

Strategy *for* Best Value

- *A seven-part definition of Best Value*
- *How should Best Value be assessed?*
- *Which services will it cover?*
- *Employee and user involvement*
- *Achieving social justice through Best Value*
- *Corporate policies*
- *New opportunities for DSOs*
- *Public management and Best Value*
- *Resource issues*

CENTRE *for* **PUBLIC SERVICES**

Research • Strategy • Planning • Training

Strategy for Best Value

ISBN 1897692 07 2

October 1997

(c) Copyright Centre for Public Services

Price: £15.00 to local authorities, public bodies, universities etc
£10.00 to trade unions and community organisations
(£2.00 post and packing on all orders)

Researched and written by

CENTRE *for* PUBLIC SERVICES

Research • Strategy • Planning • Training

1 Sidney Street Sheffield S1 4RG Tel: 0114 2726683 Fax 2727066

Contents

	Page
Introduction	2
Government proposals	3
A seven-part definition of Best Value	4
How should Best Value be assessed?	7
Which services will it cover?	13
Employee and user involvement	14
Achieving social justice through Best Value	15
Corporate policies	16
New opportunities for DSOs	16
Public management and Best Value	16
Resource issues	18
Appendices	21
1. DoE: Key principles of Best Value	
2. Definition of quality: A Public Service Quality Framework	
3. Guidelines for community and workforce involvement	
4. Summary of changes to CCT regulations	

Acknowledgement

We wish to thank Newcastle City UNISON for commissioning a briefing paper on Best Value which we have used as the basis for this more comprehensive report.

Introduction

This is the first of a series of Briefing Papers, Handbooks and Research Papers which the Centre will be producing on Best Value.

The debate on Best Value has been very general so far with none of the reports or articles defining Best Value. Some have argued that it is a process with the assumption being that a definition is not required. However, without a clear definition, Best Value will be flawed and the lack of clarity over what it is and what the process is meant to achieve, will continue.

Plans to introduce Best Value as an alternative to Compulsory Competitive Tendering can be perceived as either an opportunity or as a threat. This report sets out a strategic approach which includes defining and assessing Best Value, whilst encouraging local authorities to be innovative in developing the process.

Best Valued is an opportunity

An optimistic perspective starts from the commitment that there will be no requirement to tender services and, whilst acknowledging the difficulties in performance measurement, takes the view that there is considerable scope to develop an innovative best practice approach incorporating core public service values.

The Best Value agenda is wide open mainly because of the lack of clarity over what Best Value means and how it will be applied. Local authorities, trade unions and community organisations have the opportunity to influence the application of Best Value:

- the vague definition of Best Value means that there is scope to develop a more comprehensive description of what it is;
- there is no single blueprint for assessing Best Value which means that local authorities can develop their own mechanisms;
- there are few references to equalities and social justice; local authorities must ensure that these elements are given a high profile.
- local authorities can be innovative in how they involve other organisations in the Best Value process.

The agenda is open whilst the pilot authorities test out various approaches. However, this will inevitably narrow when legislation is drawn up.

Best Value as a threat

An alternative view considers the lack of clarity and the budget constraints within which Best Value is being implemented as a threat because it could result in more competitive tendering, not less; cost priority over quality; further marginalisation of equalities; performance measurement concentrated in manual services; superficial community and workplace consultation; and auditors firmly in control of the Best Value process.

Best Value would be a means of trying to get more for less, irrespective of how it is achieved. In these circumstances, and despite being dressed up to look different, Best Value would be little more than the three E's approach (efficiency, economy and effectiveness) adopted by the Audit Commission in the 1980s.

Current problems

The definition of Best Value, in other words **what** is being assessed (as opposed to the process **by which** Best Value is achieved), remains obscure. The whole approach seems to be process driven but, without a definition of what is valued, Best Value could end up being costly, crude and bureaucratic.

Because it is undefined and a somewhat ambiguous concept, this could lead to major problems in legal definitions and practical application. There is a risk that only quantifiable criteria will be included, that it will, therefore, focus on manual and administrative white collar work, and that financial criteria will ultimately dominate the definition.

The approach is faulted because it starts from the position of trying to **prove** value without necessarily looking at the processes and broader role of local services. Good quality public management is the ultimate issue and this cannot be achieved by legislation alone. A best practice approach in which local authorities are supported and encouraged to adopt tried and tested approaches alongside new management and organisational strategies would be more appropriate and effective. This would require a higher degree of trust between central and local government than currently exists.

It is intended to apply Best Value to all local government services which, given the wide range of services provided by local authorities, could result in many versions of 'Best Value'. CCT was service specific and, although the number of services covered constantly increased, local authorities were able to apply experience and best practice as the range of services were expanded. A blanket approach could cause significant problems. It could also mean that many managers focus on tangible processes and outcomes and continue to do what they know best - competitive tendering.

The Government's proposals

Objectives

The Government has proposed a Best Value framework consisting of five key features:

Corporate perspective

1. Authorities to establish a corporate view of what they wish to achieve and how they perform against objective indicators and the views of the local community;

Continuous improvement

2. A requirement on authorities to review a proportion of their service activity each year - proposed at 20-25% of budget per annum starting with poorest performing services;

Performance targets

3. A review to establish improved performance and efficiency targets, and how these are to be achieved, "using open competition unless authorities are able to demonstrate why this was inappropriate in the circumstances"; (DETR Best Value Consultation Paper)

Transparency

4. A requirement on authorities to publish and report back on their performance against targets, together with a requirement to participate with other authorities in sharing performance information and experience;

Audit and certification

5. The role of the audit process in ensuring the integrity of the review(s) and in certifying the monitoring information. New powers and resources for auditors may be needed. As a last resort, there would be intervention by the Secretary of State.

Twelve principles

The Department of the Environment issued 12 principles of Best Value in June 1997 which will form the basis of pilot schemes in local authorities. This was, in effect, a series of statements about the broad content and process of Best Value. They made no reference to community or staff involvement in the process (see Appendix 1).

Pilots

The Government is planning to announce 30 Best Value pilot projects in the autumn of 1997. These will be two year projects which will be monitored and evaluated by consultants. Some two hundred local authorities initially expressed interest in becoming a pilot authority. A Department of the Environment, Transport and the Regions (DETR) paper issued in July 1997 outlined the basis for the pilots.

Pilot authorities may gain exemption from CCT and exemption for other authorities may be considered by the Government on condition that proposals would deliver Best Value, promote partnership arrangements and include services which fall outside of CCT.

