

2007

Review of Best Value Commission

Report on the Consultation
and Options for the Future

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Introduction

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

- value for money
- responsiveness to community need
- accessibility of services
- continuous improvement
- regular consultation, and
- 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 and allowed for the making of ministerial codes and guidelines. Codes were introduced, establishing a requirement that councils publish their schedule of reviews in their Council Plan and report annually to their communities on their performance in the application of Best Value via their Annual Reports.

Following the completion of the requirement to review all services by December 2005, the two Ministerial Codes covering program review schedules and reporting requirements on the implementation of Best Value were revoked. The legislation still requires local governments to apply the principles and report annually to their communities on Best Value performance but councils are free to choose the most appropriate method of community reporting.

Following the introduction of Best Value in 1999, 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 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.

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

In early 2007, the Government 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.”

This document is the report of the Review that has been undertaken. It outlines the views expressed by local government, peak bodies and others and outlines a number of options for the future.

The Review Methodology

The Review involved a number of steps, as follows:

- Consultation with peak bodies, viz. MAV, VLGA and LGPro
- Interview with the Commission Chair, Professor Bill Russell
- Examination of the Commission's Annual Reports
- Preparation and circulation to all local councils of a Discussion Paper
- Two workshops for local government representatives
- One meeting with council representatives in northern Victoria
- One consultation with the Civil Contractors Federation
- Invitation to make written submissions

The Discussion Paper provided 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 set out a number of possibilities for the role of the Commission in future.

Following circulation of the Discussion Paper, two local government workshops were held to discuss the future role of the Commission and encourage local governments to make a submission. Thirty-two councils and the Australian Services Union were represented at the workshops. Two smaller consultation meetings gave another 6 councils and representatives of the Civil Contractors Federation the opportunity to participate.

Twenty-six written submissions were received – 24 from councils, one from the VLGA and one from the Civil Contractors Federation. A summary of these submissions and comments from the workshops/meetings is presented in the next section. Overall, 46 local governments participated in the consultation in some way.

Feedback from the Consultation

3.1 The Principles

There was strong support for retention of the Best Value principles even though this issue was not directly canvassed in the Discussion Paper. Many submissions stated they had played a valuable role and continued to do so. They were described as “timeless” and “part of good management practice”. It does appear that most local governments have embraced the principles and do continue to apply them to their services.

Only a handful of submissions recommended their abolition. These submissions took the view that the principles had done their job and local government now took a broader approach to continuous improvement. A small number of submitters noted that the Paper had not directly canvassed the option of removing the principles and should have done so.

A small number of submissions recommended some modifications to the principles to include such things as sustainability, staff consultation and community involvement in reviews. Such comments were very much in the minority however.

While submissions favoured retention of the principles, they were not supportive of any re-introduction of a compliance framework. The Minister’s removal of the Codes was welcomed and submitters recommended against any new compliance arrangements.

3.2 Current Approaches in Local Government

The strongest theme emerging from the submissions was that local government takes continuous improvement very seriously. Many councils now use the Business Excellence framework. Those that don’t, report having a strong business planning framework that incorporates the Best Value principles. Many state that they have an integrated planning and reporting system that links the Council Plan to annual business plans and to staff performance management. Some continue to work on the collaborative development of benchmarks and all councils establish at least some performance indicators and report against these. While the systems and approaches vary across councils, a picture emerged of a sector working hard at improvement planning and performance reporting.

Of particular note was the number of councils that take a more wholistic approach. That is, planning, measurement and reporting are often cross-organisational in nature and not necessarily focused on individual services. Indicators are developed to report on outcomes (or at least outputs), where possible, rather than reporting on inputs and processes. Councils feel they have a more sophisticated approach than that taken in the early days of Best Value when services were examined in isolation. Some councils have purchased software packages to support their planning and reporting frameworks. Consequently, many councils believe they have moved beyond Best Value.

3.3 The Role of Peak Bodies

Quite a number of submissions commented on the important role of peak bodies in supporting both continuous improvement and innovation in local government. The collaboration between LGPro's Corporate Planners Network and the Commission in the development of *A Guide to Achieving a Whole of Organisation Approach to Best Value* was welcomed. While a high value was placed on the sector's ability to influence Commission approaches, submitters wanted collaboration between peak bodies, the Commission and Local Government Victoria. They also thought it important that roles were clearly articulated. The potential for overlap in the role of the Commission and the peak bodies was noted.

