ENHANCING VFM AUDIT IN LOCAL GOVERNMENT

The Best Value initiative

Michela Arnaboldi and Irvine Lapsley

Introduction

Contemporary auditing within governments, internationally, has an emphasis on value for money audit. This focus on value for money audit was initially developed in the UK in the 19th century and subsequently spread throughout the world (Dewar and Funnell 2017: 5). Government auditors seek to find economy, efficiency and effectiveness in the provision of public services. This audit practice conventionally scrutinises specific policies or aspects of programmes. These procedures are so well accepted they can be regarded as routine.

This chapter examines the potential for the diffusion of a second UK innovation in public audit: Best Value audit. This is an alternative, more holistic approach to value for money audit. Best Value audit represents the state of the art in performance auditing for local government. While this form of audit has existed in the UK from 1997, and cannot be regarded as an innovation in the UK, it nevertheless would be regarded as a significant innovation in local government audit internationally. This chapter examines the UK experience of Best Value and evaluates the potential for this new form of value-for-money (VFM) audit to be adopted, internationally. Local government Best Value built on, and extended, performance auditing processes and techniques, particularly VFM auditing. At a professional and organisational level, there is a tension around VFM auditing as problematic in practice, which may be accentuated by Best Value.

However, in England the Conservative Minister for local government in the 2010 coalition government blocked the powers of England’s audit agency (the Audit Commission) which was responsible for Best Value audit. Subsequently this Minister closed the Audit Commission as a cost saving measure, bringing Best Value Audit in England to an end. However, the Best Value Audit approach remains embedded in local government accountability in Scotland. Successive Scottish Governments of different parties have continued to regard Best Value Audit as an important accountability mechanism and this is our reference point for the possible diffusion of this practice internationally.

When the Best Value initiative was launched in the UK there was considerable research which was critical of the concept. That body of research is too voluminous to be considered in detail in this chapter. However, that early critical research appears to have informed the decision to withdraw from Best Value Audit in England. This chapter offers more recent
research to inform this debate. This chapter reports on an investigation of Best Value with a comprehensive survey of all local authorities in Scotland. This study examines the nature, conduct and impact of Best Value audit in Scotland to determine if the critique made in England of Best Value as overly prescriptive (Alwardat et al. 2015) has support. The results in this chapter contrast with that critique of Best Value in England as advanced by the Department of Communities and Local Government (DCLG) (DCLG 2015; Sandford 2013). The survey results reveal support amongst practitioners for the merits of Best Value audit in the enhancement of transparency and accountability in local government. We also identify the portability of these distinctive audit practices to wider, international settings. We examine this phenomenon in the following sections.

The Best Value initiative

The Best Value initiative is discussed here in two stages: first an examination of what the Best Value initiative was intended to achieve and an examination of current policy. This discussion raises issues over the efficacy of Best Value audit for local government. The issues raised by this discussion are addressed in the survey of practice.

The introduction of Best Value

Best Value (DETR 1998) can be seen as transcending what is conventionally regarded as VFM auditing, both in terms of scope and process. With the election of the ‘New’ Labour Governments of 1997, 2001 and 2005 there have been a number of shifts in policy from the preceding Conservative administrations. The ‘New’ Labour administration sought to shift this focus of CCT on cost savings to retain notions of efficiency, but combined with consideration of quality. To this end, a new process (‘Best Value’) was devised for local government services. This new process is wide-ranging: it builds on VFM, but extends into considerations of management systems (the efficiency of management structures, strategies and processes); the relationship of the local authority to its setting (communications with local taxpayers and the electorate and local businesses). However, this audit process also extends into standards setting, management frameworks, local performance plans, self-monitoring and a greater focus on outcomes. Indeed, Best Value has continuity with VFM, but extends to including additional concepts, such as accountability, transparency, continuous improvement and ownership.

It is evident from the above that the ‘Best Value’ concept extends beyond the conventional boundaries of public sector audit and is intended to pose a fundamental challenge to managers of public services to rethink how best they can deliver their services. The initial Best Value report in Scotland stated that this approach was to be a more fundamental mechanism for change in the operating procedures of local government, rather than a specific focus on the economy, efficiency and effectiveness of services. This report defined Best Value (Scottish Office 1997: 3), as follows:

- a process rather than a product . . . a process of change and of progress . . . [it] promotes changes in attitude, culture and management style within councils . . . [it] requires councils to constantly reflect on what they are doing to measure their successes and shortcomings, and to take action to improve.