Local authorities which are not selected as official pilot projects should, nevertheless, continue with their own pilots and share experience with other authorities.

Issues and questions for pilots

In addition to the thirty pilot projects, local authorities could set up their own pilot scheme which could be more advantageous in the longer term. Authorities need to ask some key questions:

- * What benefits will the local authority gain from being a pilot authority? The political kudos needs to be played down and focus put on the tangible benefits.
- * Authorities should not get bogged down with the politics of selecting one of their so-called 'worst performing services' - select one where there is scope for innovation, service development and where there are genuine problems with service delivery.
- * Management and staff must be committed, otherwise Best Value will be seen as just another form of job evaluation/productivity.
- * Don't select a service where there is no flexibility in the budget.
- * Are you happy for government appointed management consultants to evaluate the project over two years?
- * Does the council have sufficient resources to carry out its own monitoring and evaluation of the pilot.? It should not rely entirely on government appointed consultants.
- * Are trade union and community organisations supportive of the pilot proposals?

Best Value Timetable

Best Value

Oct. 1997	Selection of 30 Best Value pilots
1998-99	Monitoring of Best Value pilots
1999	Best Value legislation
2000	Abolition of CCT and start of Best Value

CCT

1997	Circular Part I, 1988 Act, conduct of CCT and withdraw Circular 5/96
1997-98	Review of Part II, 1988 Act - workforce matters
1998	Review of trading powers under Local Authorities (Goods & Services) Act 1970 (see appendix 4)

A Seven Part definition of Best Value?

As previously stated there is currently no agreed definition of 'Best Value'. The government's consultation paper sets out principles and processes of achieving Best Value. There has been a glut of Best Value articles in the local government press but few of these propose a definition.

Given the type of processes by which Best Value will be achieved, such as performance measures, benchmarking and competition, it will be determined largely by those responsible for carrying out the process. Consequently, auditors and performance monitoring officers will determine the content of Best Value.

The Labour Party's original proposals for Best Value, published before the General Election, included a statutory duty to achieve Best Value, a requirement that it is auditable with central government having powers of intervention. Best Value was described under five headings: fair employment (minimum wage and Social Chapter); national and local standards (adherence to local performance plans, a standards inspectorate, monitoring and evaluation, internal and external auditability); promotion of active participation in service delivery (a requirement for user consultation); openness, accountability and auditability (citizen juries etc); and fair trading (cross boundary tendering, if no increased cost, and trading accounts). These elements have since then not appeared as part of the principles of Best Value.

A more recent report published by the Society of Local Authority Chief Executives (SOLACE), Barony Consultancy and the Municipal Journal also fails to define Best Value other than stating that it is "the continuous search by a council to improve the quality, efficiency and effectiveness of all its activities for the public" (Best Value for the Public, July 1997).

The big gaps in Best Value

A review of all the articles written about Best Value shows that there is little or no specific reference made to:

- The quality of employment and training
- Workforce and trade union involvement
- Genuine community involvement rather than consultation
- Equal opportunities and social justice
- Other corporate policies such as health & safety, anti-poverty, environmental.

A definition of Best Value

Best Value must be clearly defined. It should start from the perspective of what we need to value, not the means by which it is assessed. Different kinds of value in the public sector cover economic value, democratic value, quality value, employment and training value, environmental value, equity value, social value and added value. Members, users, staff and managers may also place different priorities on achieving value. Value in the public sector has traditionally meant the quality of the service provided and the extent to which it is accessible to women, ethnic minorities and disabled people. Value can also be described in terms of the cost effectiveness of the service.

These different aspects of value are combined together below in a seven-part definition of Best Value:

Definition of Best Value

1. Quality of service
2. Achievement of sector/industry best practice
3. Quality of employment and training
4. Implementation of corporate policies
5. Democratic accountability
6. Cost effectiveness
7. Social and economic equity

1. Quality of service

This must be based on a comprehensive definition of quality which comprises eight elements covering the level and range of service, access, the service environment, the service relationship, quality of employment, accountability and democratic control of the service, management and organisation of the service, and monitoring and performance review (see Appendix 2). Each of these elements should have performance measures and targets based on national standards and local priorities.

2. Achievement of sector/industry best practice

This issue is not just the quality of a service but whether that service incorporates best practice and innovation. For example, the extent to which environmental services include recycling and whether this is a household collectible service or simply relying on voluntary carrying of materials to supermarkets and other local sites. They are fundamentally different services. Quality and best practice (ie the specification) must be assessed together. One without the other is meaningless.

3. Quality of employment and training

The quality of service and the quality of employment are inextricably linked. The quality of employment should cover maintaining national terms and conditions of service, implementation of the Single Status agreement, a national minimum wage, training and skill development, best practice equal opportunities policies, arrangements to secure health and safety for staff and users, and their inclusion in contract conditions for strategic sourcing of goods and services.

4. Implementation of corporate policies

The implementation of corporate policies for equal opportunities, health and safety, environmental sustainability, community safety, public health, employment, anti-poverty strategies, regeneration of the local economy are a fundamental part of Best Value. This means setting annual performance measures and targets, and where quantification is difficult, detailed objectives.

5. Democratic accountability

This should cover the democratic accountability of service provision to the authority and to users and that of the Best Value process itself. This accountability should be built into user and workforce involvement and management responsibilities in the Best Value process.

6. Cost effectiveness

This should be a balance between cost, quality, added value, the scope for continuous improvement in cost effectiveness and all the transaction costs of competition (the cost of tendering and contracting out). Cost effectiveness must also be examined in the context of service priorities. Local authorities have been balancing quality and cost in the evaluation of CCT contracts. The Best Value framework enables this approach to be applied with more freedom, across a wider range of services, and taking into account local priorities established at the Community Plan and Budget stage.

7. Social and economic equity

This should cover:

- * the extent to which the service meets social needs and the ability of the service to differentiate and target services to particular communities;
- * assess the social value of improving the coordination and integration of particular service delivery systems. For example, increasing contracting of services makes coordination more difficult managerially and financially;
- * the contribution of the service to the local economy in terms of setting good employer and labour market standards;
- * analysis of 'savings' from Best Value initiatives to identify corporate and public sector costs and benefits rather than simply focusing on the effect on service budgets.

Best Value will only have any meaning if there is a commitment to valuing its component parts. In other words if local authorities do not genuinely 'value' their staff and adopt best practice employment policies and are similarly committed to implementing equal opportunities policies, then the concept of Best Value is not very useful. The overall policy is entirely reliant on the implementation of its component parts.