3.4 The Work of the Best Value Commission

The work of the Commission over the last six years was commented on positively by many submitters. In particular, value was placed on:

- The supportive way in which the Commission undertook its role
- Its preparedness to listen to the views of local government and represent those views independently to the Minister

- The opportunities it created to share knowledge across the sector
- The way it embraced new ideas from local government, evidenced most strongly through its collaboration with LGPro

A small number of submitters took the view that the work of the Best Value Commission was now complete and local government was well able to pursue continuous improvement without any oversight from the Commission or similar body. Some submitters also commented on the fact that the Discussion Paper did not directly canvas the continued need for the Commission and hence many submissions would not directly address this issue. Most submissions, however, appeared to assume the Commission would continue in some form although there was no clear or common view on exactly what the Commission might do. This issue is further explored in section 5. A number of submitters that did assume the continuance of the Commission did comment on the need for it to be better resourced if it were to make a difference to sector performance.

A small number of submitters commented on the composition of the Commission. There were a few suggestions to include a member seconded on a rotating basis from local government and one suggestion to include a retired councillor. The majority of submissions were, however, silent on the composition of the Panel.

3.5 The Views of the Civil Contractors Federation

The brief for this project was to review the role of the Best Value Commission taking account of the views of local government. Consultation with other stakeholders or the community more generally was not envisaged. However, the Civil Contractors Federation (CCF) requested the opportunity to be involved and hence a meeting was arranged with them and a submission subsequently was received. This submission takes a vastly different view from that of local government and hence a short summary is reported separately.

The CCF is of the view that many councils do not take Best Value seriously given that rates have increased everywhere but with little/no evidence of performance improvement being published. The CCF believes capital projects with a value greater than \$250,000 and maintenance valued at more than \$100,000 should all be market tested. Council audit committees should be strengthened to undertake performance audits and credible performance measures should be published in annual reports. In order to drive the infrastructure dollar further, councils should partner more strongly with the private sector. The CCF is not opposed to Best Value but asserts it needs significant strengthening to deliver better value for the community. The full submission is included with all submissions received by the Department of Planning and Community Development.

What Local Governments Do Want ?

There were a number of themes that emerged strongly from the consultation about the support needs of local government.

First, almost every submission noted the importance of opportunities to share knowledge and learn from the good practices of others. The Commission has provided these opportunities to some extent but these opportunities have primarily been limited to mayors and CEOs. There was a strong view that Organisation Development practitioners and management more broadly would benefit from greater networking opportunities.

As part of their comments on sharing knowledge, a number of submissions mentioned IDeA, the Improvement and Development Agency for local government in the UK. It draws on the experience and expertise of councillors and senior officers to challenge councils to improve themselves. It supports good practice through the Beacon Council scheme and uses technology extensively to disseminate information. IDeA is centrally funded.

Secondly, most (though not all) submissions supported the development and distribution of best practice guides as long as they did not dictate compulsory methodologies or entail any compliance reporting. Information about 'state of the art' and international practices was also seen as an important contributor to continuous improvement.

Areas where the need for guidance was identified included:

- Community planning and its links with Best Value
- Community engagement
- Performance measurement and reporting
- Integrated planning models
- Development of KPIs

Thirdly, submissions did support use of technology as a vehicle for both dissemination of information and for collaboration. A number of submissions wanted to see the Best Value extranet reinvigorated; others wished to see a secure site on which local governments could benchmark service outcomes to assist in continuous improvement without the information being available to state government or other external scrutiny. Use of technology was considered particularly beneficial for rural councils.

Fourthly, a number of submitters stressed the importance of state government reducing the burden of reporting imposed by various government departments. Given the significant improvement in local government's capacity to develop integrated planning frameworks, the various reporting requirements of state authorities were seen as a cost without any local benefit. The implication of these comments was that the commitment to reduce the multitude of state reporting requirements had not progressed far.