The concept of Best Value has gone beyond its initial ideas and its development phase. It achieved statutory backing in England in 1999 and in Scotland in 2003.
Current policy on Best Value

While the Best Value regime continues to thrive in Scotland, it has ceased to exist in England. This cessation was entirely attributable to a political intervention. In the aftermath of the global crisis, the UK Coalition Government of 2010 embarked on a policy of austerity to reduce the scale of public expenditure. The decision to close the Audit Commission was announced in 2010 by the Department of Communities and Local Government (DCLG 2010):

This decision was taken in line with the coalition Government’s commitment to radically scale back centrally imposed, bureaucratic and costly inspection and auditing, saving taxpayer’s money. The Audit Commission’s responsibilities for overseeing and delivering local audit and inspections will stop; the Commission’s research activities will end; audit functions will be moved to the private sector; councils will be free to appoint their own independent external auditors from a more competitive and open market. This will save council tax payers £50 million.

So in 2010, the Audit Commission, which then had responsibility for Best Value Audit, was stripped of its entitlement to undertake Best Value Audits (Sandford 2013). This was a cost saving measure initiated by Eric Pickles, Secretary of State for Communities and Local Government (DCLG); he also, in 2015, subsequently closed the Audit Commission (DCLG 2015). As the institution with the greatest accumulation of VFM expertise, this lead to the demise of Best Value audits in local government, with limited VFM studies in local government by the National Audit Office which audits central government. The key milestones in the closure of the Audit Commission, the cessation of the Best Value framework and the privatisation of local government audit are shown in Table 30.1.

Table 30.1 Key milestones in England’s new local government audit

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Key milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>Ending of Assessment and Inspection. Announcement of Disbandment of Audit Commission</td>
</tr>
<tr>
<td>2012/13</td>
<td>Outsourcing contracts take effect. Audit Commission staff transfer to private sector</td>
</tr>
<tr>
<td>2014/15</td>
<td>Final year of Audit Commission framework. Residual Audit Commission closes before April 2015</td>
</tr>
<tr>
<td>2015/16</td>
<td>New regulatory regime is introduced. Outsourcing contracts are transferred to another body to run their remaining two years</td>
</tr>
<tr>
<td>2017/18</td>
<td>Local bodies appoint their own auditors from the start of the financial year</td>
</tr>
</tbody>
</table>

Source: Department of Communities and Local Government, Local Audit and Accountability Bill: Impact Assessment, May 2013, p. 12

Conceptual perspective: audit as problematic

Auditing – but especially VFM auditing – can be regarded as problematic from a number of dimensions, but here we focus on three:
Enhancing VFM audit in local government

(1) universality (Power 1994, 1997);
(2) (in)completeness (Mautz and Sharaf 1961); and
(3) (un)intended consequences (Radcliffe 1998; Keen 1999).

On universality, Power (1994) has observed that the spread of audit influences and practices have resulted in an ‘audit explosion’. Power depicts this ‘audit explosion’ in a number of ways: the width both of the scope of audit (to include financial audit, environmental audit, value for money audit, management audit, data audit, intellectual property audit, medical audit, teaching audit, technology audit) and of the range of persons subjected to these audit requirements. He later developed this thesis further by advancing the case that we are now an ‘audit society’ (Power 1997), in which ‘inspection’ of all manner of activities is the order of the day. This phenomenon of the inspection society also spawns new forms of audit. For example, Prosser (2005) has advocated ‘gender audits’ which would be compulsory inspections of companies pay policies to detect salary differentials for male and female workers. However, the ‘audit society’ is not simply a question of more audit. While many people have been left untouched by these new and various forms of audit, Power (1997) contends that this phenomenon of a constant checking of activities undermines trust in this new ‘audit society’. This inspection has the aim of cultural change and the introduction of new social norms (depicted as ‘managerialism’) in activities which were previously bounded by professional discretion and judgment. This universality or centrality of the audit function is linked to performance auditing (Arnaboldi and Lapsley 2008) as part of the reforms of the public sector. These views of an irresistible spread of audit, especially performance auditing, is a matter many commentators see as increasingly questionable in terms of enhancement of public services delivery.

(In)completeness, a further dimension, comes from the seminal work of Mautz and Sharaf (1961). This contribution to the literature was an attempt to shift academic thinking about audit from a practical to more conceptual views of auditing. However, within this monograph, Mautz and Sharaf (1961: 240–248) turn to the limits of audit. In developing and extending the scope of audit into other fields of expertise, Mautz and Sharaf point to the need to get beyond the superficial, beyond the working knowledge and to a level of real insight in fields beyond the immediate discipline to investigate with authority or to risk being led astray (ibid.: 241). Mautz and Sharaf also caution against auditing assuming roles and responsibilities for which it has incomplete competencies (ibid.: 243):

auditing has changed with the times in the past, and there are indications that it should be prepared to change with the times now and in the future. In changing, however, it is important that auditing leadership recognize the limitations and potential of the profession and the field of knowledge with which it is concerned. No profession can afford to spread itself over a number of widely divergent and even conflicting types of activity without careful consideration of the hazards involved.

