

# Best Value toolkit: Challenge and improvement



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# Introduction

## The Audit of Best Value

*“Achieving Best Value is about ensuring sound governance, good management, public reporting on performance and a focus on improvement”*

The duty of Best Value applies to all public bodies in Scotland. It is a statutory duty in local government, and in the rest of the public sector it is a formal duty on Accountable Officers.

Best Value has already been a powerful force for improved performance and accountability in local government, and it will play an important role in supporting the Concordat and the development of Single Outcome Agreements between the Scottish Government, councils and their partners, and in streamlining and coordinating the scrutiny of public services. It also has the potential to underpin the National Performance Framework and the ‘management scorecard’ elements of Scotland Performs.

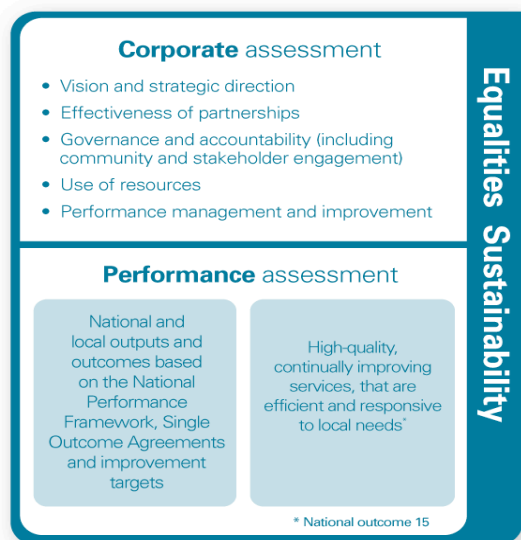
On behalf of the Auditor General and the Accounts Commission, Audit Scotland has identified a set of principles that form the basis for a consistent approach to the audit of Best Value across the public sector, although its application will differ to reflect factors such as the different accountability regimes and reporting arrangements in place in different sectors. This will enable us to apply a consistent set of expectations across all the bodies that we audit, and to reflect and support the reality of partnership working between organisations.

The Best Value toolkits are a key part of the practical application of the BV audit. They provide an evaluation framework that will help auditors to reach robust judgements on how public bodies are delivering Best Value. However, they cannot generate Best Value judgements on their own. They cover only part of the process. Judgements about Best Value also involve consideration of service standards and performance, outcomes and how effectively continuous improvement is being achieved. The framework through which the various elements of the Best Value audit are brought together to arrive at an overall conclusion on the extent to which an organisation is achieving Best Value is outlined below:

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## Exhibit 1

### Framework for a BV audit of a public body



Source: Audit Scotland

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As the diagram demonstrates, Audit Scotland's approach to the audit of Best Value entails both corporate assessment and performance assessment elements. The former focuses on how an organisation plans and conducts its business and manages its resources while the latter looks at the quality of those services and the outcomes for service users.

Audit Scotland is committed to ensuring that Best Value auditing across the public sector adds value to existing arrangements, is risk-based and builds on our existing knowledge of individual public bodies, and that of our scrutiny partners. Specifically we aim to:

- report on the delivery of outcomes for people who use services
- protect taxpayers' interests by examining use of resources
- put an increasing emphasis on self assessment by public bodies with audit support and validation
- work collaboratively with other scrutiny bodies to ensure our work is aligned and prevent duplication.

## The Best Value toolkits

The Best Value toolkits are a series of audit diagnostics, which will help reviewers to establish the extent to which public bodies' arrangements are designed to achieve, and are actually delivering, Best Value. They have been developed to support the corporate assessment process around the five corporate assessment areas noted in Exhibit 1, and the two cross-cutting themes of equalities and sustainability. However, as each toolkit also incorporates a series of questions on the impact of the area under review, they will also provide some evidence to support the assessment of service performance and outcomes.

The Best Value toolkits have been developed as audit tools in consultation with specialist practitioners, and representatives of public bodies and professional groups.