The submissions presented a very consistent view about the support needs of local government but there was less consistency about how these needs should be met. Some submitters thought the peak bodies were the appropriate organisations to support continuous improvement; some saw it as a role for the Commission; others saw it as a joint role. The implication of most comments, however, was that additional resourcing would be needed to develop really meaningful leadership in continuous improvement. Potential tools suggested to assist councils included training programs, seminars, grants for special projects, access to external expertise, development of guidelines, establishment of benchmarking programs – all activities that would need adequate resourcing.

Possible Ways Forward

In the light of the consultation, four options have been developed to address councils' needs, as outlined above. Two of the options include a role for the Best Value Commission; the other two options look at other mechanisms. Each of the options is presented as an outline only. Further work, including further sector consultation, would be needed to develop these options more fully.

5.1 Option 1 – Retain the Commission in its current form

The Best Value Commission could be retained in its current form. It could continue to meet with groups of mayors and CEOs and could consider meeting also with other levels of management and/or corporate planning practitioners. Through these meetings it could provide opportunities for councils to share information and to extend their sector networks.

This option is likely to be acceptable to local government as there were only a small number of councils that recommended abolition of the Commission.

However, local government skills and expertise have now developed to the point that such meetings with the Commission may not, of themselves, add significant value. Local government is requesting more sophisticated input in the form of training, guidelines and information on overseas trends. Without additional resources, the Commission could not meet these expectations and hence would be likely to lose relevance over time.

5.2 Option 2 – Expand the Commission's role with additional resources

The Commission's role could be varied through a change to its terms of reference and a change in resourcing to give it the capacity to play a more significant developmental role in local government. The role could be varied to provide support only or could be strengthened to include reporting on local government practices and/or performance. For example, it could:

- Undertake research into local government practices and disseminate the results
- Act as a think tank/clearing house for best practice information
- Facilitate benchmarking exercises for local government on a voluntary basis
- Develop practice guidelines in conjunction with the sector and monitor their impact
- Develop and roll out training opportunities to enhance performance planning and management
- Analyse local government performance and report on barriers to service improvement much like the Productivity Commission does.

Local government would be likely to support a new role for the Commission provided it was a developmental role and did not impose any compliance requirements and did not involve 'league table' reporting. However, the possible roles outlined above would be a major initiative requiring substantial resourcing. It is suggested, therefore, that a feasibility and cost benefit analysis should be undertaken if this option is to be further considered. This option would also duplicate and overlap some of the work currently being done by the peak bodies such as benchmarking, training and information exchange.

5.3 Option 3 - Support peak bodies to strengthen local government performance

Local government has made significant advances in planning, managing and reporting on improvement frameworks although there are differences in capability across the sector. Local government has also indicated that it wishes to pursue continuous improvement and is looking for support to do so. The important role of the peak bodies in this regard was mentioned frequently in the consultation and they are already highly active in projects that support better sector performance. Consideration could be given to the provision of grants to the peak bodies so that they in turn support the sector through a variety of tools such as:

- Network development
- Dissemination of information about good practices
- Development of good practice guides
- Establishment of benchmarking groups etc.

Essentially, this approach would constitute a 'passing of the baton' from the Commission to the peak bodies. Details of funding arrangements would need to be negotiated but such an approach would reflect the growing maturity of current local government approaches.

Further discussions with peak bodies, local government generally and, of course, the Commission itself would be needed as this possibility has not previously been canvassed across the sector.

5.4 Option 4 – Strengthen other mechanisms to ensure councils deliver value for money,

Finally, a range of other approaches to the strengthening and monitoring of local government performance could be considered. Possibilities include:

- Relying on the work of the Auditor-General. The Auditor-General is responsible for the annual audit of all council financial reports which already include performance statements based on the targets established in each Council Plan. The Auditor-General also conducts performance audits which may include aspects of local governments' performance, e.g. quality of performance indicators.
- Strengthening the role of local government audit committees to monitor and review performance and reporting. All councils are required to establish an audit committee but the responsibilities, functions and composition of these committees vary significantly. Guidelines could be established that require these committees to focus more strongly on continuous improvement but reporting could still be to the local community via council.
- Strengthening and extending the use of the Victorian Local Government Indicators (VLGIs). It is understood that the VLGIs are currently under review but, once that review is complete, the potential to strengthen the use of the VLGIs could be considered.