Best Value Code of Practice

The application of the seven part definition of Best Value can most effectively be achieved by authorities adopting a Best Value Code of Practice. This would involve authorities:

- * adopting the seven part definition of Best Value;
- * applying the definition to each method of assessing Best Value (see below);
- * setting performance standards, targets and/or objectives for each of the seven elements;
- * using the definition as the basis for community, user, employee and trade union involvement;
- * monitoring and reporting performance and achievements for each element.

Local priorities and choices

Best Value should be framed so that certain minimum standards are achieved. But the main focus should be a **locally determined trade-off** between the quality, type and cost of a service or activity. It should seek to reinforce local decision making with regard to the application of resources to locally determined priorities and needs. The idea that Best Value can be achieved in every service in a local authority is simplistic. There needs to be flexibility to achieve reasonable quality in some services by meeting statutory requirements and standards but to target resources in other services where higher quality standards are more important or where it consumes a relatively larger share of resources.

The blanket application of Best Value in a four year rolling programme could smother local differences arising from variations in needs, demands, priorities and choices and stifle innovative approaches to service provision.

The Best Value debate also reinforces the current focus on service delivery. Of course, a large part of local government is delivering services. But there are also other important functions such as formulating economic development strategy, researching local needs, preparing development plans, promoting civic activities and so on. This policy and strategy work is vitally important and provides the context for service delivery. The danger is that Best Value applies to what is identifiable and measurable. (See also the section below on Which services will it cover?)

How should Best Value be assessed?

The process of achieving Best Value

The Government has proposed that Best Value should be assessed using one or more of the following:

- Nationally set standards
- Performance measures and targets
- Benchmarking
- 'Market' intelligence
- Competition

It is clear that the Government believes that competition should be key in assessing Best Value. The five-part Best Value framework refers to "open competition" unless authorities can demonstrate why this is not appropriate. Although principle No 4 states that "there will be no general requirements for councils to put their services out to tender" the next principle states that "competition will continue to be an important management tool".

"Best Value means that competition is here to stay. Getting rid of CCT does not get rid of competition, it

gets rid of over-regulation" stated Geoffrey Filkin, author of the SOLACE/Barony/MJ report, at a recent briefing on Best Value pilots.

The above methods of achieving Best Value are narrow and restrictive. Other tried and tested mechanisms are equally capable of assessing Best Value and should be added to the Best Value framework:

- Quality audits
- Service reviews
- Workforce involvement in continuous improvement projects
- User research and surveys
- Public Service or Business Plan

Methods of assessing Best Value

- Nationally set standards
- Performance measures and targets
- Benchmarking
- 'Market' intelligence
- Quality audits
- Service reviews
- Workforce involvement in continuous improvement projects
- User research and surveys
- Public Service or Business Plan
- Strategic sourcing

These methods of assessing Best Value are briefly described below:

Nationally set standards: The Government has indicated that it intends to set national minimum standards for most services. Local authorities and public bodies will no doubt wish to set their own higher standards in consultation with users and employees.

Performance measures and targets: Establishing performance measures, objectives and annual targets and assessing the degree of achievement is an important way of establishing the extent to which Best Value is being achieved (see section on Measuring Performance on page 9)

Benchmarking: This involves the selection of criteria covering performance, productivity, resources, user satisfaction and other measures which are compared with the same or similar service provided by other organisations. The difficulty comes in selecting comparator organisations which provide the same service to similar standards, corporate policies and social and economic circumstances. It can be readily misused by comparing the performance of public bodies with private companies providing different services under quite different circumstances.

'Market' intelligence: Sector or market analysis, used by some authorities in preparation for CCT, can provide comparisons of performance with industry or specific organisations. It can also highlight service developments and trends which the authority can assess with its own policy and information. It supports benchmarking, and if done thoroughly, can provide information without resorting to competitive tendering.

Quality audits: A multi-disciplinary team is established to assess the quality of a service using performance measures, user surveys, staff interviews and site visits. Its findings are fed into the service planning process (see Public Service Practice No 4, Strategy for Quality)

Service reviews: These are flexible in that they can cover a range of issues or focus on particular issues. Many authorities developed a practice of profiling services in preparation for CCT and the same methodology can be used for service reviews. They should be multi-disciplinary and involve users and employees.

Workforce involvement in continuous improvement projects: These are based on the fact that employees and trade unions have a reservoir of ideas about how to improve services and make them more effective. They are rarely asked. Nor are they likely to make proposals in a climate of cuts and distrust of senior management. The Centre for Public Services was involved in a number of innovative projects in the 1980s which showed the potential of structured employee involvement in identifying problems, developing ideas for service improvements and increasing job satisfaction.

User research and surveys: The level of user satisfaction with the level, quality and availability of services is an important measure of their value. It is also a means of assessing whether performance measures are relevant and appropriate in addition to gauging actual performance.

Public Service or Business Plan: A well prepared plan, combined with regular monitoring and evaluation, can be an effective means of setting strategic objectives, based on user needs and service standards, and developing operational and action plans (see Public Service Practice No 5, A Handbook for Public Service and Business Plans).

Strategic sourcing: Where an authority does not already provide the service or requires specialist services, competitive tendering will be used to acquire goods and services. As noted on page 10, this process should be based on best practice strategic sourcing (see Public Service Practice Handbooks)

Measuring performance

Measuring the performance of services and benchmarking is generally presented as relatively 'easy' when in fact they are very difficult, often subjective and can be grossly misused when crude comparisons are made between public and private services or even between public services with quite different demographic, economic and social needs.

Performance measurement has been developed more extensively in the 120 Next Steps Agencies in the civil service than elsewhere in the public sector. Despite nearly nine years developing indicators and targets and measuring performance in the agencies, the process remains fraught with difficulties. It may be presented as a science but it is more accurately described as an art. A recent study of the performance of Next Steps Agencies highlighted:

- the bulk of the efficiency savings originated from market testing, not from the agency model, and the performance measures themselves need to be assessed in this context;
- the ability to massage performance by selecting, grouping or separating measures;
- the difficulty in correlating performance measures with actual consequences;
- there are contradictions between performance targets, for example, efficiency and quality targets, which are not always taken into account;
- variations in the basis on which information is collected and different interpretation of performance can differ significantly between departments and authorities;
- the range of some performance measures changed from year to year making them impossible to assess over a significant timescale;
- changes in staffing levels make some performance measures difficult to assess;
- setting performance targets which were too low or easily achievable.