The toolkits take the form of structured key questions, with a matrix of possible levels of performance, ranging from basic to advanced practice. The matrices cannot of course capture all of the ways in which a public body may address the requirements of Best Value, so there is clearly scope for auditors to exercise balanced judgement and for public bodies to respond flexibly in demonstrating how the key areas of challenge are addressed. Individual evaluations are made about the level a public body has attained in each question or area. However, these have not been weighted and it is not intended that these be used to determine an overall scoring for any toolkit. They are designed to contribute to sound professional judgements, not to replace them.

## Using the toolkits

The toolkits are designed for application by Audit Scotland's auditors when carrying out Best Value audits of public bodies. In practice, the toolkits will be applied as part of an audit process, whereby the auditor makes enquiries, seeks supporting information and forms conclusions based on the evidence obtained.

Audit Scotland recognises that bodies may find the toolkits helpful in carrying out general organisational reviews or specific service reviews and are therefore available in the Audit Scotland website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). It should be stressed however that public bodies using the toolkits do so at their own discretion. The toolkits are designed principally as audit tools that are part of

Audit Scotland’s overall Best Value audit methodology and are not expressly produced for self-assessment purposes.

Any organisation using the toolkits to inform their own corporate or service-based self-evaluation processes will need to consider the local context when applying them, and also the indicative rather than conclusive nature of the findings when interpreting the results. The toolkits were designed to elicit contextual information and provide evidence for arriving at professional audit judgements. They are not intended to be, and cannot be, used in a “tick-box” fashion.

The Best Value toolkits are generic in nature, in that they are not specific to any one type of public body or to any one sector and are designed so that they can be applied to all public bodies. Auditors will require to be sensitive to the differences between organisations both in terms of different sectors and varying scales of operation.

This toolkit forms part of a suite of audit products that will be applied, over time, to support a structured, evidenced based, judgment on an organisation’s approach to the use of the resources with which it has been provided and its achievement of Best Value.

**Auditors’ evaluations**

The toolkit takes the form of a series of questions based on identified good practice. It then offers four sets of descriptors, these being:

<b>Does not meet basic requirements</b>	An organisation may not yet demonstrate the basic practice level in any particular category.
<b>Basic practices</b>	Minimum acceptable standards, which would be sufficient to allow an organisation to demonstrate sound performance.
<b>Better practices</b>	As basic, with some elements of good or even best practice, but not on a consistent basis.
<b>Advanced practices</b>	Consistently demonstrating good or best practice and contributing to innovation.