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Conclusions

This Review of the Best Value Commission was conducted over four months in mid 2007 with input from the Chair of the Commission, 46 local governments and all peak bodies. While there was some variation in the viewpoints expressed as might be expected, differences overall were relatively few and common themes emerged which allow a number of conclusions to be drawn.

First, local government in general is supportive of Best Value believing it has played, and continues to play, an important role in driving improvements in performance. Best Value has been integrated into the service planning frameworks that councils use and councils do report on its application to their local communities. The abolition of compliance reporting to the state is supported. As councils continue to use the Best Value framework, it makes sense to retain the legislative provisions for Best Value.

Secondly, the members of the Best Value Commission are highly respected and the supportive way they have worked with local government is highly regarded. It would be appropriate to acknowledge in some way the contribution they have made.

Thirdly, most local governments now have a sophisticated approach to performance planning, monitoring and community reporting and little would be gained from the imposition of specific continuous improvement requirements. Local government has moved beyond the need for external direction in the pursuit of quality and cost effective service provision.

Fourthly, peak bodies now play a significant role in supporting local government in planning high quality and efficient service delivery. Councils value this support from peak bodies and see it as an important part of the role of peaks. While additional support from the Commission in standard setting, best practice information, benchmarking and training would be welcomed, it is well understood that this would require substantial additional resources to be effective, resources that are not currently available.

The overall conclusion from this Review, therefore, is that the work of the Best Value Commission can be viewed as complete and that continuous improvement in local government should continue to be supported through the work of the peak bodies.

Appendix

Participants in the Review of the Best Value Commission

1 Initial interviewees

VLGA	Rae Perry
LGPro corporate planners network:	Chris Newman Nick Foa Linda Stoneman
MAV	Rob Spence Alison Lyon
Best Value Commission	Professor Bill Russell (Chairperson)

2 Attendees - Consultation Forum - Hobsons Bay 7th August 2007

Stephen Griffin	Wyndham City Council
Rob Soar	Ballarat City Council
Craig Rowley	Stonnington City Council
Julie Winzar	Warrnambool City Council
Michael Edgar	Latrobe City Council
Karen Linden	Darebin City Council
James Moreno	Brimbank City Council
Steve Crawcour	Brimbank City Council
Russell Atwood	ASU
Peter Smith	Hindmarsh Shire Council
Mark Ceslar	Greater Geelong City Council
Mary Ciliak	Maribyrnong City Council
Peter O'Brien	Melton Shire Council
Wayne Moore	Central Goldfields/Mt Alexander
Kim Oakman	Kingston City Council
Ben Jordan	Hume City Council
Megan Strauss	Moira City Council
Rosemary McCormack	Moonee Valley City Council
Christine Doyle	Moreland City Council
Yvonne Hill	Hobson's Bay City Council

3 Attendees - Consultation Forum - Knox 10th August 2007

Jason Stubbs	Frankston City Council
Dan Wade	Monash Shire Council
Shane Looney	Maroondah City Council
Greg Hall	Boroondara City Council
Keith Yeo	Banyule City Council
Peter Utri	Banyule City Council
Jacqueline Lincoln	Knox Shire Council
Michael Bathie	Nillumbik City Council
Margaret Belfrage	Knox Shire Council
Rachael Bragg	Knox Shire Council
Wendy Reichelt	Knox Shire Council
Maria Isabella	Monash Shire Council
Peter Smith	Whitehorse City Council
Antony De Fazio	Whitehorse City Council
Julie Wyndham	Yarra City Council
Rob Pedder	Casey City Council
Peter Jones	Glen Eira City Council
June Ernst	City of Greater Dandenong
Felicity Sist	Bass Coast Shire Council
Sharon Fowles	Bass Coast Shire Council
Danielle Brown	Surf Coast Shire Council;
Stephen Wall	Surf Coast Shire Council

4 Submissions Received

1 Banyule	14 Maroondah
2 Bayside	15 Melton
3 Boroondara	16 Moira
4 Brimbank	17 Monash
5 Darebin	18 Moonee Valley
6 Gannawarra	19 Moreland
7 Greater Dandenong	20 Nillumbik
8 Greater Shepparton	21 Southern Grampians
9 Horsham	22 Stonnington
10 Knox	23 Surf Coast Shire
11 Latrobe	24 Wellington
12 Macedon	25 VLGA
13 Maribyrnong	26 Civil Contractors Federation