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**THE IMPLEMENTATION OF BEST VALUE AN EMPIRICAL
INVESTIGATION**

A thesis submitted in part fulfilment of the requirements for the

degree of

Doctor of Philosophy

PAUL HIGGINS

Middlesex University Business School

December 2005

Table of Contents

| Heading | Page |
|--|-------------|
| Thesis Title, Abstract and Acknowledgements | i-v |
| CHAPTER ONE: INTRODUCTION | |
| Introduction | 1 |
| Rationale for thesis | 1 |
| Objectives and methodology | 5 |
| Thesis structure | 6 |
| CHAPTER TWO: THE CONTRIBUTION OF COMPULSORY COMPETITIVE TENDERING TO THE DEVELOPMENT OF BEST VALUE | |
| The rationale and key operational properties of CCT | 8 |
| The policy of CCT | 14 |
| The outcome of CCT | 23 |
| The impact of CCT | 28 |
| Conclusion | 35 |
| CHAPTER THREE: THE POLICY OF BEST VALUE IN LOCAL GOVERNMENT | |
| Labour's response to CCT | 38 |
| The development of BV | 43 |
| Local Government Act 1999 and related guidance | 52 |
| Differences between CCT and BV | 60 |
| Conclusion | 65 |
| CHAPTER FOUR: AN EXAMINATION OF THE CLAIMS AND COUNTER CLAIMS MADE FOR THE FOUR IDENTIFIED ATTRIBUTES OF BV | |
| Public involvement | 68 |
| Flexibility of means | 84 |
| Public-private partnerships | 92 |
| BV inspection | 106 |
| Conclusion | 115 |

CHAPTER FIVE: RESEARCH PHILOSOPHY, STRATEGY AND METHOD SELECTION

| | |
|---|-----|
| A realist approach to research philosophy | 120 |
| Purpose of research and selection of case study research strategy | 123 |
| Case selection criteria | 128 |
| Selection of case methods | 133 |
| Conclusion | 145 |

CHAPTER SIX: SOUTHAMPTON CITY COUNCIL'S BV REVIEW OF GROUNDS MAINTENANCE AND STREET CLEANSING

| | |
|---|-----|
| Introduction | 148 |
| The historical legacy of CCT | 149 |
| The BV pilot scheme | 155 |
| The grounds maintenance and street cleansing review | 158 |
| The BV inspection | 179 |
| Conclusion | 185 |

CHAPTER SEVEN: NEWHAM LONDON BOROUGH'S REVIEW OF LEISURE CENTRES

| | |
|------------------------------|-----|
| Introduction | 188 |
| The historical legacy of CCT | 188 |
| The BV pilot scheme | 192 |
| The leisure centres review | 195 |
| Creation of a partnership | 208 |
| The BV inspection | 219 |
| Conclusion | 224 |

CHAPTER EIGHT: BRIGHTON AND HOVE UNITARY AUTHORITY'S REVIEW OF REFUSE COLLECTION AND STREET CLEANSING

| | |
|---|-----|
| Introduction | 228 |
| The historical legacy of CCT | 228 |
| The BV pilot scheme | 235 |
| The refuse collection and street cleansing review | 237 |
| The outcome of the review in practice | 251 |
| The BV inspection | 259 |
| Conclusion | 262 |

CHAPTER NINE: CROSS CASE COMPARISON

| | |
|----------------------|-----|
| Public involvement | 266 |
| Flexibility of means | 275 |
| BV partnership | 282 |
| BV inspection | 289 |
| Conclusion | 298 |

CHAPTER TEN: CONCLUSION

| | |
|--|-----|
| Introduction | 304 |
| CCT and BV | 305 |
| Implications of study for the post-BV reform of local government | 318 |
| Limitations of current study and suggestions for future research | 323 |

REFERENCES

APPENDICES

| List of Figures | Page |
|---|-------------|
| Figure 2.1 Brief summary of services affected by CCT legislation | 17 |
| Figure 3.1 The twelve principles of BV | 45 |
| Figure 3.2 Policy Development of BV | 52 |
| Figure 3.3 The BV process | 53 |
| Figure 3.4 The four C's of BV | 57 |
| Figure 3.5 Key differences between CCT and BV | 61 |
| Figure 4.1 The scope of performance indicators in BV policy, 2002/03 | 72 |
| Figure 4.2 Conceptualisations of public involvement | 83 |
| Figure 4.3 BV options for future service delivery | 88 |
| Figure 4.4 Arms-length and obligational contractual relationships | 96 |
| Figure 4.5 The dimensions from pure hierarchy to pure markets | 101 |
| Figure 4.6 The Best Value Inspection Scoring system | 110 |
| Figure 5.1 Purposes of research | 125 |
| Figure 5.2 Case contextualisation summary profile | 132 |
| Figure 5.3 List of case study interviewees | 138 |
| Figure 5.4 Documents collected from all three case authorities | 142 |
| Figure 5.5 Documents specific to each of the three case studies | 142 |
| Figure 7.1 Evaluation of the quality of Newham's leisure management contract | 210 |
| Figure 8.1 Composition of services subject to transfer | 232 |
| Figure 8.2 Summary of main provisions in integrated waste management contract | 245 |
| Figure 8.3 Default procedures in integrated waste management contract | 246 |
| Figure 8.4 The origins of four different terms and conditions of employment | 252 |

| List of Tables | Page |
|--|-------------|
| Table 2.1 Service coverage of blue and white collar CCT | 18 |
| Table 2.2 Tendering outcomes for services exposed to CCT | 24 |
| Table 2.3 Cost changes to CCT services | 31 |
| Table 2.4 Changes to terms and conditions of employment following CCT | 34 |
| Table 3.1 Political control of BV pilot authorities | 48 |
| Table 6.1 Performance indicators for grounds maintenance and street cleansing | 163 |
| Table 6.2 Summary of first phase of consultation with producer group interests | 168 |
| Table 6.3 Summary of first phase of consultation with user group interests | 170 |
| Table 7.1 Strategic decision matrix for leisure centres | 200 |
| Table 7.2 Nineteen key service objectives | 214 |
| Table 8.1 Evaluation framework for integrated waste management contract | 248 |

Abstract

This thesis is concerned with the transition from compulsory competitive tendering (CCT) to best value (BV) in local government. Based upon primary research conducted in three local authorities, between 2000 and 2003, it examines the differences between the two policies at both a national and local level and considers how far BV represents an advance over CCT. More specifically, the study addresses four key objectives. These are to review the rationale, policy, outcome and impact of CCT; to trace the rationale and development of BV and to examine critically the attributes of it that can be seen to represent an improvement on CCT; to compare empirically the implementation of BV policy within three specifically chosen contexts; and to examine how far the claimed attributes of BV appear, in practice, to resolve the difficulties the Labour Government identified with CCT.

In completing the empirical objectives of the thesis, case study research was conducted in three local authorities using a threefold combination of in-depth semi-structured interviews, documentary analysis and observations. In each case, the research began by tracing the experience of CCT in the services of interest before moving on to an examination of the implementation of the BV review process and the response of the BV inspectorate to it. The findings obtained from the three case studies were then compared to identify the impact of four key attributes of BV that had earlier been identified as representing potential sources of advance over the system CCT - 'public involvement,' 'flexible tendering', 'public-private partnerships' and 'inspection'.

Overall, the case study findings suggest that whilst the four investigated attributes of BV have gone some way to improve upon the situation under CCT, in doing so, they

have also created a new set of complications and controversies that, arguably, stem from the fact that BV remains overly committed to counteracting the potential perceived threat posed by the state provision of public services. Consequently, whilst the official *raison d'être* of BV is to continuously improve the performance of local services, underlying and at times conflicting with this objective is an attempt to ensure a mixed economy of local service provision which necessitates a degree of central control that interferes negatively with much of the potential that the policy has to offer. As a result, while the policies of CCT and BV clearly differ in terms of their means and impact, it cannot straightforwardly be concluded whether the introduction of the latter has resulted in a significant advance on the former.

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Chapter 1

Introduction

This thesis is concerned with the policies of compulsory competitive tendering (CCT) and best value (BV) in local government. Drawing upon primary research conducted in three local authorities, between 2000 and 2003, it considers the extent to which BV represents an advance over the limitations the Labour Government identified with CCT. The examination of the relative merits of BV is constructed around four attributes of the policy which this thesis identifies from the policy literature and uses as a conceptual framework to examine the key differences between the two policies. These are 'public involvement,' 'flexible tendering', 'public-private partnerships' and 'inspection'.

In providing a general overview to the thesis, this chapter is divided into three sections. The first of these provides an explanation of the rationale behind the thesis and identifies the gap in the literature that the thesis seeks to close. The second section then offers a short discussion of the four research objectives chosen to shape this thesis' investigation of CCT and BV and provides an insight into the nature of the methodology employed for the empirical study. The third section, finally, provides an outline of the structure of the reported thesis in terms of chapter content.

Rationale for thesis

The rationale for this thesis is related to the fact that the policies of CCT and BV represent two of the most important local government policy initiatives in the past twenty-five years. Whereas CCT was a key policy initiative of consecutive 1979-1997

Conservative governments, BV, legislated for in 1999, remains a major policy initiative of New Labour. As a result, a comparison of CCT and BV provides an effective means of examining how far the present Labour Government's approach to the management of local government services differs, in practice, to that adopted by the preceding Conservatives regime via CCT.

BV was promulgated as providing a means of addressing what were perceived to be a number of fundamental weaknesses of the previous regime of CCT. Initially, this policy objective gained broad support because there seemed to be good reason to believe that it would be able to offer a model of reform that would allow the development of local services to proceed on criteria other than mere cost. However, as BV policy developed the reform agenda increasingly became based around the introduction of a wide-ranging performance management framework. This prescribed model not only encapsulates all local government services but also supplements competitive tendering, now referred to as competition, with the three additional tools of challenge, consultation and comparison. BV policy also contains specific audit and inspection processes, thus increasing drastically the time, costs and efforts local authorities need to commit to this centrally imposed policy initiative.

According to the claims made for BV, however, local authorities would actually make *gains* in service delivery as a result of adopting the processes and related guidance created by BV, with continuous service improvement rather than lowest cost now governing policy priorities. Thus, whilst one outcome, according to some critics might be to replicate the work intensification widely reported to have occurred under CCT (Geddes, 2001), in its own terms, BV makes a number of telling revisions to CCT that will lead to noticeable improvements in local service delivery. The most noteworthy of

these revisions relating to the emphasis the policy gives to public consultation and involvement, quality as well as cost, partnership working and safeguards to protect the public from failing services.

By situating the debate of BV in the context of CCT it is possible to examine the impact of BV from the inherited position of the widespread dissatisfaction with CCT and the perceived damage it had caused the then system of local government service delivery.

Whilst there have been a reasonably large number of studies and investigations of the BV phenomenon (Davis and Wright, 2004; Enticott, Walker, Boyne, Martin and Ashworth, 2002; Higgins, James and Roper 2004a; Martin, Davis, Bovaird, Downe, Geddes, Hartley and Lewis, Sanderson and Sapwell, 2001), the majority of the empirical work has been survey-focused (Enticott, Walker, Boyne, Martin and Ashworth, 2002; Higgins, James and Roper 2004a, Roper, James and Higgins, 2005) and thus not fully able to capture the complexity of the phenomenon under investigation.

What is particularly notable in this regard is that the existing study findings have tended to be reported in terms of standardised responses, which align themselves closely with the dominant values of formal performance improvement. There is therefore an urgent need for a more detailed investigation of BV that not only examines what happened as a result of the policy but which also recognises that exclusive recourse to formal definitions might serve to mask other more fundamental processes or underlying mechanisms.

Indeed, there have only been a handful of articles detailing the transition from CCT to BV (Entwistle and Laffin, 2005, Higgins and Roper, 2002) and these have been situated at the national policy level. This, therefore, creates an obvious gap for a study of the transition from CCT into BV at the local implementation level and thus a detailed

comparison of the workings and impact of the two policies. In addition to addressing this research gap, the present study also retains an independence from the predominant discourse on BV, which tends to accept, without question, the aspirational language of the policy and its dominance by contemporary definitions of performance. The impact of CCT was, after all, fairly dramatic and rarely associated with success and achievement. Thus, whether BV can actually increase the quality of local services cannot merely be assessed by reference to the manufactured concepts of performance and improvement but demands a deeper investigation of their operationalisation. This is particularly true in relation to the examination of policy impact given that CCT was marked by the existence of winners and losers. A rounded study of BV, therefore, needs to move beyond consideration with only certain conceptualisations of the public and other affected interests.

Finally, by fine-tuning this thesis towards four distinguishing elements of BV, it is more generally able to critically add to a number of prominent themes in the existing public sector management literature. These notably include public consultation and involvement (Rowe and Shepherd, 2002; Adams 2004), competition (Bovaird, 2000; Boyne, 1998a; Entwistle, Martin, Enticott, 2002), contracting (Erridge and Green, 2002; Grimshaw, Vincent and Wilmott, 2002), performance (Andrews, 2004; Boyne 2003; Bruijn, 2002) and inspection (Millward, 2005; Boyne, Day, Walker, 2002; Timmins, 2004).

Objectives and methodology

Given the above rationale, the thesis has been structured in accordance with the four following research objectives:

1. To review the rationale, policy, outcome and impact of CCT
2. To trace the rationale and development of BV and to examine critically the attributes of it which are seen to represent an improvement on CCT
3. To empirically examine the implementation of BV policy within a suitable number of chosen contexts
4. To examine how far the claimed attributes of BV appear in practice to resolve the difficulties the Labour Government identified with CCT

The first of these objectives, to review the rationale, policy, outcome and impact of CCT is intended to provide a solid foundation from which to understand and, ultimately, compare the approach that New Labour has adopted with regard to the reform of local government services through its policy of BV. More specifically, the completion of the first objective will remind the reader of a number of the important properties of CCT such as how it exemplified 'new right' solutions to the problems identified with the then prevailing system of local government service delivery, how it worked, what its outcome was in terms of contract wins and the impact it had in terms of cost and employment.

The thesis' second objective, to trace the rationale and development of BV and to critically examine the attributes of it which are seen to represent an improvement on CCT, strengthens this link between CCT and BV by providing a platform from which to explore Labour Party views of CCT and how, both in opposition and after coming to power, these helped shape the approach that the post-1997 governments adopted with

regard its abolition and replacement. In particular, pursuit of this objective enables detailed attention to be paid to not only what it is about BV that is considered to enable it to drastically improve upon the ‘unsatisfactory’ impact of CCT, but also the soundness of these views.

Having thus identified the claims of BV in the policy literature and also subjected them to critical theoretical examination, the third and fourth objectives then, in combination, make clear that the thesis is intended to provide an empirical investigation of the implementation of BV in a number of different contexts and that the focus of this investigation is to be how far the alleged attributes of BV do, in practice, resolve the problems with CCT that led to the policy’s development.

In particular, these last two objectives, as alluded to earlier, were informed by a desire to complement the existing work already undertaken on the transition from CCT to BV at the national policy level (Entwistle and Laffin, 2005, Higgins and Roper, 2002). For this reason, as will be explained more fully in chapter five, it was decided that they should be pursued through a case study approach enacted in three local authority contexts and exclusively amongst former CCT activities.

Thesis structure

The thesis is subdivided into ten chapters. Chapters two to four report the outcomes of the thesis’ literature review element, chapter five details its research methodology, chapters six to eight present the individual case study findings, chapter nine outlines the results of a cross-case comparison of these findings and the final chapter presents the thesis’ overall conclusions.

In chapter two, a basis from which to critically examine the Labour Government's policy of BV is provided in the shape of a review of the rationale, policy, outcome and impact of the Conservatives' policy of CCT. Chapter three, then, goes on to examine the evolving nature of Labour's response to CCT, considers how this response acted to prompt and shape the resultant policy of BV, details the key features of this policy, and identifies, from these features four key 'attributes' that it would seem underlay the government's belief that the policy can yield outcomes superior to those of CCT. The attributes so identified are those of 'public involvement', 'flexibility of means', 'public-private partnerships' and 'inspection'.

Against this backdrop, the fourth chapter is more analytical in nature and proceeds, first, by outlining the claims the Labour Government makes for each of these four key attributes and, then, by revealing a number of the potential limitations of them.

The remainder of the thesis' attention is then directed towards an empirical examination of BV and the claims made for it. This begins in chapter five, with a detailed overview of the research philosophy, strategy and method selection processes behind the chosen approach of the primary study. Chapters six, seven and eight then present research findings from the three longitudinal case studies undertaken, while the results from a cross-case comparison of their findings are provided in the ninth. Finally, chapter ten provides an overall summary of the study and reaches conclusions on all of the thesis' original research objectives.

Chapter 2

The contribution of compulsory competitive tendering to the development of best value

The aim of this chapter is to provide a basis from which to chart the development and composition of the Labour Government's policy of best value (BV). In doing this, a detailed and critical examination of the Conservative's policy of compulsory competitive tendering (CCT), which BV replaced in 1999, is provided. The chapter is organised into four sections beginning first with a retrospective overview of the original underlying rationale for CCT and a summary of its key operational properties. In the second section of the chapter, a more detailed description of the actual policy of CCT is then provided and this takes the form of a description of a number of its key properties. Following on from this, the third section of the chapter turns attention towards an examination of the resulting outcome of the policy as defined in terms of the results of the contract award process. A fourth and final section then adds to this examination by considering also the impact of CCT and, in particular, its effect on the costs and employment of local services.

The rationale for and key operational properties of CCT

Drawing inspiration from public choice theory (Niskanen, 1971; Jackson, 1990; Self, 1995; Boyne, 1996a, 1998a, b and c) and the economic philosophy of Hayek (1944), the rationale for CCT was aired most powerfully in the ideas and publications of a number of 'new right' think-tanks (Butler, 1987; Butler and Pirie, 1989; Pirie, 1988; Carnaghan and Bracewell Milnes, 1993) and in the speeches of Conservative politicians at both a

national and local level (Ridley, 1988; Howard, 1987; Beresford, 1987). Assuming the voice of the honest and hardworking (private) taxpayer, these assorted interests shared a view of local government that conceptualised local authorities as economic rather than public policy entities (Domberger and Jensen, 1997; Domberger, Meadowcroft and Thompson, 1988) and took issue with their perceived inefficient and wasteful practices (Kavanagh, 1990; Butler, Adonis, and Travers, 1994; Desai, 1994).

A key part of their concern with local government was the presence of monopoly power (Hayek, 1944) which allowed local authorities to provide a range of services through taxation rather than to charge for them at the point of consumption (Harris and Seldon, 1987; Carnaghan and Bracewell-Milnes, 1993). This method of resource allocation was identified as divorcing local government from the real market economy and consequently leading to both deficiencies of knowledge about consumers' requirements and deficiencies of motivation on the part of decision takers who were not spending their own money and thus had no incentive to economise (Carnaghan and Bracewell-Milnes, 1993).

This lack of true market incentives was seen to encourage 'political interests' to dictate priorities – and these naturally encouraged expanding budgets to meet the needs of competing political interests (Butler, 1987; Ridley 1988). A key 'political interest' in this context was that of the workforce, which through the lack of an external competitive threat and via their unions, had insulated itself from the need to adapt working practices to improve productivity (Butler, 1987; Cubbin, Domberger and Meadowcroft, 1987). The result, so the arguments went, was that municipal workforces had generated 'rents' in the form of pay levels and practices that would exceed those in competitive markets (Levacic, 1991 and 1993).

Whether this state of affairs represented outright collusion between local politicians, administrators and the workforce or simply the ‘grip’ that trade unions had on local authorities depended on the precise interpretation of events (Ascher, 1987; Butler, 1987; Ridley, 1988). What was consistent with them, however, was the property that whereas private sector monopolies always remain *susceptible* to the threat of competition, the same was not true of such tax financed state monopolies as local authorities (Hayek, 1944). Instead, as creatures of legislation and able to raise taxes, local authorities were considered to be immune from the threat of takeover and bankruptcy, and as a result, had no incentive to confront the types of abusive practices being identified with the then prevailing system of local government (Goodson-Wickes, 1984; Ivens, 1992). In short, neither the prices secured by local authorities nor the efforts of their direct workers had to be competitive (Thomas, 1988).

Indeed, the problem of public sector monopoly was considered to be particularly problematic in the local government setting because of its high dependence on central government funding (Taylor, 1995; Hale and Travers, 1996; Wilson and Game, 1994). This meant that the potential curb of high local taxation and the threat of political ousting for extravagant and wasteful councils did not operate (Boyne, 1988a and b), with consequential losses, safeguarded by wasteful municipal union practices, passed directly onto ‘captive’ taxpayers forced to pay higher prices (Butler, 1987; Lister, 1995). The conclusions drawn from these various activities was that the taxpayer was not receiving value for money and producer group interests were being compensated beyond that normally available under market conditions.

Key operational properties of CCT

The Conservative's answer to these problems of local government was CCT. CCT sought to create 'contestable markets' in the various activities of local government services by opening up to competition activities previously immune from competition. In particular, CCT demanded in-house, direct service organisations (DSOs) to be made into distinct organisational entities within the local authority (Deakin and Walsh, 1996; Walsh, 1995a; Shaw, Fenwick and Foreman, 1993) and to bid for contracts on the same basis as private contractors, that is, to match the price at least of the cheapest externally submitted bid. In this way a 'vigorous' commercially-oriented management could be introduced to replace the model of 'public administration' that preceded it (Pollitt, 1993), with local authorities no longer existing as monolithic, vertically integrated direct service providers but increasingly separated into distinct 'client' and 'contractor' roles.

In some cases, the result of competitive tendering was that service provision moved from the public to the private sector, while in others, the result was that service provision remained with the incumbent provider (Harden, 1992). The shift was not necessarily permanent, however, since under CCT each resultant contract was for a finite period only and the local authority, assuming that it had the sufficient resources to invest in the necessary facilities to make a subsequent bid (Ascher, 1987), had the possibility of winning back the contract in another round (Uttley and Harper, 1993; Uttley and Hooper, 1993). This is one of the reasons why CCT, given its assumed focus on competition rather than ownership, has been likened to a process of marketisation – with fluid, permeable markets - rather than privatisation – a single transfer (Doogan, 1997).

However, although competition rather than ownership is often seen to provide the underlying rationale for CCT (Hartley and Huby, 1986; Bailey, 1995), it also needs to be recognised that this commitment to competition was a qualified one in that it was directed at ensuring that *local authorities* were no longer immune from competition rather than to the promotion of competition *per se*. One illustration of this is that all of the services encapsulated by the policy were those provided by local authorities. Moreover, local authorities were not given the requisite powers to compete in the private market (Painter, 1991). It is thus in the context of these parameters that CCT has been likened to a *one-directional* tendering exercise (Ascher, 1987) which threatened to replace a given pool of local authorities' in-house units with those of external contractors.

