

Municipal Engineering Foundation of Victoria

STUDY TOUR

to the

**UNITED KINGDOM AND UNITED STATES
OF AMERICA**

September 2000



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EXECUTIVE SUMMARY

Introduction

This Study Tour report details the relevant findings of the Victorian Municipal Engineering Foundation's September 2000 Study Tour to the United States and United Kingdom to investigate and report on Local Government Best Value initiatives in each country.

United States Observations

Best Value, in-house team competitive tendering, asset management and traffic calming are just a few of the initiatives and concepts which are beginning to be placed on the discussion agenda for local authorities within the US.

While Local Government within the US is significantly different in terms of roles and responsibilities to that in Victoria, its organisational structures are similar. The general culture within US Local Government can be loosely described as being similar to that which existed in Local Government in Victoria prior to the former State Government's amalgamation reform program. US Local Government still relies heavily on its in-house resources with what appears to be only cursory attention to the development of detailed unit costings which could be compared with other Councils or private industry. Significant tendering is undertaken on the larger civil projects or where the internal capacity of the organisation is exceeded. The results of these tendering processes are used as a benchmark for comparison of in-house teams performance both in terms of cost and time parameters. In the main, quality comparisons are subjective.

There appears to be little work done to date within Local Authorities to assign all relevant organisational costs in determining project unit costs. Best Value as a specific concept is currently unknown to the US Local Authorities scene.

The concept of asset management is an emerging initiative brought about by the recently adopted Governmental Accounting Standards Board Statement 34 (GASB34) which is comparable in intent to Australia's AAS27 Accounting Standard.

Traffic calming is of novel interest to Local Authorities with the subsequent debate on the priority of US transportation systems versus the environmental and social affects only tentatively being placed on the professional and political discussion agenda.

United Kingdom Observations

The UK's Best Value legislation is far reaching, reform orientated, comprehensive and relies heavily on reporting and compliance checking.

The UK's response to the legislation varies greatly dependent upon the political make up of the relevant Council and its organisational culture.

Local Government in the UK is highly politicised, resulting in a variation of responses to Best Value from Councils ranging from those which have warmly embraced both CCT and Best Value legislation and are forging ahead in advance of relevant reform legislation to those Councils which are taking a very conservative “wait and see” attitude to the Government’s reform agenda.

From an Australian perspective, UK Local Government’s response to Best Value initially appears to be bureaucratic and process orientated, however, once an appreciation of the size and function of Local Government in the UK is gained, the approach can be more readily understood.

Overall the concept of Best Value has been welcomed by all levels within Local Government as a logical and softer process than the bottom line focussed CCT legislation that preceded it, however, real concerns do exist regarding the legislation’s Audit and Inspection requirements evidenced by the cost of these processes and highlighted by the fact that the Audit and Inspection component of Government has been the fastest growing employment sector in the last ten years.

Even though Victoria has adopted what could be described as a watered down version of the UK Best Value legislation, there are a number of lessons to be learned from the UK experience of implementation of the legislation.

Due to the cultural changes already brought about in the Victorian Local Government industry by the former Liberal Government reform, Victorian Local Government is well placed to take full advantage of Best Value legislation by listening to its residents and responding with the provision of efficient and effective services tailored to meet community needs.

ACKNOWLEDGEMENTS

I wish to acknowledge the ongoing support of local government engineers by the Municipal Engineering Foundation of Victoria. It is the Foundation's Study Tour Award which has provided the Author with the opportunity to travel overseas and to make the relevant observations documented within this report. The experience of travel and the interaction with a great number of fellow Engineers and Local Authority administrators has provided a wealth of knowledge upon which I am now able to draw within my day to day responsibilities within Local Government in Victoria.

I would also like to acknowledge the support of the Mildura Rural City Council and, in particular, Mrs Leonie Burrows, Chief Executive Officer, and Mr Howard Crothers, former Mayor, in their encouragement and support to my application to the Foundation for this Overseas Study Tour.

I trust that the feedback provided to my Council within this report as well as the experience I have gained through the undertaking of the Tour will provide the Council with an increased understanding of the Best Value concepts currently being implemented across Victorian Local Government.

I would also like to acknowledge both my family's and work colleagues' support which has enabled me to undertake and benefit from this Study Tour.

INTRODUCTION

This report details the aspects of Best Value experienced by the Author as one of the awardees of the Victorian Municipal Engineering Foundation's Study Tour Award 2000.

The Study Tour focussed on Best Value legislation introduced in the UK to reform the manner in which Local Government does business within that country. The Study Tour also provided awardees with the opportunity to attend the American Public Works Association International Congress in Louisville, Kentucky. The opportunity was taken to visit a number of US Local Government Authorities to obtain an understanding of the functioning of Local Government within the US and also any Best Value type concepts which are employed within that industry.

The Study Tour awardees were:

- Garry Healy, Director Planning & Asset Development, Mildura Rural City Council.
- John Aujard, Divisional Business Manager, City of Greater Bendigo.
- Malcolm Styles, General Manager, Civic Net, Wangaratta Rural City Council.

The Study Group were also accompanied by Mr Keith Wood, AM, Trustee, Municipal Engineering Foundation of Victoria.

The various authorities visited during the tour include:

- City of Bellevue, Seattle, Washington, USA
- City of Vancouver, British Columbia, Canada
- City of Louisville, Kentucky, USA
- Louisville Sewerage District Authority, Kentucky, USA
- Department of Environment Transport & Regions, London, UK
- Borough of Lewisham, London, UK
- Borough of Wandsworth, London, UK
- Kent County Council, Maidstone, UK
- Cambridgeshire County Council, Cambridge, UK
- City of Coventry, Coventry, UK
- University of Birmingham, Birmingham, UK

The Study Group visited all authorities as a group and were provided with warm welcomes and a wealth of information from each of the authorities visited.

This report provides a summary of the salient points gathered from the authorities in relation to the structure of Local Government and relevant Best Value initiatives currently being pursued across the US and, in particular, the UK.

THE UNITED STATES - SERVICE DELIVERY & BEST VALUE EXPERIENCE

The Study Group's exposure to the US Local Government experience comprised attendance at the American Public Works Association, International Public Works Congress and Exhibition in Louisville, Kentucky as well as visits to the City of Bellevue, Seattle, Washington State, the City of Vancouver, British Columbia Canada and the City of Louisville and Louisville Sewerage District Authority, Kentucky.

While the organisational structure of Local Government authorities is similar to that in Victoria and the UK, the roles and responsibilities of Local Government in the US differs considerably, highlighted by the provision of services such as fire, ambulance and police services by US Local Government authorities. It is common, however, that major regional bodies are formed to provide and co-ordinate, on a strategic basis, such services as transportation, planning and economic development. Regional transportation authorities are supported by hypothecated portions of either sales tax or excise on vehicle sales to fund infrastructure development.