The report concluded that the "...genuine difficulties of measuring performance also needs to be regularly and publicly acknowledged" and that "...valuable resources need to be directed at improving the quality of services rather than the performance of indicators" (Reinventing Government in Britain, CPS, 1997).

This evidence is supported by a recent study by the US Government Accounting Office of five major Federal regulatory agencies' progress towards results-orientated goal setting and performance measurement as required by the Government Performance and Results Act, 1993 (GAO, 1997). The agencies covered were the Internal Revenue Service, the Federal Aviation Administration, the Food and Drug Administration, the Environmental Protection Agency and the Occupational Safety and Health Administration. The report noted various barriers and difficulties in identifying and collecting data to demonstrate performance and the complex factors which often affect results. It also concluded that "...the development and practical application of results-orientated programme performance measures in regulatory agencies will not always be done quickly or easily."

There are also concerns about the auditing and verification of information on contract performance and employment data from private contractors. Commercial confidentiality has dogged the CCT process and it is more widely applied in PFI projects. However, local authorities will be required to assess and publish information about service performance, staffing and so on which some private firms may consider a breach of commercial confidentiality. This raises issues about private contractors being required to provide the same information as local authorities.

Results and process

The current approach to Best Value puts emphasis on performance measurement and benchmarking which will inevitably lead to focusing on results whilst concern about the process of service delivery will be marginalised. This could have important ramifications for equalities policies. It is also likely to reinforce the client-contractor split even in service areas which have not been subject to competitive tendering.

The current proposals for Best Value could result in:

- the imposition of national standards;
- cost being the main criteria;
- performance standards rather than planning and public policies;
- the loss of local flexibility.

No reference has been made as to how Best Value will be assessed between services and trade-offs between one group of priority services and another.

The role of competition

It is transparent that the Government views competition as the prime process by which Best Value will be assessed. Two of the twelve principles refer to the role of competition which will not be compulsory and that competition alone will not be enough to demonstrate Best Value. The principles make no reference whatsoever to in-house provision.

The emphasis should be on the means of assessing Best Value, not whether a service is suitable or not for competition. Authorities should avoid voluntarily road testing all services in terms of their suitability for competition, concluding with a list of 'untouchables' and a list of possibles. In these circumstances, the government would effectively decentralise CCT to local authorities who could continue tendering but on an even bigger scale.

Competition should not be an important part of Best Value. This can be justified on the following grounds:

1. The high transaction costs and limited savings means it is not very cost effective;
2. The loss of flexibility in the contracting system;
3. It is unlikely to deliver continuous improvement as required by Best Value and will provide a contractor with another opportunity for additional payments;
4. There has been no improvement in the quality of service, indeed, there are many examples of a decline;
5. It will result in discrimination, as proven by the gender impact studies by the Equal Opportunities Commission and Northern Ireland EOC;
6. In a climate of continuing budget pressures, competition is mainly on the basis of price, focusing on jobs, terms and conditions and not on management or innovation;
7. The phrase used in the twelve principles, "what matters is what works", can be used to make a case for in-house services.

There is danger is that CCT is abolished in law but not in practice - the rules are changed to make it less restrictive but it remains compulsory, indirectly through Best Value. A statutory requirement to achieve 'Best Value' could backfire if local authorities resort to voluntary competitive tendering as an 'easy' and established way of satisfying or proving a narrow definition of Best Value.

Strategic sourcing of goods and services

The regulatory framework for competitive tendering must be radically changed so that equalities, health

and safety and other corporate policies and the full costs to an authority can be taken into account. But irrespective of these changes, local authorities must have the power not to use competitive tendering in the Best Value process if they are satisfied that a particular service achieves Best Value.

Improvements and changes to local authority procurement policies and the creation of a level playing field should not be used to legitimate the widespread use of competitive tendering. Opposition to CCT was not simply based on the unacceptability of the regulations, it was also grounded in the principles of public service. Equally, relaxing the rules on DSO trading should not be considered a palliative to accepting competition. Whilst most DSOs have wanted greater freedom, they will need to carefully assess the scope and risks involved. Unplanned forays into work outside of the local authority could drive DSOs further into commercialisation and encourage externalisation.

Partnerships

Although local authorities are being encouraged to develop partnerships with the private and voluntary sectors, a rigorous reassessment of existing arrangements would be a healthy starting point. An audit of services already contracted out would provide ample evidence of contracts with private firms and could be used to justify limiting the pursuit of further schemes.

Community Plans and Best Value

Further details of Labour Party proposals for local authorities to prepare annual community plans, which link to local performance programme for Best Value, are still awaited.

Community Plans will have three elements:

Annual policy and priorities: The Community Planning process should establish overall policies and priorities within the available resources. This provides the framework within which Best Value must operate.

3 year rolling budget: There are two aspects to this process. Firstly, local authorities will be required to produce budgets for a three year period which are meaningful at the level of service delivery, draw together service and financial planning, and enable outturn expenditures and outputs delivered to be measured against budgeted expenditure and targets. Secondly, central government must provide local authorities with a clearer indication of the level of resources to be committed three years hence.

Local Performance Plan: This will set out the targets for service improvements and council commitments. It will also report on the results of service reviews.

Best Value must start from applying current best practice to an authority's worst performing services. It does not mean starting from scratch, developing endless checklists and employing management consultants to 'reinvent' service delivery. This will only reinforce externalisation, competitive tendering and outsourcing.

