

**Review of the Role  
of  
Best Value Commission:  
Discussion Paper**

# 1. INTRODUCTION

The Government has decided to review the role of the Best Value Commission in keeping with its pre-election commitment to:

*“review the work of the Best Value Commission to ensure its objectives keep up with rapid changes in community demand for local government services and innovations in local government service delivery.”*

The Best Value Commission has been in operation since December 2000. During that time, it has met annually with local governments to review the application of the Best Value principles; it has supported changes in the approach to Best Value including moving to a more holistic application of the principles as well as the removal of Ministerial Codes and their replacement with voluntary guidelines. In supporting these changes, the Commission has taken account of the views of local governments as well as peak bodies.

The Best Value program has therefore changed progressively since 2000 to better reflect the needs of local governments; however, there has been no significant change in the purpose, role and structure of the Commission itself. This Review aims to redress that gap.

The Review to date has involved meetings with the Municipal Association of Victoria, the Victorian Local Governance Association and LGPro. The next step is to seek broader input from local government through inviting comments in response to this discussion paper.

The paper provides background information on the work of the Commission over the last six years and the changing local government context in which the Commission operates. It also sets out a number of possibilities for its role in future.

All local governments are invited to respond to this discussion paper. There is no prescribed format for responding and you are welcome to respond in full or part to the issues raised. The consultation questions are highlighted throughout in grey boxes. There is also a proforma response sheet at Attachment 2 if you wish to use it.

Full submission details are on page 16 of this paper. There will also be the opportunity to attend a forum about the issues raised in this discussion paper. Forum details are advised separately.

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## 2. BACKGROUND

Best Value was introduced in Victoria in 1999 to replace compulsory competitive tendering for local government services. It required all local governments to review all services by 31 December 2005 and demonstrate that those services met six principles. The principles are set out in full in Appendix 1. They may be summarised as:

- a. value for money
- b. responsiveness to community need
- c. accessibility of services
- d. continuous improvement
- e. regular consultation, and
- f. reporting to the community.

The introduction of Best Value was supported by an amendment to the *Local Government Act 1989* which, in addition to setting out the principles, identified factors that councils may take into account in applying the principles, allowed for the making of ministerial codes and guidelines and through the codes established a requirement that councils report annually to their communities on their performance in the application of Best Value via their Annual Reports and published their review proposal in their Corporate Council Plan.

The Best Value Commission was established in 2000 under Part 10A of the *Local Government Act 1989* which allows the Minister to establish Panels to advise on any matter. The Minister establishes the terms and conditions of Panels and may appoint up to 5 members to any Panel, including the Chair.

The Best Value Commission (or Panel) was established to advise the Minister for Local Government on:

- the implementation by Councils of the Best Value Principles prescribed in Section 208 of the *Local Government Act 1989*
- any shortfalls and subsequent assistance required by councils to implement Best Value Principles effectively, and
- any changes to the Best Value framework that might be required to meet the Government's objectives.

The full Terms of Reference of the Best Value Commission are set out in Appendix 2.

Since its inception, the Commission has comprised a Chair and two members, although at present there are two members of the Commission.

The Commission has comprised people from diverse backgrounds with a range of different skills, including knowledge of local government, business and management skills, research and academic skills. They have been appointed by the Minister.

The Commission reports annually to the Minister on its activities and findings. These reports are available on the Department's website and are distributed to all councils.

### 3. THE WORK OF THE BEST VALUE COMMISSION

The Commission has now been in operation for more than six years. Its approach to its role has consisted of meeting with small groups of councils four to six times a year. This has meant that over a cycle of three to four years the Commission has met with all councils. Meetings are normally attended by the Mayor and CEO with other councillors sometimes attending. The Commission also met with the Municipal Association of Victoria, the Victorian Local Governance Association, LGPro and the Australian Services Union, usually on an annual basis.

Over its six years of operation, the Commission identified a range of issues faced by local government in implementing Best Value and highlighted broad trends in the approaches adopted by councils. In the early years, the Commission reported that councils and communities had limited understanding of Best Value and there was a very wide approach to service reviews. From the beginning, however, there was a very positive response to the requirement to consult communities about service provision.