Most of all, Mautz and Sharaf (ibid.) comment on the (in)completeness of audit’s theoretical framework as sufficient to provide a robust foundation for the further development of audit practice. Of course, they were making these comments in 1961. However, they did have the foresight to observe that ‘auditing stands at the threshold of service opportunities we can as yet scarcely foresee, even in dim outline’ (ibid.: 248). Given the developments in performance auditing generally, and the specific initiative discussed within this paper, this observation can be seen as remarkably prescient. The subject of auditing might be seen as
(in)complete on a number of levels, in Mautz and Sharaf terms: an incomplete theoretical foundation; incomplete knowledge and competence bases for forays into wider settings for audit investigation.

The third dimension of (un)intended consequences of performance auditing reaffirms earlier observations that the universality of audit may be dysfunctional and the (in)completeness of audit as a body of knowledge limits its extension to a wide range of activities. The intended consequences of performance auditing were to enhance the efficiency and effectiveness of audited activities. However, numerous studies suggest that these declared intentions are not achieved, for a variety of reasons. Radcliffe (1998) writes of the adoption of VFM audit as an act of faith by its proponents and enablers. Fundamentally, the (un)intended consequences of efficiency audits arise because, as Radcliffe (ibid.) puts it: (1) it is not clear how auditors know what efficiency is and (2) it is not evident how auditors classify activities as ‘efficient’ or ‘inefficient’. This observation strikes at the very heart of efficiency auditing. A similar study, in a different setting by Keen (1999) offered the observation that the nature of VFM reports (as accumulations of ‘facts’) and the approach of VFM teams (pragmatic reviews, highly intuitive) meant that VFM was a ‘craft’ a highly intuitive process. This finding reveals efficiency auditing as problematic: the challenge of linking specific operational situations to management processes and policy contexts may be beyond the competencies of efficiency auditors – a situation which is highly likely to confound intended consequences of efficiency audits.

Overall, we see these three different dimensions: the irresistible spread of the audit explosion (universality); the limitations on the theoretical foundations of audit, especially in its forays into new domains (incompleteness) and the difficulties of process, including the definition and measurement of key operational concepts such as efficiency which undermines the simple application of VFM to achieve desired intentions (unintended consequences) – all combining to make the technology of performance auditing problematic. There is evidence in the literature that VFM auditing can be problematic. Indeed, the routine nature of VFM practices does not mean they are immune from criticism. A number of authors have suggested that VFM audit can be problematic. For example, in Canada, Boothe (2015) criticised VFM auditors for making highly subjective judgements. Also, Alwardat et al. (2015) found considerable conflict within VFM initiatives conducted in the UK. Similarly, Norwegian civil servants were hostile and critical of the conduct and outcomes of VFM audits (Reichborn-Kjennerud 2015). The potential problematic issues of VFM audit are considered further below. Despite these misgivings performance auditing retains its central role in public governance systems. Indeed, this paper examines the Best Value initiative which not only gives primacy to performance auditing, but which gives it a far wider scope and prominence than the conventional practice of VFM audit.

However, much of the critiques of Best Value were made speculatively, or were based on pilot implementations of Best Value. There is a need for more comprehensive findings on actual practices in Best Value, which is addressed next.

**Our research approach**

Given the early critical literature on Best Value and in the interests of evidence based policy making, a comprehensive survey of contemporary practice is appropriate to detect the scope and range of the Best Value implementation and its implications for governance and audit. This survey is a response to the criticisms of Best Value audit as being overly prescriptive, clumsy and bureaucratic (Alwardat et al. 2015; DCLG 2015; Sandford 2013). The results of this survey contrast with that critique of Best Value in England as advanced by the Department of Communities and Local Government (DCLG). The research approach
adopted was a comprehensive survey among all of the 32 local authorities in Scotland. The questionnaire was targeted at lead officers responsible for Best Value as the officers in local government who would be best informed and have the best overview of the nature and outcomes of Best Value implementation (Higgins et al. 2004). The questionnaire was based on 12 questions; the questions are mainly closed (see Table 30.2); however the format gave respondents the opportunity to add comments to each answer. The questionnaire design was based on earlier case study research into Best Value practices (Arnaboldi and Lapsley 2008).