Moreover, while it was true that CCT allowed local authorities to continue to provide services directly, the parameters of the legislation were such that only those local authorities that wished to retain services in-house had to comply with it (Painter, 1991; Unison, 1998). Therefore, if a local authority simply decided to contract out the service, there was no requirement for it to do so via CCT (Painter 1991), although it was still required to adhere to EU procurement legislation (Robbie and Wright, 1996; Cox, Martin and Hartley, 1999).

Consequently, local authorities were allowed to bypass CCT if the resulting outcome led to the involvement of external contractors in service delivery at a level at least consistent with 'competitively tendering out' under CCT (Unison, 1998). The potential outcomes of services exposed to CCT policy were, therefore, as follows:

- 1) competitive tendering in under CCT
- 2) competitive tendering out under CCT
- 3) voluntarily contracting out functions, with or without, reference to CCT provisions.

Despite the inherent bias in CCT against continued municipal provision it is still, nonetheless, important to stress also the *limitations* of any external service provision brought about by the policy. Most notable in this regard, was that, irrespective of whether service provision was public or private, local authorities were not required to transfer assets nor relinquish control over how services were actually financed or managed (Bailey, 1995). Local authorities continued, therefore, to fund the CCT services and these remained paid for predominantly out of a combination of central and local taxation (Sharland, 1997). They also continued to determine such matters as when the contracts would operate and what level of service they would provide (Sparke, 1993). In addition, local authorities were authorised to impose financial penalties and, ultimately, to replace recruited contractors in the event of contractual failure (Seal and Vincent Jones, 1997). Given the enhanced public sensitivity to local services, the retention by local authorities of such financial and strategic responsibilities was an important feature of CCT and led to the claim that services provided externally under CCT were no less public than the same services provided by public agencies (Audit Commission, 1989, 1995).

In summary, therefore, CCT provided a practical solution to the ills identified with prevailing municipal monopoly provision of local services and did so by injecting a set of carefully organised market mechanisms into the realm of local government. At the broad level, these mechanisms related exclusively to the opening up to competition of certain local authority provided services rather than to the promotion of competition *per*

se. At the same time, however, they were also limited to the service provision elements of local services rather than to their financing and service specification and thus did not embrace full privatisation. Having, therefore, outlined the rationale and broader properties of CCT attention can now be turned to a more detailed examination of the actual policy.

The policy of compulsory competitive tendering

As its title suggests, *compulsory* competitive tendering enforced an obligation upon local authorities to expose to competition a centrally defined set of services (Shaw, Fenwick and Foreman, 1995). CCT also involved central determination of the criteria local authorities used to tender services (Milne, 1997; Stoker, 1995) and the timescales by which this was to be done. These compulsory features, therefore, mark a distinction from the discretionary ‘make or buy’ practices of private sector organisations in that they are free to decide by what criteria they contract for services (Audit Commission, 1989, Prager, 1994). Indeed, such were the prescriptive tendencies of CCT that some commentators argued that it was wrong to discuss the policy in terms of Hayek’s notion of the market as a ‘spontaneous order’ because, in reality, CCT was rather more about rules, regulation and bureaucracy (Deakin and Michie, 1997).

In fact, it was precisely because competition was *compulsory* in the Conservatives policy of CCT, that the British model of competitive tendering has been rightly distinguished from other European (Kane, 1996; Fenwick, Shaw and Foreman, 1994; Snape and Fenwick, 1996), New Zealand (Domberger and Hensher, 1993; Domberger, Hall and Lik Li, 1995) and Northern American (Parker, 1990, Donahue, 1989) variants. Thus, for example, whilst competitive tendering has been encouraged in a variety of

European countries, such as Denmark, Sweden, Norway and Denmark, there has been no compulsion and no list of defined activities (Fenwick, Shaw and Foreman, 1994). Similarly, although competition and contracting are well established in America, their use has related more to local circumstance, rather than prescription, with a variety of approaches having been used in different states and at different levels of government (Smyth, 1997).

Against this backdrop, the aim of this section is to describe the actual policy of CCT and to do so by charting briefly, in turn, three of its most salient properties. These are service coverage and organisation, tendering criteria and evaluation and post-tender regulations.

Service coverage and organisation

Precisely for which services CCT was required, and by implication which members of staff would remain 'core' and which members of staff would become 'peripheral' (Atkinson, 1984), depended on central government judgements about the ease with which services could be specified (Harrison, 1992; Davis and Walker, 1997), the centrality of services to core and strategic functions (Steel and Liddle, 1995, 1996; Walsh, 1989) and whether a market of alternative service providers existed, or could be generated (Smyth, 1997). The Government's decisions in this respect can be seen to reflect principal agent theory (Kettl, 1993; Cohen, 2001) and the extent to which agents (contractors), tasked with performing a particular function, can be readily controlled by the principal (the client) (Prager, 1994; Entwistle; Martin and Enticott, 2002).

In line with the adoption of a staggered approach to the development of CCT, the defined services encapsulated by the policy were, at first, restricted to approximately £4 billion pounds worth (1993 prices; Bailey, 1995) of building, highway construction and maintenance work under the auspices of the 1980 Local Government Planning and Land Act - see Figure 2.1. The impact of CCT on these services was relatively minor and uncontroversial, however, because local authorities had much previous experience of defining the work to be carried out, finding appropriate contractors and making sure that work was carried out as required (Audit Commission, 1989; Walsh, 1989). In addition, contracts awarded under the Act tended to be either for small portions of total workload or for short periods of time (Audit Commission, 1989). Therefore, the loss of a single contract did not have a decisive impact in terms of the direct labour organisations' share of contract work (Walsh, 1989). Walsh (1989, in Cutler and Waine, 1997), for example, calculated that between 1982/3 and 1985/6 the private sector's share of the CCT market increased by only 0.7 per cent in England and Wales.

A further eight blue collar services worth £2.4 billion in 1997 prices (LGMB, 1997a) were subsequently brought within the scope of the CCT regime under the most significant piece of CCT legislation, the Local Government Act 1988 (Walsh, 1989). The significance of this Act related not only to the fact that it extended the remit of the policy to local services never before exposed to competition but also because it contained far more detailed regulations (Walsh, 1989).

Figure 2.1
Brief summary of services affected by CCT legislation

1980 Local Government Planning and Land Act

Building, Highway construction and Maintenance

1988 Local Government Act

Refuse collection, street cleaning, building cleaning, schools and welfare catering, other catering, vehicle maintenance, and later the management of sports and leisure facilities (added in November 1989)

The 1992 Local Government Act

Legal services, construction and property services, financial services, information technology, personnel services and housing management.

CCT legislation further widened to cover on-street parking, fleet management of vehicles and security

Finally, the coverage of CCT expanded from an initial focus on various categories of manual work to encompass £5-6 billion worth (Steel and Liddle, 1996) of white/professional services. The introduction of white collar CCT, by virtue of the Local Government Act 1992, meant that the CCT market had effectively tripled in size between the years 1980-1992 to approximately £12 billion, in 1997 prices. The scope of white collar CCT was, however, far more limited than was the case for blue collar CCT, both in terms of its competition threshold and competition requirements (Taylor, Setchell, Pinto, 1996; Walsh, 1995b; Watt, 1996; see Table 2.1). These regulations having been designed to ensure that the preparation and tendering costs involved in using the tendering process were not higher than the savings achieved (Marsh, 1998). There were also exemptions for emergent services and where staff performed work for which the defined activity was only a small part of their total activity (Carnaghan and Bracewell-Milnes, 1993).

Table 2.1
Service coverage of blue and white collar CCT

| Service | Competition threshold (£) | Competition requirement (%) | Typical elements of service exposed to competition |
|---------------------------|----------------------------------|------------------------------------|---|
| Blue Collar CCT | 100,000 | 100 | All aspects of the function |
| White Collar CCT | | | |
| Construction and property | 450,000 | 65 | Design work and project management |
| Financial services | 300,000 | 35 | Internal audit and cash collection |
| Information technology | 300,000 | 70 | All aspects of the function |
| Legal services | 300,000 | 45 | Advice, litigation and conveyance |
| Personnel Services | 400,000 | 30 | Training, recruitment and payroll |
| Housing Management | 500,000 | 95 | All aspects of the function |

Source: Adapted from Local Government Management Board 1997a

In discussing the service coverage of CCT legislation Domberger and Jensen (1997) also highlight how the CCT process was organised in such a way so as to retain the natural monopoly characteristics of the local services, especially in terms of economies of scale and economies of congruity. In particular, they note that, for each of the defined activities, it was common for a single organisation to take responsibility for the entire service and thus be required to manage such discrete physical units as kitchens for the provision of meals for a school or a number of streets for the collection of refuse (Domberger and Jensen, 1997). Similarly, despite the wishes of the more radical new right think tanks to introduce direct charges (Harris and Seldon, 1987), CCT activities remained publicly financed and free at the point of delivery. In these ways, therefore, the policy of CCT could be differentiated from the *laissez faire* route of 'open competitive arrangements' adopted in, for example, North American variants of competitive tendering and, in particular, North American refuse collection rounds

(Donahue, 1989), whereby households receive separate bills for separately organised collection procedures. Donahue (1989), however, criticises these open competitive arrangements on the basis that they are tarnished by costly administration charges and the exposure of consumers to rogue contractors and cartel operations. The arrangements for British CCT tended to avoid these problems.

Tendering criteria and evaluation

Much of the onus for the successful implementation of CCT was placed upon client side officers who were expected to initiate a break with frontline workforces considered peripheral to local authorities' core functions. From the Government's standpoint, this objective was likely to incur resistance from those Local Authorities that were under the control of the Government's, legitimately elected political opponents – primarily the Labour Party, but particularly the local Labour Party in its 'New Urban Left' guise (Lansey, Goss and Wolmar, 1989).

In anticipation of such opposition, the Conservative government explicitly framed the rules of CCT in such a way as to prohibit the restriction, distortion or prevention of competition (Local Government Act 1988, S7). Thus, for example, each of the CCT services had to be prepared, priced, tendered and provided separately, with the exception of grounds maintenance, which was tendered as a number of separate contracts to benefit a market characterised by a large number of small and local operators (Painter, 1991). Local authorities were also required to provide external contractors with sufficient time to prepare tenders and to invite at least three external bidders to tender, or as many as wished to do so, if the number was less than three (Painter, 1991).

The desire to ensure the fair treatment of external contractors in the CCT process also led to the introduction of requirements concerning the way in which competing bids were evaluated. Central to government regulations, in this regard, was that local authorities could not make invalid cost comparisons between competing bids in order to bias the evaluation process in favour of in-house bids. For example, local authorities could not add the cost of contract monitoring to private bids when comparing them with in-house bids, on the questionable assumption that the latter could be trusted to fulfil contract obligations while the former could not. Equally, local authorities could not insist upon too high a performance bond, as an insurance against contractual failure, to unfavourably distort the price of external bids.

Then, in terms of actual evaluation, local authorities were required to select the lowest cost-qualifying supplier, or more accurately, the contractor that could meet the terms of the contract specification whilst providing the greatest net saving to the authority (Cutler and Waine, 1994). The most controversial component of the evaluation criteria in this respect was Section 17(5) of the Local Government Act 1988 which prohibited councils from considering:

'The terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer or training of or the other opportunities afforded to, their workforces'.

This clause, therefore, abolished the practice of 'contract compliance' under which contractors were required to meet certain employment related conditions in order to secure work (Beaumont, 1991; Foster, 1991). In practice, this meant that local

authorities could no longer insist that the workforce was paid at nationally agreed wage rates nor could they prescribe the methods of work to be used and the minimum number of staff (Foster and Scott, 1998a). Instead, the threat of losing contracts was expected to entice the need for flexibility in employment contracts, such as the substitution of part-time for full-time workers or equipment for labour (Chaundy and Uttley 1993; Colling, 1995a). Thus, the Audit Commission offered the following advice to managers faced with implementing CCT:

'Employees must be used more flexibly so that full time staffing levels are not dictated by peaks. A smaller workforce working flexible rosters, supplemented by seasonal, casual and part-time staff is more competitive; part time workers can also reduce employers national insurance costs' (Audit Commission 1989: 23).

Failure to comply with any of the above regulations posed the threat of sanctions and ultimately the removal of the right of the in-house provider to compete for the defined activities (Local Government Act 1988, s 13, 14). Meanwhile, District Auditors and competing contractors were encouraged to police these tendering regulations to ensure that local authorities adhered to them (Colling, 1999). What all of this meant, therefore, was that local authorities could oppose the outsourcing of services and bid to retain services in-house, providing that they complied with the rules and demonstrated that they were more cost effective than external tenders (Higgins and Roper, 2002).

Post-tender regulations

In terms of the potential tendering outcomes of the CCT process, a contract could either be awarded to an external contractor or a local authority could retain it. In the event that the contract was awarded to an external contractor there was only one organisational form that could exist, a formal separation of responsibilities. The client was a named officer of the Council and the contractor was required to undertake work under contract and to meet the terms of the contract. In the event that the local authority won the contract, however, there were a variety of central government regulations that had to be observed and which served to pose a longer-term threat to the continued survival of the in-house provider (Vincent-Jones, 1996, 1997).

One of the most notable requirements placed upon retained in-house units was that they had to be renamed a direct service organisation (DSO) and to account separately for their incomes and expenditures in a trading account, with charges to the client account and credits to the DSO account being calculated as if the DSO was a private contractor (Local Government Act 1988, S9). These trading accounts were further required to meet financial criteria that the Secretary of State had the power to determine. The major one of these was that DSOs had to achieve an annual six percent rate of return on capital employed for each service which had sufficient capital outlay (Lapsley and Llewellyn, 1991). Failure to meet this rate of return in two consecutive years could lead to the closure of the DSO concerned.

It can be seen, therefore, that whilst many of the *tendering* regulations of CCT were designed to create a level playing field between in-house and external contractors and to engender fair competition, the *post-tendering* regulations were directed exclusively at local authorities. Indeed, even though the requirement placed upon DSO's to make a

rate of return on capital has often been viewed as a means of providing symmetry with competing private contractors who would also be *expected* to make positive rates of return, the difference was that both the time span for the rate of return (annual) and the amount of return required (six per cent) was prescribed for DSOs (Cutler and Waine, 1997).

The outcome of CCT

Having identified both the rationale and resulting policy of CCT, it is now time to turn attention to an examination of its outcome beginning first with a summary of how far it actually resulted in services being retained by local authorities as against being competitively tendered out. For roundedness, this information is further supplemented with an analysis of the level of external contractor interest in the services subjected to CCT. In then seeking to provide some explanation for the resulting figures, the section moves on to identifying in more detail the views of private contractors with respect to their enthusiasm to compete for CCT contracts. A discussion of the implications of this for the geographical and political distribution of contract awards then concludes the section.

Tendering outcomes and competition levels

Table 2.2 draws upon survey evidence from the now discontinued Local Government Management Board to provide a number of descriptive statistics relating to the tendering outcomes for a variety of blue and white-collar services. The data have been compiled using 1997 figures, the last year in which CCT was compulsory in *all* English and Welsh local authorities, though it is still broadly reflective of CCT throughout its

duration (LGMB, 1997a). The second column of Table 2.2 provides data on the DSO success rate by value of contracts won and the third column the average number of external bid submissions received per contract.

In terms of the DSO success rate by value of contracts won, the second column of Table 2.2 demonstrates that, for blue-collar services, DSOs managed to win approximately two-thirds of CCT contracts for building cleaning, grounds maintenance, refuse collection, street cleaning and other catering and three-quarters of contracts by value for vehicle maintenance and education catering. Meanwhile, the lower part of column two shows that for white collar services, DSO's managed to win approximately two-thirds of contracts by value for construction and property management and approximately 90 per cent of contracts by value for legal services and housing management.

Table 2.2
Tendering outcome for services exposed to CCT

| Service | Percent of contracts won by DSO (by value) | Average no. of tenders (including in-house) |
|-------------------------------------|---|--|
| <u>Blue collar</u> | | |
| Building Cleaning | 69.3 | 4.8 |
| Grounds Maintenance | 67.7 | 4.2 |
| Refuse Collection | 63.4 | 3.8 |
| Other Cleaning | 70.1 | 3.8 |
| Education Catering | 77.9 | 3.2 |
| Catering Other | 71 | 2.3 |
| Vehicle Maintenance | 75.7 | 2.3 |
| Leisure Management | 84.3 | 1.9 |
| <u>Selected white collar</u> | | |
| Legal services | 88.9 | 4.3 |
| Construction and Property | 64.1 | 4.2 |
| Housing Management | 90.2 | 1.7 |

Source: Local Government Management Board (1997)

These differences in DSO success rates appear, in part, to be related to variation in the extent to which private contractors had demonstrated an interest in bidding for the services put out to tender. These figures are shown in the third column of Table 2.2 and are expressed in terms of the average number of external bid submissions received per contract. It can be seen that at least four bids per contract were galvanised from external contractors for building cleaning, grounds maintenance, legal services and construction and property services. For other services, meanwhile, the levels of competition were lower and in four of the eleven services listed even struggled to reach the statutory request of three external bids. Whether these lower levels of competition reduced the *disciplining* effects exerted by the policy has been the subject of some debate (Szymanski, 1996) and illuminates the distinction between the *threat* of competition (Bailey, 1995; Bailey and Davidson, 1999) and the existence of *real* competition (Buckley and Chapman, 1997; Kerley and Wynn, 1991)¹.

The private sector view

Research by the British Market Research Bureau (BMRB) during the mid-1990's investigated the view of private contractors who had *participated* to varying degrees in the tendering processes (BMRB, 1995) and amongst private contractors which had *not participated* in the tendering process (BMRB, 1996). Its first report sampled the views of senior executives and managers from 220 contractors involved in the tendering process and found that while respondents tended to regard CCT as important in providing '*new business opportunities*' (45 per cent), '*the guarantee of regular income with continuity of work*' (26 per cent) and '*no bad debts*' (20 per cent), they also felt that it was very complex, of high risk and conducted within a hostile tendering environment. For example, 80 per cent of the 220 respondents totally disagreed with the statement

that *'there is fair competition between in-house teams and outside contracts'* (BMRB, 1995:33). More generally, respondents felt that CCT offered limited opportunity for private contractors to build a pre-emptive local position, not least, because the contract would regularly be subjected to competition (BMRB, 1995).

Meanwhile, a second report, amongst 596 non-bidding private contractors (BMRB, 1996), revealed that the two most important factors, accounting for 59 per cent of all responses, which had *'discouraged'* them from participating were the *'amount of work involved'* and *'profitability'*. Again, respondents felt that the process of CCT was excessively complex and with little value adding potential. In particular, the CCT process was perceived as being devoted towards cost-minimisation, rather than value, and this was seen to limit the opportunity for contractors to add extra value and to earn higher margins. Respondents also believed that, even if they had competed and won contracts, the work would have been awarded reluctantly, and led to a difficult working relationship (BMRB, 1996). The CCT market was, therefore, considered to be a relatively risky one given that there was no guarantee that they would win contracts against authorities who had entered into CCT on the basis that they wanted to retain services.

Geographical and political variations

At the same time contractor willingness to submit bids under CCT and the likelihood of them being successful varied geographically (Painter, 1990; Patterson and Pinch, 1995). In particular, more tendering activity occurred in the south of the country than in the north (LGMB, 1997a). This has been linked to political differences between authorities that both directly influenced the degree of internal support for in-house DSOs and

indirectly impacted on the willingness of private sector contractors to bid in situations where they faced an unfriendly council and trade union opposition (Fenwick, Shaw and Foreman, 1994). In this respect, the greater propensity for private sector success in the south of the country related to the fact that southern authorities were more likely to be Conservative-controlled and more inclined to embrace a pro-CCT stance (Cutler and Waine, 1997).

Indeed, and more generally, evidence that Conservative-controlled authorities tended to engage in the spirit of CCT more than their Labour-controlled counterparts has continuously been reported in studies of CCT. For example, research by Walsh and Davis (1993) found that in all services, other than grounds maintenance, Conservative controlled authorities were significantly more likely to award contracts to the private sector. Similarly, Szymanski's (1996) economic analysis of the impact of CCT on refuse collection services reported that authorities which had let contracts out to private contractors had, on average, twice as many Conservative as Labour members (Szymanski, 1996). Finally, Rallings and Thrasher's (1990:13) study of CCT within 231 authorities (45 per cent of the total) between 1989-1990 found that '*Conservative authorities were more willing than Labour ones to allow departmental administration sections the freedom to contract out*'. In addition, their research also revealed that in Labour controlled authorities, the private sector's share of the CCT market by value of contracts won was twelve per cent in contrast to thirty per cent for Conservative-controlled authorities.

The impact of CCT

Although it has been a reasonably straightforward and objective process to ascertain how the share of contracts between DSOs and external contractors were divided, the examination of the *impact* of CCT has been far more complicated and controversial. This partly relates to the fact that when one considers the impact of CCT one has to decide what features to focus on; some studies deal with quality (Public Sector Privatisation Research Unit, 1992, 1997), others with costs (Cubbin, Domberger and Meadowcroft, 1988) and others still with employment (Escott & Whitfield, 1995a). Then, having chosen which avenue to pursue, methodological difficulties are then usually encountered. One difficulty involved in accurately identifying the changes in the costs of services exposed to CCT, for example, is that the impact of CCT has to be isolated from other local government policy initiatives such as budget cuts, rate capping and the poll tax (Escott & Whitfield, 1995a). Likewise, changes in the quality of services, such as the introduction of wheeled bin systems for refuse collection (Szymanski, 1996; McIntosh and Broderick, 1996), revised opening hours for leisure centres (Walsh and Davis, 1993) and new standards of quality for street cleaning (Environmental Protection Act, 1990) also have to be held constant, which they seldom are (Boyne, 1998a; Domberger and Jensen, 1997). Instead, many of the estimations of the costs of CCT services are compiled by data provided by the respondents themselves, with no allowances made for differences in service characteristics, contract preparation costs and monitoring costs (Boyne, 1998a)².

