better by far
preparing for best value
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Public funds need to be used wisely as well as in accordance with the law, so today's auditors have to assess expenditure not just for probity and regularity, but also for value for money. The Commission's value-for-money studies examine public services objectively, often from the users' perspective. Its findings and recommendations are communicated through a wide range of publications and events.

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Preface

The Government's proposals for best value have taken shape over the last year. Publication of the local government White Papers for England and Wales in the summer (Refs. 1 and 2) established the key elements of the intended best value framework. Implementation of the regime depends on parliamentary progress, and much of the detail has yet to be decided. In the meantime, an increasing body of knowledge is available from the pilot authorities in both England and Wales. Much progress will need to be made in a relatively short time.

Best value will set a demanding new performance framework for local authorities. It will challenge them to re-assess their aims and objectives, the nature of local needs, the capacity of local government (and its partners) to meet these needs, and the resources available in the short and long term. Above all, best value will emphasise that the ultimate responsibility of local authorities is to the local people who pay for and use the services and facilities that they provide.

The concept of best value runs deeper and wider than the Compulsory Competitive Tendering (CCT) regime which the Government intends to repeal. It will require councils to review and reform the way that they deliver all of their services, not just some of them. It will require them to go back to basics and ask themselves about their underlying objectives and priorities of their work.

Many of the principles behind best value are not contentious. Local government generally is committed to delivering high quality services that meet the needs and aspirations of local people, within the constraints of available resources. Value for money has long been an aim of local government, to which the Audit Commission and its auditors have contributed. The concept of continuous improvement, or striving to achieve 'better value', is not new. Even in advance of legislation, local government will wish to continue in this direction.

This paper is intended to help officers and members in their preparations for best value. It brings together good practice from local authorities in England and Wales, from best value pilot authorities as well as those that are not within the formal programme.

The paper cannot be a statement of the statutory requirements of the best value framework. It is clearly for Parliament and Government, not the Audit Commission, to set out these requirements, though the Commission and its auditors will play their part. Nor does this paper spell out precisely how the best value regime may work in practice. Detailed guidance on the best value framework and on audit and inspection arrangements is expected to emerge from ongoing discussions involving government departments, the Audit Commission, the Local Government Associations and others. This paper should be read as a sourcebook of ideas, techniques and checklists, illustrated by case studies, that may be helpful as authorities prepare for best value. This guidance will be refined and improved as best value develops and as part of a continuous learning process which draws on the experiences of the best value pilots and other authorities.

In the lead-up to the statutory implementation of best value, the Commission is planning a range of
other papers and handbooks to provide more detailed advice on particular aspects of the best value regime. These include:

- a national report on service and financial planning (to be published in the spring of 1999) that will provide practical advice to authorities. One aspect is integrating other planning requirements (statutory and non-statutory) with the best value regime;
- a series of handbooks to assist authorities and auditors/inspectors in undertaking and reviewing fundamental performance reviews, both of specific services (like housing or libraries) and of cross-cutting issues (like community safety or services to older people);

- management papers on community consultation and on local performance indicators and targets; and

The key elements in corporate preparation for best value, each of which corresponds to a section of this paper, are becoming clearer:

- political and managerial arrangements;
- the role of local performance plans and links to existing planning processes;
- corporate review and service selection;
- fundamental performance review;
- performance indicators and target setting.

In assessing their level of preparedness for best value, authorities may find the checklists at the end of sections 2 to 6 helpful. These are brought together in Appendix 1 as an overall corporate checklist. Authorities may find it helpful to complete this overall checklist before reading the rest of the paper. Those who find that they are answering ‘no’ to most of the questions in a particular section of the checklist may find it useful to give particular attention to the section to which it relates. The questions in the checklists should not be treated as prescriptive or as requirements. They are intended to be a useful reminder to members and officers of what needs to be done. It may also be helpful to revisit the checklists periodically, perhaps at six-monthly intervals. Appendix 2 lists members of the advisory group. The Audit Commission is grateful to them all. Responsibility for the contents and conclusions rests solely with the Audit Commission.
1. The best value framework

1. The Government’s English and Welsh consultative (‘Green’) papers on best value, published in March and April 1998 (Refs. 3 and 4), and the White Papers which followed in July and August, have their origins in five recent trends in public policy:
   • a desire by central government to maintain a tight rein on public spending, including the significant portion that goes on local government services, to maximise value for money (VFM) from the resources available;
   • a commitment to putting the recipient of services (rather than the provider/commissioner) back at the heart of local government. As the Welsh White Paper on local government states, ‘successful councils are those which recognise that the reason for their existence is to serve local people and put people first’;
   • the need to improve the performance of failing councils and/or failing services seen to be undermining public confidence in local government as a whole;
   • an increasing interest within local government itself in initiatives to improve corporate working and to promote quality services - for example, through Investors in People, Charter Mark accreditation and the Business Excellence Model and, more recently, through the LGA’s plans for an improvement and development agency to be established in 1999; and
   • a commitment to improving democratic accountability.

2. Although these themes may sometimes seem to conflict (for example, reconciling consumer expectations for high quality services with the need to hold down costs may not always be possible), they are at least a reminder that best value is about more than efficiency savings or customer satisfaction. It is about balancing the requirements of both by building on the good practice that already exists in local government and taking rapid action to prevent or remedy failure.

3. As well as driving improvements in service delivery, best value is integral to the whole modernising agenda and everything that a local authority does - the way in which decisions are made, consulting with communities and working in partnership. Best value is part of a much broader package of reform that affects all aspects of local government, including:
   • reformed local democracy - for example, through new political structures and a clearer split between executive and non-executive roles;
   • a new ethical framework - including standards committees at every council and codes of conduct for members and officers; and
   • reform of local government finance and local authority powers - for example, through the creation of a single capital finance fund and a new duty on authorities to promote the economic, social and environmental well-being of their areas.

Best value is part of a much broader package of reform that affects all aspects of local government.
**Best value – the proposed statutory framework**

4. The Department of the Environment, Transport and the Regions (DETR) and Welsh Office local government White Papers define best value as ‘a duty to deliver services to clear standards - covering both cost and quality - by the most effective, economic and efficient means available’. The Welsh Office White Paper sets out a framework for best value which is very similar to that suggested for England by the DETR, although there are some differences [BOX A].

5. Best value is intended also to apply to fire and police authorities, which will be required to act within the best value framework and to secure year on year improvements in services. The Home Secretary will have powers to tackle serious or persistent failure, similar to those available to the Secretary of State at the DETR. Three police authorities (Greater Manchester, Cleveland and South Wales) have been selected as best value pilots. More detailed guidance will be issued in due course by the Home Office, while HM Inspectorate of Constabulary will provide information and advice on the audit/inspection regime that will apply to policing.

**Corporate review**

6. Stage one of the best value framework will require authorities to develop an overall vision for their local area. This will set out priorities for action which flow from consultation with the local community and a rigorous analysis of the authority’s performance as a provider and commissioner of services. A key part of this process

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**BOX A**

**Best value in Wales**

The National Assembly for Wales is to have a key role in setting the new framework of performance indicators (PIs), standards and targets; in issuing guidance on the preparation and publication of performance plans; on service reviews and in ensuring the smooth running of the best value inspection regime. The National Assembly will also have powers to deal with persistent failure in Wales. The Welsh Office and the Welsh Local Government Association have established a project group to co-ordinate the development of best value in Wales, and the Welsh unitary authorities are participating in the Wales evaluation study. Ultimately, it is anticipated that the National Assembly for Wales will be responsible for providing statutory guidance on best value, reflecting the experience of the Wales evaluation study.

Nevertheless, Wales and England will have a shared framework in primary legislation and this is reflected in a common approach in the White Papers published by the Welsh Office and the DETR. The terminology is slightly different in the two White Papers. The Welsh Office White Paper refers to ‘performance plans’ rather than ‘local performance plans’, and refers to ‘service reviews’ rather than ‘fundamental performance reviews’. Rather than make this distinction each time, this paper will refer to the terms in the DETR White Paper: local performance plans and fundamental performance reviews.
will be agreeing strategies for tackling cross-cutting issues such as community safety, housing and community care or economic development, with partner organisations in the public and private sectors. Section 4 of this paper describes different ways in which local authorities have approached this task.

Service selection

7. Having undertaken a corporate review, each council will then need to agree a programme of fundamental performance reviews to ensure that all services are reviewed within a five-year cycle. Although there may be a case for giving stronger areas of performance priority so that lessons of success can be disseminated at an early stage, authorities will, in general, be expected to address their weakest areas first. In particular, ‘where the performance of a service is demonstrably poor by any standards - and the framework of national indicators will highlight these - then authorities will be expected to review that service quickly and effectively’. Section 4 describes different techniques that authorities have developed to assess the relative strengths and weaknesses of the services that they provide to help them to schedule their programmes of fundamental performance reviews.

Fundamental performance reviews

8. In undertaking these fundamental reviews, authorities will be expected to demonstrate that they have addressed the four key aspects of review (the ‘4Cs’):

• challenge why and how each service is being provided or if it should be provided at all;
• compare their performance across a variety of indicators with other authorities and relevant outside organisations;
• consult with local taxpayers, service-users and the business community, in particular about performance targets; and
• embrace fair competition as a means of securing efficient and effective services.

9. The DETR and the National Assembly for Wales will be producing statutory guidance on all of these key elements. Although some general good practice information on performance indicators and consultation is included in Sections 5 and 6 of this paper, more detailed advice will be contained within the suite of service-specific and thematic diagnostic handbooks that the Commission will be publishing in the run-up to the statutory implementation of best value. ...authorities will, in general, be expected to address their weakest areas first.
Local performance plans

10. Local performance plans (LPPs) will be the key public document that ties together each authority's assessment of current performance with its vision of future priorities and targets for improvement. LPPs will need to:

- report on current performance, to include a comparison with that of other authorities;
- identify future targets for all services on an annual and longer-term basis; and
- comment on the means of achieving plans, including proposals for major capital projects and investments, and on the procedural and purchasing changes designed to improve performance.

11. In addition, LPPs will need to be integrated with other statutory plans (such as education development and early years plans) and to plans being developed by other public agencies, such as the NHS. They should also be integrated with the internal planning and performance systems that the authority already has in place. Section 3 describes some of the issues that will need to be considered in developing and publishing a performance plan.

The role of audit and inspection

12. It is important that local authorities are able to demonstrate to local people in a rigorous, unambiguous and public way that they are achieving continuous improvement in all the services that they deliver. Audit and inspection will have a key role to play in giving local people, and central government, a clear idea of whether best value is being obtained - local audit and local accountability will be complementary and interlinked.
13. The Audit Commission and its auditors potentially have three roles in best value:

- **supporting** authorities - for example, by advising on the suitability of local performance indicators or providing an independent input to in-depth service reviews, and by publishing national guides and data sets;

- **challenging** authorities to improve key aspects of service performance - for example, by identifying strengths and weaknesses in delivery and management; or by scrutinising the adequacy of action plans for improvement; or by introducing issues which might otherwise not be addressed (as has happened with the Commission’s recent report on the costs of early retirement (Ref. 5); and

- **assuring** the public and assessing authorities on their performance against local targets or national standards.

14. Local auditors will have a specific role in checking annual local performance plans (LPPs). In particular, they will be required to check that:

- the performance and resource information in LPPs is accurate;
- plans have been drawn up, and targets set, in accordance with the statutory requirements; and
- plans are realistic, having regard to the resources available to the authority.

15. The scrutiny of in-depth fundamental performance reviews will involve the national inspectorates and a new best value inspectorate (including a housing inspectorate). This will be established within the Audit Commission to ensure in-depth scrutiny of the performance of those local authority services that are not already covered by an existing inspectorate. In England, an inspectorate forum will be established to enable the various inspectorates to discuss common interests. A decision has not yet been made on establishing a similar forum in Wales.

16. The precise relationship between the best value inspectorate and the service-specific inspectorates has yet to be determined. Broadly, it is expected that inspections will confirm that:

- authorities have carried out fundamental performance reviews in accordance with legislation and statutory guidelines; and
- performance targets for future years are sufficiently challenging to ensure that best value will be obtained for local people.

17. While the legislative detail is not yet known, the broad tasks which each authority will have to complete in the run-up to and beyond the implementation of best value are already becoming clear. Sections 2 to 6 cover the most important tasks.
2. Political and managerial arrangements

18. For it to be successful, best value will require a major change in the culture of local government. Rather than waiting for guidance to be issued by central government, authorities themselves will be expected to seize the initiative by challenging the ways in which they deliver services and reviewing the techniques that they use to monitor implementation and outcomes. This section outlines some of the practical steps that authorities have started to take to prepare for best value in their political and managerial arrangements, in the context of the wider democratic reform agenda. It focuses on three issues: the role of members; the role of senior management; and involving staff.

The role of members in best value

19. Member involvement is essential to the success of best value (Refs. 6 and 7). Members can play a part in the best value process from an early stage:

- setting clear priorities for the future;
- finding out if their authority is performing as well as it could do;
- committing themselves to continuous service improvement; and
- seeing themselves as champions of the public's interests.

20. Authorities will need to give attention to how they inform and include all members in the development of best value locally. One authority, for example, already runs a series of presentations on best value or other key issues at virtually all full council meetings. However, a recent survey by the Audit Commission of 24 out of the 31 best value pilots with a housing component showed that very few members were fully involved in best value [EXHIBIT 1]. Another Commission survey of its appointed external auditors, in September 1998, suggested that officers in almost 40 per cent of authorities had no, or only very limited, communication with members about best value (although the proportion was significantly higher in best value pilots). Member awareness was felt to be particularly under-developed in London boroughs, counties and fire authorities.
21. The local government White Papers suggest that all authorities will be required to review their political arrangements and to prepare proposals with the object of:

- providing a ‘clear and well known focus’ for local leadership (such as a directly elected mayor or cabinet with leader);
- creating a clearer distinction between the executive and non-executive functions of elected members; and
- reforming the traditional committee structure, which is seen as contributing to ‘inefficient and opaque’ decision-making behind closed doors.

22. The need to develop a strong corporate approach to best value and service improvement should clearly be a key consideration in the future reform of political arrangements and in decisions about the executive/non-executive functions of members. Members will need to decide what role they should have in:

- setting an overall corporate vision for the authority;
- consulting with local residents about their priorities;
- selecting which services or thematic areas to review;
- reviewing the outcomes of fundamental performance reviews;
- setting targets for improvement;
- agreeing the budgetary changes that will be needed to achieve these targets; and
- monitoring performance and challenging failure.