Over time, the Commission noted a growing acceptance of the benefits of Best Value, greater sophistication in the application of the principles and much diversity in how it was approached locally. Key positive themes that the Commission identified as emerging in local government practice included:

- Strong sector support for consultation;
- Significant improvement in performance measurement;
- Many examples of innovative practices;
- Great benefit from sharing of information about good practices.

The main continuing gap in council approaches that the Commission identified was limited councillor involvement in Best Value and hence possible limited councillor understanding of its potential benefits. Councils also expressed significant concern about the burden of reporting, not only on Best Value but on a wide range of functions.

As a consequence of feedback to the Commission from the sector, a number of changes in the State's approach to Best Value were adopted.

First, the two Ministerial Codes covering reporting requirements on the implementation of Best Value and program review schedules were revoked. The legislation still requires local governments to report annually

to their communities on Best Value performance but councils are free to choose the most appropriate method of community reporting.

Secondly, the government supported a project undertaken jointly by LGPro, Local Government Victoria and the Commission to prepare a guide for councils on a whole of organisation approach to Best Value.<sup>1</sup> This document confirms the continuing importance of individual service reviews but recommends the implementation of a linked and cascading approach from the Council Plan to service and individual performance planning.

Thirdly, as a result of the work of the Commission, a project was initiated to review all State Government requirements placed on local government to develop strategic plans not necessarily aligned to Council's planning framework. As a result of this work the Government has required all Departments as appropriate to review their strategic planning requirements of local governments to enable councils to integrate such requirements in their own planning framework and cycle.

The Commission has played an important role in promoting an understanding of Best Value, building capacity for implementation within local government and disseminating information about good practice across the sector. It has also served as a valuable source of feedback from the sector to the Minister and the Department for Victorian Communities.

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<sup>1</sup> LGPro, DVC, Best Value Commission: A guide to achieving a whole of organisation approach to Best Value 2006

## 4. THE CHANGING CONTEXT

When Best Value was first introduced in Victoria, many assumed that it was modeled on Best Value in the United Kingdom. This remains a common, but mistaken belief. In the UK, the implementation of Best Value is subject to strong scrutiny by central government and is overseen by the Audit Commission. Even higher levels of scrutiny have been progressively introduced with the establishment of performance targets across a wide range of services.

In Victoria, the approach has been very different – the essence of Best Value has been council self-evaluation and accountability to the local community rather than to the State.

Victorian Government policy is primarily directed to supporting and strengthening local government. It aims to ensure:

- Councils are democratically accountable;
- Councils form part of “joined-up” government;
- Councils empower local residents and communities; and
- Councils are financially and economically responsible for delivering excellent services.

This support for local government is in the context of the State's broad vision statement *Growing Victoria Together*, which includes the themes of a thriving economy, quality health and education, a healthy environment, caring communities and vibrant democracies.

The environment in which local government operates in Victoria has changed over the last six years since Best Value was introduced and continues to do so. Of particular relevance in the context of Best Value are:

- The identified importance of community planning alongside council planning;
- The increasing interest in the development of community well-being indicators;
- The need to review the Victorian Local Government Indicators to take account of new national frameworks for financial planning and asset management; and
- The proposed Victorian State-Local Government Agreement to progress social, economic and environmental results for Victorian communities.

These activities are supported by administrative arrangements that foster better joined-up government, namely the Regional Management Forums, and DVC's local presence teams whose role is to broker practical solutions to local priorities through an integrated approach.

Local government has also become much more active in consulting with their communities, with many councils now preparing community plans or community vision statements that may be linked to the Council Plan. The preparation of *A guide to achieving a whole of organization approach to Best Value*, developed in partnership between LGPro, the Commission and the Department for Victorian Communities, also demonstrates the extent to which local governments are using Best Value to integrate approaches to consultation, planning, service delivery, asset management and performance monitoring and reporting.

To support local governments' continued adaptation to the changing environment, the State Government has allocated \$4.7 million dollars over two years to the *Councils Reforming Business* project. This project aims to help relieve pressure on rates by reducing the costs of councils doing business, increasing the stimulus for economic activity and reducing red tape, as well as developing exemplar projects related to affordable housing.