These difficulties have been further added to by the controversy that has surrounded the policy in terms of tendering criteria and potential eradication of the terms and conditions of municipal employment (Allen and Henry, 1997; Reimer, 1997). Indeed,

such was the controversial nature of CCT that *even* research published by academics, mostly in the form of journal articles, which would normally ensure '*that the evidence reaches a minimum standard of rigour*' (Boyne, 1998a: 701), was not and could not be decided on scientific grounds alone (see, for example, the debate between Ganley and Grahl and Cubbin, Domberger and Meadowcroft in a 1988 edition of Fiscal Studies regarding the source of the technical efficiency of tendered versus non-tendered refuse collection services).

In recognition of these difficulties, this section presents a number of research findings, which are organised, firstly, in terms of the extent to which CCT reduced the microeconomic costs of services and, secondly, in terms of its associated impact on employment.

Microeconomic impact

While CCT had not led to a widespread transfer of services from local authorities to external contractors and may not have even generated the desired level of contractor interest (LGMB, 1997a), the Government could still claim, nonetheless, that it had broken the *a priori* monopoly provision of local government services and that this success would manifest itself in terms of a reduction in the costs of the local services affected. Indeed, this had been the experience of the voluntary competitive tendering initiatives conducted in both North American (Parker, 1990; Donahue, 1989) and British local authorities (Audit Commission, 1987; Cubbin, Domberger and Meadowcroft, 1987; Szymanski and Wilkins, 1993; Parker and Hartley, 1990; see appendix 1 for a summary of voluntary competitive tendering research evidence) and there was little reason to believe that these results would not be repeated again for CCT.

Consequently, when these early success stories of voluntary competitive tendering were later joined by news that the economic impact of CCT had been to reduce the cost of defined local services by an average of six to nine per cent (Local Government Chronicle, 1990; Walsh, 1991a; Walsh and Davis, 1993; Austin Mayfield, 1997; see appendix 2 for summary of main research evidence on CCT), the main concern related to the fact that the level of cost reductions seemed rather modest in comparison to those reported via voluntarily tendering experiments throughout the early to middle 1980's³.

One explanation as to why the evidence for *compulsory* competitive tendering has not been as impressive as the evidence for *voluntary* competitive tendering is that the latter exercises were, by definition, voluntary. In other words, it is possible that authorities that undertook them strongly anticipated cost savings. In addition, the evidence from these voluntary tendering exercises was collected mostly from the experiences of refuse collection. The significance of this is that refuse collection, in contrast to some of the CCT services, belongs to a relatively experienced and developed private sector market, where the pressures of competition are likely to be higher than average. What then of the distribution of cost savings across the range of services exposed to CCT?

Although the microeconomic impact of CCT has been the subject of numerous studies (Local Government Chronicle, 1990; Walsh, 1991a; Austin Mayfield, 1997) Walsh and Davis (1993) research of the first round of CCT remains the most detailed and is drawn upon here for illustrative purposes. Utilising evidence collected from 40 local authorities amongst all of the services encapsulated by the Local Government Act 1988, the Walsh and Davis (1993) study reported average cost reductions of six and a half per cent. More specifically, however, they also identified that in twenty-four per cent of the contracts they examined the costs of services actually increased (Walsh and Davis,

1993). As can be seen in Table 2.3, the largest cost reductions of more than ten per cent were reported in building cleaning, refuse collection and grounds maintenance – all relatively highly competed for areas of activity. In contrast, the costs of the street cleaning and schools and welfare catering services were reported to have actually increased. Walsh and Davis (1993) partly attributed this outcome to the advent of new standards of service such as the Environmental Protection Act in street cleansing (Walsh and Davis, 1993).

Table 2.3
Cost changes to CCT Services

| Service | Cost changes before/after 1st round |
|---------------------|---|
| Building Cleaning | -12.7 |
| Refuse Collection | -11.3 |
| Grounds Maintenance | -10.9 |
| Leisure Management | -5.0 |
| Catering Other | -4.9 |
| Vehicle Maintenance | -1.3 |
| Street Cleaning | +2.6 |
| Education Catering | +2.8 |
| Average | -6.5 |

(Walsh and Davis, 1993)

Despite CCT appearing to have been reasonably successful in terms of reducing the costs of local services, some researchers identified worrying evidence in relation to the sustainability (Szymanski, 1996) and structure (Austin Mayfield, 1997) of the reductions and, therefore, placed question marks against the then existing direction of CCT. In terms of sustainability, for example, Szymanski's (1996) detailed econometric study of refuse collection revealed that at least half of the contract renewals with external contractors took place on the basis of negotiation with the existing contractor. In turn, this process, and its associated lack of robust competition was attributed to having reversed the cost savings achieved in the first round of tendering:

'For private contractors, cost reductions are halved by the fourth full year of the contract. This may be associated with the fact that the fourth year, is in most cases, also the last full year before the service was due to be tendered again' (Syzmanski, 1996:11).

Similarly, concerns have also been expressed in terms of the structure of the cost reductions associated with CCT. Research by Austin Mayfield (1997), for example, identified that whereas contracts valued at over £1 million per annum achieved average cost reductions of 9.8 per cent, the respective figure for contracts valued between £500,000 and one million per annum was only 7.5 per cent. Contracts of less than £500,000 per annum, meanwhile, were found to have actually *increased* the annual cost of services by a figure of 0.6 per cent. This finding, therefore, resonates with the concerns of private contractors (BMRB, 1995 and 1996) that some of the contracts created as a result of CCT legislation were so small that they were hardly worth competing for.

Impact on employment

If, as suggested above, the Conservative Government was able to claim that its policy of CCT had been successful in terms of reducing the microeconomic costs of local government services, a slightly more complicated picture emerged when the source of these cost reductions had to be accounted for in terms of their employment impact (Foster and Scott, 1998b; Bach and Winchester, 1999).

However, as with much CCT research, the information regarding the impact of CCT on employment has to be treated carefully. Part of the reason being that when a CCT

contract is awarded, there are three possible employment outcomes for staff: redeployment with the local government organisation, transfer to the contractor, or redundancy (Domberger and Jensen, 1997). One major implication of such variety is that, in detailing the employment impact of CCT, one cannot be sure whether one is measuring real job losses or transfers of employment. What is generally accepted, however, is that the introduction of CCT has been identified as a major factor in the reduction in the level of *local authority* employment (Doogan, 1997, 1999; LGMB, 1997b). Doogan (1997), for example, estimates that in 1994 there were 339,000 (31 per cent) fewer local government manual jobs than there were in 1979 and this was equivalent to 90 per cent of the total local government job loss throughout this period. Moreover, approximately half of this reduction had occurred since 1990 and, hence, following the coming into force of the Local Government Act 1988.

Whilst many of the reductions in these local authority employment levels can be attributed to transfers in employment from the local authority to external contractors, a significant number of the reductions can also be attributed to absolute job losses (Escott and Whitfield, 1995a; Walsh, 1991a; Walsh and Davis, 1993; Colling and Ferner, 1995). Research conducted by the IRS Employment Review (1995), for example, found that over 90 per cent of the local authorities they surveyed had made redundancies between the years 1990-1995 and that these involved a total loss of 16,000 jobs, of which 40 per cent were compulsory redundancies. Likewise, research conducted by the Equal Opportunities Commission (Escott and Whitfield, 1995a) among five services in 39 authorities estimated that the policy of CCT had generated 12,587 job losses.

Similarly, there has also been a reported deterioration in the terms and conditions of employment of those who retained their jobs and even those who managed to keep their

local authority employment (Storey and Fenwick, 1990; Pinch, 1991; Colling, 1993; Walsh and Davis, 1993; Local Government Information Unit, 1994; White, 1996 and 1997; Corby and White, 1999; Kessler, Coyle-Shapiro and Purcell, 1999). The Walsh and Davis (1993) study, for example, revealed that although the highest reported employment-related change post-CCT was '*reduced workers*', this was closely followed by '*rearranged hours of work*' for those retained, both accounting for just over fifty per cent. The same study also found that while basic wages were relatively unaffected by CCT, the impact of other changes, notably to bonus systems, on take home pay could be considerable (Walsh and Davis, 1993). Sick and holiday pay arrangements were also reported as having become tighter. Table 2.4 provides a summary of these changes.

Table 2.4
Changes to terms and conditions of employment following CCT

| Change | Number of cases | Percentage |
|---------------------------------|-----------------|------------|
| Reduced workers employed | 114 | 56 |
| Rearranged hours of work | 104 | 51 |
| Change bonus system | 65 | 32 |
| Changed shift system | 51 | 25 |
| Altered approach to sick pay | 36 | 18 |
| Abolished bonus system | 30 | 15 |
| Altered approach to holiday pay | 24 | 12 |
| Increased basic wages | 20 | 10 |
| Increased workers employed | 12 | 6 |

Source: Walsh and Davis, 1993

The multifarious employment impact of CCT led, in turn, to a debate concerning the overall cost effectiveness of the policy, once account had been taken of social transfer payments made to those people that had either lost their jobs or had their pay reduced (Elden, 1995; Escott and Whitfield, 1995b; Watson, Ward and George, 1997; Shaoul, 1999). One important point to note about this debate is that it moved the focus of attention away from a purely microeconomic examination of CCT towards a broader macro-economic perspective (Barry, 1987).

Research by Escott and Whitfield (1995b), for example, suggested that, for every pound of cost savings achieved at the microeconomic level, central government was forced to pay out two pounds on increased unemployment benefits and reduced national insurance contributions. Consequently, the assumed gains of CCT to taxpayers might have been exaggerated by focusing purely on direct service costs (Turnball and Wass, 1995; Froud, Haslam, Johal, Williams and Williams, 1999); an observation that led to calls for a distributional analysis of the use of market mechanisms in the public sector (Cutler and Waine, 1998). Moreover, as White (1996) concludes, viewed from this macroeconomic perspective, the policy of CCT presented the government with a contradiction between its role as an employer, keen to devolve pay decisions to the local level and its role as an economic regulator with responsibility for the wider economy.

Conclusion

This chapter has provided an overview of the rationale, policy, outcome and impact of CCT. It began by explaining that, in terms of rationale, the precept of Conservative support for CCT was that it would break up hitherto protected public sector monopolies by ensuring the potential for competition. In this way, it was anticipated that in-house providers would be forced to act as if potential operators could undercut them and, as a result, ensure greater efficiencies in the delivery of local services.

The chapter then moved on to provide an overview of resulting CCT policy and detailed, in turn, a number of its most salient properties. In doing this, it was revealed that, in terms of coverage, the services encapsulated by the policy were not the major services provided by local authorities such as education or social services but confined mostly to

ancillary and support services such as cleaning and maintenance. Then, with respect to the tendering process, it was explained that although local authorities were able to submit bids in an attempt to retain services in-house, in doing so, they had to ensure that they complied with the rules, demonstrated that they were more cost effective than external tenders and did not take into consideration a range of non-commercial matters when evaluating competing tenders. In addition, provisions were also made to subject any retained DSO units to a range of post contract regulations, which in the event of failure, further threatened their closure.

Meanwhile, in terms of tendering outcome, the third section of the chapter demonstrated that while CCT achieved its main outcome of encroaching upon the public sector monopoly of public service provision, the mechanisms employed to do this were not wholly successful in achieving this aim on a large scale, with the average number of competing bidders per contract frequently lower than the statutory request of three external bids. Part of the explanation for this reasonably low level of external contractor interest related to concerns on the part of potential contractors that the CCT process was too risky and had low value adding potential.

Finally, while the policy was shown to have been largely successful in terms of reducing the costs of local services, the prescriptive nature of the regime's tendering requirements was also shown to have led to overly high transaction costs and negligible or no cost reductions for smaller contracts. Similarly, although the microeconomic costs of services exposed to the policy were reduced, doubts about the wider macro-economic implications of the policy were raised. These concerns stemmed from evidence which showed that one by-product of reducing the costs of local services was an increase in unemployment, an outcome which then had to be compensated for to some degree by increased social transfer payments. It is, therefore, against the backdrop of this rather

mixed, complicated and contradictory policy outcome and impact that the next chapter examines the response of the Labour party.

Notes

¹ Some commentators, drawing from contestable market theory (Bailey, 1995; Bailey and Davidson, 1999), for example, have suggested that the key factor is the possibility of competition, or threat of competition, rather than the actual number of competitors. Other commentators (Buckley and Chapman, 1997), however, dispute this view and suggest that in order to test the influence exerted by the *threat* of competition one would need to conduct a detailed empirical examination of the contract award process. Kerley and Wynn (1991), for example, have suggested a number of reasons for doubting the *threat* of competition in cases where no external bids were submitted. One such example being that recalcitrant managers and staff feel secure in the knowledge that competition does not exist, and as a result, may revise their demands and seek no loss in pay and conditions when preparing bids future bids.

² This is a view that can be illustrated by reference to Cope's (1995) analysis of the impact of CCT on school cleaning in Kent County Council which unearthed eight different estimates of the extent to which CCT had reduced or increased the cost of the service - ranging from savings of £1,389,760 to losses of £425,000 - depending on who was asked for information and how, for example, contract preparation costs were calculated.

³ Thus, for example, one of the most detailed studies into the economic impact of voluntary competitive tendering in refuse collection services (Domberger, Meadowcroft and Thompson, 1986) identified cost reductions in the region of twenty per cent.

Chapter 3

Best Value in local government: the policy and its evolution

This chapter documents the Labour Government's response to the Conservative's policy of compulsory competitive tendering (CCT) by charting the development and composition of its best value (BV) policy. It begins by outlining the broader context of the development of BV via a summary of Labour's critique of CCT during its period in opposition. This then forms the backdrop to the second section of the chapter, which charts the actual development of BV, while the third provides an overview of the composition of the resulting policy. Finally, a fourth section concludes the chapter by summarising the key differences between CCT and BV and by highlighting a number of attributes of BV which can be argued to represent an improvement on CCT.

Labour's response to CCT

Although the Labour Party, both at local and national level, consistently expressed opposition towards CCT, what is important to note is that the nature of this opposition went through a number of revisions or transformations. Consequently, as this first section reveals, by the time of Labour's election victory in 1997, its rationale for wanting to replace CCT was built on a very different set of concerns from those it had held during the time of the introduction of the policy.

Revisions to the Labour critique

During the early stages of CCT, one particular line of criticism that Labour adopted towards the policy was that, as democratically elected bodies, the final decision about how certain services should be provided should rest with local authorities rather than be imposed upon them by central government (Sharland, 1997). This concern about the deleterious democratic implications of CCT was, in turn, extended by concerns as to the criteria local authorities were expected to use during the evaluation of tenders and the threat this posed to the level and conditions of employment. In particular, a number of Labour MP's openly complained that CCT would unfairly redistribute resources away from already badly compensated producer groups and was likely, therefore, to undercut civilised employment conditions (Straw, 1987, Cunningham, 1987). As Labour Member of Parliament Cunningham argued during the second reading of the 1987 Local Government Bill, CCT would:

'Exploit low paid people, often from ethnic communities. It exploits women, lowers standards and generates public squalor...It is Labour control of the local authority employer's side that has ensured that people on low wages have had some fairness of treatment that the Government seek to deny them' (1987:9).

Increasingly, however, this particular brand of opposition towards CCT was viewed by the Labour party leadership as an electoral liability, particularly in the face of Conservative accusations and right wing media reports that the Labour party was at the mercy of producer groups and too closely associated with trade unions (Stevens, 2003)¹. Consequently, in the face of these damaging accusations, the Labour party, set about to

dispel its image of high taxation and the perception that it was unable to improve the quality of public services (Heath, Jowell and Curtice, 1994, in Hills 1998).

Increased convergence between Labour and Conservatives

The result of this transformation was that, during the build up to the 1992 General Election, the Labour party became increasingly active, at both a national and local level, in its promotion of 'quality' public services (Labour Party, 1989, 1991). Local experiments with customer contracts, charters and guarantees, which utilised quality concepts imported directly from the private sector (Kirkpatrick and Martinez Lucio, 1995; Walsh, 1991b and 1995c; Martinez Lucio and MacKenzie, 1999; Fitzgerald, Rainnie and Stirling, 1996), were duly supported in official Party literature (Labour Party, 1989, 1991) and exemplified a shift from concerns with producer group interests towards the recipients of services.

In taking up this revised position, the Labour party began to endorse a conceptualisation of quality that was shorn of some of its 'traditional' (Pfeffer and Coote, 1991; Reeves and Bednar, 1994; Public Sector Privatisation Research Unit, 1992, 1997; Trade Union Congress, 1992) overtones, including the notion that lower costs usually means lower quality². Instead, it favoured an approach which stressed the importance of setting service specifications and the monitoring of performance (Colling, 1995b; Freeman-Bell and Grover, 1994; Gaster, 1999; Henkel, 1991); an approach which meant that both the major political parties now pursued a concept of quality that was particularly suited to convincing the taxpayer about their ability to secure service improvements (Pollitt 1990a, b; Haque, 1998; Erridge, Fee, McIlroy, 1998). Indeed, the local experiments with service charters and guarantees that had been conducted by such Labour controlled

authorities as York City Council, Leicester City Council and North Tyneside City Council (Labour Party, 1991) even predated John Major's Citizen's Charter Initiative, introduced in 1991.

Further convergence between the two main political parties occurred following the removal of Clause IV from Labour's Constitution at a special party conference in 1995 (Labour Party, 1995a; McIlroy, 1998; Thompson, 1996). Thus, this action meant that political opposition to private sector involvement in many parts of the public sector could no longer be guaranteed from the Labour party (Marquesse, 1997; Ludlam, 2001; Freedon, 1999). It also served to further reinforce the emerging political consensus between the two parties that if private companies could perform just as well as public service providers, and still make a profit, then barriers to their delivery of public services should not be placed in their way (Labour Party, 1995b; Brown, Prescott and Cook, 1994). The rising logic behind Labour's agenda for the reform of local government service delivery was, therefore, that it was performance rather than ownership that mattered (Higgins, James and Roper, 2004a).

For the opposition Labour Party, this more confident and authoritative stance on the reform of public services culminated in a proposal to introduce a 'local performance programme' (Labour Party, 1995a). This new initiative was replete with references to '*continuous improvements, target setting, achieving standards and monitoring costs*' (Rogers, 1996: 36-37) and contained plans also to refocus the Audit Commission into a 'standards inspectorate'. By increasingly championing the view that Labour would seek continuous improvements, and ultimately 'best value', from local authorities, one of the more subtle *differences* between the two main political parties in relation to local government reform was just how far they were willing and able to use 'quality' as a

means to legitimise (Wilkinson and Wilmott, 1995; Bouckaert, 2001) their respective policies.

Thus, whereas the Conservative's Citizen's Charter initiative (Doern, 1993; Lewis, 1993; Lewis and Hartley, 2001; Bellamy and Greenaway, 1995) had been introduced, in part, to prove that the cost reductions brought about by such policies as CCT had not been at the *expense* of service quality (DoE, 1991), Labour's more active *promotion* of 'quality' involved the *pursuit* of 'continuous improvements' in local service delivery (Labour Party, 1995b). Although, Labour's response to CCT had not, at this point, explained in detail how such continuous improvement was to be achieved, it did, nonetheless, provide a more positive sounding political agenda than one founded merely on reducing costs or on criticising the *status quo ante*.

Ironically, however, just as the two main political parties converged around a faith in the ability of performance measurement and national standards to stimulate and demonstrate improvements in quality it was, in part, owing to the Conservative's failure to deliver what the public *actually* identified as 'improved' local services that Labour was given the opportunity to demonstrate what it could do – and this was despite the fact that it drew upon many of the same ideas and concepts. Sanderson (1996: 91), for example, neatly depicted the stark differences that existed between the formal representation of 'quality' as provided in relation to the Conservative's Citizen's Charter Initiative and the experience of services as users really experienced them, thus leaving a gap of missed promises for Labour to fill:

'on the one hand, a picture portrayed by the Government's Citizen's Charter of public services 'reaching standards of performance that would have been

unthinkable only a few years ago'; on the other hand, a totally different picture portrayed with newspaper features of public services starved of resources and suffering severe problems due to backlogs of maintenance and repairs and inadequate resources to provide services to decent services'.

Given this state of affairs, nonetheless, one was still left to ponder exactly what it was that Labour would do to improve the quality of local services so dramatically. Further light on this issue was shed followed the election of New Labour in May 1997.

The development of BV

The 1997 British Labour Party General Election manifesto proposed a range of initiatives to 'modernise' local government (Labour Party, 1997). These included a plan to impose a duty upon local authorities to promote the economic, social and environmental well being of their areas, a proposal to remove crude and universal rate capping and a pledge to consult business over business rates. The most significant of the Labour Party's manifesto pledges for local government, however, was its mandate to replace CCT with a new BV system. As Labour's General Election manifesto stated:

'Councils should not be forced to put their services out to tender, but will be required to obtain best value. We reject the dogmatic view that services must be privatised to be of high quality, but equally we see no reason why a service should be delivered directly if other more efficient means are available.'

The Labour Government's statement of intent was, then, quickly confirmed, when only a month following Labour's election victory in May 1997, Hilary Armstrong, Minister for Housing, announced:

'The government intends to replace CCT with a duty of BV, as soon as Parliamentary time allows' (DETR, 1997a).

The resulting policy was developed at a rapid pace and, in turn, entailed four key stages. These comprised the setting out of twelve BV principles, the undertaking of a BV pilot scheme, the publication of a Green Paper and related consultation and the publication of a White Paper and subsequent passing of legislation. Each of these four key stages of the development of BV is described briefly in turn below.

The principles of BV

Following its landslide election victory, the Labour government quickly set out to clarify its position on BV and did so with the publication of twelve BV principles (DETR, 1997b). The content of which can be divided into two broad categories; one concerning the creation of a performance management framework; and the other concerning the creation of some basic operational rules for BV.

Firstly, as demonstrated in Figure 3.1, principles seven to twelve were all devoted to setting out and defining the properties of what later materialised into a performance management framework. Thus, for example, principles seven and eight stressed the importance of national and local performance indicators and targets, while principles nine and ten proclaimed that auditors should confirm the integrity and comparability of

performance indicators and subsequently report on whether targets and plans had been achieved in relation to them. The last two of these BV principles, meanwhile, stressed the importance of intervention measures to deal with failing services, such as requiring 'failing' councils to expose services to competition, or to accept external management support.

Figure 3.1
The 12 principles of Best Value

1. Councils will owe a duty of best value to local people, both as taxpayers and service customers. Performance plans should support local accountability.
2. BV is about effectiveness and quality, not just economy and efficiency. Target-setting should underpin BV
3. The best value duty should apply to a wider range of services than CCT.
4. There is no presumption that services must be privatised or delivered directly. What matters is what works.
5. Competition will continue as an important management tool but will not in itself demonstrate best value.
6. Central government will set the basic framework for service provision
7. Local targets should have regard to national targets and performance indicators to support competition between councils.
8. National and local targets should be built on performance information.
9. Auditors should confirm the integrity and comparability of performance information.
10. Auditors will report publicly on whether best value has been achieved and contribute to plans for remedial action.
11. There should be provision for DETR intervention, on Audit Commission advice to tackle failing councils
12. The form of intervention, including requirements to expose services to competition and accept external management support, should be appropriate to the nature of the failure.