23. Members will also need to review what changes may be necessary to their decision-making and review structures in the light of best value. Some councils have already set up arrangements for monitoring progress with fundamental performance reviews and for scrutinising action plans - for example, by rebranding what was previously a CCT subcommittee. There are also other ways of involving members - for example, by including councillors on fundamental review teams.

Some councils have already set up arrangements for monitoring progress with fundamental performance reviews.
24. Councils that already have performance review committees will need to consider what role these should have. At a time when the number of committees in local government is attracting sharp criticism, any decision to establish extra ones will need to be made in the context of a more fundamental review of the function and membership of the authority’s other committees. Authorities will need to give particular consideration to how the committee specifically set up for best value will relate to existing service committees (for example, in relation to the scrutiny of fundamental performance review action plans). It is also important to ensure that any new political or managerial structures do not sideline best value, but keep it in the mainstream of management responsibilities, the planning process and information provision [CASE STUDY 1].

CASE STUDY 1

London Borough of Newham: co-ordinating political and managerial arrangements

Newham has a process for member clearance which involves both the best value subcommittee and the service-specific committees.

Stage 1

Service review teams conduct initial reviews and present a broad outline of options for change to the best value subcommittee (which includes the council leader and chairs of relevant service committees) for an initial reaction and political ‘steer’.

Stage 2

The service review team then prepares a detailed plan of action based on this initial steer, and presents it to the chief executive and her core team.

Stage 3

Detailed plans are referred back to the best value subcommittee. In May and June 1998, this met six times to consider all 27 of the first tranche of service reviews. Of these, three or four were sent back for further work.

Stage 4

Best value subcommittee refers the action plans to the relevant service committee and to the policy and resources committee, which is responsible for the final decision about implementing any recommendations.
The role of senior management

25. Best value has brought a new focus to the achievement of a corporate approach, crossing traditional departmental boundaries and working in partnership with other agencies. Co-ordination is needed at strategic and operational level [CASE STUDY 2 and CASE STUDY 3, overleaf].

26. Senior managers will need to meet on a regular basis to track progress and ensure a corporate overview of best value. This level of overview will be particularly important in ensuring that the best value planning process has been integrated with other statutory planning requirements and that best value embraces the cross-cutting themes that the authority has identified. They should also consider the impact of service delivery options arising from a fundamental performance review of one service area on other services. Bradford City Council has identified five key cross-cutting corporate themes and allocated one to each director to lead on - for example, the head of finance is now also responsible for leading on crime and community safety.

CASE STUDY 2

Portsmouth City Council: linking strategy and operations

Portsmouth has established a number of member- and officer-level committees and steering groups to help it to track progress with the implementation of best value. These include:

• a best value members’ panel, including the leader and deputy leader of the council and three other councillors, which meets quarterly;

• an officers’ best value steering group, which meets weekly and includes the director of finance and resources, the head of strategy, the head of personnel, five chief officers from service departments, a union representative and two business advisers to the council. There is common membership between this group and the authority’s corporate management team - half of the best value steering group also sits on the management team;

• eight project managers, who head up the city’s eight best value pilot projects, to each of which a member of the best value steering group is also attached. Project managers provide progress reports to the full steering group every six weeks; and

• twenty-three best value co-ordinators, one for each of the first tranche of mainstream best value service reviews, which started in October 1998.
CASE STUDY 3

London Borough of Lewisham: developing a corporate approach

In Lewisham, responsibility for overseeing the council’s best value programme is shared between the director of social services on behalf of the corporate management team, and officers from the centre. The programme has three main elements: performance and quality improvement for all services; public consultation and accountability; and a programme of fundamental service review. Each of the officers has responsibility for one element and one officer has an overview. At member level, there is a quality and service review subcommittee of policy and resources, which has responsibility for the overall programme. The subcommittee has established lead members for each of the fundamental reviews and they meet regularly as a board to oversee the review process and to receive reports on particular reviews. The corporate management team has held several awaydays on best value to help develop its thinking, and best value is a standing item for its fortnightly meetings. It receives regular briefings on progress of the overall programme as well as in-depth reports on its different elements.

27. In addition to this overview function, the senior management team will need to ensure that effective arrangements are in place for the day-to-day management of best value, including a clear assignment of responsibilities for the corporate support tasks required by best value [EXHIBIT 2].

Involving staff

28. Best value represents a major change for many staff, involving tasks that will require a broader range of skills and a shift of emphasis from the immediate task focus. During times of change, the need for effective communication is at its greatest and authorities should be reviewing the effectiveness of their communication strategies as soon as possible. A number of Audit Commission publications in the run-up to and beyond local government reorganisation looked at the organisational management of major change, and many of these lessons are also relevant to best value (see, for example, ‘Ten Tests of an Effective Organisational Structure’ in All Change) (Ref. 8).
29. Staff should be encouraged to participate as widely as possible in the development of best value. In particular, authorities will need to ensure that they have considered the following issues:

- Do we communicate news and information about best value initiatives in a regular and accessible way (for example, through newsletters, email, staff meetings)?
- Have we involved the trades unions in discussions about the practical implementation of best value at both a council-wide and service-specific level?
- Do staff have the opportunity to raise their concerns and have a regular dialogue with management about best value?
- Have we reviewed the training and development needs of staff in the light of best value?
- Are staff fully involved in fundamental performance review, both in assessing the current performance of services and in committing themselves to continuous improvement [CASE STUDY 4, overleaf]?

Source: Audit Commission
CASE STUDY 4

London Borough of Greenwich: promoting staff involvement

In its best value framework, Greenwich emphasises the importance of involving employees in the continuous improvement of services:

'A fundamental aspect of quality service delivery is the human input. The Council must seek to reach a position where its employees continually strive to improve the efficiency of their work, but in a manner which makes service-users the target of their improvements. Involving employees in decision-making enhances their sense of worth within the Council and can pay dividends in terms of reduced costs and service improvements. In any case, the workforce often knows better than its managers how procedures work on the ground and can identify ways of streamlining them. A vital element of the best value process will be the ownership of the service and its means of delivery through real improvement. It would be unacceptable to carry out this process and to produce proposals without involving those who have to deliver the service. This approach, apart from enabling the Council to benefit from the considerable knowledge of employees, will also enhance their sense of being valued, enhance their sense of pride and enhance their sense of a shared mission.'

To help it to take this commitment forward, Greenwich has developed standard questionnaires (both for self-completion and one-to-one interviews) to use with employees during each performance review.

30. Developing a communications strategy about best value for members and officers is just as important as communicating with the outside world. In Paying the Piper...Calling the Tune (Ref. 9), a management handbook on people, pay and performance in local government, the Audit Commission identified the key components of an effective internal communication strategy:

- involving managers and staff in the development and evaluation of objectives to capture the value of their knowledge and experience;
- ensuring that staff know what is expected of them; and
- building a sense of ownership and commitment to the policies being pursued by the council.

31. Internal communication is therefore not solely about providing information. It is also about involving members and employees, and learning through discussion and exchange. An internal communications strategy needs to ensure real and effective means of establishing employee views in order to draw on their knowledge and experience. Messages from the top should be clear, and carried consistently across the authority by managers, who should treat contributions from employees seriously. Managers need to be prepared to respond to issues arising from team briefings, workshops and other sessions.
Not all authorities, and particularly small district councils, will need complex internal arrangements. The emphasis should be on an approach that involves and engages staff, paying particular attention to equal opportunities issues. Authorities around the country have already begun to make use of a wide variety of methods to meet these goals, including:

- team briefings (including if possible a core brief to be communicated to all staff);
- newsletters (authority-wide and departmental);
- seminars and training sessions;
- awaydays (to encourage upward involvement in preparing policies and plans);
- open meetings (where staff can quiz chief officers about current issues);
- staff suggestion schemes;
- staff attitude surveys (to get more systematic feedback on staff views); and
- computer bulletin boards and 'Intranet' sites.

**CASE STUDY 5**

Torfaen County Borough Council: raising staff awareness

Torfaen has developed a range of strategies to raise staff awareness of best value and win their support for it. These include:

- an ongoing series of **induction seminars** to familiarise staff with key aspects of the best value process - so far 80 per cent of staff have participated;
- a **best value focus group**, involving the best value lead officer and a second-tier officer from each department, which meets regularly and acts as a bridge between the corporate centre and the individual service departments;
- linked to this focus group, there are **working groups** within each department, which act as a conduit for issues arising from the implementation of the fundamental service reviews; and
- the best value lead officer also holds meetings with **trades union representatives** at six-weekly intervals to appraise them of ongoing developments, and to take on board their views.

The authority is evaluating the success of its internal communications strategy. On a six-monthly basis, a random sample of 50 staff members are selected and quizzed on their general knowledge of best value and the authority's approach to it. This evaluation process allows the authority to identify any areas in which staff awareness is poor, and whether there are problems in reaching any particular groups of staff.
Summary

32. Members, senior management and staff will all need to be closely involved in best value. Members will need to assess the implications of best value for their decision-making structures and decide how they wish to be involved in key tasks like corporate review and performance monitoring. Senior management may need to consider how they work across departments and track progress, and all staff should be kept informed of new developments and be fully involved in fundamental performance reviews. The following checklist provides a means for assessing the overall level of preparedness for best value.
## Are we ready for best value? – political and managerial arrangements

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<th>Yes</th>
<th>No</th>
<th>Inprogress</th>
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<td>1. Have all members been briefed about best value?</td>
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<td>Have briefings gone to all relevant committees?</td>
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<td>2. Has the authority reviewed the implications of best value for its existing decision-making structure?</td>
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<td>3. Has the authority considered how members should be involved in key aspects of best value like corporate review, service selection and performance monitoring?</td>
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<td>4. Has the authority considered how best to ensure political leadership of best value?</td>
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<td>5. Do members meet directly with users of services and the wider public to seek their views?</td>
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<td>6. Have senior level mechanisms been established to ensure cross-departmental co-ordination of best value tasks?</td>
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<td>7. Has the authority reviewed its existing corporate priorities (such as Local Agenda 21, equal opportunities, etc) and how they fit with best value?</td>
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*Continued overleaf*
8. Have responsibilities been assigned for each of the key corporate best value tasks (for example, selection of services for review, drafting the local performance plan)?

9. Are processes in place to ensure that best value developments are communicated to staff throughout the organisation?

10. Have the training and development needs of staff been reviewed in the light of best value?

11. Are staff fully involved in the fundamental review process? Do they have an opportunity to give their views on how performance could be improved (for example, through staff surveys)?

12. Do staff have an opportunity to give their views about best value more generally?
3. The role of local performance plans

33. In preparing for best value, a key ingredient will be the coherence that can be achieved between the multitude of planning processes currently required of local government, whether statutory, internally-generated or those involving other partners. As planning requirements become more complex and multi-layered, they impose significant resource requirements. While there is a widely recognised need for separate strategies which have distinct purposes and their own timetables and audiences, many authorities now feel that, overall, they lack coherence. Best value may provide a welcome opportunity to draw all these separate strategies into a coherent corporate whole.

34. Authorities will also need to take account of the plans and strategies being developed by other local agencies and how these might relate to their future priorities. Best value can help to link local authority plans with those of other public services, like the NHS, and with partnership initiatives tackling specific local problems, such as youth offending teams. A range of initiatives such as health improvement programmes and education action zones will require the development of joint plans. But there may also be a need to re-appraise the overall approach and co-ordination of the planning and development of partnership activities within the authority, as they become an increasingly significant element of local service planning.

35. The best value annual LPPs will have a key role to play in pulling together headline targets and service-related action plans, and the variety of statutory and non-statutory plans which the authority prepares. LPPs should in time become the public statement of how these fit together [EXHIBIT 3].

EXHIBIT 3
Making the links between plans
The LPP should be the public statement of how an authority’s plans fit together.

Source: Audit Commission
This section looks at how authorities can tie this complex web of plans together in preparing for best value. In particular, it focuses on:

- mapping the links between different plans and strategies;
- relating LPPs to community plans;
- preparing and publishing local performance plans; and
- co-ordinating best value with other key corporate cycles, such as the budget and audit cycles.

What links need to be made?

Early identification of the range of plans produced by the authority, their timetables, who is responsible for preparing them, their essential components and any partners, will greatly assist in ensuring that they are brought together. The range of strategies and plans that are involved may be large. An audit of service and cross-service strategies and plans by Portsmouth City Council in May 1998, for example, revealed a list of almost 50, covering every major department. These plans included:

- community plan - a public document summarising the vision and priorities for the city;
- cross-service strategies involving significant public consultation and partnership working (for example, anti-poverty, Local Agenda 21, Joint Children’s Services Plan);
- service strategies setting out the medium-term (three year) direction for key services;
- service action plans - one year management tools to ensure progress is made against service strategies; and
- resource strategies - medium-term plans for important resources like personnel and IT.

Each strategy and plan is likely to involve different external bodies to different degrees, have a different lifespan (for example, one, three, or five years), line of accountability (different chief officers, different committees) and timetable for production (beginning, middle or end of the calendar or financial year) according to external (statutory requirements) and internal (for example, committee cycle) constraints. In preparing for best value, authorities will need to consider the implications of each of these variables.
39. By conducting this sort of review, authorities can:

- minimise the danger of overlap and duplication;
- understand the demands being placed on services and get a clearer picture of the overall resources committed;
- identify priorities; and
- identify outcomes and the impact of initiatives.

Local performance plans and community plans

40. The White Papers make clear that central government sees local authorities as 'the organisations best placed to take a comprehensive overview of the needs and priorities of their local areas and communities' and that it intends to 'ensure that councils are truly at the centre of public service locally'. To help achieve this, the Government is proposing to place a duty on every council to promote the economic, social and environmental well-being of their area. This duty would be backed up by:

- new discretionary powers enabling councils to take the steps needed to promote well-being, including new powers to engage in partnerships; and
- a requirement on councils to 'secure the development of a comprehensive strategy' for promoting well-being.

41. Although no particular approach to this latter task will be imposed, it is likely that many councils will choose to publish community plans that outline for the public the comprehensive strategy that they are adopting. Indeed, a significant number of councils have already published their first community plans after working with other key stakeholders and local communities. Typically these plans include:

- a shared vision (over five or more years);
- overall objectives for the local area - agreed with other local partners - such as improvements to the environment, job creation, public health improvements or regeneration;
- an explanation of what contribution the local council itself can make towards the achievement of these goals;
- targets for improvement - annual and longer-term; and
- an opportunity for local responses and comments.