Local Government in the US is also characterised by the politicisation of its Local Government structure in that most department Directors are appointed by the elected Mayor. The City of Louisville for instance, has an elected Mayor, two Deputy Mayors appointed by the Mayor with 40 Mayor-appointed Directors to head up various Council departments. These Directors report to the Deputy Mayor position.

With the exception of predominant use of consultancies and the privatisation of many water authorities, it was surprising to find that the Local Government culture in the US was comparable to that of Victorian Local Government prior to the former Liberal Government's amalgamation reform process.

While major projects were publicly tendered, consultancies tended to be on a partnering arrangement with consultants chosen on capacity, availability and to a lesser degree, cost considerations. Those spoken to within Local Government entities placed a high value on the development of in-house skills and capacity almost to the exclusion of comparison of similar resources available within the private sector. This culture is highlighted in Vancouver's development of its capacity to design, fabricate and paint police "paddy wagons" for their own use. This production capacity had been extended by sale of the wagons to other Local Government authorities, however, little attention had been given to the comparison and cost benchmarking of similar units which are commercially available across the US.

Several Councils indicated that where there was considerable in-house capacity, such as in the laying of stormwater drains, that the occasional project was tendered, the results of which were used as an informal benchmarking exercise against its own in-house costs. While not investigated in great depth, the perception was given that in-house costs were not necessarily total costs as Victorian Councils would be able to produce as a result of the discipline of market testing but were more the immediate direct costs of staff and equipment to carry out the job exclusive of overheads and administration costs.

Each of the Councils indicated that they undertook public consultation in relation to infrastructure works, particularly where there was a cost component to be borne by residents and had a number of Councillor committees which were readily accessible to the public. They also undertook annual surveys of residents to gauge their opinions on various aspects of Council's undertakings and to also try and gauge what the emerging issues were within their communities. As might be expected, one of the major issues coming from US Local Government communities is that of traffic and transportation. The areas visited within the US exhibited a predominance of the car as a preferred transport mode. Massive road infrastructure projects were in evidence to cater for the community expectations of ease and freedom of transportation throughout their communities. This strategy obviously has its downside resulting in considerable urban sprawl and city centres dominated by car parking lots.

There were only a small number of papers and one keynote speaker at the Public Works Congress, addressing the issue of urban sprawl and the associated issues of environmental and social costs. Discussion and debate on these topics are in their infancy in the US. Local Government authorities showed particular interest in traffic calming measures which have been instigated in Australia over a number of years and, while there are very few such experiments within the US, it is an issue which will be the subject of much community debate in the forthcoming years.

The City of Vancouver has formed a Neighbourhood Transit Unit to promote the concept of traffic calming and to implement its strategies for the development of its bicycle and pedestrian corridors, linear parklands and bicycle and commuter lanes on major freeways.

A topic of much discussion and debate at the moment within Local Government authorities in the US is the recent introduction of a general accounting standard for assets referred to as the GASB 34 (Governmental Accounting Standards Board Statement 34). This standard is similar to the Australian Standard AAS 27 (which has been in operation in Australia since the early 1990's) and is forcing US local authorities to consider the value of their assets and their replacement strategies as part of the authority's accounting function. As can be expected, the issue of asset management and associated asset register systems is an emerging topic of interest in the US.

THE UK LOCAL GOVERNMENT CONTEXT

The role of Local Government in the UK is considerably different to that of Local Government in Australia. While Australia has a three tier structure of Government encompassing Federal, State and Local Government, the UK system provides for only Central (National) and Local Government structures. Local Government therefore is a significantly important level of Government responsible for the delivery of approximately 25% (or £75 billion) of Central Government's services and programs. This figure represents approximately 80% of Local Government's total annual budget. As could be expected, Central Government has a considerable and valid interest in the performance of Local Government throughout the country.

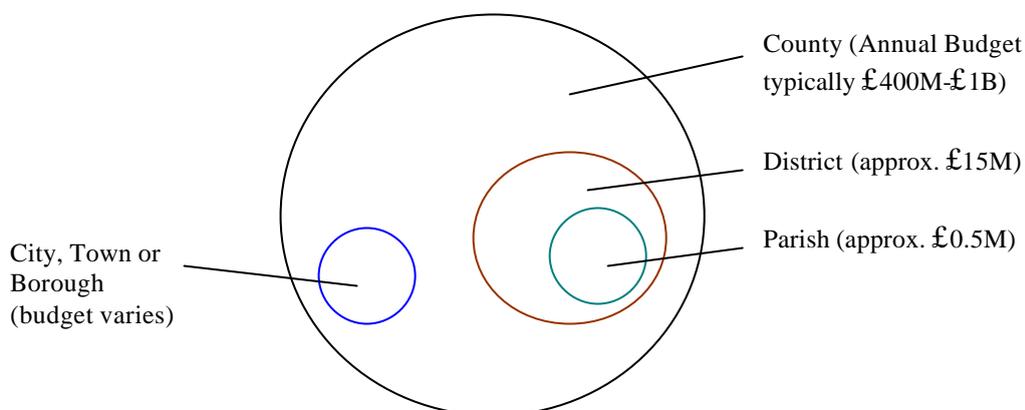
Local Government is required to provide Central Government funded services such as public housing, education, public transportation and social services as well as the more traditional services provided by Australian Local Government such as road maintenance, recreation, town planning, building regulations and waste disposal.

LOCAL GOVERNMENT STRUCTURE

There are approximately 330 Local Government authorities across the UK in addition to 32 inner London Boroughs and the City of London.

The hierarchy of Local Government in the UK is distributed between County, Township, Borough, District and Parish areas with a great deal of service interdependence between authorities, for example, a County may provide waste disposal facilities while other levels may provide for only the collection of waste. Similar arrangements exist for a variety of services across Local Government boundaries.

Schematic Arrangement of Local Government Hierarchy



BACKGROUND TO BEST VALUE

BEST VALUE IDEALS

Local Government entities within the UK are characterised by large numbers of Members (Councillors) aligned to national political party politics. Typically there are 50-80 elected Members on a Council. The alignment with party politics ensures that, dependent on the Central Government of the day and the balance of party politics within Local Government, Local Government is not necessarily proactive, accepting of change or accepting of Central Government initiatives.

Voting in Council elections is not compulsory with only about a 33% nationwide turn out for Local Government elections. This figure can fall as low as 10% for some Council ward areas. Community surveys have indicated that there is a very low public perception of the role and performance of the UK Local Government sector.