Within this rapidly developing environment, Best Value continues to have a role in helping councils test that their services are meeting changing community needs and that residents have optimum opportunity to participate in decision making.

## 5. ISSUES & OPPORTUNITIES

The Best Value Commission currently has four key roles as set out in its terms of reference. This section looks at each of these roles in turn with a view to considering whether they are still relevant or whether they should be modified to enable the Commission to better support local government and better monitor Best Value.

Each of these areas of enquiry is briefly elaborated below and your comment on each is invited.

### 1. Monitoring the application of the Best Value principles

The Commission has been required to monitor the application of the Best Value principles by local councils. Each year the Commission has examined and reported on:

- The number of service reviews completed by councils, and
- The extent to which the Best Value principles have been considered in these reviews.

Prior to the introduction of Best Value, some services had never been reviewed so Best Value did act as a stimulus for better management practices. Initially, however, some reviews were limited in scope and not fully compliant with legislative requirements. The Commission observed that some councils did not apply all the principles to all their service reviews but, over time, significant maturation in council approaches occurred. Since the expiry of the requirement to review all services by December 2005, many councils have developed new frameworks for the application of Best Value to their service reviews. Many are moving to a more holistic approach and finding ways to integrate Best Value with corporate and business planning.

Given the discretion that councils have in the application of Best Value, it is questionable whether the Commission can add significant value through continuing to monitor the application of the principles to individual service reviews. Councils are still required to review their services to ensure they meet the Best Value principles but there may no longer be substantial benefit in the Commission reviewing the extent of compliance by councils.

It is therefore proposed that the Commission move to a more “thematic” approach to monitoring the implementation of Best Value by councils.

The Commission could identify, in consultation with the sector, three or four themes, issues or even particular service areas to be considered in any one year. The Commission has already flagged this approach in recent reports identifying that it wishes to look at issues such as multicultural access to services and service access by people with disabilities. In this way, the Commission would take an interest in the outcomes being achieved by councils rather than in their procedural approaches to implementing Best Value. This approach also offers a better way of identifying good practice and service innovations. The Commission could develop a set of issues papers or guidelines on the application of specific principles to provide practical support to councils.

Your views:

- 1 Should the Commission take a “thematic approach” to Best Value rather than focus on the application of the principles in individual service reviews?
- 2 If yes, what particular themes should the Commission examine?
- 3 What other ways can the Commission focus on the outcomes of Best Value rather than on the methods of implementation? Please list them.
- 4 Should the Commission develop practical guidelines to support councils?

## 2. Partnership with local government to achieve continuous improvement in operations

One of the key objectives in originally introducing Best Value was the achievement of enhanced services for the community through enhanced local government performance. Supporting councils to achieve continuous improvement through Best Value has been a key objective of the Best Value Commission. In pursuing this objective, the Commission has constantly sought to work in partnership with local government.

Improving the performance and accountability of local councils and raising levels of public trust in them remains a primary goal of current Government policy. This suggests that the Commission still has a role to play in supporting and facilitating continuous improvement within local government.

The *Guide to achieving a whole of organisation approach to Best Value* recommends the establishment of an improvement framework within councils that incorporates the Best Value principles. This approach integrates the statutory requirement to apply the Best Value principles with a council's own planning and improvement cycle and potentially reduces the burden of compliance. The Commission's approach to the support of continuous improvement in the past has primarily been expressed through its interest in individual service review processes. It could now shift its focus to whole of organisation planning and improvement frameworks.

Clearly, the key to achieving continuous improvement is the setting of targets and the measurement of performance against those targets. Measurement of performance including the development and use of key performance indicators (KPIs) is approached in many different ways across councils. For example, the Commission could potentially better support local government through identifying performance frameworks and measurement tools.

Closely linked to performance measurement is the issue of public reporting on performance. Performance reporting to local communities on Best Value by councils remains mandated under the *Local Government Act* but councils are no longer required to report on Best Value specifically in their Annual Reports. This has resulted in much diversity in community reporting but little is known about the extent to which communities understand Best Value or how their own council has performed. There is an opportunity here for the Commission to work with councils and the peak bodies to ensure information provided to communities is both accessible and meaningful by assessing current approaches.

