



COOPERATIVE RESEARCH
CENTRE
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CONSTRUCTION INNOVATION

Best Value
Second Interim
Report

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Second Interim Report Best Value

Introduction

This first interim report on 'best value' reviewed the academic literature relating to 'best value' and illustrated the varying interpretations that the concept of 'best value' has attracted. It also examined current state of the literature on best value in construction project procurement. 'Best value' was explored from the perspective of both the business enterprise and public sector. It was concluded that 'best value' in the public sector is considerably more complex.

This second interim report explores how 'best value' has been implemented in the UK. Focus is directed towards the UK, particularly Scotland's approach to examine the complexity of implementation of 'best value' in the public sector context. Scotland has been recognised as a leader in the field of 'best value' in the public sector (Curry, 1999; Wisniewski and Stewart, 2001, 2004; Jaconelli and Sheffield, 2000)

The move to 'best value' in the UK

The new initiative of 'best value' in the UK was announced in 1997 with a promise to abolish compulsive competitive tendering (CCT) and to introduce a new concept for local government (McAdam & O'Neill, 2002).

'Best value' was introduced as a replacement for CCT. There had been a Recognition that CCT had not delivered:

- Improved Quality
- Lower costs
- Continuity of service provision

Once elected, the Blair 'New Labour' UK Government had a clear manifesto commitment to introduce Best Value in to Local Government partly as a replacement for the CCT system introduced by earlier conservative governments and also a part of modernisation agenda. Curry (1999) stated that the intention of the Best Value regime was to replace CCT with the intention of still retaining the competitive element over the compulsory element.

Wisniewski and Stewart (2001) comment that it was clear that Best Value was more than just a simple replacement for CCT. Shortly after the election a Best Value TaskForce was established in Scotland and it was given remit to develop a detailed framework for Best Value in Scotland (Wisniewski and Stewart, 2001). Its intent was to enable a balance between cost and quality considerations in service provision, whilst ensuring ongoing value for money (VFM) and promoting continuous improvement (Jaconelli and Sheffield, 2000). Best Value is continuing to evolve in the UK.

The Development of ‘best value’ in the UK

‘Best value’ has now been enshrined in legislation in Scotland under the Local Government in Scotland Act 2003. This not only places a statutory duty on local government, but it draws other public bodies into the equation. The guidance has now been issued to Non-Departmental Public Bodies (NDPBs) or Quasi-autonomous non-governmental organization (QUANGOS). This covers organisations like Sport Scotland, Scottish Natural Heritage, Learning & Teaching Scotland and about 300 others. The NDPBs are typically the policy development and implementation arm of the Scottish Executive in each area of public policy.

In both instances (Government Departments and NDPBs), the expectation is placed on organisations as single entities, rather than on individual services. The Scottish Executive has just rolled Best Value out to the rest of the public sector. While the thinking is still developing, some parts of the sector are further forward than others.

Whilst ‘best value’ is progressing in Scotland to include all government departments, plus the NDPBs, in England ‘best value’ is being given less emphasis than it was previously by the Blair Government. ‘Best value’ has been rolled into a comprehensive performance assessment (CPA) framework. The CPA is similar to an Excellence Model (EFQM 2004; ABEF, 2004) or the old Scottish Performance Management and Planning Audit.

SCOTLAND

Under ‘A partnership for a better Scotland: Partnership Agreement’, there is a joint partnership between the Leaders of the Scottish Labour Party and the Scottish Liberal Democrats, which are the 2 major, and opposing political parties.

“In the next four years we are determined, together, to improve public services and tackle the real issues that matter to people in Scotland.”

“ People deserve and expect public services that are of the highest possible quality and offer the greatest choice. We will continue to use the record levels of investment to secure new and better facilities, particularly for our schools and hospitals.

We will also match this investment with continued reform so that our public services are designed and delivered around the needs of individuals and the communities within which they live.”