It is within this context and the obvious global initiative for increasing the efficiencies of government services and the public's ever present desire for lower taxes and/or improved services that the Blair Government introduced its Best Value legislation. The intent of Best Value legislation was twofold, to reverse the low performance trends within the Local Government sector and to soften the perceived hard nosed Compulsory Competitive Tendering (CCT) approach to the reform of Local Government adopted by the previous Thatcher Government. The Government has provided £50 Million to Local Government towards the costs of implementing the Best Value reform program.

BEST VALUE LEGISLATION

Best Value legislation is the Blair Labour Government's response to the Thatcher Government's previous attempts to reform Local Government by CCT legislation, introduced in the early 1980's.

CCT was initially targeted at services delivered by blue collar workers, however, was later expanded to include white collar areas of service delivery. CCT came to be considered as a blunt instrument approach to reform which focussed on price at the expense of service quality considerations. The legislation was seen as restrictive on innovation and did little to promote input on service requirements from customers and resulted in contractual frictions being developed between contractors, in-house service providers, in-house contract supervisors and service specifiers.

Best Value legislation, as part of the Blair Government's "Modernising Government" agenda, requires a collaborative effort between Central Government, Local Government and its communities and the independent Audit Commission to ensure that residents are ultimately provided with efficient, targeted services at agreed quality and competitive cost.

Best Value is seen as not just a compliance or competition initiative but as a mechanism which will bring about a cultural change in the way Local Government interacts with and provides services to its communities.

THE BEST VALUE APPROACH

The Government's general aims for the modernising of Local Government as a whole are set out in its White Paper 'Modernising Government'. The aims recognise the special status of Councils as directly elected bodies and the community leadership responsibilities that flow from it. The White Paper also sets out a vision of Councils listening to the people they serve, working with and building up their communities, working in partnership with others and delivering efficient services. The Best Value approach is therefore built on the concept of:

- Engagement with local people.
- Excellence in service delivery.
- Partnership (Council/private industry/other Councils).
- "Joined up" initiatives (pooled funds across Councils and other authorities for seamless, one-stop-shop service delivery).
- New powers/less constraints.

KEY ELEMENTS OF BEST VALUE

The key elements of the Best Value legislation are:

- ◆ Consultation
- ◆ Service Reviews
- ◆ Performance Indicators
- ◆ Performance Plan
- ◆ Compliance

Consultation and the resultant engagement of the community is one of the cornerstones of the 4C's model required of local Councils to review the conduct and delivery of all their services.

The 4C's model requires that Councils:

- Consult

The intent of the community consultation process is to "put the community in the driver's seat" in respect to the type, extent, location and cost of services it requires of Local Government. As well as initial consultation, Local Government is required to undertake three yearly customer satisfaction surveys and publicly report on the survey results. Most Councils have also set up Citizen Panels of between 1,500-2,000 residents to use as reference groups for consultation purposes, satisfaction survey sampling and to act as conduits for dissemination of information to the community on Best Value issues.

- Compare

Comparison of the cost, quality and relevance of services provided is required to be undertaken against those delivered by other Councils and private industry.

- **Compete**

The competitiveness of the performance of a service needs to be assessed against Performance Indicators published annually by the Government, based on information provided by Local Government. Assessment of the service's competitiveness is also required against that of comparable private industry providers.

- **Challenge**

Challenge the need and objective of a service including the structure and cost of provision of the service. The challenge should include an assessment of whether the authority should be providing the service in the first instance and whether the service could be better delivered by other entities.

As can be seen by the 4C's model, Local Government needs to basically assess its services to the community, adopting a "bottom up" approach throwing open to debate all previous assumptions regarding service delivery and client expectation.

Reviews

All of the functions of an authority must be reviewed every five years, utilising the 4C's model, having regard to a combination of legitimate community needs, economy, efficiency and effectiveness.

Performance Plan

In March of each year each authority must publish a Performance Plan. The prime readership target of the Plan is the general public. The Plan is to include:

- ◆ A summary of the authority's objectives.
- ◆ An assessment of the level and the way in which the authority exercises its functions.
- ◆ The authority's service review timetables.
- ◆ A statement of performance indicators, service standards and targets relating to services and functions provided.
- ◆ A summary of the authority's assessment of its own performance with regard to performance indicators.
- ◆ Comparison of the authority's performance with the performance of other Best Value authorities.
- ◆ The authority's assessment of its progress towards meeting performance standards.

Compliance

There are a number of checks built into the Best Value legislation to monitor, improve and rectify local authority's compliance with the legislation. These checks include Audit, Inspection and Intervention.

- **Audit**

An authority's annual performance plan is subject to audit by the authority's auditors. The first year of the legislation has now seen the first annual audit completed for the year ending March 2000 with most audits costing in the order of £70,000-£90,000. It is expected that this cost will decrease in subsequent years as authorities refine their information systems which provide reporting against relevant performance indicators.

There were originally 250 performance indicators required to be reported upon by local authorities by the Central Government's Audit Commission, however, following a review of the performance indicators the number has been reduced to 160 for the 2001/2002 financial year. In addition to these nationally prescribed indicators, Local Government can develop its own individually based indicators. The results of the audit need to be incorporated into subsequent performance plans.

- **Inspection**

The Audit Commission may carry out an inspection of an authority's Best Value compliance in relation to any of the services provided. An inspection team will generally be comprised of two specialised officers. Inspections are intended to be used as a positive management tool by local authorities in achieving compliance with Best Value legislation and relevant performance indicators.

The Department of Environment, Transport & Regions (DETR), which is commissioned by the Government to oversee the Best Value initiative, indicates that at this stage the Audit Commission's inspection role is perceived by local authorities as a negative role to be implemented when performance standards are not met rather than being considered a proactive service, utilising the resources of the inspection team to address performance shortfalls at an early stage.

- **Intervention**

The Secretary of State can, after consultation with the Audit Commission, intervene and take over any function of a local authority which is not meeting the Best Value program. The services or functions can be taken over in part or in whole. Obviously there are a number of local political issues to be dealt with where this intervention is initiated. Where a service or function has been taken over by the Secretary of State, the Secretary of State then becomes subject to and is required to comply with Best Value legislation for that service.

Corporate Responsibilities

As part of the Government's overall Modernising Government "agenda" it intends to introduce further legislative reform. Some of the initiatives are directed at Local Government Members which include a more leadership role to assist with Local Government's performance and in meeting the challenge and cultural changes required of Best Value legislation.

Proposed new legislative initiatives include:

- ⇒ A directly elected Mayor
- ⇒ Provision of a "Cabinet" within Council of up to ten members, holding specific functional portfolios.
- ⇒ Provide for the setting up of scrutiny committees made up of non-Cabinet Members that have the ability to examine programs and outcomes, call witnesses and delve into the effectiveness of the authority's programs and services.