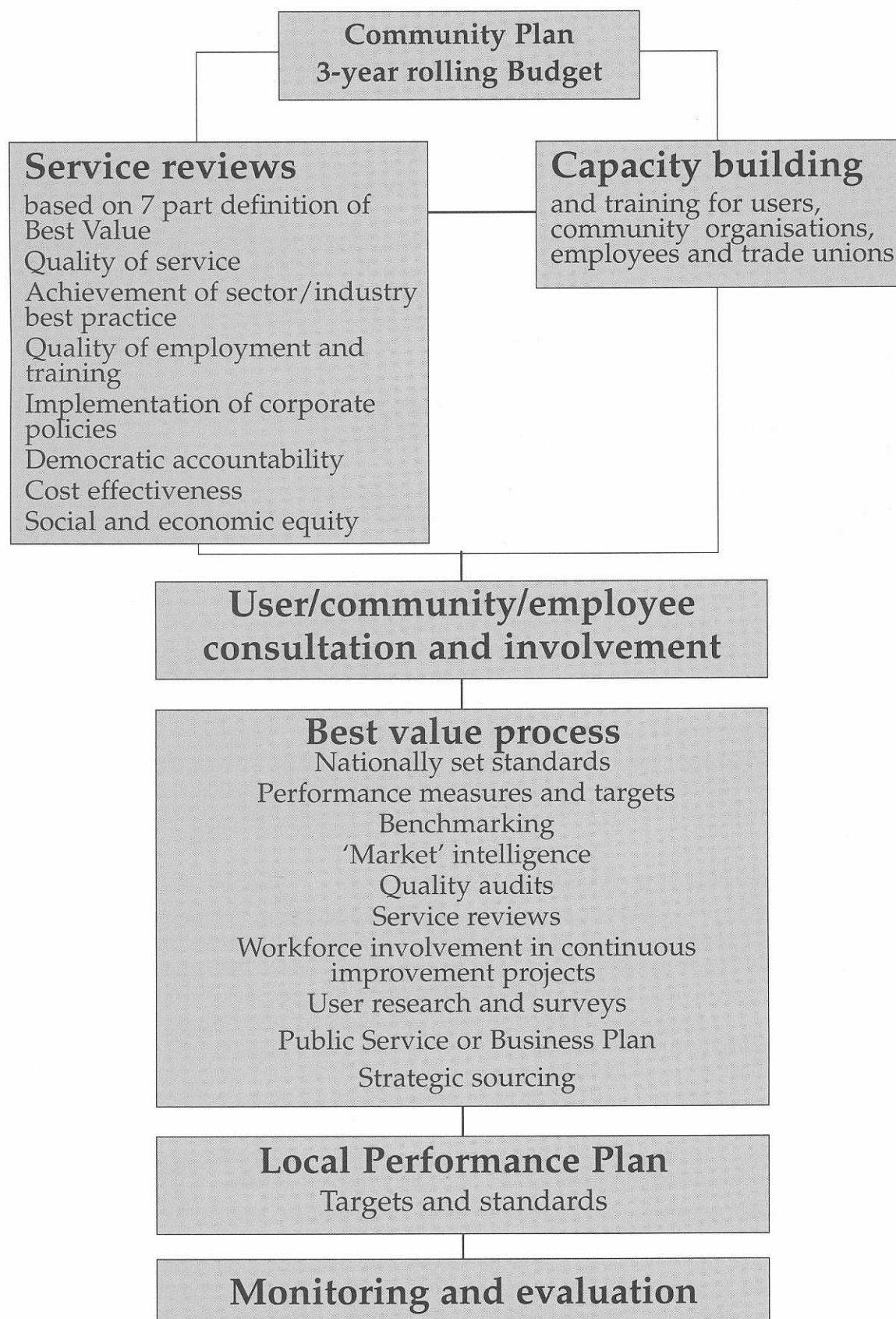
Increased powers for Auditors?

The Government has stated that new powers and resources for auditors may be needed. However, in practice this means that, not only will the District Audit Service have more powers, but so will the large audit/consultancy firms. Forty out of 104 Metropolitan Authorities, London Boroughs and County Councils were audited by private auditors in 1996-97. Three firms, Coopers & Lybrand, Price Waterhouse and KPMG had three-quarters of these contracts. There is clear evidence of private auditors being 'proactive' in matters outside of traditional audit, for example, in externalisation and outsourcing in Hounslow and Sheffield. Private auditors armed with increased powers and resources are likely to reinforce narrow efficiency and commercial criteria in the scope and assessment of Best Value.

The increased powers to the District Audit Service must be opposed. The position should be either to return this work in-house to the District Audit/Audit Commission or for no additional new powers. Talk of a genuine partnership between auditors and local service users (MJ 22/8) is naive.

Furthermore, if auditors are going to have the same powers to investigate, audit and evaluate the performance of private contractors in PFI contracts, Trusts and other companies, this will inevitably raise major conflicts of interest where the same firm is auditor to companies and local authorities. If Best Value does not apply to contracts, and there is one set of rules for local government and another for the private sector and arms length companies, this will make a mockery of both Best Value and partnership.

The Best Value Process



Which services will it cover?

"The duty to obtain Best Value will apply to all local authority services, including regulatory and enabling functions." (Best Value Pilot Schemes, DETR Paper, July 1997)

This means it will apply to all those services which were exempt under CCT and those which had not been covered by the legislation. For example, it will cover 100% of white collar services and will also apply in education, social services and all other departments.

The inclusion of the 'enabling function' implies that Best Value should apply to:

- Private Finance Initiative schemes
- Externalised services delivered by Trusts (such as residential homes, leisure and arts)
- Contracted out CCT services until contracts expire and to voluntary tendering
- Public-private partnerships
- Local Housing Companies
- Public services delivered by voluntary and community organisations

The application of Best Value in these situations has not been discussed in any documentation to date. Best Value must be fully applicable to PFI and contracted-out services in exactly the same way as they are applied to in-house services. A situation where these services are exempt because they have been subjected to competition would be totally unacceptable. One possible alternative would be to incorporate Best Value criteria in tender evaluation and contract monitoring systems. However, this will require new regulations and guidance on tender evaluation ensuring that it is transparent that employment, equal opportunities and other aspects of Best Value are fully assessed. This would have to be accompanied by regular Best Value contract monitoring and evaluation. It would be untenable for Best Value to be applied only to in-house services.

Demarcation

Best Value is inevitably going to raise questions about demarcation in terms of assessing working practices, improving and integrating service delivery, and adopting a facilities management approach. But this is a wider issue than the traditional focus on job or task demarcation. It should cover:

- client perspective on what is or what is not their responsibility and how it is integrated with other services;
- organisational or departmental demarcation;
- service delivery in the sense of practical integration of services;
- monitoring and performance measurement (irrespective of who the client is);
- user perspectives;
- trade union concerns with respect to job description, pay and conditions, training and other employment matters.

Trade unions are naturally concerned about a simplistic approach to "...reorganising working practices to meet public need". The reality is that a balance has to be struck between public need, technical and organisational capabilities and the resources available. Public need is similar to Best Value, it requires a clearer definition and recognition that it will vary from area to area depending on the service concerned.

New opportunities under Best Value

Best Value is to be applied to all local authority services. This provides an opportunity to examine performance and value in areas which have remained outside of the spotlight. For example:

- * economic development strategies;

- * administration of the local authority's pension fund;
- * democratic audit of the performance of quangos;
- * performance of Councillors.

New powers to enable DSOs to trade within the public (and private) sectors will be important for the development of in-house services. Whilst it is not a part of a Best Value regime operating in a wider context may facilitate better value.