42. LPPs will be one of the key ways in which each authority communicates with the public about its performance. The local government White Paper for England suggests that each local authority will be required to publish an LPP within two months of the end of each financial year providing 'a clear practical expression of an authority's performance in delivering local services and its proposals to improve'. The plans will be expected to:

- report on current performance, including a comparison with the performance of other authorities;
- identify future targets for all services on an annual and longer-term basis; and
- comment on the means of achieving plans, including proposals for major capital projects and investments, and for the procedural and purchasing changes designed to improve performance.
43. Local authorities will want to ensure that LPPs complement rather than duplicate community plans. A useful distinction is that, while community plans and planning processes give expression to the broader community leadership role of local authorities working with other local partners, the LPP provides a statement of what the council itself is doing [EXHIBIT 4].

**What makes a good local performance plan?**

44. In addition to these requirements set out in the White Papers, strong LPPs are also likely to include a number of key components [BOX B]. Over time, the plans will become more focused as the full range of services is reviewed.

45. A well thought-out, carefully designed LPP and a rigorous approach to its preparation will not only meet the basic requirements of best value but will provide a range of benefits for local authorities. These include:

- a process which involves staff and wins their commitment to a best value approach;
- a framework that encourages the involvement of members at a strategic level;
- information on which the authority can take action - a strategic document providing an organisational agenda for action;
- accessible information for the community on how their authority is performing; and
- a record of measurable improvements as a basis for accountability through independent audit.
BOX B

The components of an LPP

- a clear reflection of vision and/or strategic aims;
- actionable objectives or strategies covering all major services;
- reports on the outcome of service reviews;
- equal opportunities information in relation to access to services;
- evidence of external consultation;
- member endorsement; and
- information on joint working arrangements with partners.

Source: Audit Commission

46. In practice, the performance plans that have been produced to date have varied widely in the degree to which they meet these criteria. In Wales, the 23 best value pilot authorities were required to prepare a first annual performance plan by the end of March 1998. Their format and length were extremely varied, reflecting large discrepancies in the amount of information that was provided on performance reviews and service-specific indicators. Clearly these early plans are part of the learning process, but initial analyses by Cardiff Business School and the Commission found a number of areas where the plans could be improved for next year:

- there is a need for more data on service outcomes, and comparisons with the performance of other organisations;
- targets for future achievement need to be identified; and
- more detailed information is needed about service reviews, local performance indicators and the national PIs...
Preparing and publishing local performance plans

47. In recent the years, the Audit Commission has published a number of good practice guides on the publication of performance information (see, for example, Have We Got News For You, Ref. 10). Much of this advice remains relevant [BOX C].

48. Providing context is important. A map of the authority’s boundaries and of the location of different facilities can help to put data in a recognisable context and useful lists of phone numbers for different services may encourage people to keep the plan to hand (Ref. 11). Local people will also appreciate the opportunity to comment. Performance plans should therefore include contact numbers for feedback about specific issues and/or feedback forms or questionnaires, for example, to give people a chance to comment on whether they are happy with current levels of performance or with the targets that have been set.

49. A clear process for managing the design and publication of the LPP will also be essential. A project plan should be drafted, which maps out the stages leading up to publication and distribution and, if possible, this should be agreed with the external auditor so that they can audit the performance information before publication. In particular, authorities should set clear objectives for the LPP in terms of how they can maximise the proportion of the population that they intend to reach and the messages that they want to communicate. These objectives should be agreed at a high level within the authority and editorial control assigned to a single, named officer.

[BOX C]

Good practice for providing information to the public

- information needs to be as fresh as possible, or people become suspicious about why it has been delayed;
- plain language is essential; bureaucratic or jargon-laden wording can be a big turn-off;
- authorities have to be open about areas of weakness as well as promoting good news. A self-congratulatory tone is off-putting;
- design is important. Publications have to grab the reader’s attention - unbroken pages of numbers or blocks of text are difficult to digest. Attractive layout and the use of colour can help to interest readers;
- publications need to be locally appropriate - pictures of local landmarks or local celebrities can make people look twice; and
- mixing performance indicators with other relevant human interest stories can make information more accessible.

1 Survey of 2,400 residents across eight local authorities for Have We Got News for You (Ref. 10).

Source: Audit Commission (Ref. 10)
A broader external communications strategy

50. The publication and dissemination of LPPs should be an integral part of each authority’s external communications strategy - not an add-on. Indeed, such a strategy could be located within the best value framework. Surveys show that local councils are ranked well below other public and private sector organisations in the effectiveness of their communications [EXHIBIT 5]. Almost one-quarter of respondents to a recent MORI survey said that their local council was the ‘worst communicator’.

EXHIBIT 5

The public’s view of best and worst communicators

Councils are ranked well below other organisations.

Source: MORI Local Government Research Unit, 1997
51. There are significant pay-offs for councils that improve their communications with the public. Research by the Commission at eight authorities suggests a correlation between public satisfaction with local services and the degree to which people feel that they are well-informed [EXHIBIT 6].

52. A study of external communication by the Audit Commission [Ref. 12] emphasised the importance of developing a corporate-wide communications strategy following a communications audit that tests whether an authority is communicating effectively [EXHIBIT 7]. Best value provides the ideal opportunity to undertake such an audit.

53. An effective communications strategy requires the participation of all of the authority’s communicators, not only the public relations unit. Active involvement by the chief executive and members will be crucial. Every strategy should:

- define the audiences to be reached;
- define the aims of communication and relate them to broader corporate objectives;
- identify the resources that will be needed;
- explicitly consider the relationship between internal and external communication;
- identify the specific roles of key communicators, including members, the chief executive, chief officers and departmental staff as well as public relations officers;
- make a commitment to train all important communicators; and
- build in a review and assessment of how well the strategy is working and whether communications are effective.

EXHIBIT 6
Correlation between public satisfaction and information

Satisfaction tends to rise if people are well informed.

<table>
<thead>
<tr>
<th>Percentage well informed</th>
<th>Percentage satisfied</th>
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Note: $R^2$ (correlation coefficient) = 0.6

Source: Audit Commission survey of 2,400 residents across eight local authorities, 1994
EXHIBIT 7

A communications audit checklist

An audit of the council’s communications should underpin the development of its corporate communications strategy.

What do the public, local business and the media know and think about the council and its services?

How do individual residents feel about getting information or access to services? What is their experience of contact with the council by letter, telephone or face to face? What happens when they complain?

How well do its communications activities support the council’s objectives? Do they contribute as well as they could to customer information, access and delivery of services?

What communications activity is actually carried out? What materials are produced? How good are they, and what do they cost? What are the gaps?

Do elected members get proper communications support to play their democratic role, corporately and at ward level?

Are chief officers reflecting the core values of the organisation? Are they getting these values across to staff at all levels?

Source: Audit Commission, Talk Back: Local Authority Communication with Citizens (Ref. 12)
Timetabling of best value and LPPs

54. Co-ordinating the best value and LPP cycle with other key planning cycles - in particular, the budgetary cycle and the production of performance indicators - will be a complex task. At least four key corporate cycles are involved [EXHIBIT 8].

Budget cycle

55. LPPs will need to include a clear statement of how resources (both revenue and capital) will be deployed to achieve the short- and long-term targets set out by each authority, in a way that is meaningful to local people. Best value should therefore both inform and reflect annual and longer-term financial planning cycles. The action plans that follow fundamental performance reviews will need to be approved by best value steering groups or members' best value committees and, if applicable, by the relevant service committee, before being incorporated into the budget and financial planning process. Many councils continue to plan year on year. However, the Government's proposal to set out the aggregate levels of grant for a period of years (initially three years) will help councils to develop longer timeframes. The Commission's forthcoming report on service and financial planning will provide more detailed good practice advice on linking budgetary and service planning timetables.

EXHIBIT 8

The need to integrate corporate processes
Co-ordinating the key planning cycles will be a complex task.

Source: Audit Commission
Consultation and interaction with the public is fundamental to best value (and indeed to the whole of the Government's new agenda for local government). Sections 4 and 5 discuss the role of consultation in corporate and fundamental performance review, but timing is also important. In some cases consultation will need to be linked to the LPP or budget cycle, in others it may relate to a longer-term agenda.

If LPPs are to feed back information on satisfaction with council services and attitudes towards future targets for improvement, then resident satisfaction surveys should be conducted as late in the financial year as possible to provide an up-to-date picture when performance plans are published at the end of May.

Local performance plans will be expected to include data on current performance as well as comparisons with the performance of other authorities. This requirement has significant implications for the current timetable for collecting and publishing performance indicators which at present has four key stages:

- April (year 1) - end of financial year;
- October – voluntary deadline for year 1 returns to the Commission;
- December – statutory deadline for year 1 returns to the Commission and local publication of Pls; and
- March (year 2) – production of national data compendium and annual reports for year 1.

The need to compare performance with that of other authorities will make it vital that councils collect and publish data much more quickly than currently so that they and other authorities can incorporate the information into their LPPs shortly after the end of the financial year.¹

¹ Publication and validation of data is currently being considered by DETR and the Welsh Office.
60. One option would be for authorities to produce performance indicators for six-monthly periods rather than for the full financial year. Authorities would produce national general health and service-based indicators every six months, leading to two sets of data a year (Ref. 13). The advantages of this proposal are that it would enable the production of data to be undertaken more quickly than at present, spread the workload of authorities over the whole year, and would mean that LPPs produced at the end of the financial year could incorporate analysis of comparative data from other authorities.

LPPs published at the end of May could therefore include national comparisons for the period April to September of the previous year as well as more recent local data.
61. The disadvantages of this proposal are that mid-year indicators based on cost may not reflect the full apportionment of year-end overheads and may require extra work for authorities that do not produce indicators as part of their day-to-day management information. It would also require changes to arrangements for auditing of the data for circulating it to authorities.

Audit cycle

62. A requirement on auditors to check LPPs before they were published (that is, in April or May) would bring forward the audit cycle by up to nine months from the current start of the audit planning process in November of that financial year. Management letters published in December might also need to comment on the first nine months of the current financial year, as well as cover the full 12 months of the preceding financial year.

Summary

63. The planning processes required of local government are becoming more complex and multi-layered. In addition to the statutory plans demanded by central government, authorities already need to prepare joint plans with other agencies, and a range of their own internal strategies. Best value and the need to produce annual LPPs may help to bring all this together. The following checklist can be used by authorities to assess how advanced they are with this aspect of their preparations for best value.
Are we ready for best value?  
– the role of local performance plans

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<th>Yes</th>
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<tbody>
<tr>
<td>1. Does the authority have a clear overall vision for its local area which it has agreed with partner organisations?</td>
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<tr>
<td>2. Has the contribution of each partner towards the overall vision been clearly set out?</td>
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<tr>
<td>3. Has the authority undertaken a wide-ranging audit of existing statutory and voluntary plans and strategies, including identifying timetables and reporting lines?</td>
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<tr>
<td>4. Does the authority have arrangements in place for ensuring that the outcomes of statutory and other planning processes are incorporated into the best value planning process?</td>
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<tr>
<td>5. Is the authority clear about the format and content of its existing plans?</td>
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<td>6. Is the authority clear about how the timetable for the production of an LPP will fit with its other planning timetables?</td>
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<tr>
<td>7.</td>
<td>Has editorial control for producing the LPP been assigned?</td>
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<tr>
<td>8.</td>
<td>Does the authority have mechanisms in place for testing that the LPP is clear and comprehensible to the general public?</td>
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<tr>
<td>9.</td>
<td>Does the authority have a strategy in place for maximising the number of local people who see a copy of the plan?</td>
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4. Corporate review and service selection

64. This section outlines the different approaches that local authorities are adopting for the first two stages in the framework for best value - the requirement that local councils establish authority-wide objectives and agree a programme of fundamental performance reviews. It focuses, in particular, on the following areas:

• effective corporate review and community consultation on authority-wide issues. What are the key factors involved in undertaking a corporate review and in consulting with the public?

• different approaches to best value. What are the advantages and disadvantages of a service-based, customer-focused, area-level or cross-cutting approach to best value?

• selecting services for fundamental performance review. How can authorities prioritise services for early best value review?

Effective corporate review

65. Effective corporate review involves establishing a clear picture of an authority’s strengths and weaknesses and setting a practical set of objectives for achieving the over-arching vision. A recent LGA working group, including both best value pilot authorities and non-pilots, identified the following essential elements of corporate review:

• setting and reviewing corporate objectives, including those on cross-cutting ‘wicked issues’;

• a basic overall health check comparing the authority’s service performance with that of other organisations (including other authorities and the private sector);

• establishing a corporate planning process that co-ordinates other planning cycles and statutory processes;

• community consultation about current performance and future priorities;

• consideration of future issues, such as changes in statute or regulation; and

• a clear link to the selection of services for fundamental performance reviews.

66. There should also be an explicit link between the corporate review and community planning processes. The service improvement targets and priorities set out in the LPP, for example, should clearly relate to the overall objectives set out in a community plan.

67. Corporate review should be rooted in an ongoing engagement with the public, although until now this has not always been a strength of local government. True engagement with the community involves more than simply providing information, or carrying out one-off consultation exercises about individual services. The White Papers leave it to each authority to decide how to go about involving the community in reviewing and setting overall priorities. However, the spirit of best value and the broader local government reform agenda should encourage authorities to be ambitious. In particular, authorities will need to demonstrate a clear understanding of the needs and aspirations of local people, in terms of both the overall cost and quality of services and the authority’s future priorities [CASE STUDIES 6 and 7].
Bradford City Council: asking the public what they want

Bradford has developed a whole range of approaches to consulting local residents about its priorities. These include setting up:

- 77 neighbourhood forums which meet three times a year;
- five area panels to which the neighbourhood forums report; and
- a 'speak out' panel - a regular panel survey of 2,500 people (one-third of whom change each year), jointly funded by the council, the local Training and Enterprise Council and the health authority.

In December 1996 a draft community plan was published which drew on issues arising from this consultation. The plan was distributed in leaflet form to every household in the district with a questionnaire attached for responses. Over 4,300 of these were returned and the collated responses were reported to the council in March 1997. In July 1997, a final version of the community plan for the years 1997 to 2000 was published and was followed up by a series of area conferences in September 1997 and multi-agency conferences in November. These were followed by action plans which will be updated and reported on, on an annual rolling basis. The community plan set out five priorities for action:

- rebuilding communities;
- partnerships for local regeneration;
- better education for all;
- a clean, healthy and valued environment; and
- fighting crime for a safer district.