The modernising of Local Government will also require Councils to draw up strategies for the overall development of their community, resulting in community plans enabling Local Government to concentrate on the strategic delivery of wider objectives of "well being" to their communities.

The Bradford County Council has already undertaken the development of a five year Community Plan involving over 40 different authorities and community groups. The Plan has been prioritised with relevant actions identified. The Plan has also developed shared performance indicators across a number of authorities, for example, public safety performance indicators are jointly shared across the Police and Health authorities.

As well as fostering a more strategic approach, Councils have been encouraged, as part of the Best Value process, to ensure that they have the corporate capability and necessary staff training and engagement to deliver on Best Value initiatives. Councils have been assisted in this regard by the awarding of certain Councils with Beacon status, signifying the Council has reached Best Value status. Beacon Councils are required to disseminate information to other Councils and authorities in an open house arrangement. They are also encouraged to provide a roadshow to other Councils highlighting the methods and initiatives used to achieve Beacon status. Beacon status is only awarded to those Councils who are able to demonstrate that they have appropriate corporate capacity and system capacity to continue to deliver Best Value across their services rather than it being a once-off outcome.

Hampshire is one such Beacon Council registered for its waste management services where there has been cooperation across County and District Councils and the pooling of budgets to ensure efficiency in services provided.

DETR have also fostered the involvement of professional organisations to assist with the cultural change away from the traditional non-change culture of Local Government. Such professional organisations have been included in the Government's education programs in relation to Best Value initiatives.

DETR are also promoting peer assessment by invitation between relevant authorities. Such peer assessment is able to be undertaken by Panels comprised of Chief Executive Officer, Director and an independent person to provide some guidance to authorities in relation to their achievement towards Best Value. It is interesting to note that DETR have commented that it expects that Central Government departments will probably have to embrace Best Value concepts as a logical expansion to that which was initially intended only for Local Government.

Already Central Government departments are subject to the Investment in People (IIP) initiative which requires the bureaucracy to consider its own performance and develop performance indicators for its dealings with not only Local Government but also the general population.

DETR highlighted the need for Local Government to invest more in its Members and staff. A number of initial pilot Councils trialing the Best Value initiative considered that Best Value was a matter to be dealt with by staff only and not particularly related to Members. Typically, the development of the training budgets for Local Government authorities across the UK averaged approximately £10 per annum per Member, highlighting the need for increased Member education, training and awareness raising in relation to general management issues and government initiatives. Some Councils now provide Member training budgets of £1,000 per annum per Member. DETR considers that it will take two to three election cycles to affect the necessary changes in Members' thinking to fully capitalise on Best Value initiatives.

Local Government has recognised that Best Value alone will not deliver all that is required to ensure the attainment of best practice within Local Government. Various quality initiatives are currently being adopted within Local Government to achieve Best Value performance in an overall performance management framework (*refer Appendix 1 - page 27*).

Such quality initiatives include:

- Investment in People relating to the value placed on staff engagement, training and education and the engagement of people within the community.
- The International Quality Standard ISO 9000.
- The British Quality Foundation's Business Excellence Model currently used in approximately half of Local Government authorities throughout the UK.
- Charter Mark, an achievement recognition system awarded to authorities for attainment of Best Value excellence in a specific service area.

A number of useful web addresses in relation to DETR's websites are provided with the attached document (*refer Appendix 2 - page 28*).

RESPONSE TO BEST VALUE BY VISITED COUNCILS

As well as a visit to DETR, the Study Group visited two inner London Borough Councils and three regional Councils as well as the University of Birmingham. The inner London Borough Councils were Lewisham and Wadsworth, the three regional Councils were the Kent County Council, Cambridgeshire County Council and the City of Coventry. Each Council's approach to the implementation of Best Value and comments made by relevant Council officers are detailed in the following summary of the Study Tour's visit to the respective Councils

BOROUGH OF LEWISHAM

Lewisham is an inner London City Borough covering 14 square miles (3,500 hectares) with a population of 243,000 people. Its net annual budget is £266 Million.

Lewisham was chosen to be a pilot Council for the initial implementation of Best Value legislation when first considered in 1998. Comments made by the Deputy Mayor indicated that Lewisham's experience of Best Value, now in its third year of implementation, has meant that the organisation has been freed up to make decisions locally in response to local service requirements and has a greater sense of being in charge of its own destiny, free from excessive Central Government control.

Best Value has provided flexibility to decision makers who now take into consideration a broader range of issues when deciding on service delivery, including quality, capital investment opportunities and effects on the service recipients.

It was noted that Lewisham had, in fact, let more contracts under Best Value than it had achieved under what was considered to be divisive CCT legislation and had achieved better outcomes in relation to services provided. Lewisham felt, however, that it had considerably more freedom under initial legislation and pilot Council status than it has with the latest Best Value legislation which now incorporates audit and inspection regimes. The Council had put in place its cabinet and portfolio system for members and was in the process of developing its performance plan. The contents of the plan have been hotly debated at the Council level, therefore, obtaining considerable Council ownership.

An example of the positive outcomes of Best Value was provided by way of an inner City Council depot owned by Lewisham which has been able to be made redundant and sold by the Council for commercial development. The Council services provided from the depot are now provided under Best Value contract from depots obtained from adjoining Borough Councils. Lewisham has, like many other Local Government authorities, established a citizen's panel of 1,000 people within the municipality with which to consult on various issues and provide feedback to Council on service initiatives.

Lewisham has found that results of surveying residents often conflicted with other sources of information. This matter had been further investigated with survey respondents, flagging the issue that in many cases, residents had little overall knowledge of Council's functions and the specific services they provided with the respondents not necessarily in a ideal position to make comment on various aspects of Council's service delivery.

The dilemma was then encountered as to whether to brief residents in relation to services provided, including funding constraints and other parameters surrounding the service so that respondents could provide an informed response to the survey questions. The process of providing such information to residents then, however, calls into doubt the relevance of random survey results as it could be argued that the provision of information biased the responses to any subsequent survey.

Lewisham commented that the audit process undertaken by private contract had matured as Best Value legislation had evolved and that the audits now focussed on the end product of service as delivered at the point of contact with clients rather than previously being obsessed with process and compliance with legislative requirements.

Lewisham's Best Value unit is comprised of three people who provide overall project management/implementation skills to guide each of the service delivery areas of Council through the Best Value process.

BOROUGH OF WANDSWORTH

Wandsworth is the second largest inner London Borough, covering an area of 13.5 square miles with a population of 265,000. The Council structure includes 61 Councillors spread across 22 wards, three Councillors are current Members of Parliament. The Council majority are Conservatives (Liberal) representing 40 out of the 61 Councillors. The total net budget for the Borough is £422 Million with a capital works program of £47 Million.