Source: DETR (1997b)

The second batch of principles, meanwhile, contained principles one to six, which were related in the sense that they were all concerned with laying down some basic operational parameters for BV. Notable, amongst these, was the third principle that BV should apply to a wider range of services than CCT and the fourth that there should be no presumption that services must be 'privatised' or delivered directly since 'what matters is what works' (DETR, 1997b; Armstrong, 1997, 1998). The implication being, therefore, that, in contrast to the strait-jacket of CCT, BV would offer local authorities

the flexibility to deliver services in ways that would attain the government's performance aspirations.

The impression given by these early plans for BV, therefore, was that at the same time as requiring local authorities to achieve certain centrally defined government targets (principles 2, 6, 7 and 8), it would not necessarily demand that they utilised external contractors (principle 4) or competition (principle 5) in order to do so. Instead, local authorities would be exposed to an audit regime (principles 9 and 10) that would trigger Government intervention in the event of 'failing' services (principles 11 and 12). By offering rights with responsibilities in these ways Entwistle and Laffin (2005) argue that the Labour government sought to gain support from the parts of the Party that the policy was designed to control. The Government, therefore, continued to utilise the language of freedom and flexibility and this was none more so true than its promotion of a Government-initiated BV pilot scheme.

The BV Pilot scheme

Shortly following the publication of the twelve BV principles, an initiative to pilot Best Value was kick-started during July 1997 when a request for authorities to submit documented proposals to pilot the policy was sent out to all local authorities in England and Wales (DETR, 1997c). This request required any interested local authority to detail how they would conduct BV *reviews* of some, or all, of their local services over a two to three year period, starting in April 1998. The purpose of this pilot scheme was to test the practical application of the twelve BV principles and to provide evidence as to whether a full scheme was worth introducing (Filkin, 1997; Filkin and Corrigan, 1997).

Despite some uncertainty about the real aims of BV, the pilot scheme met with a tremendous response from local authorities, with 150, from roughly 410 principal local authorities, including a small number of police authorities and combined fire authorities, submitting pilot bids (DETR, 1997d). The degree of this enthusiasm was, perhaps, encouraged by the news that the Government would exempt participating local authorities from CCT requirements (Audit Commission, 1997). The relative beneficial effects of this ruling depended, however, on whether services were internally or externally provided and, thereafter, on the nature of the existing contractual arrangements with external contractors. For as Newcastle City Council argued in its pilot submission, *'Existing contracts have different renewal dates which may make it difficult to integrate services into one arrangement'* (Newcastle City Council, 1997).

The submitted bids were evaluated by a 'mixed' panel comprising representatives from the then Department of the Environment, Transport and the Regions, the Local Government Association, the Confederation of British Industry, UNISON, the GMB and the Audit Commission (DETR, 1997d). In the event, bids from 34 English local authorities and two police authorities, as well as two joint bids, were selected for formal pilot status and instructed to pilot BV from 1st April 1998 (see Appendix 3 for a summary of BV pilot approaches). During the announcement of the successful bids, the minister for local government was keen to stress that the greatest *mix* of initiatives, rather than the best bids *per se*, had been chosen (Armstrong, 1998).

Either intentionally or unintentionally, this approach to selection, however, did not lead to the pilot authorities being representative in terms of their political composition and their experiences of external contractors under CCT. For example, as Table 3.1 demonstrates, in terms of political control it was noticeable that twenty-six (70 per cent)

of the successful bids derived from Labour-controlled authorities, despite the fact that such authorities only constituted 44 per cent of the total (Martin, 1999). Overall, therefore, selected pilot authorities were reported as being biased towards southern-based Labour-controlled councils (Martin, 1999).

Table 3.1
Political control of Best Value pilot authorities

| Political control | Bids | Pilots | English councils |
|--------------------------|-------------|---------------|-------------------------|
| Labour | 80 (55%) | 26 (70%) | 44% |
| Liberal Democrats | 16 (11%) | 2 (5.5%) | 13% |
| Conservative | 5 (3%) | 2 (5.5%) | 5% |
| No Overall Control | 43 (30%) | 4 (11%) | 34% |
| Independent | 2 (1%) | 0 (0%) | 3% |

Source: Martin (1999)

Meanwhile, in terms of the pilot authorities' experiences of external contractors under CCT, the Local Government Management Board's competition (1997) survey data concluded that the average percentage of contracts held by DSOs within piloting authorities was 59.8 per cent by value, in a range from 0-100 per cent (LGMB, 1997a). The figure for the whole population of English local authorities, meanwhile, was 75 per cent. This meant that BV pilot authorities currently had a greater experience of private contractors than non-pilot authorities.

Green Paper and related consultation

Only three months after the selection of the pilot authorities, the government published a Green Paper entitled *'Improving local services through best value'* (DETR, 1998a) which began to detail more explicitly provisions for a formal BV process. In particular, the Green Paper was devoted primarily to adding more substance to six of the twelve

BV principles outlined earlier regarding the proposed introduction of a performance management framework. Moreover, it proposed that this framework would require local authorities to establish corporate objectives and performance measures; to agree a programme of fundamental performance reviews to be completed over a period of four to five years; and to set and publish performance and efficiency targets in a Local Performance Plan (DETR, 1998a). In addition, it was further proposed that these requirements would be supplemented by an independent audit and inspection of service reviews and performance targets together with the certification of monitoring information.

Despite the reasonably enthusiastic response of local government to BV up to this point, an examination of the 541 consultation responses to the Green Paper provided the first real hard evidence of local authority hostility towards the policy (Jameson, 1999). Thus, for example, amongst the 391 responses from local authorities and representative groups (DETR, 1998b), the most widely voiced concerns related to the proposed introduction of a 'BV performance management framework' and its related auditing, inspection and performance monitoring processes. In the words of the Local Government Association, these proposals for BV *'ran the risk of repeating the mistakes of CCT'* by imposing a prescriptive, centralised, regimented and formulaic approach to improving local public services (DETR, 1998b).

More specifically, respondents identified proposals to set performance targets for efficiency and quality on the basis of the top 50 per cent, or 25 per cent, of authorities as the least popular aspect of the proposed performance framework and the reason for this was that it was felt to be too challenging for many authorities, especially if the targets were applied to each service (DETR, 1998b). Many respondents, therefore, emphasised

a preference for a broader perspective to the audit/inspection process than one that simply checked the authenticity of performance indicators (DETR, 1998b).

In contrast to the fears of local authorities and representative groups about the proposed performance management framework, private sector respondents reacted favourably to the proposed use of rigorous performance comparison on a national basis (DETR, 1998b). In particular, private sector respondents feared that, unless central government had the power to intervene, councils with an ideological preference towards in-house service delivery would lock out the private sector (DETR, 1998b; Pike, 1998).

White Paper and subsequent passing of legislation

The release of the White Paper, *'Modern local Government: In touch with the local people'*, on July 30 1998 did little to reassure those who had concerns with the performance overtones of the rapidly developing BV scheme. The reason for this was that it simply entrenched and extended the performance management overtones of the Green Paper by providing even more detailed provisions on its proposed wide-ranging performance management framework (DETR, 1998c). Furthermore, it further implied, as the following quote suggests, that local authorities would have to demonstrate their superiority over other public and private sectors in terms of both cost and quality (DETR, 1998c: 7.1):

'A modern council - or authority - which puts people first will seek to provide services which bear comparison with the best. Not just with the best that other authorities provide but with the best that is on offer from both the public and private sectors. Continuous improvements in both the quality and cost of

services will, therefore, be the hallmark of a modern council, and the test of best value'.

Indeed, by demanding continuous improvements in the cost and quality of local services, in the ways outlined in the White Paper, the Labour government clearly demonstrated how it shared its predecessor's preoccupation with micro efficiency and appeared to pay far less interest, from a social justice perspective, in terms of how such gains were to be made. A key concern amongst producer group interests, therefore, was that in order to realise the continuous service improvements demanded by the Government, BV policy was likely to demand CCT-style practices, albeit through other means (Geddes, 2001; Boyne 2002a).

Despite mounting concern about the employment implications of BV, with some trade unions even describing it as '*worse than CCT*' (Jameson, 1998), news from Whitehall that there was not going to be sufficient Parliamentary time for a comprehensive Local Government Bill still managed, nonetheless, to motivate a diverse range of interest groups to send a jointly written letter to central government reiterating the need for BV. Signatories included the Local Government Association, the Association of Direct Labour Organisations, the Trade Union Congress, the Confederation of British Industry and the Business Services Association (Pike, 1998). This effort proved to be successful, with the publication of a Local Government Bill on 30 November 1998. By 28 July 1999, the Bill was passed and materialised into the Local Government Act 1999, which both removed a number of the clauses governing CCT and created the policy of BV (Local Government Act 1999, Part 1 Section 1).

Figure 3.2
Policy development of Best Value

| Date | Development |
|-------------|---|
| 1 May 1997 | Labour Government elected with landslide victory. |
| 2 Jun 1997 | Housing Minister announces that the Government will replace CCT with BV and twelve BV principles are published. |
| July 1997 | BV pilot scheme announced with criteria for selection issued |
| 2 Oct 1997 | BV gets enthusiastic response. Over 150 local authorities submit BV pilot proposals. |
| 4 Dec 1997 | Hilary Armstrong announces 40 successful Best value pilots. |
| 3 Mar 1998 | DETR issues BV consultation paper: <i>'Improving Local Services through BV'</i> . |
| 30 Jul 1998 | White paper <i>'Modern Local Government: In Touch with the People'</i> released. |
| 31 Jul 1998 | Select committee report on Implementation of the Best Value Framework |
| 30 Nov 1998 | Local Government Bill [Bill 5] introduced into the House of Commons. |
| 28 Jul 1999 | Local Government Bill reaches Royal Assent |

The transition from CCT to a BV system had, as illustrated in Figure 3.2, been reasonably swift, therefore, and certainly did not provide time for the BV pilots to yield comprehensive information on the likely success of the new framework (Boyne, 1999). Equally, however, the degree of 'enthusiasm' for the policy allowed central government to proclaim that 'partnership working' was ubiquitous and that local authorities had themselves carried the BV agenda forward (Prescott, 1998). Though, as a BV Select Committee report acknowledged (DETR, 1998d), because *'BV replaces the previous regime of CCT it is bound to be viewed favourably; the proposed policy may have attracted such strong initial support partly because, at this stage, it appears to be all things to all people'*.

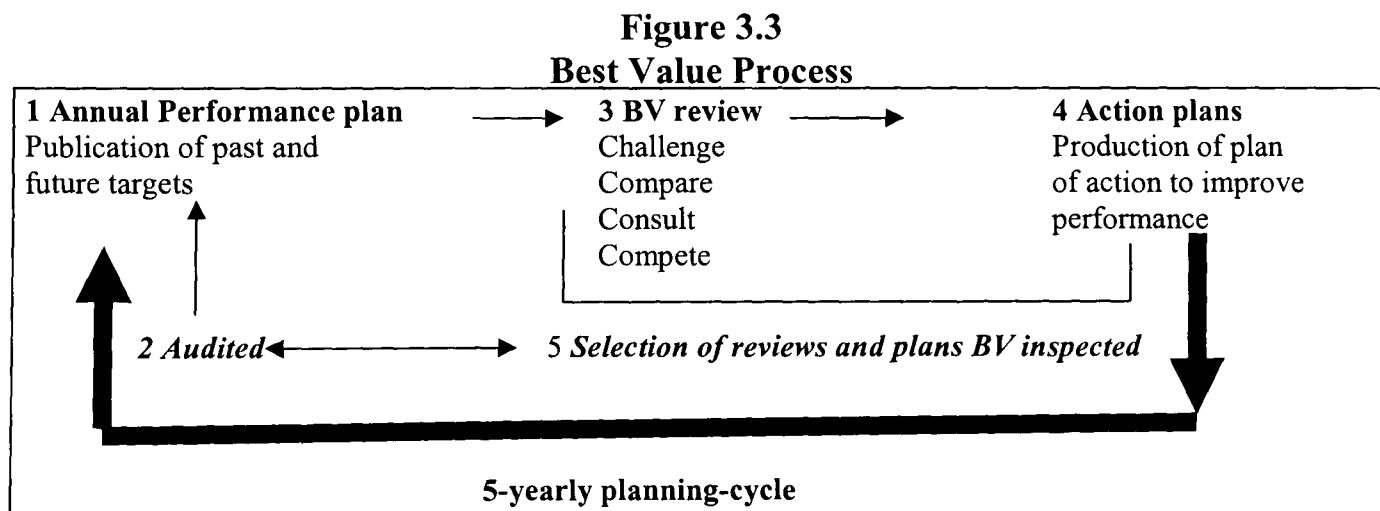
Local Government Act 1999 and related guidance

The central tenet of BV policy is that local authorities must demonstrate that they are obtaining best value for local people. This is a duty that is owed to the local community,

rather than to central government, and can be summarised as requiring local authorities to:

'...make improvements to secure continuous improvement in the way in which local authorities functions are exercised, having regard to a combination of economy, efficiency and effectiveness' (Local Government Act 1999, Section 3.1).

In detailing the precise means by which local authorities are supposed to secure continuous improvement in local services attention can be turned to a performance management framework that the Act created and which was first heralded in the provisions of the local government white paper. Drawing upon the work of Boyne, Gould-Williams, Law and Walker (2002a), Figure 3.3 redraws this performance management framework and identifies the five key elements of it. These elements comprise performance plan, audit, review, action plan and inspection and the remainder of this section guides the reader through a brief description of each of them.



Source: Adapted from Boyne, Gould-Williams, Law and Walker (2002a).

Performance plan

The policy of BV requires local authorities to prepare a BV performance plan for each financial year (Local Government Act, 1999, Section 6). This document, which is subject also to the process of BV audit (stage two), is required to summarise a range of information about the objectives and performance of each local authority's services and to detail also the programme of BV reviews to which all services must be subjected to every five years (stage three). As part of this, the BV performance plan sets out a range of general health, service and cross-service performance indicators against which local authorities are required to attain year-on-year improvement (DETR, 1999).

In total, there are 122 BV performance indicators and these can be differentiated in terms of eighteen Best Value corporate health indicators which are designed to *'provide a snapshot of how well the authority is performing overall'* and 104 best value service delivery indicators which are designed to *'reflect the national interest in the delivery of local services'* (DETR, 2000). Whilst the corporate health indicators are designed to measure overall performance, the BV service delivery indicators fall into the six service areas of education, social services, housing, environment, cultural services, community safety and community legal advice. Currently, the most important performance indicators in BV policy are those which are also classified as 'upper quartile' targets and which local authorities should, where possible, aim to reach within a reasonable period of time (DTLR, 2002).

Audit

Each year the BV performance plan has to be audited by the Audit Commission's own arms length audit agency, District Audit, or an approved management consultancy. The

process of BV audit, therefore, supplements the Audit Commission's 'financial regularity' and 'value for money' (Audit Commission, 1999a; McSweeney, 1988; Kelly, 2003) responsibilities³, which have been part of its remit since its inception in 1983.

Described by the government as an important year-on-year role, the BV audit function demands auditors to reach a view as to whether local authorities' BV performance plans have been prepared and published in accordance with legislation and guidance (Local Government Act, 1999, Section 7). In particular, BV auditors are required to provide a check on whether the plans have been drawn up, whether the information in them is accurate and whether the future plans are realistic, having regard to the resources available to the authority (DETR, 1998b: 7.37). In the Audit Commission's (2001a: 2) own words, however, these are not particularly demanding tasks and do not, therefore, represent a significant audit challenge:

'The auditor's role in relation to best value is a relatively limited one: it is to review an authority's published BVPP and to issue a statutory report on it, indicating whether the plan was prepared and published in accordance with statutory requirements'.

The BV Audit process, therefore, regards the performance plans as statements of *intent* rather than accounts of *actual* delivery (Power, 1997; Pollitt, Xavier, Lonsdale, Mul, Summa and Waerness, 1999) to the extent that although a local authority might have correctly included all of the relevant performance information required by BV legislation (Audit Commission, 1999b and 2000a), there is no means to ascertain the validity of such information. Within the confines of these limitations, if a local authority fails to publish the correct information – a failure of process - or fails to create

sufficiently challenging performance targets – a failure of substance - it faces the risk of being referred by Auditors to the Secretary of State for intervention (DETR, 1999).

BV review

The third key element of the BV process is the requirement that each and every local authority service is reviewed over a four-to-five yearly cycle (DETR, 1999). This process involves each local authority service being subjected to an internal assessment via what have become known as the ‘four Cs’. That is, a service is considered on the basis of how well it ‘competes’ with alternative sources of supply, how well it ‘compares’ to current standards of performance, the degree to which the existing methods of service delivery are ‘challenged’ and how well key stakeholders are ‘consulted’ over service standards and modes of delivery. A brief description of each of the ‘four Cs’ is provided in Figure 3.4.

In making sense of the ‘four Cs’ of BV, there are two key points to be made. Firstly, one should note that the ‘challenge’ element both shapes the entire BV review process - by requiring local authorities to consider their objectives in relation to each of their services – and has a direct impact on the implementation of the other three ‘C’s’ as well. Thus, in the case of ‘consultation’, the challenge element requires local authorities to ascertain from the public the level at which it should be exercising its functions. Likewise, in the case of the ‘comparison’ element of BV, local authorities have been required to set *challenging* but realistic performance targets. Finally, in the case of the ‘competition’ element of the review process, local authorities have been encouraged to challenge the existing basis of service provision and to do so by experimenting with a range of contractual arrangements. Secondly, one should also note that the comparison element of the BV review process does not really represent a separate function of BV in

its own right. Instead, it is rather more concerned with the performance measurement elements of BV.

Figure 3.4
The four C's of Best Value

Challenge why and how a service is being provided;

- consider whether it should be exercising the function;
- consider the level at which and the way in which it should be exercising the function;
- consider its objectives in relation to the exercise of the function;

Comparison with the performance of others across a range of relevant indicators:

- to assess its performance in exercising the function by reference to any performance indicator
- to assess its success in meeting any performance which applies in relation to the function;
- to assess its progress towards meeting any performance standard which has been specified but which does not yet apply;
- to assess its progress towards meeting any relevant performance target

Consultation with local taxpayers, service users, partners and the wider business community:

- to consult other best value authorities and commercial and other businesses about the exercise of its function;

Competition as a means of securing efficient and effective services.

- to assess the competitiveness of its performance in exercising the function by reference to the exercise of the same function, or similar functions, by other best value authorities and by commercial and other businesses

Source: DETR, 1999: 6

Thus, with the challenge element running throughout the entire BV process and the comparison element residing with the regulatory processes of performance indicators, audits and inspections, one is left with the consultation and competition elements of the policy. The consultation element is both a general requirement of BV under Section 3 of the Local Government Act 1999 and also a specific facet of the review process required under Section 5 of the Act, with the former, notably requiring local authorities to:

'...consult with taxpayers, non-domestic rate payers, user of services and those who appear to have an interest in any area within which the authority carries out functions' (Local Government Act 1999, section 3, 2).

The competition element of the BV review process, meanwhile, requires local authorities to assess the competitiveness of their functions by reference to the exercise of the same, or similar functions, by other service providers, including local authorities and commercial businesses (DETR, 1999). As will be explained in more detail in the next chapter, this is a task which might not in itself involve competitive tendering but might instead encompass a variety of more 'flexible' tendering options including the development of public-private partnerships.

Action plans

The fourth key element of the BV process, meanwhile, is an action plan which local authorities are required to create at the end of each BV review (Local Government Act, Section 5 and Section 9). The action plan should detail how each reviewed service will achieve specified cost, efficiency and quality targets – thus demonstrating the reviewed services' commitment to continuous service improvement. The key performance targets are as follows:

'Quality targets that are, as a minimum, consistent with the performance of the top 25 per cent of all authorities' (DETR, 1999: 11).

'Cost and efficiency targets over 5 years that, as a minimum, are consistent with the performance of the top 25 per cent of authorities of the type to which

they belong and which are consistent with the overall target of 2 per cent p.a. efficiency improvement set for local government spending as a whole' (DETR, 1999: 11).

This does not imply, however, that each reviewed service is expected to identify efficiency improvements of two per cent a year since, as the DETR (1999) has maintained, some reviews may identify much greater opportunities for improved efficiency, others less so. What the targets do impress upon local authorities, though, is the need to attain the prevailing upper quartile quality, cost and efficiency status over a given period of time.

Inspection

The final element of BV is the BV inspection process (Local Government Act, 1999, Section 10). This process is conducted in relation to a number, rather than all, reviewed services and, as in the case of the Audit process, is the responsibility of the Audit Commission or an approved body (Audit Commission, 1999c, 2000b). Conducted by teams of between two and five inspectors, the purpose of each on-site visit, which can last up to twenty days in duration⁴, is to undertake a series of 'reality checks.' The inspection process, therefore, amounts to a cross-examination of the council's stated performance levels against inspectors' direct observation and experience of activities⁵. In terms of process, therefore, 'reality checking' may involve unannounced visits to service delivery points, interviews with managers, staff and customers, and 'mystery shoppers' (Audit Commission, 2000b).

In checking the validity of local authorities' performance in this way, the BV inspectorate makes two judgements concerning the 'current' and 'likely future' performance of the reviewed services. Current performance, for these purposes, is assessed as 'poor', 'fair', 'good' or 'excellent' and likely future performance as 'poor', 'uncertain', 'promising' and 'excellent'. Where an unfavourable inspection judgement is made, it is open to the Secretary of State to impose one of a number of sanctions. Under section 15 of the Local Government Act 1999, these include, the provision of external management help, the requirement that services be put out to competition, the seizure of the authority's ability to provide services directly and the transference of service responsibility to a third party. The related processes of identifying failure and, where necessary, dealing with failure can be seen, therefore, to provide the public with safeguards against failing services. This task, along with BV audit, is achieved at an estimated net cost of £50 million per year – equivalent to a fee of approximately £150,000 for a unitary authority at, 2001/02 prices (Audit Commission, 2001c)⁶.