Employee and user involvement

Under the current proposals, the key players in Best Value will be:

- * Members
- * Council officers
- * District Auditors, eight big accountancy/management consultants (who carry out 20% of audits) and the Audit Commission
- * Community organisations

There are currently no proposals for the involvement of staff and trade unions in the Best Value process although at a national level trade unions and private contractors will be involved in the selection of the Best Value pilot projects.

It is essential that the process of Best Value also includes:

- * Employees
- * Trade unions representatives

Community and staff involvement in Best Value should encompass:

1. Defining Best Value, determining the content and scope of Best Value.
2. The process of assessing performance against Best Value criteria
3. Monitoring and evaluation of Best Value
4. The choice of action if Best Value is not achieved

User and community involvement

There are two basic approaches. Community consultation and the distribution of information to users and community organisations, which has improved in recent years, must continue. Best Value, however, is more than a consultative process. It will only be effective if users and community organisations are involved in the process.

Methods of involving users and community organisations could include one or more of the following:

- * Representation on Best Value pilot project;
- * Developing existing tenant consultation and area committees with the Best Value process;
- * Focus groups
- * Citizen jury or committee of inquiry
- * Partnership forums

Capacity building for community involvement

If community involvement is going to be more substantive than consultation, community organisations will need awareness training and support in the Best Value process.

Employee and trade union involvement

Continuous improvement will be very limited if employees and trade unions are not involved in the Best Value process. Authorities should be asking a series of basic questions: "how can we genuinely involve staff and trade unions in developing an approach to continuous improvement?", "how can we respond to trade union fears that Best Value could lead to community demands for longer opening hours and increased demands on staff at a time of reducing resources?"

Methods of involving employees and trade unions could include one or more of the following:

- * Trade union representation on Best Value pilot projects and task forces or working groups examining specific aspects of Best Value or its application to specific services;
- * Supporting employee and trade union 'audit' of proposals to improve service delivery;
- * Establishing employee, trade union and management working groups to examine workforce ideas.
- * Establishing new negotiating structures for implementing good quality service provision and employment.

Despite almost every aspect of public policy being conceived as a 'partnership' with the private sector, it is surprising that there are no specific proposals to involve the private sector in the Best Value process. This needs to be clarified as a matter of urgency because it will have a major effect on the content and process. (Appendix 3).

Achieving social justice through Best Value

CCT marginalised equal opportunities by the imposition of restrictive regulations in the tendering process, the commercial environment imposed on Direct Service Organisations where work was retained in-house and by contracting-out work to private companies who generally paid lip service to equalities.

Best Value must include key elements of social justice:

- * Equal opportunities in service delivery;
- * Equal opportunities in employment;
- * Implementation of corporate anti-poverty strategies;
- * Contract compliance in the tendering process;
- * Monitoring systems;
- * Performance measures and targets set for a wide range of social justice criteria;
- * Benchmarking and performance assessment must be based on comparable service provision and take into account community, cultural and economic differences;
- * Performance measures should be based on the process of service delivery in addition to the quality of service.

Best Value could be the means by which local authorities can reaffirm their commitment to the implementation of equal opportunities and social justice. Since Best Value applies to all local authority activities it will cover economic and social regeneration policies and the provision of buildings and facilities. The inclusion of social and economic equity in the seven-part definition of Best Value provides an opportunity to assess the value and benefits of particular policies and to improve the integration and coordination of services.

Corporate policies

Most local authorities have established a set of corporate policies but their implementation has been limited by the CCT regulations and financial constraints. Best Value should provide an opportunity to improve their application, monitoring and evaluation. The range of corporate policies was noted earlier.

- * There will be considerable scope to assess Best Value through non-competitive means thus enabling authorities to develop more comprehensive regeneration and local economy performance measures and to take these into account in the assessment of Best value.
- * The removal of the CCT regulations will enable authorities to more rigorously apply employment, equal opportunities and health and safety issues.
- * Best Value should enable authorities to assess the impact of policies across the full range of corporate policies and to determine any differential impact on particular groups or areas.

Authorities will also need to ensure that the assessment of performance on issues which cannot readily be measured or quantified is carried out with care, that users and employees have a direct input and that clear objectives are used in place of quantifiable measures.

New opportunities for DSOs

The Best Value framework and the eventual abolition of CCT creates new opportunities for DSOs in four areas. Firstly, to adopt a more comprehensive facilities management (FM) approach to service delivery. The rigid CCT regulations require single service contracts which are increasingly archaic and operate against the needs of services. DSOs will have more freedom in packaging services and will be able to offer users a one-stop integrated service.

Secondly, the development of a FM approach is central to the demand that DSOs should be able to compete for PFI operational contracts.

Thirdly, the proposed relaxation of the restrictions on DSO's ability to trade should provide new scope to achieve economies of scale and broaden the range of services provided. Best Value could be a useful mechanism to prevent DSOs adopting overtly commercial attitudes resulting in the loss of public service values.

Finally, the Best Value framework will mean having to reinvent the case for in-house provision. CCT may be about to be abolished but externalisation or outsourcing services to private contractors, consultants, Trusts and non-profit companies show no sign of abatement.

Public management and Best Value

Will Best Value lead to better services? Improving monitoring and performance information is very useful. However, current proposals for Best Value do not improve the quality of management or provide any increased resources. The focus is almost entirely on disciplinary mechanisms and not management best practice. Without the latter, Best Value is always going to be limited in its effect. Management practice should take into account the following:

Monitoring: Best Value is dependent on comprehensive monitoring of services using performance measures and targets, standards and monitoring systems which will provide reasonably accurate information. In addition to performance measures requiring a great deal of development, monitoring is generally regarded as the weak link in the CCT regime. Best Value introduces a new regime which is highly

dependent on that weak link. All the performance measures in the world are rendered useless without a comprehensive monitoring system.

Management appraisal: Best Value should extend beyond the monitoring of front-line service delivery and include the management of services and policy implementation.

Industrial relations: The selection and timetabling of services in the Best Value programme and its application to management, staff, client and contractor functions should be keenly observed within each local authority. Joint working between Members, management and trade unions which played an important role in the CCT process, will need to be further developed for a Best Value regime.

The scope of Best Value raises a number of very important issues for the local and national industrial relations framework. The issue of demarcation has already been noted. Other issues include:

- * Service integration, the coordination or merging of service delivery which may involve changes to management structures, amending job descriptions.
- * Changes to working practices which may affect staffing levels, rotas and changes in responsibilities between staff, management and departments.
- * Job evaluation may be carried out under the implementation of Single Status or could be initiated by management under the Best Value regime.
- * Generic working is likely to be encouraged as part of a facilities management approach to service delivery. This could create opportunities to enhance job satisfaction, career development and improve training. It could equally be used to cut jobs, impose more part-time working, reduce payments for weekend and unsocial hours and generally reduce the quality of employment.