Wandsworth has been undertaking market research of community needs and traditional consultation for approximately 10-12 years, however, commented that Best Value will mean an increased effort in relation to consultation which will need much more discipline due to the inherent challenge to the services Council provides to the community.

Many Central Government programs for which Local Government can bid now require the Council to demonstrate the need for the program through previous community consultation. Consultation under Best Value not only requires Local Government to listen but it needs to be able to interpret, analyse and then make decisions based upon the results of consultation undertaken. This places a particularly important emphasis on the manner in which consultation is undertaken.

Wandsworth was committed to the CCT process and had been pursuing its goals for 20 years prior to the implementation of the relevant CCT legislation. Wandsworth indicated that it was one of the Councils used by the Thatcher Government on which to develop its CCT legislation. Indications given were that approximately 10% of the Councils net budget per annum was saved due to the implementation of CCT across the organisation (savings of £30 Million per year). Approximately 90% of staff numbers and approximately 80% by value of Wandsworth's annual budget had been through the CCT process. Some in house units (Direct Service Organisation - DSO) were providing services to Council after three to four CCT contract rounds. The success of its business units had come about through some loss of benefits to the staff, however, profit sharing arrangements did provide bonuses to staff if the business unit returned a profit.

Wandsworth indicated that it was pleased that the Best Value legislation retained the competitive nature of the former CCT reform process. It was indicated that the combination of both white collar and blue collar staff in DSO's had provided very efficient services, for example, engineering group and operations group activities were combined into one DSO.

Wandsworth's Residents Panel of 1,000 people has been in existence for two years. There are proposals to expand this panel to 1,500. The panel was selected to be representative of the community of Wandsworth and to provide to Wandsworth relevant comment in relation to services provided and Best Value initiatives from a community perspective. Like other Councils with residents panels, Wandsworth were involved in providing background briefing and information to panel members in relation to specific services as well as providing the costings of various service options so that the panel could comment on the community's likely acceptance of the balance between quality and type of service delivered and the cost to be paid for the service.

KENT COUNTY COUNCIL/BABTIE GROUP-PARTNERSHIP

The Kent County Council has a population of 1.33 million people and an annual budget of £1.25 Billion. The County is responsible for 9,000km of road. The Kent County Council has within its boundaries, 12 District Councils and experiences a 15%-20% turn out to annual elections for Members. The Council has 80 elected Members, the Council's politics are predominantly Tory (Labour). The Council has instigated a cabinet of seven key Members holding portfolios for specific service areas. Kent and the Babtie Group have partnered an arrangement for the delivery of Transport Operations (network management and CWP) for the Council. The consultancy fees earned by Babtie are approximately £7 Million per annum.

The Babtie Group are in the top ten list of UK consultants, employing in the order of 3,000 staff, 2,700 within the UK and 300 overseas. The Group's annual consultancy fee income is in the order of £120 Million. The Group operates over 25 offices. The Group's Local Government authority Best Value unit is comprised of 900 staff servicing 16 Council engineering contracts.

The Kent/Babtie partnership arrangement was developed over one year of negotiations in relation to various options and solutions with the contract being committed to paper in January 1999. This followed a substantial downturn in Kent's capital works program with staff numbers halved in the preceding 5-6 years. In late 1997 the decision was made to outsource the Transport Operations group.

The Transport Operations group were covered by the TUPE (Transfer Undertaking Professional Employees) agreement in relation to the outsourcing of Council works and services. In essence, TUPE provides the right to a Council employee to be employed by a successor private company. In fact, the agreement also provides the employee with the right to go to any second or subsequent contractor which may be providing the Council service. This arrangement, while protecting staff employment and conditions is obviously a complication in terms of the engagement of a successful outside contractor and any subsequent successful contractor providing services to Council.

The contract between Kent and Babtie is a flexible time charge arrangement where packages of work and relevant performance targets are agreed between Council and the contractor under a partnering arrangement. The contract provides for Babtie to wear any overrun in consultancy costs associated with a project but also provides for a 50/50 “profit” share of any savings made on the package of works. At this stage the contract is 18 months old and Kent are developing a library of unit costs for various work based on job type and complexity and are intending to compare the agreed project targets and costs with benchmarks established at other Councils.

The contractual arrangement is handled by two teams of three people, one team is assigned to contractual and administrative matters in terms of work done, payments provided, documentation of KPI’s and recording time cost and work quality parameters. Assessment of these parameters are undertaken by both Babtie with a view of commenting on Kent’s performance as client and also undertaken by Kent with a view of commenting on Babtie as the service provider. These assessments are undertaken on a four monthly basis with a free and open sharing of information and a commitment to working through relative issues as they arise.

The other team of three is dedicated to developing the relationship between Kent and Babtie. A partnering handbook has been developed and a commitment obtained from all staff to the objectives of the relationship. Six monthly meetings are held between key Kent and Babtie staff to assess the relationship.

Other comments of interest made by the Kent/Babtie Group in relation to Best Value generally include:

- The Transport Operations group are attempting to fit themselves into the Kent County Council Best Value performance plan as there is no specific section relating to the Group or its function within the plan.
- Best Value is driving improved liaison between the County and its Districts, eg, road maintenance reviews have been undertaken jointly by both the County and Districts with resulting efficiencies and better protocols in relation to responsibilities.
- There has been a marked increase in the sharing of information between professionals within Local Government structures and open discussions being held in relation to KPI’s, benchmarks, unit costs and other matters associated with Best Value.
- Best Value benefits had also been experienced within the organisation as there was and increased opportunity for people from different streams within Council to be involved in Best Value reviews and the coordination of service delivery to residents.
- The UK Institution of Civil Engineers has produced a Best Value Manual which was being used widely across Local Government.

CAMBRIDGESHIRE COUNTY COUNCIL

The Cambridgeshire County Council is comprised of 59 members with a majority of Conservative (Liberal) representation. Its net annual budget is £400 Million and it has a population of 350,000. The Council has been using Best Value principles for three years even though there were no legislative guidelines at the time. Two major services have been put through the Best Value process as a result of the Council deciding to mirror the pilot Council programs which were put in place at the beginning of Best Value legislation.

Cambridge Council's structure does not provide for any specific Best Value officers, however, Best Value initiatives are supported from the Council's Policy and Review Unit. This unit has a staff of five. The Council's review program covers 20 service review per year. The Policy and Review Team reports directly to the Chief Executive Officer.