Differences between CCT and BV

It is quite clear from the preceding section that the policy of BV differs from CCT in a number of important ways. In seeking to elaborate further upon these differences, the purpose of this section is, first, to compare the two policies in terms of their coverage, operation and emphasis and then, secondly, to identify how BV can be seen to represent an advance on CCT.

Differences in coverage, operation and emphasis

One of the most obvious differences between BV and CCT relates to the scale of the two policies in terms of their service coverage. Thus, for example, whereas CCT encapsulated approximately twelve billion pounds worth of specifically defined blue and white-collar activities, BV policy embraces all activities. Indeed, it is arguably because of this far more extensive service coverage that the policy of BV has, as demonstrated in Figure 3.5, replaced the rather narrow, and for many services, inappropriate competitive tendering mechanism with a wide-ranging performance management framework.

Figure 3.5 Key differences between CCT and BV

| Feature | CCT | BV |
|----------------------------|--|---|
| Service Coverage | Defined range of services | All services |
| Operating Mechanism | Compulsory competitive tendering Contracts every 2-5 years | Five-yearly review via 4Cs, performance indicators audits and inspection |
| Emphasis | Cost, lowest priced bidder, annual rate of return on capital employed | Cost and quality, public consultation, attainment of key performance targets, annual performance plan, annual audit, targeted inspection |

Consequently, the key operational difference between CCT and BV is that local authorities are no longer obliged to put their services out to competitive tendering. They must instead *review* all of their services over a five-year period with competition being retained as a management tool for local authorities' discretionary, as opposed to obligatory, use and thus this affords them an increased degree of means flexibility. Such

flexibility relates not only to the freedom given to local authorities to review services in the way that best manages to achieve continuous service improvement but in a way that also offers them a broader range of tendering options than mere competitive tendering.

Noticeably, within this revised adoption of competition, and consistent with Labour's joined-up approach to service delivery (Stevens, 2003; see below), BV policy stresses the benefits to be had of local authorities encouraging the development of long-term collaborative partnerships between client and contractors, rather than the previous adversarial relationship. Furthermore, in contrast to the rather closed and secretive negotiations that pervaded the contract tendering and evaluation process under CCT, BV stresses the importance of consulting with the public in order that the local services provided more closely match their needs and wants. In being afforded this increased means flexibility, nonetheless, BV policy also exposes local authorities to an increased range of regulatory mechanisms to ensure that the desired improvements of BV are being achieved. These regulatory mechanisms of BV take the form, most notably, of performance, audit and inspection processes.

A final difference between the policies of CCT and BV is one of emphasis. In particular, whereas the policy of CCT was primarily devoted to the issue of cost and the statutory requirement it placed upon each local authority to select the lowest cost-qualifying bidder under BV a greater emphasis is placed on the quality of local services. Moreover, whereas CCT demanded local authorities achieve a specified rate of return on capital employed, BV demands local authorities to continuously improve their performance in relation to a range of centrally and locally determined performance indicators, albeit these continue to stress the value for money aspirations of economy, efficiency and effectiveness.

Four positive attributes of BV

Having thus charted the differences between CCT and BV in terms of coverage, operation and emphasis and identified also the relative ease with which Labour was able to pass BV legislation, it is necessary to delve a little further into an examination of the policy from the perspective of how well it succeeds as an instrument of public policy (Entwistle and Laffin, 2005). That is to say, how far the policy of BV is able to generate the desired continuous improvements and more specifically how far it actually represents an advance on CCT. In order to do this, it is first necessary to chart the specific problems that the Labour Party identified with CCT and then to identify precisely how the Labour Government, via BV, proposed to rectify these problems. In considering these two elements together, the remainder of this sub-section identifies, for further analysis, four key attributes of BV that this study utilises to exemplify a number of virtues that overcome certain weaknesses Labour identified with CCT.

The first positive attribute of BV can be identified primarily in the ‘consult’ element of the review process and which reflects concerns on the part of the Labour Government that CCT did not provide the opportunity for the public to have an effective say in the local services they fund and use. This concern is, therefore, aligned to the increasingly prominent quality critique of CCT, outlined in the first section of the chapter, and which reflects the attempt by Labour to ensure that that services provided by local authorities are those that the public want, rather than what the producer wishes to provide or for cheapest cost. Consequently, as described briefly above, BV requires local authorities to provide and collect information from the public about the performance of local services

and to more fully to engage them in decisions regarding future service delivery. This attribute of BV can, therefore, be defined as ‘public involvement’.

The second alleged virtue of BV over CCT is to be found in the competition element of BV and reflects longstanding concerns that CCT had too heavily constrained local authorities in relation to their tendering exercises and, as a result, did not allow them to combine and evaluate services in ways functional to continuous service improvement. In response to this problem, BV policy offers local authorities greater freedom and flexibility by not detailing explicitly the procedures they should follow in relation to how they deliver local services. Instead, the policy simply expects local authorities to act in a fair and impartial way and to do whatever is necessary to achieve the Government’s desired service outcomes, and this is why all services are included within it. Indeed, as a 1998 Select Committee report on this matter argued (DETR, 1998d: 13) *‘We feel that it would detract from these objectives (improvements in quality, performance and accountability) if parts of local authority services were not included in the BV regime’*.

The logic of this freedom leads ultimately to the conclusion that despite conducting competition an authority might not be performing, or to put it another way, competition is not necessary to achieve the Government’s continuous service improvement objectives and is, therefore, not compulsory. It can also be seen to address concerns of private contractors that the markets created by CCT were unattractive owing to their low-value adding potential or, similarly, why marginalize ‘quality’ which is not necessarily done in commercial markets. This second attribute of BV is, therefore, to be referred to as ‘flexibility of means’.

Thirdly, where possible, BV policy seeks local authorities to engender collaborative working relationships with external contractors and, therefore, to rectify the types of adversarial relationships previously created as a result of the former policy of CCT. In particular, it is argued that the development of public-private partnerships will allow local authorities to draw upon external expertise and capital and to reduce some of the transaction and contract monitoring costs formally associated with CCT. In doing so, this attribute of BV reflects the Labour Government's wider philosophy of the 'third way' (Giddens, 1998) and is referred to as 'public-private partnerships.'

Fourth and finally, in addition to fashioning the means by which local authorities are expected to create continuous service improvements, the policy of BV also introduces a range of regulatory mechanisms to confirm and reassure the public that local authorities have done so. These mechanisms comprise BV-specific performance indicators, audits and inspections and, in their own particular ways, can be seen to reflect an advance over the regulatory mechanisms that existed when Labour took power. The most significant of these regulatory elements, however, is the BV inspection process which both utilises performance indicators to reach its judgements and which provides a far more detailed regime of investigation than the rather limited process of BV audit. The fourth attribute of BV is, therefore, to be referred to as 'inspection'.

Conclusion

This chapter has provided an overview of the development and composition of Labour's policy of BV. It began by charting Labour's response to CCT throughout its period of opposition and explained how its critique of the policy became increasingly founded upon the policy's shortfalls in relation to the quality of service provided. Consequently,

in the build up to the 1997 general election, Labour had, as part of its armoury, a policy devoted to the continuous improvement of local services and, by implication, a far more positive outline for the future of local government service delivery than one merely based on cutting costs. In accordance with this changing critique, however, it was possible to identify a shift from an explicit concern with producer group interests to one which insofar as they are taken into account they are mediated through a 'quality management' public/private management framework.

The chapter then moved on to outline the development of BV and argued that the policy was able to progress quickly through the legislative process, in part, because of the desire amongst all interest groups to remove CCT once and for all. Indeed, an examination of the consultation responses to the BV green paper revealed grave doubts from a variety of quarters about certain aspects of the new policy. In the event, however, concerns that the failure to introduce BV would lead to the retention of CCT was enough to inspire widespread support for BV and provided the necessary final catalyst for the publication of a Local Government Bill and eventual legislation.

Against this backdrop, the chapter went on to provide an outline of BV policy and described the five key elements of it that capture the entire BV process. These were identified as comprising performance plan, audit, review, action plan and inspection and a summary of their key properties was provided. In then seeking to provide more context and substance to BV policy a brief comparison with CCT was conducted. This process led to the identification of four particular attributes of BV, which can be seen to embody a number of virtues that represent an advance on some of the limitations of CCT. Three of these attributes were identified as relating to the means by which local authorities are encouraged to create continuous service improvements in local services

and comprised ‘public involvement’, ‘flexibility of means’ and ‘public private partnerships’. The fourth attribute of BV was then identified primarily as the BV inspection process, which as part of its remit is intended to confirm and reassure the public that the continuous improvements demanded of BV are being achieved. Being at the root of the claims made for the superiority of BV an examination of the extent to which these identified attributes are, in theory, able to be represent an advance on CCT is the subject of the next chapter.

Notes

¹ Moreover, concerns about the deleterious employment impact of CCT were partly ameliorated, following the introduction of the Transfer of Undertakings Protection of Employment (TUPE) regulations - designed to protect the rights of employees involved in a legal transfer of business to a new employer (Kerr and Radford, 1994). Such regulations also had their limits, however, with evidence of large-scale non-compliance by CCT contractors and also of contractors varying conditions of employment of staff taken on by agreement (Adnett, Hardy and Painter, 1995; Adnett and Hardy, 1998a and b). Such actions subsequently led to union calls for Government action to address problems arising from the existence of a two-tier workforce (Unison, 2002).

² The ‘traditional’ concept of quality is also one which raises doubts about whether contract specifications are able to capture all of the important and desired features of service delivery. In this latter regard, McIntosh and Broderick’s (1996) research of refuse collection rounds suggested that a refuse collector’s task was typically broader and more varied than that captured by contract specifications and included such tasks as checking upon the well being of elderly people in their homes. Similarly, Donahue (1989) drawing from US evidence of municipal contracting argued that Public sector garbage hauliers might be chosen in part for their powers of observation, to double as an early morning security squad or serve as an informal local welfare system.

³ ‘Regularity’ concerns the legality of significant financial transactions, the authority’s financial standing and its arrangements for preventing and detecting fraud and corruption (Audit Commission, 1999b). ‘Value for money’ concerns the auditor’s satisfaction that audited bodies have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources (Audit Commission, 1999b).

⁴ The entire period of evaluation in terms of its preparation and aftermath lasts much longer than this, however, with, for example, inspectors requesting certain authority documentation at least four weeks before the inspection visit (Audit Commission, 2000b: 20).

⁵ In many respects, the process of ‘reality checking’ has been created as a means to rectify a number of the problems associated with relying on audited documentation as a means of assessing the real performance of local services. In doing this, the coverage of the BV inspection process changed from being a proposed targeted approach, triggered as a result of auditor’s *reservations* about an authority’s BV Performance Plan (section 7 (4) e 1999 Local Government Act), to a systematic process entailing ‘inspections of reviews’.

⁶ This figure excludes the indirect and largely hidden costs of compliance by regulatees (Hood, James, Jones, Scott and Travers, 2000a, b, c). These include, the establishment of internal systems for data collection and analysis, the deployment of specialist staff to manage the interface between the inspecting and inspected agencies and the restructuring of policies and practices which are consequent upon reports and recommendations.

Chapter 4

An examination of the claims and counter claims made for the four identified attributes of best value

The aim of this chapter is to critically examine the claims and counter claims made for each of the four attributes of BV outlined in the previous chapter. In doing this, attention is first devoted to outlining the claims made for the attribute, and then secondly, to highlighting a number of its potential limitations.

Public involvement

The main beneficiaries of the BV reforms are supposed to be the taxpayers and users of the services being provided. This has been the intention of the policy from its outset, with the first of the twelve principles of BV, launched in 1997, stating *'The duty of BV is one that local authorities owe to local people, both as taxpayers and the customers of local authority services. Performance plans should support local accountability'* (DETR, 1997b).

In 1998, the Government further re-affirmed the emphasis on taxpayers and service users when it reported:

'Councils succeed when they put people first. Successful councils' priorities are to lead their local communities. They organise and support partnerships to develop a vision for their locality, and to contribute to achieving it. They strive for

continuous improvement in the delivery of local services. They are committed to best value. They involve and respond to local people and local interests. Their relationship with local businesses and other local organisations is strong and effective. There is trust between them and their local people. It is these councils, in partnership with Government and others, which are able to make real improvements to the quality of people's lives' (DETR 1998a, 1.1).

This section discusses the merits of the public involvement attribute of BV. It first identifies how this particular attribute is claimed to represent an advance over the provisions of the former policy of CCT and then draws out a number of its potential limitations.

The claimed virtues of public involvement

One of the main criticisms that the Labour Party identified with CCT was that it was based on a rather narrow concern with cutting costs in the interests of the local taxpayer, rather than with enhancing the quality of service provision for the service user (DETR, 1997b). By, therefore, being based on the assumption that the public were concerned only with cost-cutting rather than service expansion (Carter, 1991), the policy of CCT was consequently identified, rather negatively, as entailing the completion of a rather closed and narrow tendering process which was conducted behind closed doors between senior officers, councillors and managers from external organisations. In response to this concern, BV contains a consultation element, which comprises three overlapping sub-elements. Firstly, it requires local authorities to provide the public with information about the standards and performance expected of and reached of local services respectively. Secondly, in complementing this, it requires local authorities to allow the

public to express their degree of satisfaction with local services. Finally, in building upon these first two, it encourages local authorities to more thoroughly engage the public in the determination of local service delivery. Each of these alleged virtues of the public involvement attribute of BV is considered in turn below.

Provide information to the public about the performance of services

A key facet of the public involvement attribute of BV is the importance it places on local authorities providing the public with information about local services (OSPR, 2002, Watson, 2001; DETR, 1998e). A statutory requirement of BV in this regard is that local authorities send taxpayers a summary BV performance plan leaflet along with the council tax bill (Local Government Act, 1999, Section 6). The summary leaflet is intended to provide the taxpayer with information about the services the local authority secures and the performance targets that the authority has set and a summary of how the authority is performing in comparison to other authorities (DETR, 1999).

At the root of the information provided in the performance plan is data collated from performance indicators, which owing to their statutory and standardised properties (Cave, Hanney, Kogan and Trevett, 1988), provide the public with the necessary information to compare the performance of the services provided by, or on behalf of, their council. To begin with, the *statutory* requirement that local authorities collect and publish performance data ensures *universal* collection and the possibility of comparator groups. Secondly, the standardised nature of the indicators ensures the compilation, analysis and presentation of numerical data, thereby providing a basis for quantitative-based performance comparison (Cuenin, 1987). Indeed, such has been the Labour Government's confidence in the reliability of its suite of BV performance indicators,

that it maintains that they enable robust comparisons to be made between the performance levels of different authorities, including different types of authorities, and within an authority over time (DETR, 2000).

Usually in discussions of BV, the local government performance indicators are differentiated in terms of whether they measure local authorities' overall corporate health or a number of specific service categories. The indicators can also be differentiated, however, in terms of whether they are 'internal' indicators of performance or whether they are 'external' indicators of performance (Kelly and Swindell, 2002). Whilst in the majority of cases, the suite of BV performance indicators can be thought of as 'internal' ones, in that they are monitored by administrators and directed at providing an objective measure of progress toward a mission, the Government has more recently stressed the importance of 'external measures' of performance, the data for which derives from user satisfaction surveys (DTLR, 2002).

Allow users to express satisfaction with local services

Although user satisfaction surveys are not the only mechanism that local authorities might use to gather the views of the public (see below), they are, nonetheless, statutorily required and for this reason singled out for special attention. In particular, BV policy requires local authorities to conduct regular user satisfaction surveys with a random sample of the population, with the first full rounds of surveys taking place in 2003/2004 (DTLR, 2002).

In fact, at the time of the research, fifteen out of a pool of 122 BV performance indicators involved local authorities' surveying local people's individual satisfaction

with services (DTLR, 2002)¹. These indicators are displayed in Figure 4.1 and have been differentiated into three categories to reflect the scope of satisfaction being measured.

Figure 4.1
The scope of user satisfaction indicators in BV policy, 2002/03

| |
|---|
| <p>1 Satisfaction with universal or non-excludable services</p> <ol style="list-style-type: none">1. per cent of citizens satisfied with the overall service provided by their authority2. per cent of people satisfied with cleanliness standards3. per cent of residents who feel fairly safe or very safe after dark/during the day whilst outside in the local authority area <p>2 Specific user satisfaction</p> <ol style="list-style-type: none">1. per cent of people satisfied with recycling facilities, household waste collection and civic amenity sites2. Satisfaction of i) black and minority ethnic and ii) non-black and minority ethnic tenants with the overall service provided by their landlord3. Satisfaction of tenants of council housing with opportunities for participation in management and decision making in relation to housing services provided by their landlord4. Benefit user satisfaction with accessibility, staffing issues and communications/information5. per cent of users satisfied with local provision of public transport information6. per cent of users satisfied with local bus services7. per cent of planning applicants satisfied with the service received8. per cent of library users who found the books/information they wanted or reserved it, and were satisfied with the outcome9. per cent of residents, by targeted group, satisfied with the local authority's cultural and recreational facilities and activities10. Users who said they were satisfied with the help they received from social services. <p>3 Complainants</p> <ol style="list-style-type: none">1. per cent of those making complaints satisfied with the handling of those complaints2. Users who said that if they asked for changes to services those changes were made. |
|---|

Source: DTLR 2002: 107

The first category contains three indicators which are all related in that they measure users' satisfaction within the context of overall service delivery and, furthermore, require respondents to consider their satisfaction with universal or non-excludable services². The second category of indicators, in contrast, contains ten indicators which

all linked in the sense of comprising more clearly what can be thought of as ‘user’ satisfaction indicators since they relate to specific users of services. These might be tenants of social housing, public transport users or social services recipients, for example. The final two indicators measure dissatisfaction with local services and this may take the form either of users asking for changes to services or in terms of users making complaints.

Ascertain the public’s views about future service delivery.

Finally, having provided and collected information from the public about the performance of local services in the dual form of performance indicators, the third key strand to the public involvement of BV is derived from concerns that CCT had excluded the public from being engaged in decisions about the delivery of local services. In response to this concern the consultation element of BV recognises that taxpayers and service users might want to express their voice in relation to the services that they fund and use (Martin and Davis, 2001). In particular, the consultation element of BV requires local authorities to ascertain from taxpayers and service users whether there is a need for all of the local services provided for them and, if so, at what level each service should be provided (Local Government Act, 1999). These questions draw upon the ‘challenge’ element of BV and are intended to encourage local authorities to both improve the economy and effectiveness of their services, by reducing expenditure on unwanted/unnecessary services, and focusing more directly on the most important aspects of them. The expectation of such public consultation is, therefore, that it will enable local authorities to select the optimum level of service provision.

There are a large number of consultation techniques available to local authorities to gather the views of the public, though with the exception of the processes involved in gathering and compiling data from performance/user satisfaction indicators, none are statutorily required. Local authorities can, therefore, freely engage with the public in a variety of ways, spanning from the fairly passive deployment of surveys and suggestion cards to the more active techniques of public meetings or even neighbourhood forums.

Potential problems with public involvement

Having, therefore, provided an overview of the composition and claimed virtues of the public involvement attribute of BV, this sub-section is devoted to outlining a number of potential problem areas associated with its operation. These problems are highlighted through an exploration of the following three themes, ‘the reconciliation of divergent interests,’ ‘the accuracy of internal and external performance indicators’ and ‘the authenticity of public involvement’.

Reconciliation of divergent interests

The first key potential difficulty that can be identified with the public involvement element of BV relates to the function that it is intended to play in terms of collecting the public’s views/preferences about future service delivery and using these preferences to achieve gains in economy and efficiency. The particular problem here is that it assumes that a consensus can be reached between different members of the public in relation to the allocation of local resources (Curtis, 2002; Boyne 2003; Boschken, 1994). In other words, there is a presumption that the responses gained from different members of the public, via the consultation element of BV, will be sufficiently consistent with one

another for local authorities to determine the desired level of service optimality. In practice, however, different members of the public are likely to have different interests and priorities, thus making it difficult for local authorities to decide how to ration finite resources between them. As Martin (1998) suggests, decisions about the weighting of competing notions of 'value' are potentially contentious because different groups will see different criteria as being of prime importance. It might, therefore, actually be rather difficult for a local authority to satisfy all those consulted, with some members of the public calling for increased service coverage and others less.

One key potential source of conflict, in this regard, is that between the taxpayer and specific service users, with the former reluctant to see resources devoted to services that they do not believe should be publicly provided. This problem stems largely from the fact that the users of public services are not, in fact, customers in the normal manner in which the term 'customers' is understood: that is an individual who makes choices based on a willingness to pay in a discretionary and non-rationed environment. Consequently, once the reality of the rationed nature of public services is acknowledged, the potential for conflict between different taxpayers and service users becomes all too obvious (Roper, Higgins and James, 2005).

Moreover, problems relating to the reconciliation of taxpayers and service users might be further exacerbated when staff and external contractors are also asked their views about the optimum level of service provision. In the first instance, what users want may well necessitate changes in service delivery that are perceived by workers to have undesirable consequences for them, and hence may have the potential to generate a clash between user and staff interests (Dibben and Higgins, 2004). In the second instance, the emphasis on involving external contractors in the determination of local

service delivery could entail the public having their demands tempered by the commercial interests of the private sector provider (Roper, Higgins and James, 2005). This is particularly so given that one obvious consultation question that is not present within BV guidance is whether the public has a preference in terms of the actual service provider.

It is nonetheless, noticeable that the policy guidance in relation to how staff and external contractors are to be embraced by BV has entailed differential treatment. In particular, the involvement of the latter has been viewed largely as consistent and beneficial to the public – hence the initial quote emphasising the positive relationship between community involvement and partnership with external contractors - and the involvement of the former has been viewed largely as problematic to the public.

Thus, in this latter regard, the Labour Government's stance has, despite the broader emphasis on workplace partnership (Richardson, Tailby, Danford, Stewart and Upchurch, 2005), been simply to demand that the services local authorities secure are those that *'the citizen or customer wants and not what the provider can most easily deliver'* (DETR, 1999). In doing this, the government has chosen to downplay the role of professional groups as the impartial promoters of the public good (Loughlin in Gilliatt, Fenwick and Alford, 2000).

In contrast, in terms of involving external contractors, BV policy guidance has been rather more positive in tone, with local authorities being encouraged to draw upon external expertise and capacity in terms of how services might be packaged and how they might add value or meet different levels of service output (DETR, 1999). In particular, local authorities have been encouraged to ascertain whether larger or smaller

grouped services would generate more interest from external contractors and to request external contractors to bid for alternative levels of service as well as for a specified level of service (DETR, 1999).

