibility. Common approaches include audits, issuing corrective instructions, and offering advisory oversight. It is unusual for central government to take over functions or dissolve a municipality, as early fiscal equalisation and preventative guidance can be successful in averting major crises.

By contrast, in Southern European countries, central governments possess wider and more regularly exercised powers. In Spain, Italy and France, central authorities can dissolve local councils, install change agents, or take control of finances in cases of **mismanagement, corruption, or public disorder**.

Marbella City Council, Spain (2006)

In April 2006, the Spanish Government dissolved Marbella City Council following longstanding corruption that had driven the city to the brink of bankruptcy. The council was disbanded and temporarily replaced by auditors. Caretaker administrators were sent to take charge after the mayor and several officials were jailed on corruption charges. These individuals were accused of accepting bribes in exchange for granting planning permission as part of a multi-million Euro fraud. Subsequent elections were held in 2007. The newly elected mayor managed a legacy of €600 million of debt.

Anglophone nations take a balanced approach, combining supportive measures with statutory powers. New Zealand's system adapts the type of intervention to the seriousness of the problem, ranging from offering advice to appointing change agents or holding new elections. Wales and Scotland prioritise sector-led reviews and improvements, reserving statutory interventions for cases of entrenched serious failure.

In Wales, Welsh Ministers have statutory powers to provide formal support and assistance to councils. The system encourages early self-assessment by councils to identify and address issues before they escalate, with the Government offering bespoke support to meet the council's needs. Councils may request support directly, and Ministers can also direct one council to assist another. Notably, the costs of statutory support are paid for by the Welsh Government, ensuring financial barriers do not prevent councils from accessing help.

Financial sustainability and preventative oversight

The commonality across the comparator states is in ensuring financial sustainability, which is essential for the effective functioning of local government. There are systems in place to monitor and enforce financial discipline, such as requirements for balanced budgets, restrictions on debt and borrowing regular audits, and mechanisms for fiscal

equalisation. How these systems are structured directly affects how often, and how severely, central authorities must intervene.

In Sweden and Denmark, robust preventative fiscal oversight and equalisation schemes help avert financial crises. Swedish councils are obliged to resolve budget deficits within a three-year period, while Denmark's approach is based on yearly agreements and supervision by the Ministry of Economy and the Interior. These mechanisms are regarded as effectively balancing local self-governance with national economic goals.

By comparison, Spain, Italy and France place greater emphasis on centralised audits and intervention. National auditing institutions – Spain's Tribunal de Cuentas, Italy's Corte dei Conti, and France's Cour des Comptes – have the authority to sanction, demand corrective action, or initiate direct central management in cases of fiscal failure. Central governments may also assume direct financial control or dissolve councils.

Under New Zealand's Local Government Act 2022, intervention is permitted when a council is unable to maintain financial stability. The Accounts Commission and Audit Scotland oversee Scotland's local government audit, while in Wales, the Auditor General for Wales is responsible for local authority audit. Crucially, the number of municipalities in Scotland Wales is significantly lower than in England. In England, private audit firms are contracted to undertake local authority audits, but the sector has struggled to attract and retain interest from these firms, as more profitable opportunities exist elsewhere. This has contributed to challenges in maintaining robust local audit regimes in England compared to the devolved administrations.

Wellington City Council, New Zealand (2024)

In October 2024, the Minister of Local Government appointed an "experienced local government practitioner" as Crown Observer for Wellington City Council. This intervention was prompted by "significant challenges in delivering services to its community, while balancing its debt and insurance obligations." The appointment aimed "to better enable Wellington City Council to address their problems and allow [the Minister] to monitor their progress in doing so." The council faced a combination of issues, including changes to its long-term plan, the resignation of its chief executive, severe financial pressures, rising debt, and governance dysfunction. The Crown Observer was appointed specifically to give support and advice for an eight-month period.

Japan's Local Finance Law, together with the Local Autonomy Law, provides for fiscal surveillance and allows for intervention through the issuance of directives, imposition of borrowing limits, or appointment of fiscal committees when required.

Conclusions

Comparative evidence indicates that countries which balance local autonomy, a robust system of preventative oversight, and fiscal equalisation are more effective in delivering consistent services and achieving better value for money. These approaches tend to

reduce the frequency and cost of intervention. In contrast, highly centralised systems, or those with limited fiscal flexibility, may be prone to reactive interventions.

This comparative analysis highlights that England's approach, with its emphasis on central oversight and limited fiscal autonomy, may be less effective in delivering overall value for money compared to systems that prioritise preventative support and fiscal equalisation. Shifting towards a system of preventative measures that empower local authorities, whilst supporting effective oversight could lower both the frequency and cost of interventions, benefiting public finances.

There is clear evidence indicating strain within the English system. Uncertainty regarding funding has constrained local authorities' capacity to optimize Value for Money.⁷ However, there is no conclusive evidence to suggest that England's approach results in *poorer* Value for Money compared to the other countries examined in this analysis. Making direct Value for Money comparisons is challenging due to inherent differences in the design of each nation's system. Moreover, while England (as part of the UK) is not a world leader in terms of public service productivity, it is at the forefront in terms of measuring it through the Office of National Statistics.

Overall, the comparative analysis supports the conclusion that investing in early oversight and support is more effective and less costly than intervening only at the point of crisis. Systems that focus on prevention and fiscal equalisation not only require fewer drastic interventions but also achieve more stable and positive outcomes for their communities. This aligns with the findings of the Value for Investment and suggests England would benefit from adopting a more preventative, supportive model for local government intervention.

⁷ [Local government financial sustainability](#)

Table E.1: International comparative approaches to local authority interventions

Country	Features	Local autonomy	Fiscal freedom	Central oversight	Best Value duties	Fiscal irregularity	Poor services	Legal breach	Main intervention tools and mechanisms	Outcomes
England	Central Oversight,	Medium	Low	High	•	•	•	•	Sector support, Exceptional Financial Support (EFS) Service inspections, best value interventions	Recovery, sustainable improvement
Sweden	Preventative oversight, focus on local responsibility and resilience	High	Medium	Medium		•		•	Legal and fiscal supervision; corrective directives	Intervention rare, high governance and legal compliance
Denmark	Preventative oversight	High	Medium	Medium		•		•	Legal and fiscal supervision; budgets agreements	Intervention rare, high governance and legal compliance
New Zealand	Flexible proportionate emphasis on tailored support	Medium	Medium	High		•	•	•	Crown reviewers/managers/observer call elections	Recovery, restored performance
Wales	Centralised audit, improvement led, performance focus	Medium	Low	High	•	•	•	•	Temporary assumption of functions, Ministerial Directions, Special inspections, statutory support	Gradual improvement, stronger governance
Scotland	Centralised audit, partnership improvement support	Medium	Medium	Medium		•	•	•	Audit Scotland oversight, best value reviews, improvement support	Sustainable improvement
Spain	Reactive intervention, strong regional control	Low	Low	High		•		•	Regional intervention, suspension, or replacement of councils	Councils dissolved, legality and public order restored
Italy	Reactive intervention, centralised intervention powers	Low	Low	High		•		•	Prefect-led dissolution of councils, administrative control	Legal compliance
France	Prefectoral oversight system	Low	Low	High		•		•	Prefectoral review, financial audits, corrective instructions	Legal compliance
Japan	Administrative guidance model	Medium	Medium	Medium		•	•	•	Prefectoral audits, administrative guidance, corrective orders	Compliance, improvement sustained

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