London Borough of Newham: listening to the community

In February 1998, Newham held a 'listening day'. Sixty senior managers and councillors went out on to the streets in six locations to interview local residents about local services. Each interviewed ten people - half on their doorstep, half in the main shopping areas - and an attempt was made to get a representative demographic spread. In all, 600 residents were interviewed. Education was rated as the most important service provided by the council, followed by refuse collection and council housing. Twice as many residents felt that services were improving compared with those who did not. Results were fed back to residents through a nine-page colour booklet - with a pre-addressed comments form attached.
Authorities will need to demonstrate that they have undertaken appropriate consultation in the course of each fundamental service review, not simply consulting people as users or potential users of services. When involving people in reviews of overall priorities, authorities are primarily engaging with people as taxpayers. They must also involve local businesses and other agencies who have views about their local area as a whole, and about the council’s overall direction.

Peoples’ views as citizens are often influenced by their experience as consumers of local authority services, but they go beyond this. Sometimes people will hold views as citizens that differ from their views as consumers: for example, an individual might see their council as good at representing the local area’s needs to central government, but poor at carrying out the refuse collection service.

The issues on which authorities focus their attempts to involve the public will depend on both the authority’s own analysis of its starting point and on any information that is already available about local people’s views. Topics on which councils might seek to engage with local people include:

- what they want for the area and their community;
- the authority’s overall values and priorities;
- how these overall values and priorities affect specific decisions;
- the balance between spending and local taxes in the annual budget-setting process;
- people’s views of how well the council does its job and how it could improve;
- the overall local performance plan;
- the authority’s approach in carrying out its role as advocate for the local area; and
- controversial individual decisions that the authority must make.

Different approaches to best value

In translating the outcomes of their corporate review into a practical programme for achieving best value (including community-wide consultation on priorities), authorities will need to consider what type of approach to best value they wish to adopt. A wide variety of strategies is possible. All must allow the authority to give early consideration to poorly performing services (see ‘Selecting services for fundamental review’, below).

Perhaps the most straightforward approach to best value is one based on reviews of existing service units. An authority might, for example, decide to review its social services department in one year, followed by leisure services in year two and education in year three. Although this will give an authority a good holistic view of how a department fits together and its relative strengths and weaknesses, it is unlikely that all of the service units within a single department will perform equally well or poorly. A ‘chunking’ approach - which splits departments into smaller service units and reviews the weakest of these units first - allows authorities to review several different departments simultaneously by spreading the review of large services over a number of years. This approach may hinder attempts to develop an overall view of how a service is performing. However, reviews of these chunks can have a logical progression over
time within a service (for example, a review in year 1 of domiciliary care followed by residential homes for the elderly in year 2) and across services (for example, reviewing residential provision for children in parallel with special needs education).

EXHIBIT 9
Selecting services for fundamental review
An authority might choose a whole service, or a ‘chunking’ approach.

Source: Audit Commission
73. Evidence from the best value pilot authorities suggests that service-based reviews have been the most common type of approach adopted to date [EXHIBIT 10], with pilot programmes ranging from reviews of one or two services (for example, Carrick District Council’s focus on housing) to much broader portfolios (the London Borough of Newham, for example, has reviewed 27 different service units in the first year of its pilot).

The advantages of a service-based approach are:

- that it is likely to fit in with existing member and officer structures (for example, departmental or committee responsibilities); and
- that it will be able to draw on existing performance information, including Audit Commission PIs and unit cost data.

74. The main disadvantages of a service-based approach are that:

- it may reinforce existing assumptions rather than help officers and members to question current ways of delivering services - so that the ‘challenge’ element of the 4Cs framework for best value review may be weaker than with other approaches;
- the priorities of local people for action on cross-service and borough-wide issues like community care, crime and community safety or job creation may be neglected; and
- it may neglect the cross-service processes that can have a significant effect on performance.

75. Some authorities have focused on particular geographic sub-areas within their overall boundaries and on improving the overall quality of life in those areas, including the way in which they co-ordinate the delivery of services to local communities. The London Borough of Brent, for example, is focusing on improving the quality of life for people living in Kilburn, starting with housing services. Greater Manchester Police has chosen 4 of
its 25 subdivisions for its pilot. These already formed part of a ‘family grouping’ established by the force, and represent a challenging social environment (inner city, mixed land use, high social and economic deprivation) in which to test best value. Recent government initiatives, such as health and education action zones and the New Deal for Communities, will encourage more authorities to start to think geographically about the services that they provide.

76. The advantages of an area-based approach are that it:

• encourages authorities to think about seamless, co-ordinated service delivery across a locality;
• makes consultation with the community easier, more focused and perhaps more meaningful. This will be particularly true for services where users or ‘communities of interest’ are strongly defined by geography - for example, the parents of children at a primary school or tenants on a housing estate.

77. The disadvantages of an area-based approach include the fact that:

• information available for review and monitoring purposes may be limited if the authority does not collect data on a locality basis. Organisations like the police, which have highly devolved budget and command structures, are likely to find such an approach much more straightforward than those with more centralised arrangements;
• the success of area-based approaches may depend on the services to be included in the review. Services showing significant economies of scale at a borough-wide or even greater level (for example, benefits administration) or where clients or service-users are widely dispersed (for example, child protection cases) are not likely to be suitable candidates for a geographic approach to best value;
• area-based approaches may increase the range of variation in service standards between wards. Where this variation reflects local priorities (for example, a desire to spend more on street cleaning but less on meals on wheels) it may not be a concern - but authorities will nevertheless wish to consider how they reconcile a desire to encourage local accountability and local priorities with the need to ensure consistency of service provision across the whole authority.

Recent government initiatives ... will encourage more authorities to start to think geographically about the services that they provide.
Customer-focused

78. To vulnerable older persons trying to remain in their own homes or to an unemployed teenager trying to get a job, sort out his or her housing benefit claim or apply for a grant for a part-time college course, the services provided by their local council and other agencies may seem disjointed and sometimes contradictory. Looking at how the authority operates from the users’ point of view and developing seamless service provision for customers will require a different approach to best value review, which is based on extensive cross-departmental working and on building partnerships with other organisations. Several of the best value pilots are looking at how well they and other local agencies are meeting the needs of particular user groups: Cumbria County Council, for example, is reviewing services for people with learning disabilities and Bridgend is reviewing services for people with visual impairments. National initiatives like the work of the social exclusion unit, the requirement for early years development plans and better government for older people are likely to reinforce this trend.

79. The advantages of a customer-focused approach include the fact that:

- it ties in closely with how local people and service-users actually live their lives, and links to the first principle of best value - that it is a duty which local authorities owe to local people; and
- it may help to provide a focus for partnership working with other agencies (for example, in order to cater for the needs of vulnerable elderly people, or people with severe mental illness).

80. The disadvantages of a customer-focused approach relate to:

- problems of planning and performance monitoring - few authorities are yet in a position where they can accurately track spending or policy outcomes by demographic or social group, and performance indicators are still being collected on a service-by-service basis. This problem can be overcome and some authorities are already making progress;
- customer- and user-based approaches may also hinder attempts to take a holistic view of how the different parts of a service fit together. If social services are looked at from the point of view of older people in year one, people with mental health problems in year two and at-risk teenagers in year three, the authority (and staff working within social services) may find it difficult to decide on how to allocate resources between these three priorities.

Cross-cutting issues

81. Some issues of local concern are becoming increasingly high political priorities that cut across all demographic groups and geographic localities. These so-called ‘wicked issues’, like crime, poverty or pollution, require co-ordination across departments and with other statutory and non-statutory partners. For example, from April 1999 every local authority will be required to produce, in partnership with the police, a community safety strategy. Some of the best value pilots are already starting to consider these issues. Bradford City Council, for example, is focusing its best value programme on the contribution that all of its service departments make to community safety.
82. The advantages of this type of ‘wicked issues’ approach are similar to those for client-based strategies. In particular, it enables an authority to prioritise those issues that most concern the public. Typically, what the public says it most wants from its local council is action against ‘crime and disorder’ rather than improvements to named services.

83. The disadvantages of a ‘wicked issues’ approach again concern performance monitoring, together with the added concern that a local council may have only limited ability to act directly on the issue in question. It may fall more readily within the remit of another agency, or require regional- or national-level initiatives.
A pick-and-mix approach

84. Time will tell which of the approaches set out above is most successful at stimulating continuous improvement. Results from the pilot projects will inform future choices, but all local authorities need to be sure that they can walk before they run. This means getting the basic framework right and being clear about what they are trying to achieve and how they will demonstrate success. Authorities will be expected to demonstrate practical improvements to the frontline services that they deliver, so they must always consider how cross-cutting, customer-focused or geographic approaches relate to actual service units [BOX D].

85. In practice, the best way forward may be a hybrid that draws on most, if not all, of the above approaches depending on the characteristics of the service or theme to be reviewed. For example, a service where users are geographically concentrated and/or there are clear diseconomies of scale - such as minor housing repairs or street cleaning - might point towards a geographic approach. A service where users are evenly distributed across a district, and powerful economies of scale are possible - for example, benefits administration - calls for an authority-wide service-based approach. A service where a particular demographic group predominates and each client receives a high intensity of input may indicate that a client-focused approach is appropriate.

86. A number of authorities are already adopting this type of pick-and-mix solution. Birmingham City Council, for example, is focusing its best value pilot work on two conventional service areas (council housing and benefits), a key client group (older people - the largest demographic group in the city and one which accounts for £125 million-worth of services) and a cross-cutting council service (catering - which includes among other services, school meals, meals on wheels, leisure centres and museums).

Selecting services for fundamental review

87. Having considered the general approach that they wish to adopt and started to put in place the corporate structures and processes that will be needed to take forward their best value programme, authorities will need to finalise which services or thematic areas they should review and when. The local government White Papers state that local authorities will be required to review the performance of all services over a five-year period. They will also be expected to review - quickly and effectively - services where performance is demonstrably poor by any standards' (as highlighted by national indicators).

88. Authorities may address stronger areas of performance early so that the lessons of success can be spread, 'but it would be unacceptable for any authority to put off reviewing significant areas of weakness without good cause.'
The costs and benefits of different approaches to service selection

<table>
<thead>
<tr>
<th>Approach</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Service-based</td>
<td>Fits with existing departmental and committee structures</td>
<td>Reinforces existing patterns of service provision which may be inappropriate</td>
</tr>
<tr>
<td></td>
<td>Availability of existing performance information</td>
<td>May neglect cross-service processes which affect authority-wide performance</td>
</tr>
<tr>
<td>Area-based</td>
<td>Encourages an integrated, locality focus on service delivery</td>
<td>Existing performance information may lack a locality focus, hampering robust review</td>
</tr>
<tr>
<td></td>
<td>Enables more meaningful consultation with 'communities of interest'</td>
<td>Diseconomies of scale in some services may lead to inefficiencies</td>
</tr>
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<td></td>
<td></td>
<td>Divergence in service standards across localities may occur</td>
</tr>
<tr>
<td>Customer-focused</td>
<td>Good fit with local peoples’ perspectives on how service provision affects their lives</td>
<td>Lack of performance information or capacity to track spending and policy outcomes, by user group</td>
</tr>
<tr>
<td></td>
<td>Provides a common focus for partnership working with other local agencies</td>
<td>Hard to judge equity of resource allocation across client groups, within a service area</td>
</tr>
<tr>
<td>Cross-cutting issues</td>
<td>Allows a direct focus on issues which concern local people</td>
<td>Lack of existing performance data</td>
</tr>
<tr>
<td></td>
<td>May be a stimulus to partnership working with other agencies</td>
<td>May be difficult for council to have an impact on such issues without input from other agencies</td>
</tr>
</tbody>
</table>
89. In reality, often due to the time constraints that applied when they submitted their initial bids, the best value pilot authorities used a variety of pragmatic criteria for selecting which services to review in the first year [EXHIBIT 11]. These included:

- the service or theme had already been identified as in need of review - for example, because of the effects of local government reorganisation or CCT;
- directors of services were asked to volunteer service units from within their departments to be included in the best value programme;
- the service area or theme had been identified as a political priority by members; and
- services were deliberately selected to provide a range of performance - good and bad - or to provide a range on some other variable, for example exposure to market testing.

EXHIBIT 11
Criteria used to select services for review in best value pilots
Weakness of performance has not been the main criterion for service selection in the first year of the pilots.

<table>
<thead>
<tr>
<th>Number of authorities</th>
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<tbody>
<tr>
<td>20</td>
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<tr>
<td>15</td>
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<tr>
<td>10</td>
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<tr>
<td>5</td>
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<td>5</td>
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<td>2</td>
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<td>1</td>
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</table>

Source: Audit Commission survey of pilot authorities, 1998
Why should authorities choose to review their weakest services first?

90. Some authorities are resistant to the idea of being required to select the poorest performing services first for best value review. In taking forward their best value programmes, authorities may want to:

• avoid being seen to stigmatise certain services, so lowering staff morale and making it more difficult to bring about change;
• develop and improve service review techniques;
• spread the review work out over the four or five years, so as not to put undue strain on the authority's corporate processes by tackling all of the worst performers first;
• ensure that the impetus towards continuous improvement applies to all departments; and
• focus on services affected by new legislation or government initiatives.

91. But putting off the review of the weakest services is not the way to achieve this. The public should not have to tolerate poor performance, and by delaying fundamental review of the worst performing services authorities will be committing themselves to perpetuating sub-standard services and spending more than they need to for longer than they need to. They will be failing to achieve best value.

Service-selection methodologies

92. Deciding which services to review in which years of best value should be undertaken in as rigorous and objective a way as possible. A number of pilot authorities have successfully developed standard methodologies and matrices to help them to identify those services that are most in need of improvement, including, for example, the London Borough of Newham [CASE STUDY 8, overleaf].

93. Portsmouth City Council has developed a similar tool for identifying services for review. A variety of criteria covering user satisfaction, comparative performance and service costs are subjected to a sophisticated weighting system. Scores are then assigned to individual service areas. This allows the council to arrive at a rounded judgement on a schedule of service reviews.

The public should not have to tolerate poor performance
For its best value bid, Newham used a scoring grid to help it to prioritise 27 service units for the first year of its best value programme.

Each service was scored - on a scale of 1 to 5 (where 5 represented the highest priority for review) across nine different variables - by the lead officer on best value and staff in the research and intelligence unit. Services that were chosen for the first year of best value were those which were 'important to the public, a poor performer (and publicly seen as such), relatively high cost, a major part of the budget, central to the Council's objectives and open to market testing.'