Service reviews are undertaken by the relevant Service Manager. The review is conducted by one or two of the service team, one officer from Policy and Review and one independent person who could be either in-house or from another Council or authority. A Reference Director is appointed for each review. The Reference Director is from another directorate of Council whose role is to "challenge" all aspects of the Review as it is undertaken.

Union representatives are included as part of the review team so that they are aware of client needs and the implications of these needs when services are restructured to suit. Comment was made that there was a need to balance national and locally developed performance indicators so that they were relevant to the service being provided, the locality of the service (socio-economic groupings) and also the Council policy.

Consultation undertaken utilised the Council's other District and Parish Council relationships and communities. Parishes were considered to be good sounding boards of local community wishes. Where services were to be reviewed across County/District boundaries a joint area group was developed comprised of five County and five District members and relevant Council staff to consult with service users.

Cambridge Council currently has 85% of value of its annual budget market tested. Most contracts let are for a five year period following expression of interest processes. Bids are required to be structured around both quality and price with a 30/70 weighting split applicable to the tender assessment respectively. The Council is moving towards a 50/50 weighting split, including a double envelope tendering system for the quality/price tender split.

The Council's Engineering Operations Group were on an arrangement where projects and programs delivered on time and within budget resulted in a 2% bonus to the Group, however, this was the only service within the Council with such an agreement.

Within the Council's Building Maintenance Group, multi-disciplinary teams had been formed to provide better outcomes from a "whole of job" focus which had led to greater quality and less requirement for reworks. Similarly, there had been an 18%-20% reduction in the cost of consultancy fees associated with building projects since 1995.

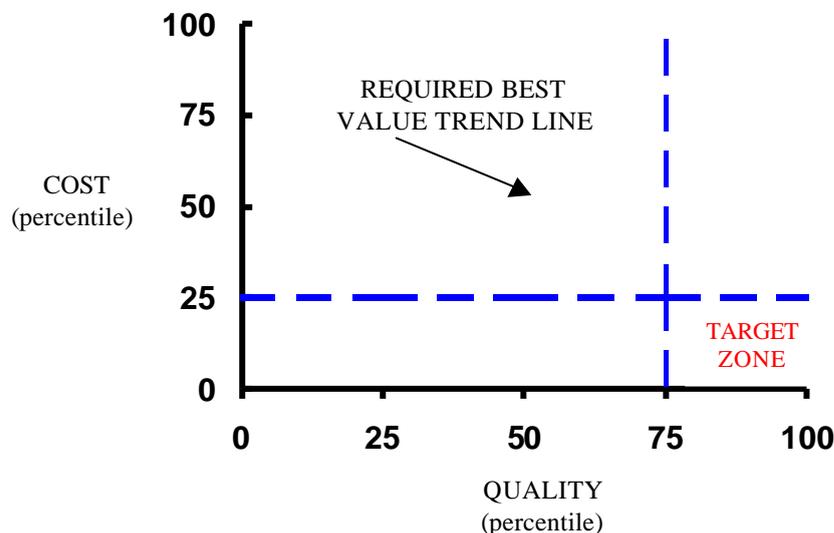
An important element of increasing the performance of work teams was the feedback of performance information to work units. Employees were then able to judge their performance against the unit's business plan objectives with individual employee performance reviews able to be linked to business goals.

UNIVERSITY OF BIRMINGHAM

The Institute of Local Government Studies, School of Public Policy has been researching and monitoring Central Government's Best Value initiatives since their introduction and, prior to that, has maintained an active interest in the affects of CCT within Local Government industry.

Relevant points of interest emanating from the informal discussions with relevant University staff include:

- Best Value was "invented" in 1993 by the US Armed Forces as part of their Total Quality Management (TQM) performance management concepts.
- There was a strong desire for the dumping of CCT across the community, Local Government and politicians, particularly the House of Lords.
- The UK Best Value concept originated from in-house DSO's in 1996. It was developed as an alternative to CCT following input from Unions and Local Government management.
- The Best Value legislation is considered to be conceptually excellent, however, control mechanisms employed tend to be bureaucratically heavy.
- The Audit and Inspection roles of Central Government have exhibited the fastest employment growth of any sector of Central Government over the last 10 years.
- The biggest impact of Best Value legislation is on the lowest performing authorities with little affect on mid and higher level performing authorities. The conceptual arrangement for the attainment of Best Value is shown in the diagram below which indicates a target zone for authorities in the greater than 75 percentile quality and less than 25 percentile cost area. This model provides for a continual improvement as the general benchmarks of cost and quality within Local Government improve so does the value of the 75 and 25 percentiles limits.