Source: ‘A partnership for a better Scotland’ (Coalition Concordat, May 2003)

Detailed commitments

- Community Planning will be one of the main methods to promote the planning and delivery of public services
- Best Value will ensure that all public bodies test themselves against the highest standards
- Continue to support Community Planning as the key framework to develop a shared plan for health improvement in council areas – Health Improvement Plan funding to be channelled through the council
- Improve the planning system to strengthen community involvement and speed up decisions
- Merge Strategic Improvement Plans with community planning partnerships
- Renew local democracy through new ways of voting and voting arrangements
- Eliminate inefficiencies and reduce barriers to quality by selectively reviewing the boundaries of public organisations to identify areas where coterminous boundaries would facilitate co-operative work
- Following consultation with Convention of Scottish Local Authorities (COSLA), establish an independent review into Local Government finance
- Remove any unnecessary political restrictions on standing for local authority elections

THE SCOTTISH PUBLIC SECTOR

Because of the relative youth of the devolution of parliamentary power in Scotland, the concept of 'best value' has developed differently there than in England. A referendum was held by the newly elected Blair Labour Government on 11 September 1997. The results produced clear majorities for the two propositions about the creation of a Scottish Parliament and it having certain tax-varying powers. On 1 July 1999, the Parliament gained its full legislative powers, functions were transferred to the Scottish Executive and the formal opening ceremony was held.

“Scotland's 32 unitary local authorities have a significant impact on the people and communities of Scotland in most areas of political, economic, social and cultural life. The councils are responsible for the provision of wide range of public services to Scotland's 5 million citizens, ranging from education to street cleaning to housing to leisure and cultural services to welfare services.” (Wisniewski and Stewart, 2004)

“Their combined net expenditure is around £7 billion (AU\$18 billion) accounting for almost one-third of the Scottish Executive's budget (SLGIU, 2000).”

As can be seen spending on Local Authorities makes up a large component of the Scottish Parliamentary budget. One of the major roles of Scottish Parliament is in the provision of services through the Local Authorities. Best Value was first implemented in Local Authorities and has only recently being rolled into other Government Departments on the basis of the new legislation.

BEST VALUE TASK FORCE

‘Best value’ was introduced on a voluntary basis in 1998 but became a statutory duty following the Local Government in Scotland Act 2003. Further, ‘best vale’ in the UK has been descriptive rather than prescriptive. Guidance has contained descriptions of the elements that it should contain but not prescribed any one way of achieving it, acknowledging that ‘best value’ can take many forms.

In Scotland, the Best Value Task Force was given the job of developing ‘best value’ when it became an almost overnight replacement for CCT with little articulation given to what it meant. The BVTF continues to have an important role in developing guidance on Best Value in Scotland. It meets on a regular basis to discuss matters under its remit.

BVTF Remit

- Develop the Best Value framework in light of the provisions of the Local Government in Scotland Act 2003, and building on the progress in Best Value made by Scottish Local authorities since 1997;
- Advise on the commissioning, research and implementation of non-statutory guidance on Best Value and related issues to help establish good practice amongst local authorities;
- Advise the Scottish Executive, as appropriate, on the nature and scope of all regulations and statutory guidance issued in accordance with the Local Government ii Scotland Act 2003;
- Advising Audit Scotland (on behalf of the Accounts Commission for Scotland)

Membership of the Best Value Task Force

Audit Scotland

Convention of Scottish Local Authorities (CoSLA)

Scottish Consumer Council (SCC)

Association of Public Service Excellence (APSE)

Scottish Trades Union Congress

UNISON - the biggest trade union in Britain, representing people who work in public services, the voluntary and private sectors

Society of Local Authority Chief Executives (SOLACE)

Scottish Executive (Task Force Secretariat)

LOCAL GOVERNMENT IN SCOTLAND ACT 2003 (LGiS Act)

The LGiS Act gives local authorities a new power to promote or improve the well-being of their area and the people living within it. Prior to the Local Government in Scotland Act of 2003, 'best value' had been voluntarily implemented by Scottish Local Authorities but this has now become a statutory requirement with the LGiS Act 2003.