Existing industrial relations frameworks will need to be reassessed to take account of these issues and workforce involvement in continuous improvement projects. Experience shows that such projects are not successful if they are organised outside or at the margins of industrial relations structures. They will also have to take into account different approaches by the local authority trade unions.

Corporate policy: Since Best Value will apply to all services and is supposed to start with the worst performing services, a clear corporate policy and strategy is essential. The potential for inter-departmental, client-contractor, inter-service, management-staff, and inter-management conflict is enormous and, because of the rolling nature of Best Value, could be a distraction for a long period.

Client-contractor relationships: The proposed continuing role of competition and its extension to non-CCT services in some authorities will inevitably lead to further client-contractor separation. However, if Best Value has any managerial value, it should be ensuring that all staff are aware and responsible for performance and quality of service. Reinforcing client-contractor separate responsibilities and government by contract does not achieve this.

Enabling model of government: Best Value should provide an opportunity for authorities to reassess the often tacit acceptance of this model of government and to redefine the Council's role.

Innovation: Imposing a disciplinary regime in which cost factors and auditing are likely to dominate, does not create the conditions for local authorities to develop new innovative approaches.

Organisational and restructuring implications of Best Value

There are other issues which have not been addressed in the current debate about Best Value:

- The requirement to review all services over a four or five year period will be no small task, particularly since it will include non-CCT services.
- DSOs are going to face difficulty preparing and implementing Public Service & Business Plans in a period of great uncertainty with PFI schemes, lack of clarity about which services have to be (re)tendered and the lack of detail of any forthcoming increased powers to trade.
- Recognition that outsourcing and externalisation are not slowing down and that these are often a bigger threat to services than CCT. For example, 500 white collar financial services jobs are being outsourced in

a £20m contract in Sheffield. Many Councils also wish to outsource leisure services and residential care. The continuing pressure on Social Services budgets is likely to result in a stream of privatisation/externalisation of community care services. This is currently outside of the CCT/Best Value debate, but it needs to be included.

Managing the transition from CCT to Best Value

The starting point could be the reassessment of client and contractor roles within the authority, drawing out the lessons from monitoring and evaluating CCT and other services and the use of performance measures within the authority. The transition period should also be used to assess the training and skill requirements to meet Best Value and how it can improve its project management skills. Best Value will only be effective where the authority has improved its corporate ability to set meaningful performance measures and targets, increased its ability to audit services using a wide range of criteria, and developed a programme of employee and user involvement in the Best Value process.

Preparing for CCT (and retendering) and Best Value at the same time will impose an even greater necessity to adopt a strategic approach.

Best Value should be built into an initial assessment of proposals to outsource or externalise services and the evaluation of tenders should include the seven point Best Value criteria. Since most externalisations or outsourcing is driven by financial considerations and budget savings and, despite TUPE, includes cuts in jobs, terms and conditions, the application of Best Value is very important. Budget savings will have to be assessed in the context of other aspects of cost effectiveness, quality of service, quality of employment, implementation of corporate policies, democratic accountability and social and economic equity. Contractors should be informed of the local authority's intention to regularly assess the contract for Best Value. This has implications for contract monitoring and better resourced client services.

Resource issues

Best Value must not simply be a means of getting **more for less**. However, the way it is currently being framed, particularly in a period of continuing cuts in local government expenditure, privatisation and externalisation of services will lead to a squeeze on budgets. In social services, for example with the NHS and local authority services budgets under severe pressure at a time of increasing demand, the quality of service becomes secondary to the continued provision of a basic service. Best Value could be used to achieve lower costs by externalisation to the third sector. **Best Value only makes sense if it is part of a debate about resources.**

Resource allocation to develop Best Value

Local authorities will have to decide priorities within the Best Value framework in terms of resources used in:

- * developing performance indicators and the setting of targets;
- * developing and coordinating monitoring systems between services and designing new systems where monitoring has been weak or non-existent;
- * working with other local authorities in benchmarking comparable services;
- * developing methods of involving community organisations together with training and resources to support involvement;
- * involving the workforce and trade union representatives in continuous improvement and Best Value process.

These will be time-consuming activities. There is not the money in existing contracts, either in client budgets or contract prices, to spend on developing more sophisticated performance measures or to increase the level of monitoring.

The cost of Best Value

There seems little concern about the cost of the Best Value process. It could be just as costly, if not more so, than CCT, with the cost spread evenly across all services rather than focused on the tendering process for selected defined services. Authorities will need to develop a cost framework so that Members and other participants can decide which parts of the Best Value process are cost effective and which are not. Costs will need to be assessed prior to the application of Best Value.

Good quality community and employee involvement are not insubstantial. Relevant skills are required with adequate time to present information, organise meetings and events. Capacity building will be required to enable community organisations to be genuinely involved.

So unless the 'savings' achieved through Best Value are bigger than the cost of carrying out the Best Value process, there will either be further cuts in services, community and employee involvement will be curtailed, and/or authorities will resort to tendering and outsourcing to reduce costs.

Conclusion

Best Value has the potential to improve services, engage users in a meaningful way in policy formulation and service delivery. It could involve improvements in the quality of employment, training and job satisfaction. It could also play an important part in the democratisation of local government and reorientate public management from the current preoccupation with business practices.

However, Best Value also has the potential to be another in the line of damaging policies which will result in further cuts in the level and quality of services, fragmentation of government, yet more job losses and cuts in terms and conditions for local government employees. This would make a mockery of Best Value.

It crucially depends on how Best Value is defined and assessed. This Briefing Paper provides a practical and comprehensive definition of Best Value. It also shows how competitive tendering or strategic sourcing should be the last, not the first, method of assessment.

Appendices

1. Key principles of Best Value

The Department of the Environment, Transport and the Regions issued guidance on Best Value based on 12 principles:

Accountability

1. The duty of Best Value is one that local authorities will owe to local people, both as taxpayers and the customers of local authority services. Performance plans should support the process of local accountability to the electorate.

Effectiveness

2. Achieving Best Value is not just about economy and efficiency, but also about effectiveness and the quality of local services - the setting of targets and performance against these should, therefore, underpin the new regime.