**Service-selection grid**

<table>
<thead>
<tr>
<th>Service</th>
<th>Public satisfaction</th>
<th>Importance to public</th>
<th>User satisfaction</th>
<th>Budget</th>
<th>Performance</th>
<th>Cost</th>
<th>Market</th>
<th>Strategic fit</th>
<th>Quality accreditation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Recycling</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Refuse</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Parking etc.</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Marks assigned by the head of research on public and user satisfaction and on importance to the public were based on survey data and on the results of over 250 focus groups that have been conducted over the last ten years, including four groups specifically on best value.

Scores for the other variables, assigned by the chief executive’s policy unit, were based on monthly performance and efficiency reviews submitted by each service, comparisons using Audit Commission PIs and other benchmarks with similar councils, and an assessment of the potential for putting the service out to market competition. The ‘strategic fit’ score reflects the degree to which the service matches the key objectives set for the authority in its vision statement - physical and social regeneration, improvement of the borough's image, enhancing democracy, ensuring that local services are best in class. ‘Quality accreditation’ reflects whether the service has already been accredited, for example, for Charter Mark or ISO9000.
Defining 'worst first'

94. What both examples flag up is that defining what is a good or bad service cannot simply be done on the basis of a single indicator. A more rounded approach is required that takes account of each key aspect of performance. At a minimum, this is likely to include variables that measure:

- the cost of the service;
- the quality of the service (for example, turnaround times, levels of achievement);
- public and/or user satisfaction with the service; and
- the level of importance attached to the service - for example, in relation to public or corporate priorities.

95. It is unlikely that entire services will score equally across each of these four types of indicator and authorities will need to decide what weighting to give to each. By plotting satisfaction with services against the importance that they are given by users or the public, for example, it becomes possible to focus on those services that are rated as highly important but low in satisfaction as a priority for early action. A recent MORI survey showed that domestic care for the elderly is of high importance and low satisfaction, and would therefore seem an early candidate for review, whereas library services show the opposite pattern [EXHIBIT 12].

EXHIBIT 12

The trade-off between public satisfaction and importance attached to services at a typical council

Authorities should be comparing public satisfaction with services against their importance.

Percentage net satisfaction

Source: MORI Local Government Research Unit, 1996
A service where quality is average but getting poorer may need more urgent attention than one which is poor but getting better.

96. In practice, public satisfaction with some services (such as pavement repairs) always tends to be lower than with others (for example, libraries) and authorities will want to take this into account when reviewing their data. A figure of 50 per cent satisfaction would be average for sports facilities, very good for pavement repairs but very poor for a library service. One important variable to take into account is the direction in which indicators are moving. A service where quality is average but getting poorer may need more urgent attention than one which is poor but getting better.

97. Authorities will not be able to prepare their best value programmes in isolation. They will need to take account of changes in their external environment - not least new statutory obligations and central government initiatives. The requirement to prepare education development plans and community safety strategies in the run-up to April 1999 has provided best value pilots with an obvious incentive to review these services or cross-cutting themes in the early years of their review programme. The chance to bid for new money (such as for education action zone status) may also be a spur to action.

98. In selecting services for review, authorities will also be mindful of the timing of any programmed visits by one of the national inspectorates. Future decisions on the detail of the best value inspection framework will help to inform authorities’ decisions.
Summary

99. Effective corporate review involves establishing a clear picture of an authority’s strengths and weaknesses, agreeing a local vision for improvement with other organisations and setting practical goals for achieving it. A key task of best value will be the translation of an authority’s vision for the future into practical improvements on the ground. Corporate review should be rooted in a clear understanding of what local people currently think about services and their priorities for future action. Authorities will need to consider what type of approach to best value they wish to adopt and how to decide which services, areas or issues to review in which years of the five-year best value cycle. The checklist that follows may be useful in assessing which of these areas may need further work.
## Are we ready for best value? – corporate review and service selection

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>In progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Can the authority demonstrate that the overall vision and strategic objectives reflect the priorities of local people and service-users (for example, has it undertaken thorough community consultation)?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. Is the authority’s overall vision available in a publicly accessible form - for example, as a published community plan?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3. Has the authority decided which overall approach or mixture of approaches it will adopt for the implementation of best value (for example, service-based, area-based or customer-focused)? Has it weighed up the pros and cons of each?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4. If the authority has chosen particular client groups or cross-cutting themes for its best value programme, does it have in place the management systems and performance indicators that will be needed to measure continuous improvement?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5. Does the authority have a methodology in place for measuring in a rigorous and objective way the strengths and weaknesses of all of the services that it provides?</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
6. Is the authority able to measure variables like the cost, quality, user satisfaction and degree of public importance attached to all of the services that it provides?  

7. Has the authority decided what weight it will attach to each of these kind of factors when deciding which services to prioritise for early review?  

8. Has the authority set out a clear programme for reviewing all of the services that it provides over a maximum of five years?  

9. Does this programme prioritise weakest (or highest priority) services, or the most important cross-cutting issues, in the earliest years?  

10. Has the authority taken into account external factors, like the timing of known visits by national inspectorate teams, when deciding its programme?
5. Fundamental performance review

100. The best value regime will require authorities to review the whole of their expenditure over a maximum five-year period on an ongoing, rolling basis. For most authorities, this will be a major logistical challenge. The introduction of social service joint reviews, and Ofsted/Audit Commission LEA reviews, as well as the Commission’s ongoing programme of national value-for-money (VFM) studies, means that authorities have become used to major reviews of single services. But these have been driven by external inspectorates and auditors, rather than by councils themselves. Best value will require the scrutiny of a much greater range of services and will place the onus on authorities themselves to lead the review process. It will also require some degree of cross-party political agreement on the order in which reviews should be conducted if the five-year programme is not to be reordered every time there is a change of political control.

101. Fundamental performance reviews should:

- **challenge** why and how a service is being provided;
- invite *comparison* with other councils’ performance across a range of indicators;
- *consult* with local taxpayers, service-users and the wider business community in the setting of new performance targets; and
- embrace fair *competition* as a means of securing efficient and effective services.

102. Undertaking such a major programme of service reviews will require a high level of corporate co-ordination and planning. Each authority will need to determine how it supports and monitors the quality of fundamental performance reviews centrally. The Audit Commission will be developing specific evaluative methodologies for those service areas to be covered by the best value inspectorate. This paper does not, therefore, address the issue of performance review methodologies in detail, although this section does discuss the ‘compete’ and ‘consult’ elements of review, and lists some of the key questions relating to ‘challenge’. Comparison of performance is discussed in the next section on performance indicators.

This section covers the following key issues:

- who carries out the reviews - choosing and supporting the review teams;
- what methods should review teams use - developing a fundamental review methodology including service review manuals, toolkits and checklists;
- off-the-shelf methodologies - the business excellence model and social services joint review;
- procurement and competitiveness; and
- community consultation and fundamental performance review.
Fundamental review teams

103. A truly rigorous review of any service will require a mixture of competencies, including:

- finance and accountancy skills;
- expertise in user/resident consultation;
- skills in benchmarking;
- human resource management experience;
- understanding of the service and the needs it should meet; and
- external challenge and creative thinking.

104. Different authorities have approached the issue of fundamental review in various ways. While some have handed over all responsibility to the relevant service managers and allowed them to take the review forward in whatever way they choose, others have created central review teams (for example, from staff in the chief executive’s policy unit) which are drafted in from outside to scrutinise or actually do the reviews [CASE STUDY 9]. Perhaps the most common arrangement is for service managers to lead on the reviews using a standard methodology but with a strong input from outside

CASE STUDY 9

Bradford City Council: developing internal review teams

Bradford is tackling best value by focusing on both strategic and operational activities that contribute to community safety, the theme of its bid. The ten services within the pilot are being reviewed on a ‘peer’ basis by staff drawn from other service areas across the council. The teams were formed from over 80 volunteers who responded to an advertisement in the authority’s internal jobs bulletin. An initial workshop was held for all those who had expressed an interest and a more intensive two-day training course was arranged for the 40 staff who decided that they wanted to be involved in the pilot phase.

Service managers were asked to prepare a ‘portfolio’ of information which was used by the review teams as the starting point for the process. This involved considering policies affecting the service, consultation with users, staff involvement, past performance and outcomes.

The outcomes of the reviews are reported to the best value steering group before being taken to service sub-committees. Recommendations for action are then built into the authority’s mainstream planning process.

A learning review workshop, including managers and review teams, is to be held at the end of the pilot phase to establish the strengths and weaknesses of the process and inform the development of guidelines for future years.

the department - for example, by including someone from another department on the review team or by requiring regular reports to a cross-departmental best value steering group.
Authorities will need to ensure robust challenge by the review team. There may be a role for involving people from outside the authority in the reviews. Service-users (for example, council house tenants or headteachers) could play a valuable role by providing a consumer perspective, and staff from other authorities can provide an element of peer review. The London Borough of Camden has involved the head of library services for the London Borough of Greenwich in its best value review of its library service. Any private contractors providing services will also need to be part of review teams.

Authors vary widely in the degree of corporate support that they offer service departments in undertaking fundamental reviews. An analysis of the best value performance plans produced by 23 Welsh authorities in the spring of 1998 [EXHIBIT 13] showed that the most common form of support was a standard service review template (mentioned in one-third of performance plans), followed by staff training and the application of the business excellence model. Very few mentioned evaluating service reviews against corporate priorities, which should form part of the review – though this may reflect the very early stage in the best value cycle at which these performance plans were prepared.
Corporate support for service reviews

The Welsh pilots have employed a variety of techniques to support the review process.

- Central evaluation of every proposed service review against corporate priorities
- Introduction of new financial planning mechanisms
- Improvement of management information systems
- Corporate-wide staff and/or user consultation
- None specified
- Application of Business Excellence Model or similar to the implementation of best value
- Staff and/or member training
- Standard service review template

Number of authorities

Source: Audit Commission, 1998

Fundamental review methodologies

107. In addition to advice on team membership, there may also be a role for corporate guidance on the methodology that fundamental reviews should adopt, although authorities will need to avoid being so prescriptive about this that service managers feel that they have no room for developing their own ideas. Corporate guidance will be particularly important in the ‘challenge’ function, since authorities will need to ‘address key questions about the justification for a service and the way in which it is provided’ [BOX E, overleaf].

108. Statutory guidance on the four elements of reviews will be developed once legislation has been introduced. The four elements will also provide a key focus for the in-depth inspections to be undertaken by the best value inspectorate and by the specialist inspectorates.

109. A number of pilot authorities have already begun to produce their own guidance, specifications, checklists and manuals to assist local service review teams. Ipswich Borough Council has produced guidance for service managers on carrying out a best value review. This gives advice on completing a standard proforma outlining how each service review will be carried out and for undertaking the review itself, which includes benchmarking, a review of management arrangements, consultation and timetabling. The guidance contains key contact numbers for the staff leading on national PI data, cost-comparison information, corporate approaches to benchmarking and
Examples of key challenge questions

- When was the service last subjected to a comprehensive review? What targets for service improvement were set as a result? What action was taken?
- Which elements of the service have been/are likely to be affected by changes to external circumstances (for example, government legislation)?
- How well does the service align with the corporate priorities of the authority?
- What resources are currently required by the service (budget, capital investment, staffing resources)? Have there been significant changes in the budget in recent years?
- What are the medium- and long-term financial implications for the authority of continuing to provide the service?
- How important is the service to the local community? How satisfied are users with the service?
- Has the authority considered alternative ways of meeting the needs/aspirations of the community?

Source: Audit Commission

BOX E

the authority's co-ordinator for community consultation. The London Borough of Newham has produced a computer-based best value toolkit, based on a standard set of headings that service managers are required to complete. There are eight of these, including:

- review of current service (objectives, resources, assets, Pts and public perception);
- analysis of services (in terms of Strengths - Weaknesses - Opportunities - Threats linked to corporate priorities);
- consultation;
- initial targets;
- alternative suppliers and partners;
- strategic review (including a cost/quality matrix);
- work processes; and
- delivery plan.

110. The package includes detailed help notes and definitions on each section as well as a number of scoring and decision matrices to help service managers to assess their relative performance. These include a customer satisfaction matrix, a cost versus quality matrix, and guidance on scoring to fit with the authority's key vision.

Central support functions

111. The fundamental performance review programme should include central support functions as well as front-line services. Indeed, the effectiveness of front-line staff may often reflect the quality of support that they are offered from the centre. In addition to reviews of the central support functions themselves, every front-line review should therefore include scrutiny of the cost, quality and rationale for the services received from the corporate centre. Guidance may be needed to ensure that central
support staff and managers co-operate with this process and that they are not overburdened by competing demands to participate in reviews.

112. An Audit Commission study found that many authorities find it difficult to identify what is spent by central departments on the provision of support services (Ref. 14). Even where this can be identified accurately, different authorities tend to use a variety of mechanisms for allocating these costs to user departments.

113. Rigorous fundamental review depends on the full costs of service provision being identified at the service and sub-service level. Authorities should provide guidance to review teams to ensure that the allocation or apportionment of central support costs - such as administration and management costs, or the provision of specialist services such as financial services, IT support, legal and personnel - is carried out in a fair and consistent manner across the authority. The DETR, in conjunction with the Audit Commission, CIPFA and the LGA, is currently reviewing local authority practice and will recommend an approach in relation to best value.

Off-the-shelf review methodologies

114. To assist them with fundamental performance reviews, a number of authorities have made use of existing continuous improvement packages to structure their approach. Of these, the business excellence model (BEM) has proved particularly popular [BOX F, overleaf], but there are other ways of providing a structure for this.

115. Over the past two years, the Audit Commission, working with the Social Services Inspectorate (SSI) has been developing a methodology for the joint review of social service authorities (Ref. 15). Although this has been designed for social services, it provides a useful framework that could, in practice, be applied to the fundamental review of any front-line service [BOX G, overleaf].
The Business Excellence Model (BEM)

This model is growing rapidly in popularity. A recent LGMB analysis shows that out of 221 authorities applying a best value approach (including pilots, unsuccessful bids and others), 55 (25 per cent) say that they are using the model in some way.

Its key aim is to link organisational processes with outcomes. It is based on the premise that ‘customer satisfaction, employee satisfaction and impact on society are achieved through leadership driving policy and strategy, people, management, resources and processes, leading ultimately to excellence in business results.’ The model includes nine criteria against which the organisation assesses itself, with half of the score allocated to what are called enablers and half to results; each of these factors is given a weighting.

In assessing performance against each of the enabler criteria, the organisation or outside assessor considers evidence on two key factors - the approach that the organisation has adopted and the degree to which this approach is deployed both vertically and horizontally within the organisation.