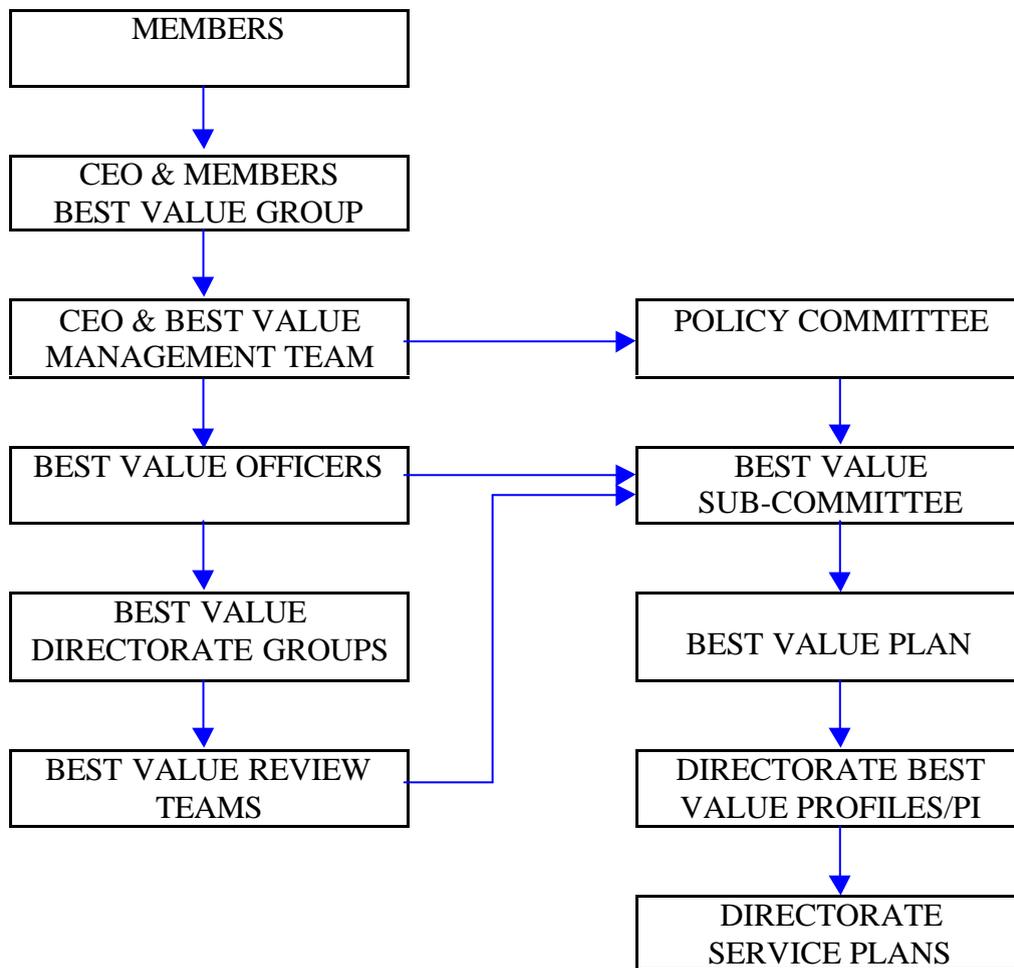


- The analysis of the 30 Pilot Councils which were chosen to road test the Best Value legislation indicated that not all market and service delivery alternatives were seriously considered in the review and decision making processes.
- Indications are that there is an overall majority of Members opposed to Best Value and they are not necessarily yet engaged in the Best Value processes. They tend to be sitting on the periphery, however, Best Value processes have served the purpose of exposing the public's Central Government's and local politicians' desires in relation to the delivery of services to the community and provides ample opportunity for input from community sectors into the service delivery from Local Government.
- At the moment performance indicators for social services and education are being set by Central Government, however, DETR are working towards bringing these performance indicators within the Best Value process.

The study tour group were invited to sit in and observe a workshop being undertaken by the University with Local Government practitioners on their experiences in relation to Best Value. Salient points from observations of the workshop are as follows:

- Political decisions need to be made by Councils in relation to the depth of their involvement in Best Value processes, ie, the resources committed to the process within the organisation, the involvement of Members, the Council's commitment to implementing identified outcomes.
- Concerns raised about the cost of Audits on Councils indicating that the assistance funding from Central Government is insufficient to cover Audit costs.
- A number of Councils were adopting a softly-softly approach to Best Value.
- Best Value review of subjects such as risk management were difficult to do with the focus often falling on the bottom line of the cost of insurance premiums with some difficulty in obtaining the input from Members and the public.
- The Pilot authorities' performance assessment and dissemination of results to Local Government was not completed prior to the Best Value legislation being put in place.
- Innovation and genuine market testing were not embraced throughout the CCT process by Local Government as the focus was on retaining in-house teams and current staffing levels.
- There has been a very bureaucratic response to the Best Value legislation indicated by the typical organisational structure on page 23, commonly adopted across Local Government in response to Best Value.
- Limited Member involvement/interest in the Best Value process.
- Limited pro-active management of organisational and cultural change within Local Government.
- Common finding that residents wanted high quality waste management services and were prepared to pay the cost of the service, consequently the waste management cost component of DETR's performance indicators have now been dropped.
- The focus on how people initially access and then move through the services provided by an authority helps with the grouping of services to be included within a review.

Typical Organisational Structure



CONCLUSION

The Blair Government's 'Modernising Government' agenda, including the implementation of Best Value across Local Government and other authorities within the UK has been a positive response to the poorly received CCT legislation and the need to drive efficiencies in the delivery of services to the community.

UK Local Government has a long tradition of conservatism and tradition in relation to the delivery of services. The Best Value legislation, however, is a comprehensive package of requirements and procedures which are aimed at overturning the culture of Local Government and achieving effectiveness and efficiency in the performance of Local Government and in the services it provides to residents.

At the time of the Study Tour, Best Value legislation had been in place for a little over 12 months, however, Local Government authorities had benefited from the experiences of 30 Pilot Councils which trialed the Best Value concepts. As can be expected, there is a wide variance in the degrees to which local authorities have embraced the Best Value initiative. While there appeared to be general agreement of all authorities that there was merit in the Best Value concept, perceptions conveyed were that Members were not yet fully engaged in the process nor appreciative of the widespread impact that the Best Value process will have on Local Government's traditional operation. There was criticism to some degree of Central Government's over-reliance on reporting, audit and inspection requirements of the legislation which could be costly to undertake.

Best Value was universally recognised as strengthening the wishes of Local Government's customers who are ultimately paying for the services they receive whether directly or through general taxes. The Best Value legislation effectively licenses Councils to undertake radical departures from traditional thinking on service delivery. Best Value also provides Councils with an opportunity for the proactive implementation of complimentary performance management and service quality systems. These systems and proactive approach to Best Value are evidenced within the authorities visited by the study group.

Other Central Government initiatives such as the direct election of Mayors and the opportunity to form a Council Cabinet with Cabinet Members holding service portfolios are intended to re-energise Members' performance and provide a hierarchy of Member status again determined on the outcomes able to be achieved by the Member through the implementation of Best Value to relevant portfolios.

Our Victorian Local Government Best Value legislation is clearly modeled on the UK legislation and Victorian Local Government could do well to adopt some of the UK initiatives to strengthen their response to what could be described by comparison as a piecemeal approach to the Best Value legislation by the Victorian Government.

In the author's opinion, the UK model initiatives which Victorian Local Government should embrace are:

- Performance Plan - the publication of past performance and target performance objectives for all services provided to the community. The Plan is Local Government's contract with its community to formalise its commitment to the outcomes of the Best Value process. The Plan should be published annually along with the Council's Annual Report.
- Community Panels - consultation is one of the cornerstones of achieving Best Value. Practitioners within Local Government understand the difficulties of undertaking community consultation potentially made more difficult if the public are expected to respond to issues associated with Local Government services they are unfamiliar with or have not previously needed to use. The establishment of a Community Panel or Panels provides some manageable way for Local Government to sample opinions, disseminate information and bounce service delivery ideas off a defined and representative community group. The size of the UK Community Panels is based on one panel person to 200-250 residents.
- Quality Systems - the adoption of various quality systems to ensure consistency and quality of services provided to residents is an obvious and desirable initiative by any authority made even more relevant because of the need for authorities to actually delivery on any of their stated performance targets within a Performance Plan.

One of the aspects of the UK Best Value model which is not considered necessary in the Victorian scene is the Audit and Inspection regime of the Best Value legislation. The Audit and Inspection regime is one method that is used to ensure that UK Local Government is acting on the Best Value legislation and that its performance is transparently conveyed to Central Government and the public at large. The UK Audit and Inspection requirements can be understood within the UK Local Government context where a new culture is needed to be developed.