We seek to explore the different dimensions of Best Value implementation by: (1) focusing on Best Value implementation to determine the receptivity of local authorities and whether this is widespread/universal or not; (2) examining the operation of Best Value, to determine whether the mechanisms to be deployed were operating as intended and (3) to explore whether Best Value had become embedded in the life of local authorities, with the achievement of continuous improvement and cultural change (or ‘colonisation’, as Power 1997 put it).

There were 32 responses from 32 Scottish councils – a response rate of 100%. In the analysis below, councils are referred to by a designated number (c1, c2...c32), for reasons of confidentiality.

### Results of the survey

The results of this survey are analysed in the three sections: setting (to gauge the receptivity of the context for Best Value); operation of Best Value; and the impact of Best Value.

### Setting

We examined the receptivity of Scottish local authorities to the concept of Best Value by exploring their practices prior to the introduction of Best Value. Specifically, we focused on two practices: whether service reviews were commonplace in local authorities before the formalisation of the Best Value initiative, and whether local authorities had used measurable targets or defined outcomes as an integral part of their planning systems. The results of this part of the survey are shown in Table 30.3.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Had your local authority been doing ‘Best Value’ reviews, before the policy was made official?</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>Q2 Did your planning system before Best Value have measurable targets or defined outcomes (example)?</td>
<td>27</td>
<td>5</td>
</tr>
</tbody>
</table>
These results show that a very high percentage of Scottish councils (Q1 = 69%; Q2 = 84%) addressed these issues before the introduction of the Best Value framework. This is indicative of a receptive context for the Best Value initiative. Indeed, the extent to which such practices were extant in Scottish local authorities suggests Best Value may have at least partially been a codification of existing practices. The additional comments made by respondents to questions one and two on ‘receptivity and setting’ are shown in Table 30.4.

However, looking at the comments for both answers (see Table 30.3) what emerges is that not all of the councils, (i.e. those which answered ‘yes’ to Q1 and Q2), had a central, co-ordinated system for reviewing and defining targets and outcomes. Reviews were often ad hoc and the use of targets and defined outcomes had a diverse penetration in the different service areas. Councils justify this ‘patchy’ situation on two grounds: (1) the different services across councils and (2) the different skills of managers, which suggests that, before Best Value introduction, service evaluation and reviews were dependent on key people within organisations. The following comment illustrates this:

Management of a service always requires staffing structures and systems to be reviewed to respond to changing needs but, before Best Value, this was on an ad hoc basis and would rarely include consideration of current procedures etc. to improve efficiency. At most, reviews within sections or departments would be carried out as a response to particular issues or need. There was no systematic and regular consideration within service areas.

(c8 comment on Q1)

. . . experience across the council was patchy – some services such as housing, leisure had an expensive array of performance data – other departments were less well developed.

(c13 comment on Q2)

It is interesting to note that the number of local authorities which declared that they had measurable targets (see Table 30.3), is greater than the number of organisations having a review system. Indeed, for four of these councils, reviews were essentially VFM studies. This suggests that performance measures have been used for defining targets but not for evaluation.
or decision-making. This is the kind of discontinuity which we would expect to see addressed under the Best Value regime. We can see this as a depiction of the universality of these features of the audit, inspection society (Power 1994, 1997), as all local authorities have to embrace these facets of local government management.

**Operation of Best Value**

The second section of the questionnaire tackled the Operation of Best Value, including questions on: the form of the Best Value approach (reports, modules, etc.) (Q3 and Q4), and the specific mechanisms advocated by the Scottish Government (three-year budgets, benchmarking, and activity-based costing). Q4 (see Table 30.4) determines if the approach to Best Value adopted by the Scottish Government is simply a bureaucratic task, which diverts resources from front-line services.

Table 30.5 shows the distribution of three categories of response (yes, partially and no) to the questions in this part of the survey. Some authorities set themselves in the middle, affirming that the practices defined in Best Value can become a formal task, diverting resources and staff time from service delivery.

More than 40% of respondents (41% for Q3 and 47% for Q4) affirm that Best Value is not about form filling and these tasks are not diverting resources from the front-line services. However the majority of respondents reported that Best Value was or could be a bureaucratic task which displaced core activities.

Recurrent comments are spread over the first two categories (yes and partially); these comments are reported in Table 30.6. These comments are indicative of an incompleteness in the process of Best Value implementation.