The asking of these questions has been promoted on the basis that they ultimately provide the public with greater choice in terms of the availability of increased external expertise and the availability of alternative providers (Corrigan, 1997). Though, as Elcock (1996) reminds, a consumer or customer - in contrast to a citizen - has only the liberty to accept or reject the services on offer by alternative suppliers but does not participate in decisions regarding their provision. In practice, therefore, the process of asking external contractors to state and bid for their optimum level of service provision might conflict with the needs and wants of the public, in terms of the specifics of the service being provided.

The accuracy of internal and external performance indicators

A second potential problem with the public involvement element of BV relates to doubts about the accuracy, and ultimately usefulness, of the information provided and collected via the use of performance and user satisfaction indicators respectively. This concern relates, in turn, to doubts about the validity and compatibility of the two sets of measures. Indeed, despite the broad claims made for performance/user satisfaction indicators, the increasingly vast amount of literature on them is largely illustrative of the longstanding problems that exist with them (Neely, 1998).

One of the reasons why the accurate measurement of user satisfaction has shown itself to be a problematic process relates to the construct validity of the concept of

'satisfaction' in terms of the extent to which it measures what it is supposed to measure (Bouckaert and Van de Walle, 2003; Townsend, 2000). In particular, studies have shown that the extent to which users are able to accurately and objectively assess their satisfaction depends on the nature of the service for which they are being requested to make a judgement (Kelly and Swindell, 2002). In some professional services, for example, users may not have the information or knowledge at their disposal to properly evaluate whether a satisfactory job has been undertaken (Miller and Miller, 1991). On other occasions, the judgements may depend on highly subjective and emotional issues with responses not, therefore, wholly reflecting the questions being asked. A recipient's satisfaction with the planning application service may, for example, be influenced by whether an applicant was successful, rather than on the basis of the actual quality of service received (Boyne, 1996b and 1997).

The level of reported satisfaction might further be influenced by whether one has sympathy for the organisation's mission and whether one thinks what the agency is doing is good for society (Bouckaert and Van de Walle 2003). Equally, respondents might feel that a negative response would reflect badly on a service they use and, as a result, could lead to a cut in services (Harris, Westerby, Hill, Sellers, and Hutchinson, 2001), though the opposite is equally true, and a negative response might be perceived as increasing the likelihood of a desired service gaining more resources. Responses to satisfaction surveys may also reflect a 'courtesy bias', where service users tell the provider what they want to hear (Harris, Westerby, Hill, Sellers, and Hutchinson, 2001). Finally, it might just be plain difficult for a respondent to accurately know the boundaries of their local authority's jurisdiction, with the result that the satisfaction levels expressed relate to a neighbouring authority's performance or an aspect of a service for which the local authority is not responsible (Carter, Day and Klein, 1992).

A further set of problems relates to the fact that satisfaction levels are a function of the interrelationship between what users expect from services and their perceptions of services delivered (Reisig and Chandek 2001; Donnelly and Shiu 1999). Thus, without evidence of the relative importance and expectations of various aspects of service, misleading conclusions could be reached about where future service priorities, and ultimately resources, should be directed (Wisniewski 2001). Alternatively, if asked to express their satisfaction about an aspect of service delivery, with which they have little or no direct interest in, a user may reply rather disinterestedly. Depending on precisely who is asked and for what reason, therefore, different levels of satisfaction might be reported, with the exclusion of non-users, by definition, failing to capture such issues as access or service quality. Finally, it has been suggested that because user satisfaction survey results are usually reported in terms of mean averages this serves to obscure differences in satisfaction levels between certain types of individuals (Townsend, 2000) and across different geographical areas (Kelly and Swindell, 2002). One negative consequence of this is that particularly localised problems with service quality might go unnoticed within the overall picture. In all of these cases, therefore, there are reasons to doubt that the level of reported user satisfaction reflects accurately the actual quality of the service received.

This is not to suggest, however, that the information collected from internal indicators of performance is necessarily going to be any more accurate. One of the key problems here is that the suite of BV performance indicators has not been introduced merely to provide local authorities with feedback information on the performance of their services but to contribute to a performance comparison agenda, which is replete with the threat of remedial actions (Noordegraaf and Abma, 2003). This has the potential to create

incentives for local authorities to focus upon aspects of performance measured rather than the overall performance of the organisation concerned (Wrigley, 2003; Boyne, 2000b, Bache, 2003), otherwise known as ‘tunnel vision’ (Smith, 1993, 1995) or ‘parochialism’ (Jacobs and Manzi, 2000). One danger of this is that things that can be measured easily come to be regarded as more important than the things that cannot be measured, even if the latter are of considerable significance and importance to the public.

The emphasis on performance comparison might also create perverse incentives for local authorities to manipulate their data in order to present their performance in a better light (de Bruijn 2002; Grizzle, 2002; Hatry, 2002). Thus, Wiliam (2001) has drawn attention to the risk that if you make a particular performance indicator a policy target and make the stakes high enough, then the people at the sharp end will do everything they can to improve their score, including manipulation and game-playing. In fact, there are numerous examples of how local authorities have manipulated or game-played the collection, analysis and publication of performance indicators (Boyne 1997, Boyne, 2002a; Rubenstein, Schwartz and Steifel, 2003). Such examples tend to be based around the selective interpretation of the definitions of ‘performance’ employed and such expressions as ‘telephones answered’, ‘completed claim’, and, as suggested above, even ‘satisfaction expressed’.

Finally, the problems of data manipulation and validity are further clouded by irregularities in the consistency and reliability of performance indicators (Boyne 1997, Plewis, 1998). In the first instance, evidence suggests that different local authorities collect performance data using different procedures (Boyne 1997; Rose and Lawton, 1999). In the second instance, the types and definitions of centrally required

performance indicators have themselves been subject to change and flux (DETR, 2000, DTLR, 2001a; 2002). This, in turn, has served to raise doubts about their reliability as a measure of trends in performance. All of these difficulties are, therefore, likely to make the public rather suspicious of local authorities' published claims.

Indeed, given the widespread doubts about the validity of both performance indicators and user satisfaction indicators it seems unlikely that the information they provide will be compatible with one another (Poister and Henry, 1994; Poister and Streib, 1999). If proven, this incompatibility raises doubts about the usefulness of the data provided, particularly when the formal information given to them about service performance does not register with their real-life experience of the service.

The authenticity of public involvement

The third area of concern with the emphasis on public involvement relates to the more general observation that it is expressed in the language of the individualised customer and consumer rather than the collectively informed citizen (Sorensen 1997, Hirschman, 1970; Stewart, 1996a; Ranson and Stewart, 1994). One implication of this use of the customer analogy for local service delivery is that it can potentially act to shift expectations away from collective, citizen-based, concerns based upon the choices offered in manifestos, which are supported by the accountability of elected politicians, towards individualised concerns about delivery, which are underlay by a notion of managerial accountability (Roper, Higgins and James, 2005).

To illustrate this, one need only consider the elements of the public involvement element of BV that are statutorily required – performance indicators and user

satisfaction surveys. Both can be viewed as rather superficial processes (Arnstein, 1969; King, Feltey and O'Neill, 1998; Hirst, 1996; Halvorsen, 2003) which embody a tightly controlled, top-down method of public involvement, with politicians and administrators, rather than the public, being the key determinants of the indicator/satisfaction definitions (Sanderson, 1998, 2001). Consequently, the information provided to, or requested from, the public might not reflect aspects of service performance that matter most to the public or allow them to engage in discussions about service delivery in a more meaningful way (Leach and Percy-Smith, 2001; Goss, 1999; Cook, 2002; Rowe and Shepherd, 2002). A member of the public may, for example, hold a holistic conception of quality, which extends far beyond the standardised notions of quality as provided in performance indicators and other documentation (Broderick and McIntosh, 1996) and this may partly explain the lack of public interest in the performance data published by local authorities (Humphrey, 2002; Boyne, Gould-Williams, Law and Walker, 2002b).

Finally, the limited depth of engagement inspired by the public involvement attribute of BV can be demonstrated by reference to Figure 4.2. This shows how the process of providing the public with information about the performance of local services and the process of collecting information from the public about their satisfaction with local services can be contrasted with more interactive two-way processes of public involvement, such as a public meeting or a discussion group (Adams, 2004), which one would expect to provide more opportunity for debate and argument³.

Figure 4.2
Conceptualisations of public involvement

- 1) **One-way passive**– A one directional form of involvement which entails the local authority providing the public with such information as newsletters or information sheets
- 2) **Two-way passive** – A non-participation method, which involves the public organisation seeking information from the recipient via surveys or suggestion cards.
- 3) **Two-way active** - Involves a *dialogue* or discussion between public authority personnel and service recipients in the form of, for example, public meetings or user groups.
- 4) **Participatory, power sharing** - Involves the delegation of powers, responsibilities from public organisation to local people in the form of, for example, Neighbourhood forums.

Source: Arnstein, 1969; Burns, Hambleton and Hoggett, 1994 and Gyford, 1994

In particular, the collection of centrally defined user satisfaction data provides no direct mechanism to investigate why people are satisfied - or not - with local services nor does it facilitate the examination of the precise criteria users are employing to evaluate their satisfaction (Edwards, 1998; McKevitt and Lawton, 1996). Rather, the surveyed respondent is requested to detail their level of satisfaction according to a predefined survey which means that the information obtained from it might be of dubious value in helping identify where performance improvement is most needed (Wisniewski, 2001).

In summary, therefore, although the emphasis on involving the public can be seen to represent an advance on CCT by ensuring that what local authorities provide is what the public actually require, this attribute does not provide a means of reconciling between different interests. Neither does it facilitate a particularly extensive form of public involvement but instead embraces a rather superficial process of information giving and collection. Moreover, even within the confines of these limitations, the section has identified a number of reasons to doubt the validity and compatibility of information collected from both user satisfaction surveys and performance indicators.

Flexibility of means

The second attribute of BV identified in the previous chapter is to be found chiefly in the competition element of BV and the provision it makes for local authorities to complete their BV review processes with a degree of ‘freedom and flexibility’ absent from CCT. This particular attribute can be seen to ascribe to the BV notion that provided local authorities ‘perform’ it matters not how they have managed to do so. This section conducts a critical examination of the ‘flexibility of means’ dimension of BV. It first identifies how the flexibility of means attribute is claimed to represent an advance over the former tendering mechanism of CCT and then details a number of its potential limitations.

The claimed virtues of flexibility of means

One of the criticisms the Labour Party made of CCT was that it was focused on the rather narrow and singular tendering process local authorities were obliged to employ when selecting contractors. As the Government maintained:

‘Real competition is not delivered through the imposition of rules, which invite avoidance rather than ownership. CCT made the costs of services more transparent. But its detailed prescription of the form and timing of competition led to unimaginative tendering, and often frustrated rather than enhanced real competition’ (DETR, 1998b 7.22).

In particular, the logic of the competition maximisation model underpinning CCT (Abbott, Blackburn, Curran, 1996) required local authorities to do their utmost to

remove barriers to entry and, to this end, prohibited them from merging any of the defined activities into combined contracts before exposing them to competition. The result of this requirement, however, was that the cost savings achieved on some of the smaller contracts exposed to CCT were marginal and in some cases even led to cost increases (Austin Mayfield, 1997). Moreover, when considered in the context of the BV objective of continuous service improvement, the cost-orientated emphasis of CCT was not seen to provide local authorities with sufficient scope to improve the quality of local services and was, therefore, considered to be leading to poor service outcomes.

One of the ways in which BV responds to these criticisms is by providing local authorities with the freedom to combine and package services in ways previously prohibited under CCT and, furthermore, to not demand that they are subjected to competition. Thus, whereas under CCT each of the defined activities had to be prepared for separately, under BV local authorities can review combinations of activities and, in doing so, seek to remove overlapping functions between them and thus reduce costs. This might involve, for example, the creation of contracts that combine more than one activity or which encompass elements of different services so that they reflect thematic aspirations of the local authority. Local authorities are also encouraged to experiment with different contractual lengths so that the costs of re-tendering, if used, do not outweigh the potential savings to be made.

Another more direct way in which BV provides local authorities with more flexible means relates to the tendering criteria that they are able to use to select contractors. Here, far more emphasis has been placed on increasing the quality component of the contract specification. In this way, it can also be anticipated that external contractors will express

a greater interest in providing the services secured by local authorities, on the basis that there is now more scope for them to add value.

In all of these ways, therefore, the policy of BV has been shrouded in a language that stresses its 'ends-driven' nature, with councils *free* to decide how they deliver continuous service improvement (DETR, 1997b). Thus, two of the twelve principles of BV are:

'There is no presumption that services must be privatised, and once the regime is in place there will be no compulsion for councils to put services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works'.

'Competition will continue as an important management tool, a test of BV and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that BV is being achieved'.

In publishing these two principles, the Government's stance could, therefore, be seen to have derived from a qualified critique of CCT, which was consistent with the use of competition as one tool amongst many, but a rejection of it as a master principle. In particular, the underlying notion of this aspect of BV was that, provided local authorities could continuously improve local services, it did not matter whether they were provided internally or externally.

Potential problems with flexibility of means

Having outlined a number of the assumed benefits of the ‘flexibility of means’ dimension of BV, this sub-section considers two barriers that might serve to limit their achievement in practice. These barriers relate to doubts about the ‘degree of discretion available to local authorities’ and ‘the resource limitations of BV contracting’. Both of these issues are considered in turn below.

Degree of discretion available

In spite of the apparent freedom that BV promised to offer local authorities in terms of their tendering priorities, the Government’s stance on the means dimensions of the policy has become increasingly dictatorial. Thus, in contrast to the policy documentation used to describe the proposals for BV during its development, the first piece of BV guidance documentation (DETR, 1999: 12) explained that *‘fair and open’* competition would be *‘expected to play an essential enduring role in ensuring BV... [and] ... that the future for public service provision is one where there is real variety in the way services are delivered and genuine plurality among service providers’*.

The same guidance document then moved on to detail seven options for future service delivery that local authorities should consider when conducting BV reviews. As demonstrated in Figure 4.3, these reveal that, aside from the decision to cease service provision entirely, four of the six remaining options emphasise some form of external contractor involvement in the delivery of local services, ranging from the outright ‘externalisation of the service’ to the ‘creation of a public-private partnership.’ The other two remaining options for future service delivery, meanwhile, comprise ‘market

testing' and 'the restructuring of in-house service delivery'. The former, as Bovaird (2000a) notes, does not constitute an 'option' for service delivery in its own right but relates, rather more, to the process of contractor selection.

Figure 4.3
Best value options for future service delivery

- | |
|--|
| <ol style="list-style-type: none">1. the cessation of the service, in whole or in part2. the creation of a public-private partnership, such as a joint venture company3. the transfer or externalisation of the service (with no in-house bid)4. the re-negotiation of existing arrangements with current providers where this is permissible5. the joint commissioning or delivery of the service6. the market-testing of all or part of the service7. the restructuring or repositioning of the in-house service |
|--|

Source: DETR, 1999:15-16

What this guidance means, therefore, is that 'in-house restructuring' is the only option, of seven, which allows local authorities to continue to deliver services directly. Moreover, even this option is not without its significant challenges because, in order to restructure in-house services, BV demands that the authority demonstrates that it is the 'best' provider. In turn, this requires the authority to demonstrate 'competitiveness' (Bovaird, 1998, 2000a, b; Mullins, 2002) or, in other words, its ability to achieve continuous service improvement. Although this requirement seems to be consistent with the more general 'continuous service improvement' overtones of the policy, it might actually prove to be rather difficult to demonstrate given that the most popular method of competitiveness adopted by local authorities, certainly during the pilot phase, was benchmarking (Improvement and Development Agency, 1999; Bowerman and Ball, 2000), a technique which, as the following quote suggests, fell short of the Government's desired aspirations for 'competitiveness':

'Where benchmarking or non-competitive methods are proposed rather than open competition, then authorities should indicate how they intend to mirror the rigour and transparency which competition can bring under favourable market circumstances' (DETR, 1997c).

This was a surprising line of policy to take, however, given that one of the stated claims of benchmarking is that it is a technique which allows an organisation to identify where and how it can do better (Wisniewski 2001; Karkatsoulis, 2000; Halachmi and Montgomery, 2000). The problem with the way in which competitiveness is defined in BV, therefore, is that competitive tendering/external service provision is in most cases viewed as the 'gold standard,' the clearest possible demonstration of 'competitiveness' (Entwistle, Martin, Enticott, 2002). This stance can clearly be identified within the Government's own interpretation of in-house restructuring:

'The guidance will emphasise that retaining work in-house without subjecting it to real competitive pressure can rarely be justified. Should an authority exercise that choice and the service fail to provide best value, continuing in-house provision would not be sustainable' (DETR 1998: 7.29).

Very much as the case of CCT before it, therefore, there is still a strong expectation that local authorities will engage in competitive tendering, particularly when seeking to provide former CCT activities - for which demonstrable markets already exist - directly. For other, previously unexposed services, meanwhile, the policy of BV encourages local authorities to 'make' markets (DETR, 1999):

'Where the current market is demonstrably weak or poorly developed, and there is no credible alternative to in-house delivery, the authority should nevertheless consider steps to create the conditions in which new suppliers might take root – the objective being not to favour one supplier against another but to encourage diversity and innovation'.

Indeed, Rikowski (2002) argues that the nature of the Government's guidance on BV competition is such that it provides an explicit vehicle to advance the General Agreement on Trade and Tariffs (GATS) agenda to liberalise local government services. In particular, by capturing all local government services and encouraging the 'making of markets', Rikowski takes the view that BV has made it possible for any local government service to be supplied in competition with other service suppliers thereby ensuring that they fall within the category of services subject to the liberalisation agenda. That is services supplied on a commercial basis, in competition with one or more service suppliers (World Trade Organisation, 2001, in Rikowski, 2002).

In summary, therefore, while competition is not compulsorily required under BV, it seems likely that the Audit Commission, in ensuring conformance to the BV legislation and guidance, is likely to exert some disciplining effect on local authorities to embrace the competition element of BV more strongly than may have been desired by some of them. At the same time, Geddes and Martin, (2000: 388) also argue that the prevalence of numerous methods to involve external contractors in the delivery of local services, means that the apparent flexibility in BV has consequently made it more difficult for councils to oppose external contractors in local service delivery, *'even though the end result may well be the same'.*

Resource limitations of BV contracting

The second way in which BV policy claims to provide local authorities with more flexible means relates to the tendering criteria they are able to use during their selection of contractors. Here, far more emphasis has been placed on increasing the quality component of the contract specification in order to address concerns that the cost-orientated emphasis of CCT had deteriorated service quality and was, therefore, leading to poor service outcomes.

Although this opportunity can be viewed as part of a worthy attempt to raise quality, especially following the financial constraints imposed by the tendering criteria under CCT, such improvement is likely to demand increased resources and will, therefore, be limited to what is financially and politically tenable. The increased allocation of resources to local services might also exert additional pressures on local authorities to engage with external contractors, both as a source of investment, and as a means to evade accusations that, following the discipline exerted by CCT, local authorities are not prone to waste and bureaucracy. Indeed, the freedom that local authorities have been provided with to increase the level of resources devoted to local services, where necessary, also addresses one of the key concerns of private contractors, namely that CCT did not offer much in the way of value added (BMRB, 1995, 1996). In return for being given greater discretion, therefore, local authorities are also expected to act responsibly and in such a way that involves them creating their own variant of the strategic 'enabling' role (Leach and Davis, 1996; Wilson, 1998). In other words, the opportunities created for local authorities by BV policy should also be fully open to external contractors.

This section has explained that in addition to providing local authorities with the opportunity to provide services directly, the ‘flexibility of means’ championed by BV also increases the number of avenues through which external contractors can be utilised to deliver local services. Precisely how local authorities strike a balance between internal and external provision and the freedom with which they are able to do so is, therefore, likely to depend partly on how they perform and whether they can demonstrate competitiveness. The section also explained that despite the worthy attempt to allow local authorities to raise the quality of local services, such opportunity is likely to demand increased resource allocation, which will obviously be limited to what is politically and financially viable. As a result only modest, rather than widespread, improvements might be achieved by this particular attribute of the policy, with increased pressures placed on councils to share them between direct providers and contractors alike.

Public-private partnership

The third attribute of BV identified in the previous chapter draws chiefly on the competition and challenge elements of the review process in terms of the emphasis the policy gives to the development of ‘public-private partnerships’. This section examines the claims made for this particular attribute of BV and, as before, first identifies how public-private partnerships can be seen to represent an advance over the contractual relationships created under CCT before moving on to identifying a number of potential limitations.

The claimed virtues of public private partnerships

The emphasis Labour has placed on the creation of public-private partnerships in BV stems in many respects from concerns that CCT, and the processes of regular competition and enforced tendering therein, often resulted in a general hostility between the parties and did not always lead to the creation of effective contractual relationships (Stewart, 1993, 1996b). Thus, as the BV consultation paper (1997b: 2) clearly explained:

'Compulsion has also bred antagonism, so that neither local authorities nor private sector suppliers have been able to realise the benefits that flow from a healthy partnership'.

The process of competition under CCT was also singled out for involving heavy preparation, transaction and monitoring costs and this was in part seen to be a function of the lack of trust that existed between those responsible for creating CCT contracts - local authority personnel - and those encouraged to bid for them – external contractors. It was not surprising, therefore, that private sector contractors expressed the hope that the tortuous process of contract specification embodied in CCT, along with the mistrust it implied, would be replaced by a more collaborative approach towards their involvement in local government service provision (BMRB, 1995).

In response, to these concerns, the Government emphasised the importance of an approach based on 'partnership' and the fostering of positive-sum, trust-based, relationships between authorities and external contractors (Geddes, 1998; Coulson, 1998). In doing this, it encouraged a shift in contractual terms away from 'arms length' contractual arrangements towards 'obligational contractual' ones (Sako, 1992) or

equally a shift from the use of classical contracts to the use of relational ones (Lyons and Mehta, 1997). These types of contracting regimes are defined as being long-term, less formal and more trusting (Davis and Walker, 1999), with a strengthened focus on shared achievements amongst partnering organisations, rather than the traditional and problematic blame culture (Baggott, 2004).

Moreover, in fostering such partnerships, the Government anticipates that the nature of the contracts created under the remit of BV will have far fewer detailed contract specifications and less rigorous monitoring procedures than was the case under CCT and that this will foster the creation, and associated benefits, of a closer working relationship between the two parties. In particular, by refusing to make reference to formal agreements, as a means of dealing with disputes the partnership nature of working favoured in BV heralds the existence of trust between parties – a trust primarily built upon a shared commitment to common values, familiarity and the exchange of information and personnel between the parties (McQuaid, 2000). This view, therefore, resonates with that of the Institute for Public Policy Research (2001: 40) which suggested that public-private partnerships can be likened to a *'risk sharing relationship between the public and private sectors based upon a shared aspiration to bring about a desired public policy outcome'*.