An organisation that can provide clear and comprehensive evidence on each of these issues scores highly. One which has no, or only anecdotal, evidence is marked down.

The results criteria are marked against two main factors - the results themselves and their scope - that is, the proportion of the organisation’s activities to which they refer. Under the broad results heading, assessors look for:

- trends - can the organisation demonstrate a three- or five-year trend of positive performance on the variable in question?
- comparisons with own targets - are these favourable across all areas?
- comparisons with external organisations - are these favourable in all areas? and
- whether results are caused by the approach?

BEM is being used by local authorities for both the review of specific services and for authority-wide corporate review.

Although the model addresses at least three of the 4Cs of best value (compare, consult and compete), it is perhaps weaker on the challenge aspect - that is, why are we delivering this service in the first place? And there is less weight placed on ‘impact on society’ than might perhaps be appropriate for a public sector organisation.
The social services joint reviews focus on four main questions:

- Are services focused on users?
- Can the authority shape better services for the future?
- Is performance effectively managed?
- Are resources managed to maximise value for money?

Each of these four key questions is then divided into four more categories, so that, for example, ‘managing resources’ includes sections on:

- strategic budget management;
- financial management and control;
- infrastructure and information management; and
- human resource management.

At the start of every review, each authority has to prepare a position statement that collates available data and sets out the background context (historical, political and operational); its own views of its strengths and weaknesses; its answers to a self-assessment tool on the four key domains; and includes organisational, team and functional maps, current action plans and financial and referral data.

The Joint Review Team draws on a wide range of published and unpublished data including:

- analysis of key indicator statistics collected by the Department of Health, Audit Commission and CIPFA;
- surveys of user and carer views (for example, on how they made contact with services, their involvement in assessment and the effectiveness of the services received). In each authority, a sample of between 250 and 450 users and carers receive a questionnaire;
- information from local auditors and SSI inspectors, including management letters, reports, studies and ongoing investigations from the last three years;
- analysis of case files - in each authority, 80 case files drawn from all the main client groups (for example, physical disability, learning disability, older people, children on child protection register) are examined;
- fieldwork visits and interviews with local teams, users and carers and headquarters staff and management, that are spread over four weeks; and
- analysis of a three-month sample of referral data and of finance and activity data on the current and past two years, divided by client group.
Procurement and competitiveness

116. A key part of all fundamental performance reviews will be a rigorous examination of each service's procurement strategy. Both the English and Welsh local government White Papers already state that forthcoming guidance will emphasise that 'retaining work in-house without subjecting it to real competitive pressure can rarely be justified. Should an authority exercise that choice and the service fail to provide best value, continuing in-house provision would not be sustainable.' The DETR and Welsh Office have also made clear that they will continue to take 'firm and swift action' against any authority that operates at a trading loss.

117. The White Papers set out a number of ways by which an authority might address the 'compete' element of best value. These include:

- commissioning an independent benchmarking report;
- providing a core service in-house and buying top-up support from the private sector so that comparison can be made between the two;
• contracting a service out to the private sector following competition restricted to external bidders;
• forming a joint venture or partnership following a competition for an external partner;
• tendering part of the service, with an in-house team bidding against the private sector and other local authorities; and
• disposing or selling off competitively a service and its assets to another provider.

118. A key element of corporate support for fundamental review should therefore be the provision of clear advice and practical support to service managers on testing procurement strategies and competitiveness. A number of authorities have already started to issue central guidance to service managers on this area. The London Borough of Newham’s best value toolkit, for example, includes a decision matrix to help managers to consider which is the most appropriate form of competition. This involves two key axes:
• a performance:risk axis that measures the current quality and cost of the service and the ease of securing alternative supply; and
• a community:impact axis that measures the impact and importance of the service in terms of delivering the council’s vision.

119. The performance/risk axis is weighted most heavily in calculating whether services should go out to competition. It includes measures of the balance between price and quality, as well as of the availability of reputable alternative suppliers to the council and of the degree of competition in the marketplace. The Audit Commission has produced a number of reports in the past aimed at preparing authorities for CCT. While the debate has moved on to some extent, those that are still relevant cover good practice on developing a procurement strategy (Ref. 16), and involving consumers in developing service specifications and monitoring the success of contracts (Refs. 17 and 18).

120. Just Capital (Ref. 19) provides good practice advice on procuring capital projects, while Take Your Choice (Ref. 20) includes checklists and case studies for social service managers who are responsible for commissioning services on mapping local markets and analysing demand and supply factors.

Community consultation

121. The White Papers envisage that councils will be required to consult and engage with the local community when carrying out fundamental performance reviews. It is likely to be left to each authority to decide when and how to carry out this consultation, although the audit/inspection framework that will support local performance plans might reasonably encompass consideration of the strength and robustness of consultation. While the White Papers recognise that different approaches to consultation will be appropriate for different services and at different stages in the review process, current statutory consultation requirements are likely to remain and new statutory requirements may also be considered.
122. Some of the ways in which councils could demonstrate that they satisfy the proposed new requirements include:

• developing and implementing corporate, service or area strategies for community consultation;
• devising and using guidance for those carrying out reviews on which consultation methods are most appropriate in particular circumstances;
• having clear, relevant criteria for who should be included in each consultation exercise; and
• keeping full records of each consultation exercise undertaken, including details of how the results of the exercise were fed back to consultees and were taken into account in the conclusions of the review.

123. To meet the minimum requirements on consultation, an authority will need to consult the community about all of its main services over a five-year cycle. As the White Papers envisage that councils will decide for themselves how to satisfy the consultation requirements, they will need to consider a range of questions [EXHIBIT 14].
Whatever choices a council makes about meeting the consultation requirements, it is essential that the results of consultation exercises are fed into decisions about policy and financial choices. One definition of consultation is a ‘dialogue leading to a decision’. This definition usefully reinforces the idea that consultation involves two-way communication and that, to be meaningful, it must feed directly into a decision. This does not mean that councils must always reflect the majority view of consultees, particularly when different sections of the community have divergent interests. However, there is nothing more likely to dissuade people from engaging with an authority than the suspicion that it will not matter what they say because the decisions have already been made. Councils must therefore be ready to tell consultees what has happened to the views that they expressed and how they influenced any decisions that were made. The local performance plan provides one route for doing this, but other, more specific or direct, routes for feedback will also be needed.

Current consultation practice in local government

Recent research by the DETR on forms of public participation shows that:

• a diverse range of initiatives has been attempted, but there has been limited evaluation of their benefits in the light of their costs;

• the most common methods are relatively traditional approaches, such as complaints/suggestion schemes, service satisfaction surveys, public meetings and consultation documents;

• some more innovative methods (interactive websites, referenda, citizens’ panels) are used by a few authorities and the numbers attempting them are increasing rapidly;

• few authorities have a strategic approach to consultation, with the majority of initiatives being generated within service departments; and

• authorities identify significant benefits from consultation but, in a significant minority of cases, some negative consequences as well (for example, when high public expectations are not being fully met, consultees become disillusioned).

This overall picture suggests that a typical authority uses relatively traditional techniques, which it finds valuable, although without either a co-ordinated, strategic approach to consultation or much systematic evaluation of its success. Reasonably large numbers of these authorities are also consulting jointly with other agencies, particularly health bodies and the police. A much smaller number of leading-edge authorities are using new methods (such as citizens’ juries), although sometimes they, too, could get more out of their efforts with a more strategic, overall approach. This involves making sure that individual exercises are carefully planned to serve their purpose fully and that different consultation initiatives are properly co-ordinated, with results being shared across relevant parts of the authority and its partners.
Some authorities, which have been active in community consultation for a number of years, are willing to give advice and guidance to others.

127. There are plenty of sources of information on consultation methods, and about when and how to use them. The LGA and LGMB provide advice and guidance for councils and comprehensive good practice material is available. Some authorities, which have been active in community consultation for a number of years, are willing to give advice and guidance to others with less experience; the LGA/LGMB may be able to help match councils seeking assistance with those able to offer it.

Key steps in getting ready for best value

128. There are three key steps that authorities need to take to get ready for the best value consultation requirements:

• deciding how and when to consult;
• developing local approaches; and
• overcoming obstacles to effective consultation.

129. Each authority's approach will depend on the strength and depth of its existing consultation practice. Authorities with limited experience of using consultation will still need to go through each of the three steps, but should concentrate on getting the basics right before using some of the more sophisticated or complex approaches available.

Deciding how and when to consult

130. There is no single right answer to the decisions that authorities will need to make about how and when to consult while carrying out fundamental performance reviews. The best approach will depend on both the service or area being reviewed and the critical issues being addressed in the review. If the main problem identified with a service is that it is not sufficiently responsive to service-users' needs, then consultation will need to focus on exactly what users do not like about the service and how this could be changed. In this case, consultation will almost certainly need to take place several times throughout the review, or to be ongoing. However, if the key issue under review is the level or availability of the service, consultation may need to focus on the options available for increasing the level of the service and on the knock-on implications of these options for other service planning and spending choices.
A useful first step, both for councils with extensive experience of consultation and for those that are just beginning, is to carry out an audit of all recent consultation exercises. This should:

- generate information about ‘the state of the art’ locally;
- provide a basis for identifying the best ways of using consultation in the first round of fundamental service reviews;
- highlight local good practice that might hitherto have been hidden; and
- provide a starting point for developing future corporate good practice guidance.

**Developing local approaches**

Although the principles of good practice can be applied to all councils, it is essential that each authority defines and follows its own approach to consultation. Consultation is resource-intensive and costly: authorities will need to decide on local cost-effective approaches.

The DETR’s recent research suggested that few councils have thought through a corporate approach to consultation, with most initiatives being generated at service or area level. This is not a problem in itself: it is encouraging that many front-line service managers are taking the initiative to involve the public in the services that they deliver. However, if consultation is undertaken by managers with little experience of it, the results may not be reliable and the risk of adverse consequences (for example, asking questions that produce ambiguous results) increases.

In most authorities, the corporate centre will therefore need to take responsibility for:

- ensuring that consultation exercises are carried out in line with best practice standards and encompass equal opportunities policies;
- supporting front-line managers who are carrying out service-specific exercises;
- sharing good practice across the authority;
- carrying out corporate exercises – for example, on overall policy priorities; and
- co-ordinating consultation undertaken for best value reviews.

Corporate support for consultation exercises within best value could include:

- defining local principles for consultation;
- setting protocols or minimum standards;
- providing a toolkit or other ‘how to’ guidance; and
- producing and circulating information on the scope and results of recent and planned consultation exercises.

The Welsh Office, with the WLGA and Audit Commission, is developing the idea of a regular survey of service-users to assess how well they think that councils are rising to the challenge of best value. Corporate information of this kind will complement local exercises.
Overcoming obstacles to effective consultation

137. Many authorities have found that it is relatively easy to engage with some sections of the community, particularly those that are already organised into representative organisations, or to get service-users to participate in simple forms of feedback, such as short surveys at service-delivery points. But it can be much more difficult to engage successfully on more controversial issues, or to find ways of reaching all sections of the community. Young people, for example, are unlikely to attend public meetings or to respond to consultation documents, which are two of the most common local authority approaches to public participation.

138. It is all too easy to assume that, if a group within the community does not respond to traditional consultation approaches, this indicates a lack of interest or concern about the subject of the consultation exercise. However, the success of some authorities has demonstrated that such assumptions about public apathy are misplaced.

139. Every authority should therefore:

• review its past consultation exercises to identify groups within the community that are systematically under-represented among consultees - these might be communities of interest (for example, particular ethnic minority groups) or geographical communities (for example, those living in particularly remote areas);
• identify the barriers to these groups being involved in consultation - these might relate to the approach being used; to practical obstacles (language barriers, access to technology, etc); to the relationship between the group and the authority; to disenchantment resulting from previous, failed attempts at engagement, or to other specific local factors; and
• plan how to overcome these barriers in future.

140. Next this year the Commission plans to publish a management paper that will look in more detail at some of the obstacles to effective consultation, and at how some organisations are trying to overcome them.

Equal opportunities and best value

141. Overcoming barriers to consultation is just one aspect of ensuring that all sections of the community benefit from the improvements that it is hoped will flow from best value. Equal opportunities considerations should feature at both a corporate and service-specific level when implementing best value [CASE STUDY 11]. A failure to scrutinise equality of access during fundamental performance review may lead to higher costs (through, for example, higher than necessary risk of litigation) and lower quality of service for those users who continue to receive a substandard service (or no service at all). One of the suggested corporate-wide ‘general health’ indicators (which may, in time become linked to eligibility for beacon council status) is whether the authority complies with the Commission for Racial Equality and Equal Opportunities Commission codes of practice on employment.
The London Borough of Hounslow - best value and equal opportunities

The London Borough of Hounslow ensures that equal opportunities is built into the performance management of every service. Each service delivery area has equality strategy statements and performance indicators that cover key issues such as:

- equality of access;
- equality of treatment based on equal respect;
- removing the barriers that deny access to certain groups;
- consulting users and taking positive steps to include excluded groups; and
- making information on services widely available and targeting where necessary.

All staff (including chief officers) have a duty to implement the council’s equal opportunities policy in service delivery.

Source: Best Value and Equal Opportunities, LGIU (Ref. 21)

Summary

142. Best value will require every authority to review every service that it provides over a maximum five-year period. This will require a high level of co-ordination and planning and each council will need to decide how it supports and monitors the quality of these fundamental performance reviews. Authorities should consider whether guidance and advice is needed on the membership of review teams, on review methods and on key issues like consultation, and whether to deliver services in-house or through outside providers. The following checklist may be helpful in assessing progress on these issues.
Are we ready for best value?  
– fundamental performance review

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<td>1. Does the authority provide clear guidance on who should be included in fundamental performance review teams (for example, in terms of skills mix and staff seniority)?</td>
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<td>2. Has the authority considered whether these teams should include external representatives - from outside the department and/or from outside the authority (for example, a service-user or peer professional from another authority)?</td>
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<td>3. Has the authority developed a standard methodology for undertaking fundamental performance reviews?</td>
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<td>4. Does the authority’s approach to fundamental review meet the White Papers’ requirements to:</td>
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<td>• challenge why and how each service is being provided?</td>
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<td>• embrace fair competition as a means of securing efficient and effective services?</td>
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<td>• consult with local taxpayers, service-users and the business community?</td>
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5. Has the authority considered the use of existing quality review methodologies?

6. Does the authority provide training to review teams in applying fundamental review methodologies?

7. Can the authority track progress with each of the fundamental performance reviews?

8. Are there structures and procedures in place for scrutinising the quality of output from fundamental performance reviews (for example, regular reports to a best value steering group)?