One issue which was commented on, in response to questions 3 and 4 is related to managers’ ability to adapt the approach designed for Best Value reviews as a management tool rather than

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Partially</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 Is the approach to Best Value as exemplified in the Accounts Commission Management Modules all about form filling?</td>
<td>5</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Q4 Does compliance with Best Value requirements divert your local authority/s resources from front line services? (Examples?)</td>
<td>5</td>
<td>12</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 30.5 Operation of Best Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Question/No. Councils/Reference</td>
<td></td>
</tr>
<tr>
<td>Q3 Is the approach to Best Value as exemplified in the Accounts Commission Management Modules all about form filling?</td>
<td>5</td>
</tr>
<tr>
<td>Q4 Does compliance with Best Value requirements divert your local authority/s resources from front line services? (Examples?)</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 30.6 Comments on bureaucracy and displacement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 &amp; Q4 (common comments)</td>
<td></td>
</tr>
<tr>
<td>Form (Q3) no. councils/Reference</td>
<td></td>
</tr>
<tr>
<td>Council reference/No. Councils/Reference</td>
<td></td>
</tr>
<tr>
<td>Depends on who carries out the review</td>
<td>3</td>
</tr>
<tr>
<td>Initial cost for setting the system, but long term benefits</td>
<td>3</td>
</tr>
<tr>
<td>Need to be integrated in the council/manager activity</td>
<td>3</td>
</tr>
</tbody>
</table>
as a time-consuming procedure aimed only at satisfying a formal request. The following comment highlights this difficulty of securing commitment to Best Value:

It depends on how well managers, in particular, understand what Best Value actually means. To some it is seen as a parallel exercise to the real job of managing the service. There has also been an unfortunate link made between Best Value and service review, and consequently cuts, to the extent that some people think they are synonymous. Where this has occurred the knock on effect is undoubtedly the diversion of resources, usually people's time, from front line services. This was because work, particularly review work, was being done twice; once to satisfy Best Value 'bureaucracy' and once to meet 'service needs'.

(c7 comment on Q4)

This comment leads to the issue of displacement. The introduction of Best Value has involved new schemes and rules for evaluating and measuring performances; managers may perceive the usefulness of the process of Best Value but the achievement of results is not immediate. There is a high initial cost for putting the system in place that will give benefits only in the medium to long term. This problem is reflected in these comments taken both from Q3 and Q4:

It was at the start, less so now. It did grow dramatically, three one year, another three the next, with follow up reviews growing in number each year. Appeared sustainable in the longer term.

(c23 comment to Q3)

It can do, officer time spent on review activity diverts limited resources from elsewhere. However, generally viewed as an investment towards overall objectives.

(c9 comment to Q4)

Finally, some managers suggested that a possible means of promoting commitment to the implementation of Best Value would come from integrating reviews in the day to day management and in the council strategy as this comment shows:

If best value work is to be seen as part of the day-to-day activity of everyone, then services have to be resourced to be able to adapt to that. Since these levels of resourcing are only ideals, authorities have to look at resource-efficient ways of getting folk involved, such as focussed workshops of short duration, and which have well defined expected outcomes.

(c23 comment on Q4)

These findings contrast with the expectations of Power (1997) and Keen (1999) and with the experience at the case study pilot study reported upon by Ball et al. (2002).

Question 5 looks at an important instrument of Best Value, the three year budget which marks the potential for a real change in local authority financial planning processes. As shown in Table 30.7, a very high percentage of organisations reported positive benefits from this mechanism: 72% including the first two groups of answers; 91% by adding the councils which consider three year budget to be potentially an effective tool but they are still in the early stages of its implementation.
The additional comments of respondents identify the way in which the three year budget can improve local authority performances. Eleven local authorities (c3, c7, c8, c9, c14, c17, c20, c21, c26, c27, c28) affirm that effectiveness has been (or will be) achieved by integrating three year budgeting in corporate and service planning. This practice forces managers and politicians to consider service performances over a longer period of time and to evaluate the resources required. It is interesting to note that councils have different views on the relationship between budgeting and strategic planning. Five organisations had not used three year budgets as part of their financial systems; while the other six authorities see (or have seen) the budget as a trigger for revising their planning process.

Another benefit achieved by the implementation of the three year budget is the reduction of annual allocations made on a political basis, as shown by the following comments:

- Good from a political basis in that the monies are set without political annual changes being made.  
  
  *(c6 comment to Q5)*

- One benefit of this has been in the framing of the capital programme where instead of the annual bun fight Councils can take a longer term view of their investment programmes allowing some projects to be deferred until future years.  
  