Finally, the Labour Government argues that public-private partnerships also allow local authorities to embrace a variety of expertise that does not reside internally (DETR, 1998a: 4.18):

'To the extent that authorities are successful through the review process in attracting interest in alternative ways of providing services, they may conclude

that there are advantages in providing a service on a partnership basis - through, for example, a joint venture company. The Government is keen to encourage such partnerships. They can bring additional private sector resources to areas where they are needed, and enable local authorities to plan ahead with more confidence'.

In this last sense, therefore, the utilisation of private contractors in a collaborative way can be seen to deliver benefits, or to add value, in such a way that could not have been achieved with the local authority working on its own (Huxham, 1996).

Potential problems with public-private partnerships

Having provided an outline of the potential virtues to be had from the creation of public-private partnerships, this sub-section draws upon the increasing range of literature which has served to cast doubt on these claims. Three specific doubts are singled out for specific attention here and these relate to concerns with the 'feasibility of the desired partnership relationships', the 'potential loss of local authority control' and 'doubts about the compatibility of public-private partnerships with the other elements of BV'.

Feasibility of the desired partnership relationships

The first part of this section explained that the characteristics associated with successful partnership working include a less formal and more trusting working environment where each party has much to gain from working together. Drawing upon the work of

Sako (1992), Figure 4.4 exemplifies these attributes by making a distinction between arms-length contractual relationships and obligational contractual relationships. It can be seen that the features associated with the creation of obligational contractual relationships, reflect the aspirations of partnership working, and include a high dependence on the other party, a long-term commitment by both parties, the creation of loose performance measures, a sharing of risk and multiple channels of communication.

Figure 4.4
Arms-length and obligational contractual relationships

| Arms-length contractual relation | Obligational contractual relation |
|--|--|
| Low dependence on the other party, trading with a large number of partners | High dependence on the other party, trading with a small number of partners |
| Short-term commitment by both parties, specified duration of contract | Long-term commitment by both parties, assumption that relations will continue |
| Terms and conditions of contract written, detailed and specific | Terms and conditions of contract may be oral rather than written, loosely specified |
| Detailed performance measures laid down and monitored, reference to contract if there are problems | Loose performance measures identified and, whilst monitored, problems resolved by discussion |
| Narrow communication channels between partners. Little contact and no socialising | Extensive, multiple channels at a variety of levels in both organisations. Frequent contact and some socialising |
| Little sharing of risk between partners, variations in price spelt out and adhered to | Much sharing of risk, joint initiatives, variations in price dealt with by discussion with reference to fairness |

Source: Sako, 1992

While the literature on CCT has provided numerous examples of what has been described as arms-length contractual relations between local authorities and external contractors (Foster and Scott, 1998b; Painter, 1990), there does not appear to be the requisite evidence to suggest that the environment has changed sufficiently to invoke a shift towards the creation of the factors associated with obligational contractual relationships. Consequently, it is questionable whether the desired partnership relationships identified by Sako (1992) will emerge in the BV context.

Taking the issue of risk sharing and joint initiatives, for example, one problem with the general advocacy of public-private partnerships is that it is situated in a context where the potential benefits are invariably illustrated by reference to examples where both partner organisations are in the private sector. Yet, the validity of drawing this comparison for public-private partnerships is open to challenge. In the private sector, collaborative partnerships are conventionally explained through some form of 'synergy' existing between organisations whose individual competencies complement each other. This is usually a vertical (buyer-supplier) relationship that enables each organisation to be able to specialise in its own area and, as a result, be able to offer an enhanced product or service. However, this scenario is unlikely to be a good indicator for the outcomes of a public-private collaboration because the success of such collaboration - *commercial* success for both organisations - is not available.

Grimshaw, Vincent and Willmott (2002) note, for example, that the straightforward indicator of profit for the private sector does not exist for public organisations. There are, therefore, no objective criteria available to judge success on equitable terms for each party, with differences in organisational goals further leading public and private sector to pull in different directions. Indeed, despite the emphasis on 'partnership,' the parties still remain distinct, without integration of ownership, so that antagonistic interests remain in place as with any other market transaction (Collins, 1997).

Secondly, in terms of gaining the long-term commitment of each party, the institutional factors that determine the context in which public-private partnerships can function must be taken into consideration as this, in itself, will be a key determinant of success or failure (Grimshaw, Marchington, Ruberry and Wilmott, 2005). The institutional factors that have governed the introduction of public-private partnerships in the BV context

have tended to derive from central government to the possible exclusion of the necessary commitment of one of the key parties implicated, local government. Consequently, the suggestion of a forced introduction of public-private partnerships (Balloch and Taylor, 2001) might simply reproduce the large degree of mistrust between local and central government that existed under CCT and this would hardly be conducive to the positive-sum contractual relationships emphasised in obligational contractual relationships.

Indeed, evidence that local authorities are not yet ready to embrace the Government's general advocacy of public-private partnerships voluntarily can be gathered from the research findings which suggest that senior managers and elected representatives from local authorities believe that public-private partnerships are, in part, directed towards the achievement of certain ideological ends – the increased involvement of external contractors in the delivery of local services⁴. Thus, for example, two-thirds of respondents to a survey of almost 3000 senior elected members and officers from more than 300 local authorities in England believed that the BV regime would lead to more externalisation (Enticott, Walker, Boyne, Martin and Ashworth, 2002). Similarly, the formal evaluation of the pilot programme found that:

'There was a growing concern among front-line staff and trade union representation who we interviewed that central government expected BV to lead to widespread outsourcing of services and the term 'partnership' is frequently identified as a euphemism for externalisation' (Martin, Davis, Bovaird, Downe, Geddes, Hartley, Lewis, Sanderson, Sapwell, 2001:13).

The same research also found that only thirteen per cent of respondents believed that 'partnership' had been a vital component of their pilot initiatives (Martin, Davis, Bovaird, Downe, Geddes, Hartley, Lewis, Sanderson, Sapwell, 2001). The authors of the survey, on the basis of their findings, went on to conclude that:

'Many (pilots) focused on partnership working between local authorities and other public sector organisations. Partnerships involving organisations from other sectors often proved more difficult to develop. Voluntary agencies and business sometimes saw themselves as potentially being in competition with each other and in-house services and in some cases this was an obstacle to collaboration' (Martin, Davis, Bovaird, Downe, Geddes, Hartley, Lewis, Sanderson, Sapwell, 2001: 10).

In all of these ways, therefore, it does not appear to be the case that local authorities have warmly embraced the principle of public-private partnership, thus signalling a far from committed stance on their part. Indeed, the most striking example of how the necessary conditions for a long-term commitment to partnership working might not emanate from local government derived from Prime Minister Blair (1998) who, in recognition of the reluctance on the part of local government to engage in partnerships voluntarily, issued the following warning to local government:

'...people's needs require you [local government] to change again so that you can play your part in helping to modernise Britain, and in partnership with others, deliver the policies on which government was elected. If you accept this challenge, you will not find us wanting. You can look forward to an enhanced role and new powers. Your contribution will be recognised: your status

enhanced. If you are unwilling or unable to work to the modern agenda then the government will have to look to other partners to take on your role'.

It is, however, not only the forced introduction of partnerships that might create impediments to the smooth creation of obligational contractual relationships but also the fact that the surrounding institutional framework, in the form of BV policy, also contains within it a demanding performance management framework. For the existence of this framework, with national standards of performance and continuing improvement aspirations, is likely to render the creation of 'loose performance measures', as a necessary condition for obligational contracting, somewhat problematic. Local authorities, it can be reasonably assumed, would be keen to ensure that their partner achieved the policy objectives of BV and this would include them being required to attain centrally defined upper quartile performance targets.

Potential loss of local authority control

A second concern with the emphasis on public-private partnerships in BV is that it is likely to raise difficulties in terms of the ability of the authority to control the contractor and by implication to ensure the delivery of local services in the public interest. A useful model that can be used to illustrate this concern is Deakin, Smith, Thomas and Walsh's (1997) continuum from 'employment contract and pure hierarchy to spot contracting' (see Figure 4.5). This continuum suggests that, prior to the introduction of CCT, local government services operated within a straightforward model of employment contract and hierarchy, with the task of CCT, thereafter, being to move local authorities to the opposite end of the continuum - the heavily competitive domain of spot contracts and service level agreements. Under BV, in contrast, the intention, as

suggested above, has been to incur a shift back towards hierarchy and, in particular, to the new domain of 'joint enterprise' or a 'preferred supplier' partnership. In doing this, Labour's approach could be seen to be distinctive from both the centralised bureaucratic hierarchies of the command and control of 'Old Labour' and the market mechanisms of the Conservatives.

Figure 4.5
The dimensions from pure hierarchy to pure markets

- 1) Employment contract and pure hierarchy
- 2) Decentralised accountability & authority
- 3) Devolved budgetary control
- 4) Joint enterprise partnership
- 5) Preferred suppliers partnership
- 6) Trust based contracts
- 7) Spot market

Source: Deakin, Smith, Thomas and Walsh (1997:39)

While this continuum is logical, it may be misleading in relation to the potential power of the external partner and by implication the degree of control that the local authority will have over it. The reason for this is that the further down the continuum one traverses, the less control the principal (e.g. local authority) exerts over the agent (e.g. contractor) and the more that market forces take control. This conclusion is drawn because the dimensions are concerned with 'hierarchy to market' distinctions. The problem with this conceptualisation, however, is that, arguably, at stages one – employment contract and pure hierarchy – and stage seven – spot market – the principal's control is far greater than at stage four where responsibilities are *shared*.

At stage four, the relationship between the authority and the contractor is one of greater inter-dependence with the result that the resolution of disagreements over the latter's performance is likely to be more problematic than when the authority is the clear client

party. Consequently, under a public-private relationship, decision-making might be less efficient than direct contracting out because much time could be spent on trying to resolve conflicts. Moreover, any consensus eventually arrived at might not necessarily be the most effective outcome, but rather the most expedient and pragmatic thing to do (McQuaid, 2000). For example, central government funding may be lost if a programme of action is not agreed on time (Faulkner and McLaughlin, 2000). Similarly, the partnership may draw resources from other mainstream services or confuse the services in the minds of users, so reducing their effectiveness (McQuaid, 2000; Teisman, 1998). In support of all of these concerns, Klijn and Teisman (2000: 85) distinguish the fairly clear process of contracting out with the far less clear process of partnership working:

'Contracting out is characterised by a principal-agent relationship in which the public actor defines the problem and provides the specifications of the solution. Contracting out often aims to increase the efficiency of the production process. For this contractual transparency is needed. Partnership, on the other hand, is based on joint decision-making and production in order to achieve effectiveness for both partners. Relational transparency, or in other words trust, is crucial in a partnership'.

Moreover, evidence from private sector partnerships, suggests that contractual forms of organisation are rarely conducted between equal partners. Instead, one organisation is often in a position to dictate the terms of the contract to the other (Roper, Prabhu, and Van Zwanenberg, 1997). This inequality arises from differences in power which mean that one of the contracting parties is likely to be able to secure a larger share of the benefits accruing from performance improvements or equally alleviate itself from a disproportionate share of the risk where problems arise (Grimshaw and Hebson, 2005).

Consequently, the attempt by a local authority to negotiate a long-term collaborative relationship with an experienced private sector contractor with national (and sometimes international) experience in making such deals, may not lead to unambiguous benefits for the users of services or staff. This point is also illustrated by Grimshaw, Vincent and Willmott (2002), who point out that public sector organisations find themselves at a significant disadvantage when negotiating contracts with private sector contractors experienced in picking-up such contracts.

In summary, therefore, whereas in dimension seven of the continuum the principal is theorised to behave in the ‘classic’ consumer (i.e. powerful) position of being able to choose amongst a large number of competing providers and in stage one has hierarchical control, this is not the case at stages four or five, where the on-going relationship has to be negotiated. Moreover, in partnering situations where responsibilities are shared, the local authority will have renounced some of its powers to control external contractors, thus leading to potential difficulties in ensuring that local services are delivered in the public interest (Grimshaw and Hebson, 2005).

Doubts about compatibility of public-private partnerships with the other elements of BV

Finally, a more general set of problems with the emphasis on public-private partnership in BV is that it has the potential to conflict with some of the policy’s other requirements. Whilst this accusation can also be applied to a number of the other elements of BV, with one such example being the tension between the top-down determination of performance indicator definitions and the bottom-up emphasis on public involvement, the public-private partnership approach is particularly distinctive because it implies a

shift in the BV agenda away from the neutral ‘what matters is what works’ position to one where ‘what works’ is expected to be a recommendation for some type of partnership arrangement with an external organisation. Indeed, by progressing such notions as ‘shared aspirations’ and ‘synergy,’ the ‘partnership’ attribute of BV assumes that the contest for the right to provide services has been settled and that external contractors have a necessary right to be involved in the delivery of publicly funded services.

It could even be argued that much of the policy support for BV amounts to tautology with such positive statements as ‘co-operation’, ‘co-ordination’ and ‘integration’ (see, for example, Newchurch and Company, 1999) reflecting the ‘analytic’ description of the word ‘partnership’ rather than the ‘synthetic’ or empirically derived outcomes of real ‘partnerships,’ which might be somewhat rather less positive. Thus, this expectation would, as suggested above, seem likely to result in unwilling authorities being forced into employing outside contractors, a situation hardly conducive to high trust contractual relationships.

The imposition of outsourcing on the grounds of principle, rather than reasoned and operational rationales, would also seem likely to antagonise internal staff and their unions and could in itself, therefore, lead to deteriorating service performance. In fact, in this sense, BV provides a more hostile regime for staff and unions than CCT since at least under the latter the grounds for competitive tendering, cost, were transparent and it was possible for them to concede terms and conditions of employment in order to retain their employment⁵.

More generally, the emphasis that the creation of public-private partnerships places on the negotiation of long-term collaborative relationships can be also seen to conflict with the emphasis that BV policy places on competition. One of the key issues here is that under public-private partnerships there will no longer be competitive tendering, except at lengthy intervals, when the contract comes up for renewal (Collins, 1997). Moreover, in cases where plenty of potential service providers exist for councils to utilise, the negotiation of a preferred supplier partner will prevent them from shopping around and picking up a better provider elsewhere (Marchington and Vincent, 2001).

Finally, in spite of the emphasis that BV places on involving the public and informing them fully about service performance and *'how their council compares'*, the existence of joint ownership and/or joint provision of services might make it difficult for the public to know where service responsibilities reside and who to approach in the event of concerns about service delivery. In particular, if, under a partnering relationship, the contractor's local day-to-day responsibility is reduced to little more than an arms-length monitoring role this arrangement could lead to the prevalence of less than committed behaviour on the part of recruited partners (Grimshaw, Willmott and Ruberry, 2005). Barely adequate, rather than continuously improving services, might, therefore, result from such an arrangement and this outcome would be clearly inconsistent with the key aim of BV policy.

This section has explained that the emphasis placed by BV on public-private partnership not only fails to recognise the reluctance on the part of local authorities to engage in such partnerships voluntarily but also assumes that the working relationship between the public and private parties will be an equitable one. This section challenged these premises, however, and did so for three main reasons. Firstly, it doubted whether the

underpinning foundations necessary to make a public-private partnership work existed. Secondly, it argued that the Government's desired operational arrangements for public-private partnerships in BV might make it difficult for an authority to control the contractor and, by implication, to ensure the delivery of local services in the public interest. Finally, it explained that the necessary utilisation of external contractors in the delivery of local services via partnerships might contradict some of the other aspirations of BV.

BV Inspection

Having critically examined the three attributes of 'public involvement', 'flexibility of means' and 'public-private partnerships', this fourth and final section of the chapter turns its attention to the elements of BV designed to examine whether local authorities are achieving BV. In doing this, it focuses primarily on the role of the Audit Commission's inspection service in BV, which both utilises performance indicators to reach its judgements about the performance of local services and can also be seen to address some of the limitations identified with the process of BV audit⁶.

The introduction of a BV inspection process can be seen to represent an advance over the inherited reforms of the Conservatives in terms of actually identifying failing services rather than those whose cost is too high and, by implication, in terms of acting as the champion for the public. The extent to which the BV inspectorate really is able to reliably and robustly assess the performance of local services has, however, been strongly doubted in the literature, with concerns being raised not only in relation to well-publicised doubts about the ontology and consistency of inspections (Ball, 1997;

Wilcox and Gray, 1996) but more serious reservations about its objectivity and impartiality. Each of these issues is considered in turn below.

Ontology

Inspection processes in health, education, social services and other public services have been subjected to a wealth of criticisms and controversies (Ashworth, Boyne and Walker, 2002; Boyne, Day, Walker, 2002; Davis, Martin and Downe, 2001; Gray, 1997; Timmins, 2004, Winkley, 1999) and these controversies and criticisms apply also to the BV inspection process. One of the main concerns with inspection processes is whether a snapshot inspection visit, which attempts to capture everything that is salient about an inspected entity, is actually up to the task of seeing where the entity has come from, where it actually is and where it might be heading (Ball, 1997). This concern relates to the ontology of the inspection process and the extent to which the inspected entity is knowable and can be represented in a written report form (Wilcox and Gray, 1996).

One reason for doubting the ontological position of the BV inspection service is that the basis upon which the inspected entity is judged is not naturally given but depends on certain changing ideas about how the entity should be performing. Consequently, the criteria against which local authorities are judged are based on the selection and interpretation of data which inevitably reflects prior theoretical perspectives and represents, therefore, one model of evaluation amongst an infinite number. One of the key examples of this is in the treatment of externalities, or to put it another way, how much ownership for resulting performance is to be placed on the regulated entity (Orchard, 1994; Radical Statistics Health Group, 1995; Kerrison and Macfarlane, 2000; McKee and Sheldon, 1998; Noordegraaf and Abma, 2003).

Moreover, given the huge number of divergent interests, that have to be considered in relation to the inspected entity, doubts must also be raised about the extent to which a BV inspection team can act as a proxy of the multifaceted public (Humphrey, 2002; Mallie and Hoggett, 2001). As Boyne (2003) further argues, there is no universal set of criteria for evaluating whether improvement has occurred with each particular constituency using different criteria to judge the standard of public services. Consequently, despite claims that the BV inspectorate is playing the role of the people's champion by measuring what is important to the public, the inspection process might rather more encourage local authorities to satisfy inspectors rather than local electors (Jones and Stewart, 2002). It has even been suggested that the constant cycle of inspections creates a fear of failure, which stifles experimentation and innovation, deterring authorities from developing new approaches which might be beneficial to the public (Davis, Downe and Martin, 2004)

Finally, the ontological premise of the inspection process can also be questioned in relation to the perceived depth of investigation it deems necessary to conduct a reliable inspection and the information it uses to make this decision. Thus, during the preparation stages of the inspection, the inspection guidelines suggest that if an authority can prove to the BV inspectorate that it has carried out a comprehensive review, the inspection is likely to be 'light touch', with the resulting visit potentially lasting only one day as opposed to as many as twenty. Yet, this conclusion is surprising because if, as suggested above, BV auditors are not able to trust the contents of local authorities' BV documentation to make meaningful auditor judgements, how is the BV inspectorate supposed to utilise similar information to determine the necessary depth of the resulting inspection visit?

Consistency

A second problem with the BV inspection process relates to the difficulties involved in ensuring a consistent and thereby fair interpretation of inspection processes and standards by different inspection teams (Fitz-Gibbon and Stephenson-Forster, 1999). The issue of consistency for the BV inspection process is, therefore, a rather different one from that identified earlier with respect to performance indicators because it reflects not the consistency of different *local authorities* but the consistency of different *inspection teams*. As the following quote suggests, the Audit Commission has treated seriously the importance of gaining consistency in this latter regard:

'The inspectorate must also achieve a consistency of approach between councils and across inspectoral reports on each individual authority. Producing a common methodology is one of a number of means of achieving such consistency' (Audit Commission, 1999a: 8).

Consistency is purportedly achieved by the production of an inspection handbook, entitled '*Seeing is believing*' (2000b) which sets out, in considerable detail, the explicit procedures and criteria to be followed by inspectors in making their judgements. One of the most pressing problems with the production of a common methodology, however, is that there can be no certainty that the criteria contained within it is unambiguous and, therefore, transparently the same for all readers of it. The explanation for this is that the detailed prescriptions contained in inspection handbooks have to be incorporated into the practice of inspections via criteria, which can never be so tightly defined, so as to expel the act of judgement completely (Gilroy and Wilcox, 1997).

To illustrate this point, attention can be drawn to the BV inspection handbook's treatment of how BV inspection teams are supposed to score the current and future quality of services (see Figure 4.6). In terms of making the judgement about how good the services currently are, this requires inspectors to assess whether the authority's review was 'clear and challenging'. These terms are inevitably ambiguous, however, since they are likely to involve different teams of inspectors assigning different meanings and emphases to them.

Figure 4.6
The Best Value Inspection Scoring system

| |
|---|
| <p>A) How good are the services which have been inspected? Rated from 3 stars (excellent) to 0 stars (poor)</p> <ol style="list-style-type: none">1. Are the authority's aims clear and challenging?2. Does the service meet these aims?3. How does its performance compare? <p>B) Will services improve in the way that best value requires? Rated on a scale that runs from 'yes', to 'probably', to 'unlikely', to 'no'</p> <ol style="list-style-type: none">1. Does the best value review drive improvements?2. How good is the improvement plan?3. Will the authority deliver the improvements? |
|---|

Source: Audit Commission, 2000b

The inspection handbook does admittedly go on to provide guidance about the meaning of the phrase 'clear and challenging.' However, this guidance includes such phrases as 'fundamentally challenged' and 'proposed significant changes'. The terms 'fundamentally' and 'significant' are not, though, defined thus lending themselves to further subjective interpretation. This process of defining criteria for inspection purposes, as Gilroy and Wilcox (1997: 29-30) have explained in the context of Ofsted inspections, thus demands further criteria for meaning to be explained, and so on, thus generating an infinite regress of criterial explanations with no meaning being explained.

Moreover, despite the high level of importance attached by the Audit Commission to ensuring consistency between different inspection teams, it has also indicated that the inspection handbook is likely to change as improved processes and criteria are developed:

'The Audit Commission will continue to develop and refine its inspection methodology...(and)...as the Inspection service gathers more evidence about what works, it will develop clearer explanations of what constitutes excellent performance that takes account of local diversity' (Audit Commission 2000a: 11).