The Act contains 9 parts:

Part 1 - Best value and accountability

Part 2 - Community planning

Part 3 - Power to advance well-being

Part 4 - Enforcement and scrutiny

Part 5 – Rating and Council Tax

Part 6 – Waste management

Part 7 – Finance

Part 8 – Miscellaneous

Part 9 - General

Ministerial guidance has been prepared to support the Local Government in Scotland Act. This provides a definition of the main elements of Best Value and Community Planning, and suggests ways in which councils can meet these criteria. It uses eight main criteria to define Best Value.

Best Value criteria

Commitment & leadership

Competitiveness & trading

Responsiveness & consultation

Sustainable development

Sound governance & management of resources

Equalities

Review & option appraisal

Accountability

The guidance sets out broad goals for local authorities. It needs to be stressed that the detailed guidance underpinning each of these criteria is descriptive and not prescriptive. It sets out broad principles and goals, but leaves each council to decide on its own local arrangements. The guidance should be seen as a starting point, rather than a template. Therefore, it is expected that councils will use a range of different means to get to the same ends. Effectiveness is viewed as more important than conformity.

For each of the eight Best Value criteria, and for Community Planning, council's should provide evidence of the management arrangements, referring to policies, evidence of performance, and contact staff within the council.

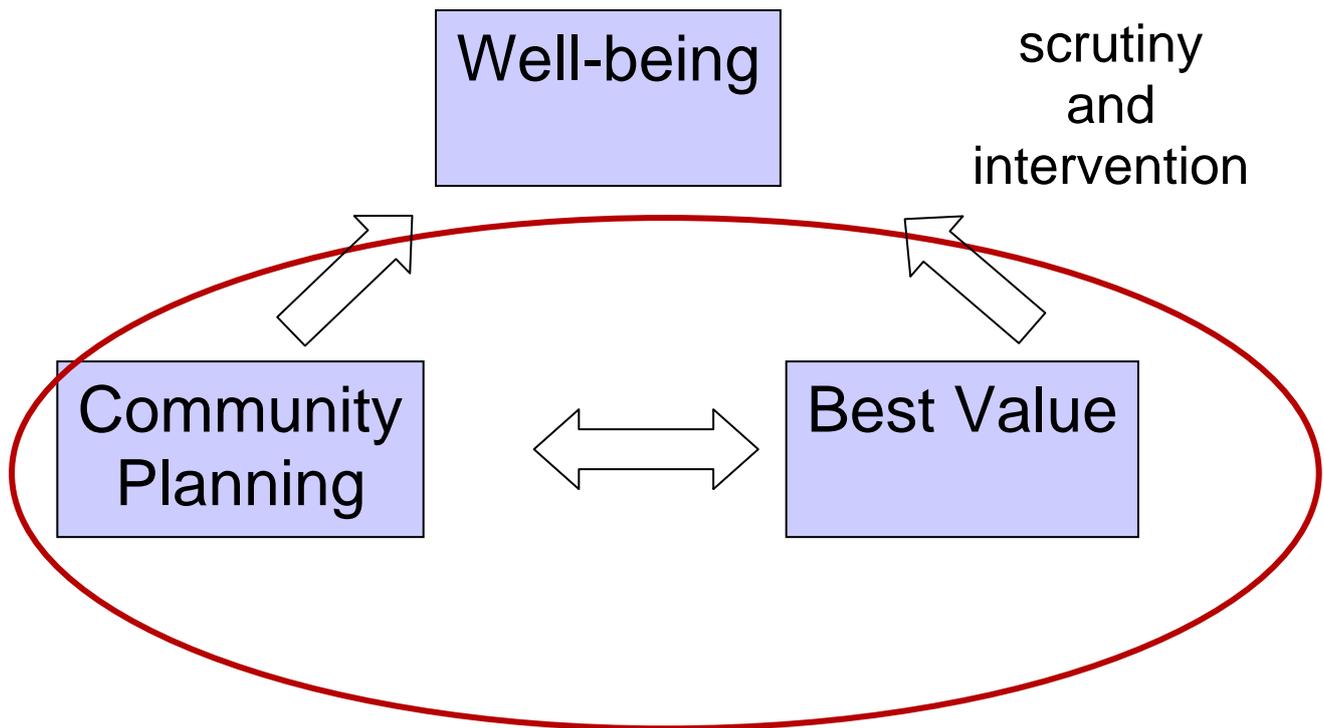
Community Planning

Detailed guidance has also been issued on Community Planning. The two main aims of Community Planning can be described as:

- Making sure people and communities are genuinely engaged in the decisions made on public services which affect them; allied to
- A commitment from organisations to work together, not apart, in providing better public services.