Your views:

- 1 What role should the Commission take in supporting continuous improvement?
- 2 Is there benefit in the Commission moving to a focus on whole of organisation planning and improvement frameworks?  
  
If yes, what would be some key areas for the Commissioners' involvement?
- 3 How can the Commission help build capacity in performance measurement?

4 How can the Commission support local government to strengthen its reporting to the community?

### 3. Dissemination of good practice and innovation

One of the key objectives of the Commission since its inception has been the dissemination of information about good practice and innovation. Three main approaches were taken to this aspect of the Commission's role.

First, the Commission convened meetings of councils (represented by their mayors and CEOs) and these allowed those attending to hear the approaches taken by other councils and to learn from their successes. Secondly, an extranet was established to enable councils to post reports of service reviews or other documents that they considered might be of assistance to others. While this worked for a time, it has fallen out of use and many council staff today would not know of its existence. Thirdly, the Commission's report included samples and examples of innovative approaches to service reviews and the application of the principles. These reports were released publicly by the Minister for Local Government.

Feedback to the Commission over the last few years suggests that the dissemination of good practice and innovative ideas is welcomed by the sector and should be strengthened. Given resource constraints, the Commission has taken an opportunistic approach to this role but could in future adopt a more systematic and comprehensive approach to the identification, collation, distribution and promotion of good practice ideas.

While the Best Value extranet may have had only limited success, its purpose remains valid and it could be redeveloped in stronger partnership with local government. The peak bodies also promote innovations such as *LGPro Awards for Excellence* case studies. There may be opportunities to link the two. There are also other forms of emerging technologies for the capture of knowledge that may serve local government well and might facilitate broader participation from all councils. For example, wikis are now widely used across the globe to encourage the collation and continuous updating of knowledge and are a methodology likely to attract the interest of younger staff. The use of technology for knowledge dissemination also offers particular benefits to smaller councils where resources may constrain the opportunity to participate in development exercises.

Your views:

- 1 Should the Commission continue to play a role in promoting service innovation?
- 2 If yes, what is the best approach for the Commission to take in knowledge building and the dissemination of good practice?
- 3 What role should new technology and new forms of learning play in the dissemination of good practice?
- 4 Are there other ways that the Commission can support innovation in local government?

#### 4. Integration of Best Value into council strategic thinking

The fourth objective of the Commission has been to facilitate and support the integration of Best Value into councils' strategic thinking. The work of the sector in developing guidelines for the integration of Best Value and business planning represents a significant step in this direction and many councils are incorporating Best Value in all council planning processes. This does not obviate the need for on-going reviews at the service level but does facilitate a whole of organisation approach to the Best Value principles.

However, not all councils have successfully integrated Best Value into all aspects of organisational and community planning. Additional support and guidance on the potential benefits and the means of including Best Value principles in planning at all levels may be needed by some councils.

In the *Local Government Act 1989* Best Value provisions and the provisions for preparation of a Council plan, annual report and performance statement, are covered by different sections of the Act. These two sections of the legislation could be combined to reflect the need for a more strategic approach to Best Value. The Best Value principles themselves could be incorporated in a Code under the Act rather than in the Act itself, potentially giving councils greater discretion in the way they integrate the underlying purposes of Best Value into their operations. The performance statement, which is subject to audit scrutiny, could be one vehicle for council reporting on Best Value performance.

Suggestions have been made to increase the number of Principles to include sustainability. However, if this were to be included, its definition

would need to be clear and agreed. Sustainability is a difficult concept that includes consideration of the inter-relationship between the factors contributing to the triple bottom line (economic, social and environmental) outcomes relevant to the local area, as well as beyond it.

Your views:

- 1 To what extent have councils successfully integrated the principles of Best Value into their strategic thinking?
- 2 Is additional support and guidance required in the sector to support the integration of Best Value and strategic thinking?  
  
If yes, what role could the Commission play?
- 3 Should the Best Value provisions of the Act be integrated with the council planning provisions to encourage integration with council strategic planning?  
  
If yes, would the Best Value principles be better specified through a Ministerial Code to allow for easier review and modification?
- 4 Should the Principles be amended?  
  
If yes, in what way?