9. Are there processes in place for approving the action plans that flow from fundamental performance reviews?
6. Performance indicators and target-setting

143. Best value places a clear emphasis on comparing performance, setting targets for improving performance, monitoring progress and reporting the results back to local people. The White Papers envisage a range of statutory national performance indicators (PIs), supplemented by a larger number of locally specified indicators. The main elements of the framework are:

- a small number of general health indicators;
- a larger number of statutory service indicators;
- locally determined PIs;
- checks by external auditors that indicator data is likely to be accurate;
- requirements to set targets for future performance against national indicators;
- strong encouragement for performance benchmarking; and
- requirements to publish both past performance and future targets for national indicators in local performance plans (LPPs).

144. The White Papers set out a clear expectation that authorities will need 'to compare their performance with the best', also including comparison with other public and voluntary bodies and the private sector. The range of indicators set out above will be an essential ingredient to this requirement. The White Papers also propose that all councils should set targets for the PIs prescribed by the Government which will, over the best value cycle, raise the council's performance to match that of the upper quartile at the time the target was set. Initial analysis by the Commission of PI trends over the past four years suggests that this will be a considerable challenge, particularly for those councils that are currently performing relatively poorly.

145. A recent Audit Commission survey of local authorities shows that a significant proportion do not set local PIs and that some who do not set targets or monitor progress in achieving them. Fewer than one in five have a comprehensive framework of local indicators.

146. Most councils will therefore need to gear up both to develop new local PIs, including those which cover corporate policy initiatives and issues of major local concern (for example, community safety), and to prepare to meet the challenging targets set by the White Papers. Councils will also want to consider how they will use both the national indicators and those that they set themselves. Nationally specified indicators could play a number of possible roles in best value, including:

- helping to inform local people about the quality, cost and level of services provided;
- helping authorities to select services for fundamental review;
- contributing to the 'compare' judgements made as part of the fundamental review process;
- identifying possible benchmarking partners or best practice authorities; and
- setting targets and monitoring progress towards them.
Local people will be able to use the information in local performance plans to form a view about how their council is doing.

147. PIs, and councils’ success in achieving the targets that they set against them, will also be used to evaluate whether councils have achieved best value. Local people will be able to use the information in LPPs to form a view about how their council is doing. Inspectorates and others will use this performance information in their work. PIs alone cannot be used to make judgements about whether or not best value is being achieved. Many other sources of information will be needed to do this, including:

• citizens’ and service-users’ views;
• professional evaluation of the quality of services and the standards being achieved;
• information about the strength of management arrangements;
• judgements about the balance between the cost and quality of a service; and
• information about the way that a council has addressed the best value requirements.

148. Indicators alone rarely give a picture of absolute performance, and they provide a more powerful tool if used alongside other performance information. Sometimes, however, PIs are best used as ‘tin-openers’ - ways to ask the right questions about a service or to highlight areas where more detailed investigation of performance is needed.

149. The rest of this section looks at:

• how national PIs are likely to change;
• points that councils should address in setting local PIs; and
• setting targets for both local and national indicators.

National performance indicators

150. Since 1992 the Commission has been responsible for setting a suite of national PIs for councils and police forces. Other agencies, such as Her Majesty’s Inspector of Constabulary (HMIC), have also set PIs, while ministers set national performance targets for the police and local government services, or require authorities to set local targets in specific services. Government statistical returns also include some indicators of performance, although these are rarely published to a wide audience.
151. The White Papers set out new arrangements in which:
- the Government proposes to specify a set of national PI’s, against which councils will set targets, which must be published in LPPs;
- the Commission will supplement the Government’s suite of PI’s, if it considers this appropriate, and will publish national reports on comparative performance; and
- external auditors will check the integrity of published performance information.

152. The Government has indicated that it does not want LPPs to be too heavily burdened with nationally specified PI’s, so it is likely that the number that must be included within plans will be significantly smaller than the number that authorities must publish now.

153. The focus of indicators will also change. In its 1998 consultation paper on the indicators (Ref. 13), the Commission proposed to shift the emphasis of its indicators away from those based on locally set targets. A number of the Commission’s original indicators related to locally set targets, which made it difficult to draw comparisons between authorities. The emphasis within best value on comparative performance analysis suggests that national indicators based on local targets will generally no longer be appropriate.

154. Best value performance indicators will need to reflect the needs and experiences of service-users. They will therefore need to cover:
- access to services, in terms of ease and equality of access;
- the quality of services, including user satisfaction;
- the cost of services;
- the efficiency with which services are provided;
- the effectiveness of service management; and
- the strategic objectives that authorities have for ensuring that services meet needs.

155. So cost will still be important, alongside the efficiency and effectiveness of services, and the emphasis on the quality and accessibility of services is likely to increase. This growing emphasis on effectiveness - the extent to which services achieve what they are intended to deliver - is reflected in the new indicators that the Commission is proposing for 1999/2000, which are predominantly concerned with user satisfaction, access to services and service outcomes.

156. As best value develops, there may be an increasing focus on indicators that measure activities which cross organisational boundaries, or those which measure the quality of life in communities. While some existing and proposed indicators reflect the quality of local services, very few deal with these broader aspects of the community’s quality of life. In some countries, particularly the United States, such indicators are routinely published. For example, Oregon collects and publishes a suite of indicators covering educational attainment, GDP, sickness and environmental matters. Several of the best value pilot authorities have developed indicators in these areas.

157. The introduction of such indicators nationally offers three main advantages:
- they reflect important local community priorities and concerns;
- they cover issues which are of growing importance within authorities; and
• they offer a wider perspective on the general effectiveness and influence of local government in line with the new duty outlined in the White Papers.

158. However, this approach also presents some difficulties:
• there is rarely a direct causal link between the work of a single agency and the outcome measured by such PIs;
• it may not be clear who should be held accountable for performance;
• relevant data may not be available; and
• such indicators may be difficult to interpret.

159. Measuring the quality of life in a community is a complex task. However, councils will need to consider how to tackle it in future if they are to monitor how successfully they are achieving the proposed new duty to promote the economic, social and environmental well-being of their localities. New national indicators in these areas might well benefit from being piloted before being widely introduced.
Local performance indicators

160. Good local PIs will be critical to the success of best value. They will enable councils to ensure that local priorities are translated into targets for action within fundamental service reviews, and that progress towards these is checked through LPPs. It is possible to suggest a set of roles for local PIs [EXHIBIT 15].

161. Although only a minority of councils currently have comprehensive frameworks of local PIs, many authorities have indicators covering some activities. However, most councils will need to supplement their existing sets of indicators if they are to get the most from best value. The first step is to think carefully about how local PIs should be used, both to help in reviewing services and to monitor progress against LPPs.

162. Next year, the Commission will publish a management paper exploring in detail good practice in setting local PIs, service standards and targets. The key steps are:

- involving service-users, councillors and staff in designing indicators and setting targets;
- telling the public about the service standards that are set as a result of this process;
- delegating responsibility for monitoring individual indicators and achieving local targets to specific individuals;
- making sure that systems for monitoring local performance will produce good quality, consistent data;
- identifying who will be responsible for monitoring performance at officer and member level; and
- integrating local performance indicators and targets into a wider process of performance review.

EXHIBIT 15
The role of local performance indicators
Local PIs can have several roles.

Source: Audit Commission
Many of the indicators that councils now use do not measure the performance of services as precisely as they could - councils will need to look critically at the information that they already collect locally and make sure that the indicators that they use really do reveal how well services are performing. In summary, a good PI should be:

- **easily defined**
  - you should be able to define the indicator in a way that makes it possible to collect the information in exactly the same way in each monitoring period, so that comparisons can be made;

- **measurable**
  - your PI should be quantifiable;

- **targetable**
  - you should be able to set a numerical target for future levels of performance against the indicator;

- **relevant and useful**
  - the indicator should be something that service-users, councillors or staff think is important and the information produced should be useful;

- **understandable**
  - it should be easy to understand what the indicator means, and why it is relevant to performance; and

- **indicative of performance**
  - the information should tell you something about how the service is performing.

Designing new indicators, setting up data collection systems and then monitoring performance all take time and effort. Councils need to strike a balance between having enough local indicators to monitor performance properly and using so many that the system becomes burdensome. If councils are to avoid trying to collect too much information, it is important that all new and existing indicators are reviewed regularly to check that they relate clearly to the action plans resulting from fundamental performance reviews, that they demonstrate clearly the performance of a service, and that they help the council to check whether it is achieving the aims and objectives that it has set for a service.

When developing a set of indicators, authorities will also need to think about what guidelines they can give to staff to minimise the burden of collecting information. If devised properly, data-collection systems can be integrated into the day-to-day tasks with minimal additional work. Good data-collection systems are important. Information technology should be used to generate performance information automatically from database records wherever possible.

Having devised indicators, it is important to set appropriate targets for them. Where an indicator is not collected nationally, and where the authority does not have experience of collecting the information itself, it may be difficult to decide the appropriate target level. The authority may have little or no idea what levels of performance are currently being achieved. In these cases, it may be necessary to collect data on the indicator for a few months first before deciding what target is appropriate.
Setting targets against national and local indicators

National targets

167. The White Papers envisage a challenging regime in which councils will have to set targets for all the national indicators that are included in LPPs. The targets should be consistent with the performance of the top 25 per cent of authorities nationally for quality targets or regionally for cost and efficiency targets, at the time that the target was set.

168. The indicators against which such targets will have to be set have not yet been selected. However, there are still some steps that councils can take now to help them to meet this challenge. The existing Audit Commission indicators form a good base of national comparative data that authorities can use to see how their services are performing at the moment, to work out what targets they would need to set, and to see what kind of improvement would be necessary to get reach the standard that the top 25 per cent achieve now.

169. Not all of the existing indicators are suitable for target-setting, so councils may find it helpful to carry out this exercise using those of the current indicators that most clearly demonstrate the efficiency or effectiveness of a service. For example:

- percentage of housing benefit applications processed in 14 days;
- percentage of council tax collected;
- the number of books and other items issued by libraries per head of population; and
- the percentage of pupils in local authority schools achieving five or more A-C grade GCSEs.

170. Councils that find that they are already in the top 25 per cent for a particular indicator should not consider this to be cause for complacency. The best value regime is intended to result in standards improving overall year on year. Previously high performing councils whose performance stands still will fall out of the top 25 per cent over time. It is important that challenging targets are set even where performance is relatively good, and that levels of performance are maintained or improved upon. If this is not done, 'continuous improvement' will be difficult to achieve.

Local targets

171. When setting targets for local indicators, councils will need to think carefully about what sorts of targets to set and how to go about achieving them. If local indicators have been devised well, it should be possible for the authority to commit itself to a particular level of performance in the future. Local targets are important because they:

- provide a basis for consulting the public on what level of performance they expect the council to achieve;
- allow council members to give a clear message to staff and contractors about what they expect to be achieved;
- make it clear to staff what they are supposed to be doing; and
- provide a clear baseline against which to judge whether reported performance is good or bad.
172. Before setting targets and standards, councils should consider what the target is intended to achieve, and what message it is supposed to convey to its intended audience. This is particularly true for targets and standards intended to inform the public. Common problems include making targets and service standards easy to understand but hard to measure or, conversely, easy to measure but hard for a non-specialist to understand.

173. Some councils have established groups of neighbouring or similar councils to develop indicators and targets that are both locally relevant and which provide comparative data. One now well-established example is the Core Cities Group, comprising the cities of Bristol, Birmingham, Leeds, Newcastle, Manchester, Sheffield and Liverpool. The group works well because these authorities have similar local circumstances and problems, and some share many of the same policy priorities. So local indicators can be developed that are appropriate to all of them, and good ideas from the best performers can be shared. However, councils setting up groups like this should be aware of the commitment that is involved in benchmarking effectively. Developing usable performance indicators that are appropriate for even a small group of authorities, and which can be collected in the same way by each of them, may be difficult.

174. It will rarely be possible to set detailed local targets in all areas of council activity, so before setting local targets, councils need to decide which service areas are most important and require the particular attention and focus that will result when targets are applied.

175. When deciding which services or aspects of services to address through targets and standards, councils should consider:

- public perception: do complaints, consumer surveys or feedback from members reveal weak spots which need particular attention?
- member priorities: what are the council's policy priorities, and what are the areas that council members have expressed most concern about?
- universality: which services are used and relied upon by the largest numbers of local people?
• dependency: which services are most essential to particular groups?
• performance: which services have performed poorly and need special attention to bring them up to standard?
• external intervention: have any services been singled out by external auditors or inspectors as being in particular need of attention?

176. Traditionally, the Audit Commission and others have talked about council services in terms of the ‘3Es’ - economy, efficiency and effectiveness - and in terms of inputs, outputs and outcomes. ‘Inputs’ are what goes into a service – money, staff resources, buildings, etc. ‘Outputs’ are what the service produces and ‘outcomes’ are what happens as the result of a service. To get a complete picture of how a service is performing, councils need to develop indicators to measure inputs, outputs and outcomes for a service.

177. For most services, it is easier to set output targets than outcome targets. Nevertheless, setting targets for the outcomes of a service is especially important, because they tell you whether the service is achieving its purpose, rather than whether it is running efficiently.

178. Whatever approach is adopted to setting targets, it is essential that progress towards them is monitored and corrective action taken if progress is unsatisfactory. At the moment, many councils do not take this critical step, without which the effort involved in setting local PIs and standards will produce only limited benefits.

Summary

179. Best value will require all authorities to compare themselves with others, to set targets for improvement and to monitor performance. Every council will need to ensure that it can collect nationally specified indicators and is developing the local indicators it needs for its specific best value programmes. Councils will also need to think carefully about what sorts of targets to set and how to achieve them. The following checklist should provide a reminder of the key points to bear in mind.

...it is essential that progress towards targets is monitored and corrective action taken if progress is unsatisfactory.
## Are we ready for best value? – performance indicators and target-setting

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<td>1. Has the authority agreed clear cost, efficiency and outcome indicators for comparing performance and for measuring the impact of each fundamental performance review action plan?</td>
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<td>2. Where there are no existing indicators, are there mechanisms in place for collecting and auditing new performance information?</td>
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<td>3. Has the authority identified and contacted suitable partners against which to benchmark itself? Is it benchmarking itself against the best in each category?</td>
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<td>4. Do benchmarking partners include private sector and other agencies as well as other local authorities?</td>
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</table>
| 5. Has the authority set itself annual and five-year targets for all key services on:  
  • quality?  
  • cost and efficiency? |  |  |  |

Continued overleaf
6. Do these annual and five-year targets at least match the minimum national standards that have been set by the Government for key services (for example, literacy and numeracy rates)?