Applicable to all services

3. The duty should apply to a wider range of services than those now covered by CCT. Details will be worked up jointly with Departments, the Audit Commission and the LGA.

Competition but not compulsory

4. There is no presumption that services must be privatised, and once the regime is in place there will be no general requirements for councils to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works.

Competition alone not enough

5. Competition will continue to be an important management tool, a test of Best Value and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate Best Value is being achieved.

Government standards

6. Central government will continue to set the basic framework for service provision, which in some areas as now include national standards.

Performance targets

7. Detailed local targets should have regard to any national targets, and to performance indicators and targets set by the Audit Commission in order to support comparative competition between authorities and groups of authorities.

Performance information

8. Both national and local targets should be built on the performance information that is in any case needed by good managers.

Audited evidence

9. Auditors should confirm the integrity and comparability of performance information.

Public information

10. Auditors will report publicly on whether Best Value has been achieved, and should contribute constructively to plans for remedial action. This will include agreeing measurable targets for improvement and reporting on progress against an agreed plan.

Secretary of State's power to intervene

11. There should be provision for intervention at the direction of the Secretary of State on the advice of the Audit Commission when an authority has failed to take agreed remedial action, or has failed to achieve realistic targets for improvement.

Last resort powers of Secretary of State

12. The form of intervention should be appropriate to the nature of the failure. Where an authority has made limited use of competition, and as an exception to the usual rule, intervention may include a requirement that a service or services should be put to competition. Intervention might also take the form of a requirement that an authority should accept external management support, and may relate either to specific services, or to the core management of the council.

2. A definition of quality for Best Value

There are eight basic elements which determine the quality of public services:

1. The level and range of service

- range and level of service to meet user and potential user needs
- performance indicators

2. Access to the service

- frequency and reliability of service and opening hours
- equal opportunities including disabled access and translator services
- physical access
- cost of the service
- information about the service

3. The service environment

- condition of the buildings and equipment
- cleanliness
- additional supporting facilities such as catering
- health and safety
- security
- user rights, agreements or charters

4. The service relationship

- social relations between workers and users
- lack of tension or conflict between different groups of users
- effectiveness of customer care training and complaints procedures

5. Quality of employment

- staffing levels
- equality of employment
- skilled and trained workforce
- safe working conditions
- pay and conditions of service

6. Accountability and democratic control of the service

- full member involvement in joint working on quality initiatives, service monitoring and quality reviews
- ability for users and potential users to influence decisions
- user/worker ideas for improvement and development examined
- responsive complaints system

7. Management and organisation of the service

- adoption of TQM or other quality system, management audits, Public Service & Business Plan and accreditation for quality assurance

8. Monitoring and performance review

- monitoring system & evaluation
- quality audits and other specific reviews
- user rights to complain, information on performance

3. Guidelines for community and workforce involvement

The following are guidelines which trade unions, community organisations and the local authority should examine in connection with their involvement in Best Value projects. They are not in any order of priority nor is it an exclusive list.

- * Continuing trade union involvement in Best Value Pilot project in regular joint working arrangements with Councillors, officers and trade union representatives.
- * Access to internal information and reports produced within the Best Value pilot.
- * Training on best value issues and processes, either separate from, or jointly with, management and Councillors.
- * Involvement in the review, selection and development of performance indicators and the setting of annual targets.
- * Full consultation on proposals to consider "...alternative means of delivering high quality and cost effective services" and the role of private and voluntary organisations. This is to ensure that best value is not simply a conduit for community and/or business proposals to externalise services.
- * Full consultation on 'non-competitive' approaches to be adopted in place of open competition. These could include setting local standards relative to national standards, comparisons and benchmarking with other local authorities and organisations, use of market intelligence, community/user satisfaction surveys, and other methods which will be developed as Best Value progresses.
- * Full consultation on the selection of criteria and comparable authorities and/or organisations for benchmarking performance.
- * Involvement in meetings with the consultants appointed by the government to monitor and evaluate best value pilot projects.
- * Involvement in the development of monitoring systems which will be needed to assess performance and to ensure this takes into account different characteristics of services, user needs and staff interests.
- * Seek an assurance that changes to working practices, job descriptions and other employment matters proceed through the normal industrial relations channels.
- * To be equally involved in the development of the annual Community Plan which will set priorities within budget constraints.
- * Involvement in the publication of any reports and assessment of the pilot project.

Trade union involvement

Trade union branches could agree to:

- * Appoint representatives to the pilot project who will positively contribute to the planning and implementation of best value pilots whilst also representing staff interests. These representatives will be supported by the branch.
- * Encourage cooperation of members in services involved in the best value project.
- * Distribute information to members who are also service users.
- * Encourage members who work or are active in the voluntary sector.
- * Agree to treat certain information as commercial confidential, particularly in relation to contracts.

4. Summary of proposed changes to CCT

- Changes to % subjected to competition for Finance 40% (was 50%) and Construction and Property Services 55% (was 65%).
- De minimis for Construction and Property Services increased to £450,000 (was £300,000)
- Housing management move to 4,000 properties on 1 April 1999 to replace financial limit
- Restore credit for 'work in progress' for Construction & Property Services
- Changes to timetable
- Replacement of Circular 5/96 - Consultation draft currently out.
- "provide opportunities for service users and potential service providers to discuss the way in which services are provided.";
- more flexibility in method of tender evaluation;
- take account of any extraneous cost items.
- LMS schools to be exempt from CCT.
- Abolition of Statement of Support Services Costs.
- Considering scope to change Part II of 1998 Act re non-commercial matters.

Manual Services

- May widen trading powers linked to Best Value, may add to list of designated public bodies in interim.
- Increase de minimis level for manual services to £150,000 from October 1997.
- Specific length of contract abandoned.
- Relaxation of timing of stages in tendering process (although still meet EU Procurement Directives).

References

- ADLO, A Future for Public Service Provision, Manchester, 1997.*
- Centre for Public Services, Reinventing Government in Britain, The performance of Next Steps Agencies, 1997.*
- Department of the Environment, for Transport and the Regions, Best Value Consultation Paper, July 1997.*
- LGIU, Raising the Curtain, Spotlight on Best Value, London, 1997.*
- Local Government Chronicle, Best Value Focus, September 1997.*
- Municipal Journal, Barony Consultancy and SOLACE, Best Value for the Public, July 1997.*
- Scottish LGIU, Best Value Sets Challenges, September 1997.*
- Scottish Office, Best Value in Local Government, 1997.*
- UNISON, Draft Best Value Submission to DETR, August 1997.*