  *(c7 comment to Q5)*

Another important instrument advocated by Best Value circulars is *benchmarking*. Earlier research (Arnaboldi and Lapsley 2003; Bowerman et al. 2001) has shown that benchmarking is considered to be an important instrument for improving the service delivery process in local authorities.

The importance of this instrument is reflected by the results of the survey where 84% of the councils affirm that benchmarking is feasible and useful; a further 41% of these organisations consider a rigorous approach is possible. The remaining 43% consider benchmarking to be a valuable exercise, although it can only produce results if tackled carefully. These results suggest an incomplete theoretical foundation for benchmarking in local government which is accentuated by data collection problems. Some respondents suggest the use of clusters to take account

**Table 30.7 Survey response – three-year budgets**

<table>
<thead>
<tr>
<th>Question</th>
<th>Effective</th>
<th>Potentially effective</th>
<th>Needs time to be effective</th>
<th>Ineffective</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q5 How effective are three year budgets</td>
<td>17</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

**Table 30.8 Survey response – benchmarking**

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Not rigorous but feasible</th>
<th>Yes, by cluster</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q6 Is rigorous Best Value benchmarking feasible, given the differences in local authorities in Scotland?</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>
of the diversity of local authorities in Scotland. This classification can be made according to the
object of the benchmarking exercise as suggested by this Best Value officer:

There are various types of benchmarking and the choice [of the sample] will depend
on the information required and the relative differences between each council: Data
benchmarking – comparing statistics and indicators; Process benchmarking –
comparing processes and procedures; Functional benchmarking – comparing how
services are delivered and organised; Strategic benchmarking – comparing strategy or
policy implementation.

(c17 comment on Q6)

Sample selection is one of the problematic issues identified by benchmarking detractors; further,
respondents highlighted two important issues related to the operational process of collecting data.
First many, comparable, local authorities are reluctant to share data. When Best Value was first intro-
duced this was a common problem among supporters of benchmarking as shown by this comment:

A Best Value culture was not embedded within authorities and there was often a
reluctance to provide information which might have compared unfavourably with
other authorities.

(c8 comment to Q6)

Second, performance measurement systems are often not structured to provide the requested
data. This implies a time consuming exercise, ‘where an external help would be useful’ (c30
comment to Q6).

The last specific operational aspect addressed in the second part of the questionnaire is the
improvement induced by Best Value in cost accounting and its support in the reviewing process
(Q7) (see Table 30.9).

The table shows that the distribution between ‘yes’ and ‘no’ answers is balanced. Eleven
local authorities affirm that Best Value has refined costs, thereby influencing service evaluation.
Three organisations, although answering positively, highlight that, again, the penetration of the
practice within the council is not homogeneous. 78% of negative answers are definite; in par-
ticular some managers consider the use of costs for comparing services is weak, as the following
comment shows:

In a nation with such geographic/physical, social and economic diversity and different
policy priorities in councils, the cost of service delivery – even within Audit Scotland
family groups is always going to have wide variances. Consideration of cost is irrelevant.
Best Value encouraged a cost based approach. Service standards are what’s important.

(c23 comment to Q7)

Table 30.9 Survey response – costing practices

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q7</td>
<td>14</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>some areas</td>
<td></td>
<td>improved approach</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>3</td>
<td>11</td>
</tr>
</tbody>
</table>
The 22% of negative answers includes 3 councils which have adopted the methodologies suggested by Best Value, but this exercise has not resulted in sharper costs or it is difficult to define a direct relationship between costing practice and services improvement.

These three mechanisms – three-year budgeting, benchmarking and refined costing – have been reported upon in fairly positive terms. There is little sign of the ineffectiveness of the technologies underpinning VFM found by Radcliffe’s (1998) observations on VFM audit. Although Radcliffe’s criticism applied to VFM audit, and these mechanisms are much broader, reflecting the nature of Best Value. However, Radcliffe (1998) depicted the use of VFM as ‘an act of faith’ by VFM auditors. In this instance, we gather and report the views of the Best Value officers and they are key protagonists of the Best Value regime and may therefore support these kind of mechanisms as an ‘act of faith’.

**The impact of Best Value**

The third part of the survey investigated the impact of Best Value on the organisation. The continuous pressure from central government for new initiatives and methodologies has created a situation in which managers may tend to respond selectively to these requests, and further, if corporate commitment is missing, with a different commitment within the authority. The consequence may be a lack of homogeneity and continuity in managing change. Questions 8, 9 and 10 consider the impact of Best Value from the following perspectives: continuous improvement, culture and depth of penetration in the local authorities.