“Community Planning is not envisaged as a new mechanism or new initiative to deliver public services in its own right. Nor does it alter basic accountability streams for public bodies. As a process, it is a "means" to the "end" of delivering public services. However, the process should not dominate the outcomes. Community Planning partnerships should be seen to demonstrate some immediate progress but it will not be a 'quick-fix'. The legislative basis for Community Planning provides a solid platform but in many ways it represents the beginning of the real challenge for Community Planning - for the partnerships themselves and the bodies and agencies who comprise these partnerships. The necessary cultural changes will have a longer timescale.” (Community Planning - Statutory

The relationship between these best value, well-being and community planning, plus scrutiny and intervention is represented in the diagram below.



As the Act provides a framework for the better delivery of public services no one part of the Act can be taken in isolation. For example, a Council's use of the Power to Advance Well-Being should be influenced by Best Value and the Community Planning process. Similarly, Best Value should feature in an organisation's participation in Community Planning.

The following is a summary of the first four parts of the LGiS Act in point form:

Part 1 (Best Value and Accountability) of LGiS Act - Duty to secure best value

- It is the duty of a local authority to make arrangements which secure best value
- Best value is continuous improvement in the performance of the authority's functions
- In securing best value, the local authority shall maintain an appropriate balance among quality, cost and charges
- In maintaining that balance, the local authority shall have regard to efficiency, effectiveness, economy and the need to meet equal opportunities requirements

- The local authority shall discharge its duties in a way that contributes to the achievement of sustainable development
- In measuring performance, regard should be given to the extent to which outcomes have improved

Part 1 (Best Value and Accountability) of LGiS Act - Contracts and the supply of goods and services

- New framework for trading where trading accounts are established for all 'commercial' activities
- Still some ambiguity as to what constitutes a commercial activity
- Local authorities can trade with anyone at all, provided the income limit set for the trading activity is not exceeded
- Trading with other authorities and public bodies does not count against the limit
- Trading accounts must break-even over a 3-year period

Part 1 (Best Value and Accountability) of LGiS Act - Financial and performance reporting

Duty on the authority to make arrangements for performance and financial reporting

Scope for the authority to determine the form, content, frequency and time limits of such reporting - subject to minimum content

Likely to include:

- Financial information (budget performance and trading accounts)
- Progress and plans re best value and how it supports sustainable development
- Statutory PI performance
- Progress and plans re community planning

Part 2 of LGiS Act - Community planning

- Duty to initiate, maintain and facilitate a community planning process
- Duty to invite and encourage all other public bodies and appropriate community bodies to participate in the planning process
- Powers to provide services jointly with other authorities

- Duties on NHS Boards, Police, Fire, Scottish Enterprise and SPTA to participate in community planning and assist the authority to fulfil their responsibilities
- Scottish Ministers are obliged to promote and encourage community planning
- Ministers also have powers, on application by authorities, to establish corporate bodies with responsibility for community planning

Part 3 of LGiS Act - Power to advance well-being

- Similar to a ‘power of general competence’
- Power to do anything that it considers is likely to promote or improve the well-being of its area or persons within its area
- Includes powers to:
 - Incur expenditure
 - Provide financial assistance
 - Enter into arrangements or agreements
 - Facilitate or co-ordinate activities
 - Exercise functions
 - Provide staff, goods, materials, facilities, services or property
- Also allows the authority to act outwith its boundaries to promote well-being within them

Part 4 of LGiS Act - Enforcement and scrutiny

- Her Majesty’s Inspectorates and Communities Scotland
- Best Value Audit ... focus on continuous improvement
 - Examines progress on best value and community planning in terms of compliance with the Act and guidance
- Implicitly demands robust internal scrutiny and performance management arrangements

ROLE OF AUDIT SCOTLAND

As can be seen from Part 4 of the LGiS Act 2003, ‘Enforcement and Scrutiny’ is an important component of the Scottish approach to ‘best value’. Wisniewski and Stewart (2004) note the continuing pressures for transparency, accountability and value for money is attracting increasing academic and management attention.