## **Best Value Corporate Assessment Framework: Challenge and improvement - definition**

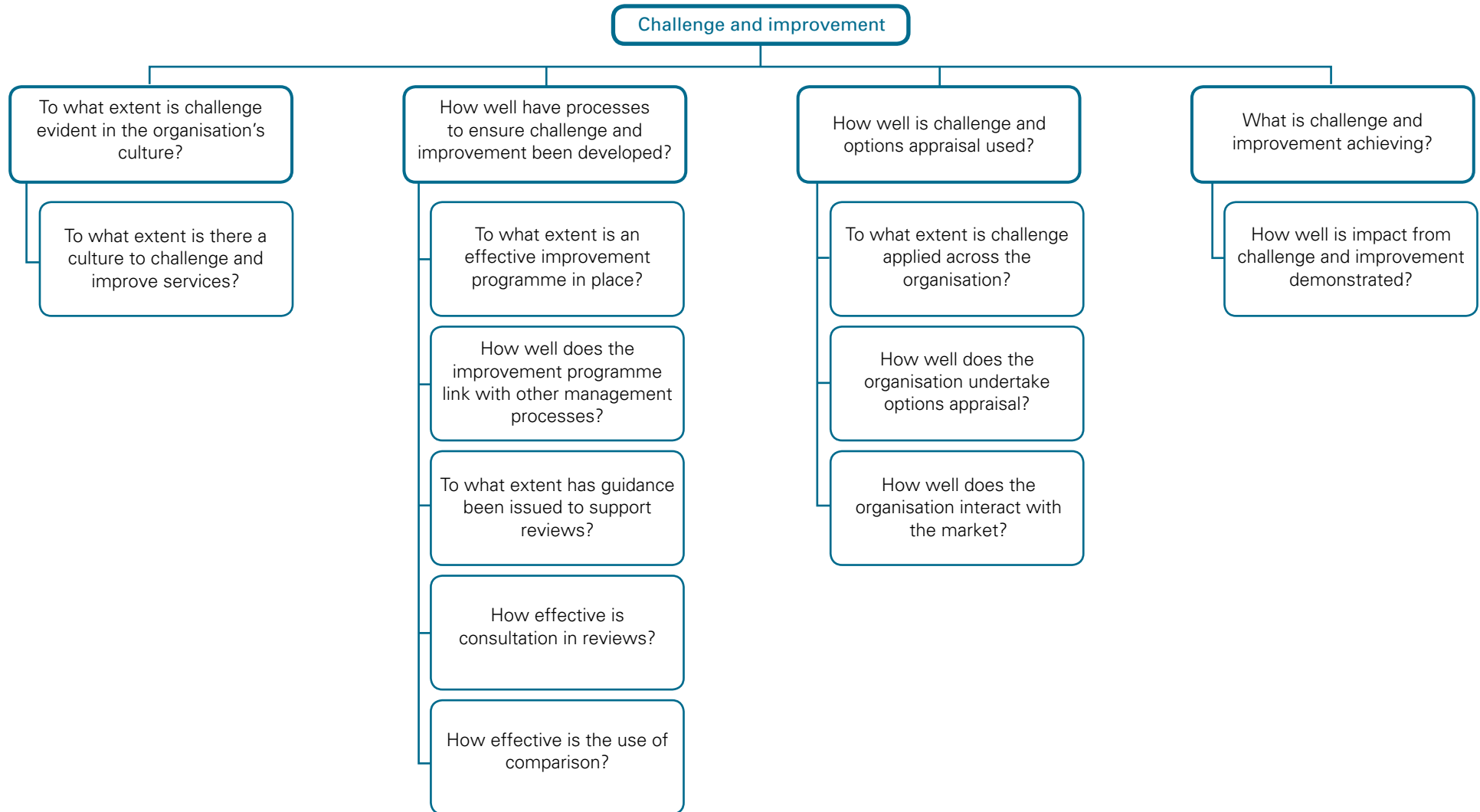
### **Challenge**

- The organisation has a proven record of adjusting its services as a result of internal or external challenge, achieved with an improvement of services.
- The organisation can justify that its delivery methods, whether in-house or otherwise offer best value, within the context of its wider objectives.
- As part of its strategic approach to procurement and commissioning it undertakes objective options appraisal to explore and optimise a wide range of contract or partnership options. The organisation understands the impact of its activities on the local economy, and makes decisions based on clear policy objectives.

### **Improvement**

- The organisation continually challenges and improves its performance. It has reviewed, or has plans to review, its services to ensure best value - an improvement programme is in place which takes account of customer and staff feedback and is readily available to citizens. It assigns responsibility, accountability and resources appropriately following improvement reviews.
- It uses the 'four Cs' (Consult, Compare, Challenge, Compete) effectively in reviewing services. Reviews are timely and the council can demonstrate improved outcomes and value for money as a result. Improvements are targeted in line with priorities, and performance indicators (PIs) and satisfaction measures in reviewed areas are satisfactory or improving.
- It can demonstrate impact through improved service, or governance outcomes, and monitors and regularly reviews the quality and progress of its improvement activity.