Question 8 and 9 show a high percentage of positive answers (84% for Q8 and 81% for Q9). Included in the percentage (for Q8) are the fifteen councils which affirmed that Best Value makes a significant contribution, but the translation into operational practice is dependent on other elements.

Effective management is the key factor identified in the survey comments. In particular, a pre-requisite for continuous improvement (Q8) depends on the involvement of people (managers, staff, politicians, and stakeholders) at all levels within these organisations. The following comment is an example of this perception:

> Continuous improvement is a culture, driven by people at all levels within organisations who want to do things better to the benefit of their customers. The corollary is that the organisation must have a culture where change through continuous improvement is the norm. Employees at all levels have to play their part. It is a hearts and minds job, not one driven solely by legislation.

(c7 comment on Q8)

Best Value appears to be a tool which may or may not deliver change; this is valid also for cultural change (Q9). However, managers added some comments on this and clarified the manner in which Best Value has contributed to shaping a new culture. Three issues emerge: (1) an

<table>
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<tr>
<th>Question</th>
<th>Yes</th>
<th>Depends</th>
<th>No</th>
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<tr>
<td>Q8 Does Best Value deliver continuous improvement?</td>
<td>12</td>
<td>15</td>
<td>5</td>
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<tr>
<td>Q9 Has Best Value resulted in, or contributed to a change of culture in your local authority?</td>
<td>26</td>
<td>–</td>
<td>6</td>
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awareness of the necessity to undertake systematic skills development for managers and leaders; (2) acceptance of service reviews as part of management and the awareness of their benefit; (3) capability in adapting to environmental change.

Managers surveyed also highlighted some criticisms of the Best Value framework itself. The most important criticism seems to be the high frequency of reviews. The rapid cycle of delivering documents can divert the attention of managers from interpreting data and using them for improving the service, as the following comments show.

. . . the ‘cycle time’ for continuous improvement means some benefit can be lost as reviews come around again too quickly!

\((c12 \text{ comments on Q8})\)

. . . there is a down-side to this in that we are constantly being required to do more with less and this can be a problem in terms of morale and continuity.

\((c17 \text{ comments on Q8})\)

The last question, investigating the impact of Best Value, tackles the issue of the penetration of these practices within councils, both in terms of service areas and levels within services.

The results of the survey (11) support the perception that the Best Value approach has not been embedded homogeneously within all areas and at all levels. However the positive percentage of 50% is surprisingly high. This is justified by the additional comments made by respondents: they reveal that the Best Value approach has been adopted extensively but its impact on service performance and its improvement in the managerial culture did not get equal responses. The three councils that highlighted a differentiation among areas cited education as the most critical service; the depth of penetration is identified as a problem by two councils, which observed the difficulties in going down the organisational levels, beyond middle management.

The last part of the questionnaire addressed the overlapping of Best Value with other government initiatives, which could result in frustrating, time consuming work of filling different forms with similar information, without gaining benefits, and in which Best Value could be overtaken by other initiatives.

<table>
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<th>Table 30.11 Best Value penetration in local authorities</th>
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<tbody>
<tr>
<td><strong>Question</strong></td>
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<td>Q10 Has the Best Value regime penetrated all parts and levels of your local authority?</td>
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<th>Table 30.12 Best Value and other initiatives</th>
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<tr>
<td><strong>Question</strong></td>
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<td>Q11 Has the Best Value initiative been overtaken by other Scottish Government initiatives for all/ parts of your local authority?</td>
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</table>
Observing Table 30.12 it appears that 44% of the managers who answered the questionnaire do not perceive other initiatives from the Scottish Government as inhibiting Best Value. While 41% observe significant (19%) or a moderate (22%) level of programmes overlapping. The remaining 13% stated a concern for the future.

This nearly equal division between yes and no shows different attitudes in undertaking the Best Value Review process. Councils who answered no to this question are not neglecting other Scottish Government initiatives but they consider them as an integrating part of the modernising agenda, as the following comment explains:

In many ways, all of these initiatives are linked and work is continuing right now to develop clearer and more deliberate links between these processes. . . . The messages coming out from these initiatives are consistent – identified best practice and the recommendations which are being made in audit reports are not changing, so the end target and the definition of good management practice is clear.

(c7 comments to Q11)

However the 42% of local authorities which responded to the survey highlighted a number of initiatives which could overtake Best Value reviews. A council commented showing particular concern about overlapping with Best Value:

. . . the burden associated with the various Scottish Government inspectorates (such as for Education (e.g. Quality Management in Education) and for Social Work) compromise the work needed to respond to the needs of Best Value appraisal.