However, Best Value in Victoria has the advantage of following on from the unprecedented reform of Local Government by the previous Liberal State Government which achieved substantial reform of traditional Local Government culture. Audit and Inspection provisions are considered to be an unwarranted administrative and cost burden on Victorian Local Government.

Understandably because of its recent implementation, Victorian Local Government is only starting to fully recognise the vast opportunities Best Value provides by way of consultation and engagement of its communities with the ultimate outcome of delivery of focussed and relevant services to that community.

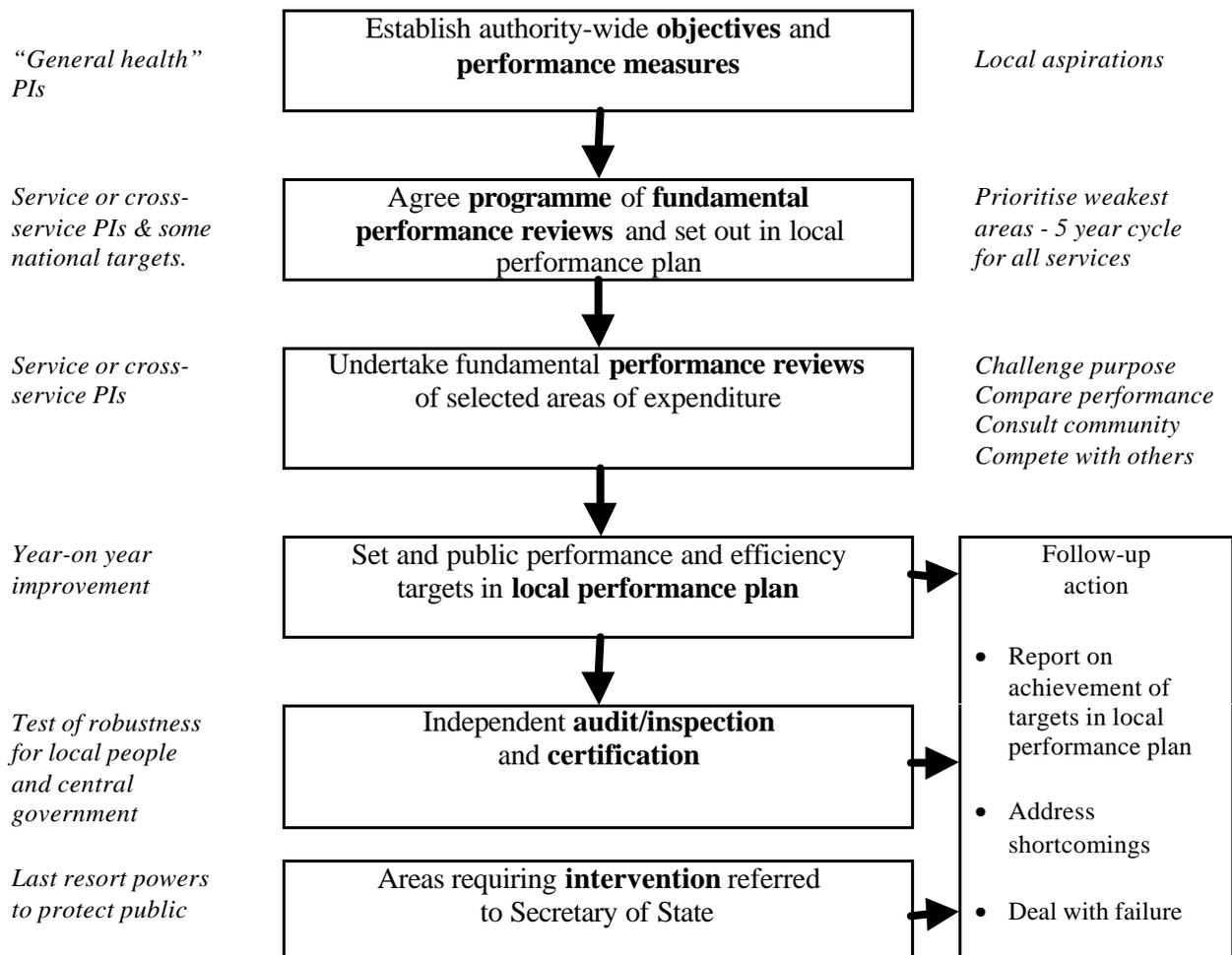
APPENDICES

APPENDIX 1

The Best Value Performance Management Framework

National Focus

Local Focus



APPENDIX 2

PUBLICATION	WEBSITE ADDRESS
DETR Main Index	www.local-regions.detr.gov.uk/bestvalue/bvindex.htm
Local Government (Best Value) Performance Plan and Review Order 1999 (SI.1999/3251)	Same as above.
Best Value Update	www.local-regions.detr.gov.uk/bestvalue/implementationindex.htm
Good Practice, Best Value: Improving Local Public Services	www.local-regions.detr.gov.uk/bestvalue/pilot/pilotindex.htm
Improving Local public Services: Interim Evaluation of The Best Value Pilot Programme - Warwick Business School/DETR	www.local-regions.detr.gov.uk/bestvalue/pilot/improve.htm
New Roles, new Opportunities: The Role of Elected Members in Best Value	www.local-regions.detr.gov.uk/bestvalue/legislation/member.htm
DETR Circular 10/99 Best Value Guidance	www.pres.detr.gov.uk/9912/1208.htm
The Application of Best Value to Town and Parish Councils. A consultation paper - Aug 99	www.local-regions.detr.gov.uk/bestvalue/legislation/parish.htm
Best Value and Audit Commission Performance Indicators for 2000/2001. Volume 1 and 2	www.local-regions.detr.gov.uk/bestvalue/indicators/bvaudit/index.htm
Local Government Act 1999	www.hmso.gov.uk/acts/acts1999/19990027.htm
Local Government (Best Value) Performance Plans and Reviews Order 1999 (SI 3251)	www.hmso.gov.uk/si/si1999/19993251.htm
The Local Government Act 1999 (Commencement No1) Order 1999	www.legislation.hmso.gov.uk/si/si1999/19992169.htm
Guide to Quality Schemes and Best Value	www.cabinet-office.gov.uk/servicefirst/whatsnew.htm
-----“-----	www.local-regions.detr.gov.uk/bestvalue/legislation/legislationindex.htm
Your Services, Your Say	www.local-regions.detr.gov.uk/bestvalue/implementationindex.htm or www.local-regions.detr.gov.uk/bestvalue/implementation/say.htm
Best Value and Procurement	www.local-regions.detr.gov.uk/consult/bv/proc/index.htm or www.local-regions.detr.gov.uk/coindex.htm
Notebook1	www.local-regions.detr.gov.uk/bestvalue/nbook/bnk1.htm