# Best Value toolkit: Challenge and improvement



**BEST VALUE TOOLKIT: ASSESSMENT MATRIX – CHALLENGE AND IMPROVEMENT**

	<b>Basic practice</b>	<b>Better practice</b>	<b>Advanced practice</b>
<b>1. A culture of challenge – To what extent is challenge evident in the organisation’s culture?</b>			
<b>1.1 To what extent is there a culture to challenge and improve services?</b>	<p>Leaders and managers challenge performance and seek improvement in select areas.</p> <p>Leaders are aware of, and openly discuss, alternative delivery options for select areas.</p>	<p>Leaders are committed to challenge and improvement as part of a corporate approach across the whole organisation; no areas are excluded from challenge and improvement</p> <p>Leaders and managers demonstrate a good understanding of the service context including partnership and market opportunities across the majority of services.</p> <p>Leaders and employees at all levels recognise the need for continuous improvement.</p>	<p>The organisation works closely with its partners to seek the most effective delivery options; stakeholder and customer views are actively sought.</p> <p>The organisation is aware of how its services fit with those provided locally by the private sector and other providers; and regularly invites external challenge and peer review.</p>

	Basic practice	Better practice	Advanced practice
<b>2. Effective processes to ensure challenge and improvement – How well have processes to ensure challenge and improvement been developed?</b>			
<b>2.1 To what extent is an effective improvement programme in place?</b>	An improvement programme is in place to address specific areas of concern or under-performance.	An organisation-wide improvement programme is in place that clearly supports organisational objectives; the improvement programme: <ul style="list-style-type: none"> <li>• is prioritised</li> <li>• is focussed on whole-service or “cross-cutting” themes</li> <li>• is responsive to customers and stakeholders</li> <li>• ensures that no areas are exempt from review</li> <li>• is adequately resourced.</li> </ul>	Partners have shared ownership of the improvement programme; it includes common objectives e.g. SOA outcomes and shared services.  Improvement programme is clearly articulated and is reported in strategic documents, at a partnership level and publicly (PPR).  The improvement programme itself is reviewed to ensure it remains effective.e
<b>2.2 How well does the improvement programme link with other management processes?</b>	Progress with improvement activity is monitored and reported to managers/leaders through the performance management system.  Corporate and service plan activity is coordinated with the improvement programme.	Improvement programmes incorporates other improvement activity such as external audits, statutory performance assessments, quality and continuous improvement  Performance monitoring and risk management systems inform improvement actions.  Improvement objectives are understood by employees at all levels, and incorporated into personal and operational plans.	The organisation effectively identifies and coordinates its improvement activity and can demonstrate that it meets its overall objectives.  Improvement actions effectively address emerging risks and contribute to the achievement of the organisation’s objectives.  Improvement programme progress and outcomes are widely reported, understood and acted upon.

	<b>Basic practice</b>	<b>Better practice</b>	<b>Advanced practice</b>
<b>2.3 To what extent has guidance been issued to support reviews?</b>	Review guidance is in place and includes good practice on the “4 Cs” of consult, compare, challenge, compete.	Review guidance is consistently applied across the organisation and most reviews deliver tangible benefits.  The review guidance itself is periodically updated.	The organisation has expertise in change management; it has a strong track record in implementing reviews on time and within budget, while realising planned benefits.  Review processes and guidance are regularly reviewed to ensure they are effective.
<b>2.4 How effective is consultation in reviews?</b>	Some consultation is undertaken on reviews, but it is not used consistently practice is not in place across the organisation.	Consultation with customers, employees, and wider stakeholders are consulted as matter of course in major reviews.  Stakeholders are involved in the review process itself; and findings are well communicated throughout the organisation.	The organisation has developed effective practice in consultation; the scope of reviews is clearly informed by consultation.  Review and improvement outcomes are communicated both internally and externally to stakeholders.  Consultation processes are continually reviewed to ensure they remain effective.
<b>2.5 How effective is the use of comparison?</b>	Benchmarking is applied mostly to trading operations.  Benchmarking is used in selected areas to identify good practice as well as to compare quality and cost.	Effective benchmarking is in place across most activities, not just trading operations.  Benchmarking includes contract and market price comparisons, customer satisfaction and other meaningful quality and cost measures.  Benchmarking involves a wide range of organisations; benchmarking comparators are meaningful and independently verified.  Self-assessment is used in selected areas to provide an overview of performance, including external comparisons.	Effective benchmarking is in place across most organisational and partnership activities  There is a systematic and organisation-wide use of self-assessment; self-assessment draws on sector good practice such as PSIF, EFQM, and How Good Is Our School etc.  Processes are in place to challenge the performance of areas where meaningful benchmarking or market comparisons are difficult to achieve.