(c26 comments on Q11)

Here we see elements of what has been depicted as the potential ‘colonisation’ of management (Power 1997) and the breadth of Best Value taking this audit regime into areas which may be undermined by the competences of auditors (Mautz and Sharaf 1961). Overall these findings contrast with, for example, Higgins et al. (2004) which depicts Best Value managers as sceptical over the usefulness of the Best Value regime.

Conclusions

The practice of VFM audit is well established, internationally. The VFM approach has most recently focussed on the effectiveness of public-private partnerships in a variety of countries, including Australia, the UK, Hong Kong and Italy (English 2007; Chung 2016; Wu et al. 2016; Santandrea et al. 2016). The VFM approach is evident in a wide variety of projects, internationally. Recent VFM studies include: an assessment of the impact of austerity on US city governments (Jimenez 2016); an assessment of public policy on science parks in Denmark (Nielsen 2016); an assessment of overseas aid in Germany (Holzapfel 2016); an assessment of citizen concerns with environmental issues in Israel (Ben-Porat et al. 2016); and a study of its effectiveness as a device to counter corruption in Nigeria (Agbo and Aruomoaghe 2014). This audit practice conventionally scrutinises specific policies or aspects of programmes.

This research has investigated potential of the UK innovation of Best Value audit for adoption, internationally. The Best Value audit approach represents the state of the art in VFM audit. It offers a more holistic approach to VFM. The explicit purpose of Best Value was to replace a
system of cost saving – compulsory competitive tendering (CCT) – with a more refined measure of the value of local authority services. Best Value started as a line in a political manifesto (Labour Party 1997). The Best Value regime is depicted by its proponents as building on, and extending, value for money audits in local government. Our closer inspection of Best Value in the light of the proposed conceptual perspective, allows us to draw some more general conclusions. Best Value reveals, in fact, a much greater, more comprehensive form of audit which resonates with Power’s (1994, 1997) ideas of the audit society.

Although the enlargement of scope and the emphasis on processes, there has been criticism along the lines of ‘universality’ – this is merely the latest addition to Power’s audit society. There have been criticisms of the competencies of auditors to ‘inspect’ not only all local authority services, but to challenge (by their audit) the very nature of the local authority itself. In addition, there have been serious reservations over (in)completeness – over the competencies of auditors to sit in judgement in the manner expected by the Best Value regime. Also, there have been reservations over the (un)intended consequences of the uncertain technology of Best Value. There has been evidence of the adverse effects of Best Value: the displacement of resources from front-line services to compliance with Best Value and scepticism over performance measures and audit and inspection requirements.

However, the findings of the survey in this chapter contrast with the misgivings of expert commentators at the inception of Best Value and on the basis of the pilot implementations of Best Value. In this study, we found positive responses to Best Value on the grounds that it had built on previous practices for service reviews (including the use of measurable targets and defined outcomes). There was some limited evidence in this survey that Best Value had become a form-filling exercise, but the presence of previous experience emerged as relevant in implementation and avoiding displacement of resources from front-line services to Best Value reporting requirements. This situation recalls the problem of universality and the need for a different approach to VFM, accounting for organisational diversity. This is true in the UK but it is evident in other countries where differences are evident in research results (Gildenhuis and Roos 2015; Torres et al. 2016; Desmedt et al. 2017).

The Best Value managers in the survey also responded positively to the new practices introduced with Best Value (such as three year budgets, benchmarking and costing) although with more mixed results on the latter. Most importantly, these Best Value officers responded positively to the suggestion that the Best Value regime had contributed to a culture change in their local authority. This may be interpreted as evidence of the ‘colonisation’ of managerialism depicted by Power (1997) where the organizational culture is central (Prowle 2016).

In conclusion, this chapter has shown that Best Value has made significant progress over its 20 year existence. There is the reversal in England with the closure of the Audit Commission, the abandonment of Best Value and VFM and the reversion to basic financial regularity audit. But how portable is Best Value as a state of the art practice to other international settings? The political context is crucial. The abrupt demise of Best Value in England can be attributed to the election of a new political party in government. Second, local governments have to be open in their outlook to new practices and ideas. Third, the nature of the change required is for a culture change. This may prove to be an obstacle for certain settings. Fourth, there is the issue of expertise. A high level of expertise in VFM studies can be seen as a necessary precondition of the adoption of Best Value. Most importantly for local governments, their auditors and any central government oversight bodies, there needs to be a recognition of the need for a shift from short term pressures to longer term planning as a focus. These conditions make the adoption of Best Value in local government a ground-breaking reform with considerable potential to improve the management and delivery of services and the experiences of citizens as service users.
References