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7. Do the five-year targets at least match the current performance of the top 25 per cent of all authorities for quality targets and of the regional top 25 per cent for cost and efficiency targets?

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8. Does the authority have systems in place for monitoring performance against targets?

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7. Looking to the future

Learning from the pilots

180. Best value represents the biggest challenge to local government service delivery in many years. If the concept of best value, as currently envisaged, is to realise its full potential, all members and officers will need to be actively involved. The stated aim of best value is to put local people back at the heart of local government. By giving service-users and local residents a greater say in the priorities and standards that are set for local services, the Government hopes to improve local accountability and to stimulate improvement that leads to the better use of resources and higher satisfaction with performance.

181. The statutory implementation of best value and its timing depend on the progress of legislation through Parliament, but authorities can sensibly start their preparations now. This paper has provided some ideas on the sorts of questions that councils will need to ask themselves as they get ready for the regime, and has described some of the initiatives that have already been taken, but there are plenty of other sources of advice and support.

182. Lessons are already starting to emerge from the 37 English and 23 Welsh best value pilot authorities - many of which are actively encouraging other councils to learn from their experiences. They have adopted a wide range of approaches, from programmes focused on particular geographical sub-areas (like Manchester, Brent and Leeds), to client-focused bids (like those in Cumbria and Bridgend), to programmes applying a 'whole authority' approach (as in Braintree, Torfaen and Newham). The programmes are being evaluated in England by Warwick Business School and in Wales by Cardiff Business School. Both institutions will be publishing regular reports summarising their findings.

183. The Local Government Association (LGA) has also announced plans to establish a national improvement and development agency for local government to highlight best practice and to provide practical backing and support to councils that may be striving to achieve best value. Initial findings of a pilot project, involving a number of authorities, to develop a model of how this might work in practice should be released early in 1999. The LGMB has also produced a range of publications on aspects of best value, including involving the public, performance indicators and partnering for service delivery.¹

184. The change to a best value regime cannot be achieved overnight. The pilot programmes established by the DETR and Welsh Office/WLGA provide an important opportunity to test different approaches and to fine-tune review and evaluation techniques. The Audit Commission will be working with the Government, pilot authorities and their auditors, and with other interested parties, to develop the materials that will be needed when best value goes 'live'.

¹ Further details are available from LGMB publications department.
Those councils that wait to be told what to do may find themselves rapidly overtaken by events.

185. As the introduction to this paper highlighted, the Commission will be publishing a number of reports and handbooks in the lead-up to best value, for both authorities and auditors, including an audit guide and national report on service and financial planning and a range of handbooks to help auditors/inspectors and authorities with the application and evaluation of fundamental performance reviews in those service areas to be covered by the best value inspectorate. The Commission will also be developing and consulting on the role of performance indicators in best value - including assisting the Government in the development of a set of ‘general health’ indicators and a set of key PIs for individual services that will have to be included in every authority’s annual local performance plan.

Further reading

186. In the meantime, there is plenty of material published by the Commission in recent years that councils may find helpful in progressing their best value programmes. A number of these have been referred to in the paper and are listed in the references section. Other recent publications may also be helpful (Appendix 3). Authorities should also refer to material produced by the LGA, LGMB and the Government’s appointed pilot evaluation teams.

A learning experience

187. As this report has made clear, best value is still very much in its infancy - there are, as yet, no right or wrong answers. Although many of the core principles on which the concept is based will be familiar to all those who are interested in good management, it still awaits parliamentary approval, and the detail - particularly of any statutory guidance - cannot yet be confirmed. This, however, should not stop authorities from starting to prepare for implementation - after all, the whole point of the new regime is that it will rely on local innovation and initiative, not central prescription, to improve service delivery. Those councils that wait to be told what to do may find themselves rapidly overtaken by events. If best value is to be a success, continuous improvement must be accompanied by continuous learning and there’s no time like the present to start.
References

9. Audit Commission, Paying the Piper...Calling the Tune, Audit Commission/HMSO, 1995.
### Appendix 1: Are we ready for best value?

**A corporate checklist**

<table>
<thead>
<tr>
<th>Political and managerial arrangements</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1. Have all members been briefed about best value?</td>
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<tr>
<td>Have briefings gone to all relevant committees?</td>
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<tr>
<td>2. Has the authority reviewed the implications of best value for its existing decision-making structure?</td>
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<td>3. Has the authority considered how members should be involved in key aspects of best value such as corporate review, service selection and performance monitoring?</td>
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<td>4. Has the authority considered how best to ensure political leadership of best value?</td>
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<td>5. Do members meet directly with users of services and the wider public to seek their views?</td>
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<td>6. Have senior level mechanisms been established to ensure cross-departmental co-ordination of best value tasks?</td>
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<tr>
<td>7. Has the authority reviewed its existing corporate priorities (such as Local Agenda 21, equal opportunities, etc) and how they fit with best value?</td>
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</table>
8. Have responsibilities been assigned for each of the key corporate best value tasks (for example, selection of services for review, drafting the local performance plan)?

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<tr>
<th>Yes</th>
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9. Are processes in place to ensure that best value developments are communicated with staff throughout the organisation?

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<th>Yes</th>
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10. Have the training and development needs of staff been reviewed in the light of best value?

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<th>Yes</th>
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11. Are staff fully involved in the fundamental review process? Do they have an opportunity to give their views on how performance could be improved (for example, through staff surveys)?

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<th>Yes</th>
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12. Do staff have an opportunity to give their views about best value more generally?

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### The role of local performance plans

1. Does the authority have a clear overall vision for its local area which it has agreed with partner organisations?

<table>
<thead>
<tr>
<th>Yes</th>
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2. Has the contribution of each partner towards the overall vision been clearly set out?

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<tr>
<th>Yes</th>
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3. Has the authority undertaken a wide-ranging audit of existing statutory and voluntary plans and strategies, including identifying timetables and reporting lines?  

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4. Does the authority have arrangements in place for ensuring that the outcomes of statutory and other planning processes are incorporated into the best value planning process?  

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<tr>
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5. Is the authority clear about the format and content of its existing plans?  

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<th>Yes</th>
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6. Is the authority clear about how the timetable for the production of an LPP will fit with its other planning timetables?  

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<th>Yes</th>
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7. Has editorial control for producing the LPP been assigned?  

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<th>Yes</th>
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8. Does the authority have mechanisms in place for testing that LPP is clear and comprehensible to the general public?  

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<th>Yes</th>
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9. Does the authority have a strategy in place for maximising the number of local people who see a copy of the plan?  

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<tr>
<td>1. Can the authority demonstrate that the overall vision and strategic objectives reflect the priorities of local people and service-users (for example, has it undertaken thorough community consultation)?</td>
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<tr>
<td>2. Is the authority's overall vision available in a publicly accessible form - for example, as a published community plan?</td>
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<tr>
<td>3. Has the authority decided which overall approach or mixture of approaches it will adopt for the implementation of best value (for example, service-based, area-based or customer-focused)? Has it weighed up the pros and cons of each?</td>
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<td>4. If the authority has chosen particular client groups or cross-cutting themes for its best value programme, does it have in place the management systems and performance indicators that will be needed to measure continuous improvement?</td>
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<tr>
<td>5. Does the authority have a methodology in place for measuring in a rigorous and objective way the strengths and weaknesses of all of the services that it provides?</td>
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</tbody>
</table>
6. Is the authority able to measure variables like the cost, quality, user satisfaction and degree of public importance attached to all of the services that it provides?  

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7. Has the authority decided what weight it will attach to each of these kinds of factors when deciding which services to prioritise for early review?  

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<th>Yes</th>
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8. Has the authority set out a clear programme for reviewing all of the services that it provides over a maximum of five years?  

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<tr>
<th>Yes</th>
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9. Does this programme prioritise the weakest (or highest priority) services, or the most important cross-cutting issues, in the earliest years?  

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10. Has the authority taken into account external factors, like the timing of known visits by national inspectorate teams, when deciding its programme?  

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**Fundamental performance review**

1. Does the authority provide clear guidance on who should be included in fundamental performance review teams (for example, in terms of skills mix and staff seniority)?

2. Has the authority considered whether these teams should include external representatives - from outside the department and/or from outside the authority (for example, a service-user or peer professional from another authority)?

3. Has the authority developed a standard methodology for undertaking fundamental performance reviews?

4. Does the authority's approach to fundamental review meet the White Papers' requirements to:
   - challenge why and how each service is being provided?
   - embrace fair competition as a means of securing efficient and effective services?
   - consult with local taxpayers, service-users and the business community?

5. Has the authority considered the use of existing quality review methodologies?
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<td>6.</td>
<td>Does the authority provide training to review teams in applying fundamental review methodologies?</td>
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<td>7.</td>
<td>Can the authority track progress with each of the fundamental performance reviews?</td>
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<td>8.</td>
<td>Are there structures and procedures in place for scrutinising the quality of output from fundamental performance reviews (for example, regular reports to a best value steering group)?</td>
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<td>9.</td>
<td>Are there processes in place for approving the action plans that flow from fundamental performance reviews?</td>
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**Performance indicators and target-setting**

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<td>1.</td>
<td>Has the authority agreed clear cost, efficiency and outcome indicators for comparing performance and for measuring the impact of each fundamental performance review action plan?</td>
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<td>2.</td>
<td>Where there are no existing indicators, are there mechanisms in place for collecting and auditing new performance information?</td>
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3. Has the authority identified and contacted suitable partners against which to benchmark itself? Is it benchmarking itself against the best in each category?

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4. Do benchmarking partners include private sector and other agencies as well as other local authorities?

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5. Has the authority set itself annual and five-year targets for all key services on:
   - quality?
   - cost and efficiency?

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6. Do these annual and five-year targets at least match the minimum national standards that have been set by the Government for key services (for example, literacy and numeracy rates)?

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Appendix 2: Best value advisory group

Leo Boland
Best Value Project Group, Newham London Borough Council

Professor G Boyne
Public Services Research Unit, Cardiff Business School

Mike Briggs
HMIC

Chris Bull
Benefit Fraud Inspectorate

David Clark
Head of Finance, Warwickshire County Council

Vernon Cressey
Director of Administration, Greater Manchester Police

Geoffrey Filkin
Independent consultant

Paul Griffiths
Head of Corporate Affairs, Welsh Local Government Association

Phil McGreevy
Chief Executive, Flintshire County Council

Dr Steve Martin
Local Government Centre, Warwick Business School

Mike Raleigh
HMI, OFSTED

Annie Ralph
Chief Executive, Braintree District Council

Barry Shaw
Chief Constable, Cleveland County Constabulary

Matthew Warburton
Head of Strategy, Local Government Association

Will Watson
Director of Direct Services, Neath Port Talbot County Borough Council

Andrew Webster
Social Services Joint Review Team

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Appendix 3: Recent Audit Commission publications relevant to best value

Corporate review
The Commission published a number of reports in the lead-up to and beyond local government reorganisation which contain useful material and case studies on managing corporate-wide change and service delivery planning. See, for example, All Change (1996) and A Learning Experience (1997). For good practice ideas on benchmarking, tendering and planning from New Zealand see also Kiwi Experience (1997).

The 4Cs
Good practice material on the four key elements of fundamental review - challenge, compare, consult and compete – can be found in many of the Commission's other recent publications.

Challenge
Challenging why a service is delivered in the way that it is may be one of the most difficult tasks for service review teams. The Commission's audit guides and management handbooks suggest helpful questions to ask. Recent services covered include nursery education (Counting to Five, 1997, and Under-fives Count, 1996), library services (Due for Renewal, 1997), housing benefit (Countering Housing Benefit Fraud, 1997), tax collection (Collecting Local Taxes, 1995), and human resources (Retiring Nature: Early Retirement in Local Government, 1998; The Melody Lingers On: A Review of the Audits of People, Pay and Performance, 1997; and Paying the Piper...Calling the Tune: People, Pay and Performance in Local Government, 1995). The Commission is currently working on a number of studies of cross-cutting issues which will help authorities to think about ways in which they can work across conventional service department boundaries. Reports on community safety, vulnerable older people and economic development will be published in 1999.

Compare
Each March, the Commission publishes performance indicators on over 170 different local authority indicators. These are published in a series of different formats, including a compendium that lists the data for all councils and all indicators on hard copy and on disk (see Local Authority Performance Indicators – Compendium, 1998). Local auditors also collect more detailed value-for-money indicators (VFMIs) as part of their work in following up service-specific national studies. VFMIs are available to local auditors in database form for further analysis, benchmarking and comparison (for example, in support of fundamental performance reviews) in the following areas: council tax collection, special educational needs, fire services, financial support services, housing and development control. Data on environmental stewardship and recruitment and training will be available from spring 1999. (See your auditor for more information).
Consult
The Commission has always placed a high priority on the importance of involving service-users and local people in planning and reviewing local services. The Commission will be publishing a management paper on overcoming obstacles to effective consultation in the spring of 1999. Service managers may also find helpful the user/carer questionnaire developed by the social services joint review team as well as modules in recent management handbooks (see, for example, 'Making Commissioning User-Led' in *Take Your Choice: A Commissioning Framework for Community Care*, 1997) and good practice compendiums (for example, *Promising Beginnings: Initiatives to Improve Joint Working in Local Government*, 1998).

Compete
Best value is clearly very different from the compulsory competitive tendering (CCT) regime which preceded it. Nevertheless, the Government has made it clear that, under best value, 'retaining work in-house without subjecting it to real competitive pressure can rarely be justified'. The Commission has issued a number of reports in the past that have aimed to prepare authorities for CCT. Although some parts of these will no longer be relevant, other sections (for example, in relation to voluntary tendering) may still be useful. See, for example, *Counting Down to Competition* (1995 - financial support services); *Making Markets* (1995) and *Realising the Benefits of Competition* (1993) - both covering the client role for contracted services - and *Behind Closed Doors* (1994 - the role of central support services). *Take Your Choice* (1997) provides useful good practice advice on reviewing the market and developing commissioning strategies for community care.

Audit Commission publications are available from:
Bookpoint Ltd.
39 Milton Park,
Abingdon,
Oxon OX14 4TD
Freephone: 0800 50 20 30
Fax: 01235 400 454

Further information is available from:
Audit Commission
1 Vincent Square,
LondonSW1P 2PN,
Telephone: 0171 828 1212
Fax: 0171 976 6187
www.audit-commission.gov.uk
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