The approach taken to auditing Best Value in Scottish Local Authorities has changed. Initially it was done via the Performance Management and Planning audits undertaken by Audit Scotland. Whilst it is still undertaken by Audit Scotland, the Audit has evolved as 'best value' has evolved. It has changed as a result of the new legislation in which 'best value' is no longer voluntary for Local Authorities.

Audit Scotland helps the Auditor General and the Accounts Commission to make sure organisations that spend public money in Scotland use it properly, efficiently and effectively. They do this by carrying out audits detailed and systematic investigations of various aspects of how public bodies work. Audit Scotland do this to check whether public bodies:

- manage their finances to the highest standards
- achieve the best possible value for public money.

Three principles guide their work:

1. Auditors are independent of the organisations they audit
2. They report in public
3. They look at more than financial statements: they can also carry out checks to make sure organisations:
 - o operate within the regulations that govern their work
 - o deliver value for money
 - o act honestly, with propriety and integrity
 - o carry out their duties to the highest standards.

Audit Scotland is currently piloting a new approach to the audit of Best Value – as this something that councils are now legally obliged to pursue. The first reports from these audits will be published later in 2004.

HOW IS THE SCOTTISH 'BEST VALUE' APPROACH BEING AUDITED?

The initial Performance Management and Planning (PMP) Auditing approach was concerned with processes and the way things were done, the new approach has a greater emphasis on performance results and on the circumstances in which each individual council is operating. There has been a shift towards results and a major focus on improvement. This probably reflects the progress that councils have been making since 1997 and auditors hope to find the system maturing. Councils will be subject to the new audit once every 3-4 years. This reflects the depth of audit and the time needed by councils to implement improvement actions effectively. The audit is carried out by a small team comprised of specialist staff from Audit Scotland, together with the council's appointed auditor. There is a significant role for a council's own evidence based self-assessment or performance, management arrangements. The audit is directed at the council as a whole, rather than specific services. Councils are expected to have effective risk management processes in place that have identified the

key areas in which improvement are required. The Accounts Commission for Scotland receives a report following each Best Value audit containing contextual issues, the main issues arising from audit and conclusions. The Accounts Commission considers the report, states findings and makes recommendations. Performance of a council will not be rated by a single label (e.g 'good' or '5 star') . Instead a clear picture as possible will be presented of the overall performance of the council. It is hoped that this process will contribute to increased public accountability around the duties of Best Value, Community Planning and Public Performance Reporting.

Summarising the Key Features - Best Value Audit

- Focus on individual council ~ takes into account local context
- Three year cycle ~ ongoing progress check
- Focus on results and future improvement
- Risk-based, targeted and proportionate
- Specialist audit team (including Audit Scotland staff and a local auditor selected by the authority)
- Links to work of inspectorates and other scrutiny bodies
- Report to Commission after every audit
- No single label or score for council (no league tables), but clear conclusions on overall performance and improvement

COUNCIL SUBMISSION

Contextual information

- Economic & social context, key objectives & priorities
- Management & political structures
- Performance management system



Performance

- High level for each 'service'
- Trends, targets, national standards, benchmarking...
- Clarity about areas of strength or weakness



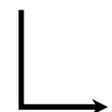
BV criteria

- Structured on Ministerial guidance
- Brief summary with cross-refs.
- Clarity about areas of strength or weakness



Draft improvement plan

- 'SMART' and prioritised
- Performance & processes



Documentation

- Key plans, reports...



Presentation

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