## 5. Other issues

There may be other issues relevant to the future role of the Commission that have not been considered in this paper. If so, they should be included in any submission you make. There may also be other roles that the Best Value Commission might play or other ways in which it could support local government which have not been raised in this paper. There may be other ways that the Commission might keep the Minister informed on council approaches to the implementation of Best Value. Your comments on any aspect of the future role of the Commission are welcome.

Your views:

- 1 Please list any other issues that should be considered in this Review of the role of the Best Value Commission.
- 2 Are there other roles the Commission could play that might benefit local government? If yes, please identify them.

## 6. MAKING A SUBMISSION

Thank you for reading this paper and taking an interest in the future role of the Best Value Commission.

Local Government Victoria is keen to hear the views of local government and welcomes a submission from your council.

There is no set format for responses to this discussion paper. You may comment on all the issues raised or only on those of particular interest to your council.

You may write a letter, send an email or complete the attached proforma. Please forward any submission to:

Veronika Osipova  
Local Government Victoria  
Department for Victorian Communities  
GPO Box 2392  
Melbourne 3001

or by fax on 9208 3577 or email to [Veronika.Osipova@dvc.vic.gov.au](mailto:Veronika.Osipova@dvc.vic.gov.au).

Closing date for submissions is Friday 31 August 2007.

You are also invited to participate in a forum to discuss the issues raised in this paper.

# APPENDIX 1: BEST VALUE PRINCIPLES

## Division 3—Best Value Principles

s. 208A

### 208A. Best Value Principles to be followed

A Council must comply with the Best Value Principles.

### 208B. Best Value Principles

The Best Value Principles are—

- (a) all services provided by a Council must meet the quality and cost standards required by section 208D;
- (b) subject to sections 3C(2)(b) and 3C(2)(e), all services provided by a Council must be responsive to the needs of its community;
- (c) each service provided by a Council must be accessible to those members of the community for whom the service is intended;
- (d) a Council must achieve continuous improvement in the provision of services for its community;
- (e) a Council must develop a program of regular consultation with its community in relation to the services it provides;
- (f) a Council must report regularly to its community on its achievements in relation to the principles set out in paragraphs (a), (b), (c), (d) and (e).

S. 208A  
substituted by  
No. 59/1999  
s. 4.

S. 208B  
substituted by  
No. 59/1999  
s. 4.

S. 208B(b)  
amended by  
No. 109/2003  
s. 7(3).

## APPENDIX 2: TERMS OF REFERENCE BEST VALUE COMMISSION

### **ROLE OF THE COMMISSION**

The Local Government Best Value Commission ('the Commission') provides independent advice to the Minister for Local Government on:

- the implementation by Councils of the Best Value Principles prescribed in Section 208 of the *Local Government Act 1989*;
- any shortfalls and subsequent assistance required by councils to implement Best Value Principles effectively; and
- any changes to the Best Value framework that might be required to meet the Government's objectives.

### **REPORTING ARRANGEMENTS**

The Commission is to provide written reports to the Minister each year on the above.

### **TERMS OF REFERENCE**

Specifically, the Commission is to:

1. Report to the Minister in 2006 on the application by councils of the Best Value Principles as at 31 December 2005, by which date all councils are to have completed reviews to apply the Principles to all their services;

With regard to the period 2005 to 2007:-

2. Monitor the application by councils of the Best Value Principles, i.e.:
  - involving communities in decision making;
  - improving the accessibility, responsiveness and affordability of services;
  - demonstrating continuous improvement;
  - meeting quality and cost standards; and
  - improving accountability through reporting to local communities;
3. Work in partnership with councils to progress Best Value and continuous improvement in their operations;
4. Identify and disseminate good practice in local government through workshops, meetings, guidelines or other means;
5. Assess the extent to which local governments have integrated the Best Value Principles into their operations and their strategic thinking.

### **METHODOLOGY**

1. Consultation with local governments, peak bodies and unions;
2. Meetings with elected members, council staff and Government officers;
3. Conduct workshops on specific aspects of the Best Value Principles to help councils learn from each other and to identify opportunities to introduce good practice;
4. Disseminate Best Value concepts through publications, addresses to professional bodies and website.
5. Encourage and support, through advice, the development of relevant tools to implement the Best Value Principles by the sector.