	Basic practice	Better practice	Advanced practice
<b>3. Effectiveness of challenge and options appraisal – How well is challenge and option appraisal used?</b>			
<b>3.1 To what extent is challenge applied across the organisation?</b>	<p>A periodic challenge/test of competitiveness is applied, but is limited to trading operations.</p> <p>Challenge involves the use of benchmarking, contract price comparison or market testing.</p>	<p>A systematic test of cost, quality and performance is in place to challenge the majority of activities, not just former trading operations or existing contracts.</p> <p>The organisation has an ongoing dialogue with partners; it uses external challenge as part of its review process.</p>	<p>Systematic performance challenge is undertaken for all organisation and partnership activities.</p> <p>The organisation uses partners and stakeholders as a matter of course in challenge and peer review.</p>
<b>3.2 How well does the organisation undertake options appraisal?</b>	<p>Options appraisal (OA) is used for defined levels of decisions and examine a range of delivery options.</p> <p>Options are identified from internal challenge and review and national policy.</p>	<p>Corporate guidance is in place for options appraisal; a wide range of options are considered; decision criteria are clearly stated and are subject to audit/peer review.</p> <p>Leaders are involved and consulted on options appraisal; decisions influenced by political or organisational policy are transparent and clearly documented.</p> <p>Benefits of chosen options are monitored in terms of efficiency, quality, and/or achieving organisational or political objectives; any shortfalls are recognised and addressed.</p>	<p>The organisation has an explicit strategy for its overall mix of provision which recognises the sector context, risks and opportunities.</p> <p>Partners are engaged in options appraisal; there is an ongoing dialogue with businesses and stakeholders to understand the operating environment and to identify effective and sustainable options.</p> <p>The organisation works creatively within existing legislation to identify sustainable delivery options that demonstrate best value across service and partnership activities</p>

	<b>Basic practice</b>	<b>Better practice</b>	<b>Advanced practice</b>
<b>3.3 How well does the organisation interact with the market?</b>	<p>The organisation is aware of market and partnership opportunities for certain trading operations.</p>	<p>The organisation has a good understanding of market and partnership opportunities across the majority of its services.</p> <p>The organisation uses good practice to engage with the local business community and with the third sector, while complying with EU law and other legislation.</p> <p>Commissioning and purchasing policy and practices are in place.</p> <p>The organisation has a good understanding of how to use the market where it can offer innovation and competitiveness.</p>	<p>The organisation is an effective supplier and commissioner of services: it has a track record of improved performance regardless of the delivery method.</p> <p>Commissioning is effective and has led to improvements in cost and quality; the organisation adopts good practice such as ensuring consistent specifications, promoting supply-side stability and reducing bureaucracy.</p> <p>The organisation uses the market actively by action such as making suppliers aware that they are not the only available option to ensure that contracts remain competitive.</p>

	Basic practice	Better practice	Advanced practice
<b>4. Impact from challenge and improvement – What is challenge and improvement achieving?</b>			
<b>4.1 How well is impact from challenge and improvement demonstrated?</b>	<p>The organisation can demonstrate how it has chosen delivery methods, including direct provision, achieve benefits in cost and quality in select areas.</p> <p>The organisation can demonstrate the costs and benefits of major review and improvement activities.</p>	<p>The organisation can demonstrate how delivery methods have delivered improved services across the majority of its activities.</p> <p>Benefits (cost, quality, efficiency, outcomes) are clearly demonstrated and monitored; any shortfalls are understood and acted upon.</p> <p>The organisation can demonstrate the overall impact of its improvement programme in terms of costs and benefits.</p>	<p>The organisation can demonstrate the extent to which chosen delivery methods have met their stated objectives; both in terms of improving services and in meeting shared partnership outcomes.</p> <p>The organisation has a strong track record in delivering the objectives of its improvement programme; it is recognised externally as an effective and improving organisation.</p>

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