The expectation that the inspection process needs to undergo continual revision can be seen to reflect the Audit Commission's mission to ensure that it too is able to deliver 'excellent' inspections, just as authorities should provide excellent services (Audit Commission 1999a: 22) and can, therefore, be seen to be consistent with the mantra of continuous improvement. Less positively, however, this perspective signifies an implicit lack of trust in the current arrangements for inspection since it seems likely that they will only be improved upon again in the future. Moreover, constant revisions to the definition and coverage of the underpinning elements and processes of the inspection regime, in turn, create barriers to longitudinal comparisons within and between authorities since like will not be compared with like. Perhaps of even greater concern, however, is that the Audit Commission inspection guidance appears to play down the need for impartiality and objectivity at all by admitting that:

'...no one style of inspection will suit all circumstances. Whether the inspection is more supportive and encouraging, or more challenging, will depend on the performance attitudes and capability of both the authority and the services being inspected' (Audit Commission 2000b: 6).

The use of the word 'attitudes' in this statement is, therefore, a rather disquieting one given that one of the key purposes of the BV inspection process is to score a selection of each local authority's BV reviews according to the dimensions of 'current' and 'likely future' performance. With the ramifications of a poor inspection verdict potentially quite damaging to the authority concerned, the use of 'attitudes' implies that a rather unstable and far from impartial basis of examination is available to inspectors – an issue which is explored in greater depth below.

The questionable impartiality of the inspection process

While the ramifications of a particular inspection judgement can be quite severe and might lead to the transfer of the service to a third party (Local Government Act, 1999, s 15), the BV inspectorate has been keen to stress that it is not merely operating a penal system. Instead, as part of the BV inspection visit, each authority receives recommendations that indicate how it might improve future service performance. As the Audit Commission (1999a: 17) maintains:

'Councils might find it unhelpful if the inspectorate simply questioned the quality of a review, without indicating how it expected a council to make improvements'.

Given this rather more positive role of the inspection process, it is perhaps surprising that any local authority should be branded as ‘unlikely to improve in the future’ since the recommendations provided by the BV inspection team should, if they are correct, propel each local authority in the desired direction of continuous improvement. According to this interpretation, the question of whether a local authority is likely to improve in the future would, therefore, reflect a judgement about whether the recommendations of the BV inspection will be implemented or not. This is certainly not how the BV inspection verdicts have been created, however, and leads one to reach a rather different conclusion about their role.

Rikowski (2002), for example, suggests that the BV scoring system has been partly created as a means to justify the increased liberalisation of local government services by providing a basis to encourage the increased involvement of external contractors in the delivery of local services. As Rikowski (2002), therefore, suggests:

‘...if no examples of failing services materialised from BV in this way – providing the opportunity for alternative suppliers, then the regime itself would be seen to be a waste of time. Best Value would not be being implemented, as intended, if all the Best Value Inspection Reports concluded that all the local authorities were providing good services, or at least, a service that could be improved whilst remaining in the control of the local authority’.

According to this argument it can be anticipated that a decision to transfer a failing service will, according to the scoring parameters of the BV inspection process, make it possible for the local authority to receive a positive inspection score in terms of ‘likely

future performance' since it is the authority's response to poor 'current performance' that is under scrutiny. Moreover, even in the case of a currently high performing service, a decision to use external contractors is likely to be viewed positively since it demonstrates an even greater propensity on the part of the local authority to challenge. It might be expected, therefore, that local authorities that increase the role of external contractors in the delivery of local services will, by virtue of the context and dimensions of the regulatory framework and BV inspection scoring parameters, receive far more complimentary inspection verdicts, on average, than those that do not. Admittedly, such an outcome has a degree of logic to it given that the increased involvement of external contractors in the delivery of local services can be viewed as a potentially useful remedial action to deal with current performance failures – though, of course, the actual outcome could also lead to further deterioration in service performance. The fear is, therefore, that far from providing an objective assessment of external contractor performance, the inspectorate might actually express an in-built or ideological belief in the superiority of external contractors.

In reaching this conclusion, however, there is one final and important point to be made about the distinction between CCT and BV in terms of process. This is that whereas under CCT local authorities could bypass the prevailing legislation in favour of outsourcing, in appealing also to the 'performance not ownership' aspirations of BV policy, the regulatory processes of BV encapsulate both internally and externally provided services. Consequently, either a decision to outsource a service under BV or to maintain external service provision with an outside contractor would require the local authority to go through the necessary legislative/review processes, so that the full benefits of the transfer can be realised. In this way, perhaps, BV can be viewed as being ends driven, with the regulatory framework of inspections encapsulating also the

activities of external contractors. In theory, therefore, a similar level of central supervision will be exerted on local authorities that directly contract out services as those that retain services in house.

Nonetheless, given the above concerns with the ontology, consistency and impartiality of the BV inspection process, it must be asked whether the process really provides a safeguard against failing services and can, therefore, provide a guarantor to the public that continuous service improvement is being achieved.

Conclusion

This chapter has critically examined the four BV attributes of ‘public involvement’, ‘flexibility of means’, ‘public-private partnerships’ and ‘inspection’. It began this investigation with the attribute of ‘public involvement’ and first recognised how this attribute does indeed have a number of properties that can be seen to represent a positive advance on CCT. These include, notably, the desire to engage the public in BV decision-making and to provide them also with information about the performance of local services. At the same time as providing these potential benefits, however, a number of problems were identified with the public involvement attribute, which might serve to limit the extent to which it achieves the claims made for it in practice.

It was noted, for example, that the *statutory* guidance with respect to this attribute amounted to providing and collecting information from the public about the *performance* of local services and could for this reason, therefore, be seen to be rather superficial in terms of its depth of engagement. The statutory guidance does not, for example, encourage the opportunity for debate and argument but rather encourages local

authorities to seek optimum service levels. Moreover, even within the confines of these limitations, it is still likely that although different preferences amongst different members of the public will emerge, no satisfactory mechanism exists to be able to reconcile them. Finally, the first section of the chapter also suggested that the information provided to the public about the performance of local services might be rather confusing, particularly if information collected from user satisfaction surveys did not tally with that provided from performance indicators, and there were good reasons for expecting this to be the case.

In the second section of the chapter, attention was turned to the flexibility of means dimension of BV. Here, it was explained that the sheer size and variety of management tools and processes emphasised in BV allow local authorities to provide their services in a much more flexible way than was possible under CCT. In addition, the flexibility of means dimension of BV also provides local authorities with much needed discretion to raise the quality of local services. However, the ability of local authorities to do this on a wide-scale was seen to be limited to what would be politically and financially untenable. Likewise, while competition is not compulsorily required under BV and local authorities have been provided with the opportunity to deliver services directly, the 'flexibility of means' championed by BV also increases the number of avenues that external contractors can be utilised to deliver local services. It was, therefore, argued that certainly for CCT services for which demonstrable markets exist, it was likely to remain difficult for local authorities to justify continued in-house provision without recourse to competitive tendering.

The third section of the chapter then turned its attention to the emphasis that BV places on the development of public-private partnerships. Again, this attribute was identified

positively as providing local authorities with the opportunity to move away from the hostile nature of the contracts negotiated under CCT. In doing this, BV was also seen to provide local authorities with the opportunity to more effectively embrace external expertise and experience and to reduce the contract negotiation, monitoring and compliance costs. In spite of these positive claims, however, the chapter explained that the underpinning foundations necessary to create obligational contractual relationships in the local authority context might not be available for public-private partnerships owing to differences in organisational goals, commitment and ways of working between the public and private sectors. Indeed, much evidence exists of local authorities being reluctant to embrace public-private partnerships voluntarily and one reason for this is that the process is considered to be akin to a rather unwanted process of externalisation. It was also explained that despite notions of shared responsibilities and joint-working, it might actually be quite difficult for the authority to control the contractor and by implication to ensure the delivery of local services in the public interest. Indeed, the public-private partnership attribute of BV was also identified, more generally, as being potentially incompatible with a number of the other aspirations of BV. Foremost amongst these was that the emphasis on public-private partnership in BV signifies a shift away from the ‘what matters is what works’ mantra to a preference for certain desired outcomes and, in seeking longer-term external collaboration, with the emphasis that BV policy places on competition.

Having critically examined the means by which local authorities are expected to create continuous improvements in local services, the fourth section of the chapter moved on to examine the role of the BV inspectorate in confirming that local authorities had done so. Firstly, in terms of the potential merits of this process, it was revealed that the introduction of a systematic inspection process could be viewed as providing a more

robust means of ensuring that local authorities are delivering services to the highest possible standard. In doing this, BV policy was shown to have introduced a new addition to the regulatory mechanisms that remained following the Conservative's local government reforms and also addressed some of the limitations identified with BV audit.

Despite the claims made for the BV inspection process, particularly in terms of providing a safeguard to the public against failing services, the chapter explained why the procedures it introduced could not escape the fairly well established concerns with the ontology and consistency of such processes. Consequently, doubts were raised about whether local authorities, and their reviewed services, are really being compared on a like-for-like basis, with the judgements made in relation to likely future improvement being identified as particularly susceptible to error. In addition, the chapter also provided evidence of why the BV inspection process, and in particular, the scoring parameters used to summarise inspection judgements might favour the use of external contractors in the delivery of local services. In particular, it was explained how under current arrangements the mere act of changing service provider is likely to be viewed positively by the inspectorate on the basis that it physically challenges the existing basis of service provision.

It is in the context of these theoretical concerns with the claims made for BV that the attention of the thesis can be directed towards an empirical examination of its operation in practice. Before doing so, however, an overview of the research philosophy, strategy and method selection needs to be provided. This is the task of the next chapter.

Notes

¹ These are not the only types of user satisfaction indicators in circulation in local government. Andrews (2004), for example, provides further examples of the types of user satisfaction indicators prevalent in local government.

² What is particularly striking about the recent stress placed on the utilisation of user satisfaction surveys is that it has not been accompanied by anything like the commotion, which met the introduction of Citizen's Charter indicators in 1991 (Doern, 1993; Lewis, 1993; Kingdom, 1996). The former Citizen's Charter initiative, it will be remembered, created a minor furore owing largely to the placing of the apostrophe on the term citizen, which indicated an individualistic rather than collectivist account of performance. The introduction of user satisfaction indicators partly avoids this issue, though this is not because it embraces a collectivist notion of public services but because it does not encroach upon the term citizen.

³ As authors of the formal BV pilot programme reaffirmed (Martin, Davis, Bovaird, Downe, Geddes, Hartley, Lewis, Sanderson, Sapwell, 2001) few if any of the pilots have embraced approaches that could be described as genuine 'co-production' of services – the direct involvement of local people in the design, delivery and monitoring of services.

⁴ Thus, as Bach (2002) explains, although when Labour came to power the scope for *further* privatisation was limited, since almost all of the obvious candidates for privatisation had already been privatised, in the case of such tangential policies as CCT there was still scope to extend the coverage and depth of external contractor involvement and this is precisely what public-private partnerships do.

⁵ That BV may significantly increase the involvement of external contractors in the delivery of local services has been starkly illustrated by the pressures exerted by public sector unions to gain a commitment from the government that externalisation of local authority services would not involve a deterioration in staff terms and conditions and hence the creation of a 'two-tier workforce'. This follows the experience of CCT and the absence of any real safeguards for new employees taken on after the service has been competitively tendered out (Adnett and Hardy, 1998a, b). Union pressure ultimately resulted in the conclusion of an agreement on the issue between the unions and the Government (Unison, 2002) though the resulting code does not resolve the very substantive issues of job security, sick pay, workplace practices training and pensions (Higgins and Roper, 2002).

⁶ One such reservation is that the process of BV audit is not sufficiently rigorous to examine the performance of local authorities as they 'really' are. A reservation that seems to have been borne out by the inconsistent results that have emerged from summaries of BV Audits (Audit Commission, 2000a) and summaries of BV inspections (Audit Commission, 2001c). Thus, for example, whereas BV auditors confidently reported that *'Targets for 2000/01 indicate a steady overall improvement in many frontline services, with the worst performing authorities aiming to improve more quickly'* (Audit Commission 2000a: 8), the results of 506 inspected services (Audit Commission, 2001c: 8) concluded that *'...services that scored fairly or poorly were also the least likely to improve (with only 42 per cent given 'probably' or 'will' improve ratings, compared with 65 per cent of good or excellent services)'*.

Chapter 5

Research philosophy, strategy and method selection

This chapter details the research philosophy, strategy and method selection processes behind this study's investigation of the implementation of BV policy within the context of a range of services formerly encapsulated by CCT. It is divided into four sections, the first of which charts the research philosophy behind the research undertaken, clarifying why a realist approach was necessary to understand the process and properties of BV. The chapter then moves on to outline the purpose of the research and explains why a case study approach was selected as the chosen research strategy. Following this, the third section of the chapter details the criteria governing case selection, while the fourth outlines the case methods chosen.

A realist approach to research philosophy

Although it is common for books dedicated to social research to focus on the terms positivism and phenomenology (Hughes and Sharrock, 1997; Bryman, 1989; Cooper and Emory, 1995; Cresswell, 1994), there is also what could be described as a 'third way' between these two broad schools and this is known as the realist approach (Layder, 1996; Bhaskar, 1989). The realist approach to research philosophy is one that attempts to preserve a 'scientific' attitude towards social analysis at the same time as recognising the importance of actors' meanings (Layder, 1996). The realist ontological outlook, therefore, accepts that a reality exists beyond one's sense perceptions of it but that such reality is often intransitive and only relatively enduring (Bhaskar, 1989) with the object

of study involving concepts and social structures that are subject to dispute amongst various commentators (Williams 2000).

Despite the complications that are introduced by the recognition and acceptance of competing concepts and multiple perspectives, the realist approach still maintains, nonetheless, that these objects are real in the sense that they have an impact upon people. This marks an ontological distinction from the phenomenological approach and the notion that the world and reality are not objective and exterior but are, instead, socially constructed and given meaning by people (Eisenhardt, 1989; Lincoln and Guba, 1985; Glaser and Strauss, 1967; Silverman, 2000a, b). Although the emphasis on social construction in the phenomenological approach is an important one, the realist approach differs to it on the basis that it still accepts that reality exists beyond one's sense perceptions of it and that this reality has an impact upon people regardless of whether they are aware of it or not. Indeed, according to Ackroyd and Fleetwood (2000), part of what prevents realists from making the phenomenological mistake that the world is merely socially constructed or determined by the concepts people hold about it, is a commitment to materialism. Underlying the concept dependent nature of social reality is, therefore, an irreducible material substance.

At the same time as recognising these complications, the realist approach still believes that truth can be known because explanation is conceived in terms of revealing the mechanisms which connect things and events in causal sequences. These sequences do not progress according to simplified one-to-one relationships between objects, however, but in complex interactions or mechanisms between objects. This perspective, therefore, differs from the conventional, essentially positivist, view that such phenomena as performance indicators and inspection regimes actually represent some objective truth

and a single tangible reality. Thus, as Humphrey (2001: 23) argues, the Audit Commission is reluctant to problematise the meaning of its values and concepts, which remain *'primarily statistical artefacts'* aligned to the views of the *'dominant stakeholders who own and control welfare through resources and regulation'*¹.

Similarly, irrespective of whether the regulatory processes of the Audit Commission are consistent and reliable, they can be seen to suffer from 'conceptual empiricism' (Higgins, 2005), whereby the concepts used for analysis become defined almost exclusively in terms of the procedures developed for their measurement (Cresswell, 1994; Bryman, 1989 and 1992). Thus, even if two researchers or inspectors are able to follow the same procedures and obtain the same results (Gill and Johnson, 1991) this does not, in itself, prove whether the results of research have theoretical relevance or are valid.

Consequently, in seeking to explain why certain outcomes occurred the realist approach often finds itself delving inside the 'black box' of an unexamined phenomenon simultaneously as it makes linkages to wider influences (Williams, 2000). One implication of this is that the relationships and mechanisms that determine events are assessed in addition to the events themselves (Keat and Urry, 1982). Indeed, it is in this context that, in taking up an explicitly realist position, Davis and Wright (2004) suggest that there is a need for researchers to delve more deeply into the activities of councils to examine the degree to which the entire BV process and, in particular, the BV review process achieves its desired outcomes. This calls for an approach that focuses centrally on the processes, outcomes and impacts at the service provider level.

In summary, the goal of the realist researcher is to find the best explanation for the factors that determine certain outcomes and to elaborate upon the contexts, structures, mechanisms and relations that explain causal sequences (Bhaskar, 1989). Moreover, by pointing out flaws in the social structures that manage and control the way individuals, groups and societies operate the realist perspective can be viewed as enlightening or even empowering (Bhaskar, 1989).

Purpose of research and selection of case study research strategy

At the same time as being realist in philosophy, this research is also exploratory and analytical in purpose (see Figure 5.1). It is exploratory in the sense that it illuminates an area of research where there is a deficient body of knowledge and where few, if any other studies have been conducted (Denscombe, 1998, 2002; Remenyi, Willams, Money, Swartz, 1998). It is also analytical (Denscombe, 1998, 2002; Remenyi, Willams, Money, Swartz, 1998) in the sense that it goes beyond a mere description of events towards a fuller explanation and understanding of them.

More specifically, the analytical properties of the research direct their focus towards an examination of the government's espoused goals for BV rather than towards an analysis of alternative performance indicators which could be drawn from independent criteria, multiple constituents or theory (Boyne, Farrell, Law and Powell, 2003). Although one danger of employing a policy-based approach towards the assessment of public management reforms in this way is that policy goals can be vague and conflicting (Boyne, Farrell, Law and Powell, 2003), the alternative approaches are not without their flaws. For example, the adoption of a theory-based approach to the impact of public management reform demands that policy is crisply implemented in accordance with the

theory being tested. However, the origins of BV based as they are on an amalgamation of remnants of CCT objectives, specific responses to identified failings with CCT, new management practices and increased regulation means that the policy lacks a coherent theoretical underpinning. Consequently, the adoption of a policy-based approach to the impact of BV was seen to have the important virtue of being able to incorporate these various influences, theoretical and otherwise, in its assessment of whether the Government's claims for the policy were actually realised. In this sense, the research deliberately aims to incorporate the vagueness and conflicting aims, where they exist, in the policy outcomes.

Figure 5.1
Purposes of research

1 Exploratory research - investigates a deficient body of knowledge where few or no other studies have been conducted. A key issue concerns which existing theories and concepts can be applied to the problem or whether new ones should be developed. In exploratory research the focus is on gaining insights and familiarity with the subject area for more rigorous investigation at a later stage.

2 Illustrative or descriptive research - a form of research which describes phenomena as it exists. The approach is often quantitative with the use of summary statistics to provide information. This methodology goes further than exploratory research since it is undertaken to ascertain and describe the characteristics of the pertinent issues.

3 Analytical or explanatory research - goes beyond describing the characteristics, to analysing and explaining why or how it is happening. This type of research forecasts the likelihood of a similar situation occurring elsewhere.

4 Experimental research - this method may employ the null hypothesis; context is played down, because one attempts to replicate the laboratory experiment or the replication model. To answer such questions as what will occur as a result of this phenomenon. Who will be affected and in what ways?

5 Predictive research - establishes an explanation for what is happening in a particular situation, it predicts certain phenomena on the basis of hypothesised, general relationships. This research is often considered to be the most advanced form of research, which emulates the scientific paradigm and has generalisable capability. It intends to predict outcomes of the phenomenon, to forecast the events and behaviours resulting from the phenomenon.

6 New paradigm research - stresses the importance of establishing collaboration between researcher and researched, leading to the development of shared understandings. Action research, open-ended questionnaires, and other 'emic' investigations are stressed to play down the distinction between researcher (expert) and researched (non-expert) distinctions. One might employ the term 'co-researcher'.

Sources: Denscombe, 2002; Yin (1989, 1994); Remenyi, Willams, Money, Swartz, 1998; Miles and Huberman, 1994; Marshall and Rossman, 1999.

The combined use of an exploratory and analytical approach in the way described above thus marks a distinct contrast to much of the research evidence on BV, at present, which has been based predominantly on the BV pilot programme (Bovaird, 1998; Martin, 1998 and 2000; Martin, Davis, Bovaird, Downe, Geddes, Hartley and Lewis, Sanderson and Sapwell, 2001; Martin and Sanderson, 1999; Martin and Hartley, 2000) and concerns about whether the formal scheme has performed or not. Of the latter, one of the main

studies was published by the polling organisation MORI on behalf of the Audit Commission (2001e) and another by the Centre for Local and Regional Government Research at Cardiff University on behalf of the Office of the Deputy Prime Minister (Enticott, Walker, Boyne, Martin, and Ashworth, 2002, see appendix 4 for a summary of key findings). Whilst both of these accounts are important and useful and provide a good overview of the outcome of BV, they do not reveal how the formally reported outcomes were reached or state the wider impact of standardised reported effects on wider outcomes. In particular, they remain closely aligned to the aims and objectives of the original policy with the findings largely reported in terms of, for example, formal improvement or deterioration.

In contrast, this study delves more deeply into the questions of how and why were BV outcomes arrived at, what were the key processes behind them and how do they differ to the experiences of CCT. It also draws upon a different time frame than that which is utilised in many accounts of BV and does so because it recognises the close relationship with CCT and how the evaluation of the success of the policy need not be confined to a formal assessment of the performance of the service but how it differs also to the impact of CCT. These specific demands of the research enquiry are, therefore, particularly well suited to the adoption of a case study approach, which is able to be pursued longitudinally and can accommodate such attributes of social research as goal diversity, conflict, ideological disputation and control.

Adoption of case study research strategy

Formally, the case study is defined as an umbrella term for a family of research methods which have in common a focus of enquiry around a single process, relationship, event or

experience occurring at a particular instance (s) in time that is representative in some way of a research topic (Yin 1994). In particular, case studies tend to focus upon a fairly self-contained entity, with fairly distinct boundaries (Denscombe 2002:38) and are usually conducted within natural settings rather than artificial ones (Miles and Huberman, 1994). This may not necessarily be a physical space such as an office block or a school classroom, for example, but might focus on the activities, processes and relationships that go on within those physically defined boundaries (Denscombe, 2002). In doing so, the case study approach calls for intensive amounts of data that may be analysed from either a quantitative or qualitative approach and subsequently synthesised in such a way as to produce a theoretical conjecture or even be used as evidence to support or contradict an established theory (Yin, 1989).

The case study approach is also a useful method of providing a basis for both initial exploration (Jensen and Rodgers, 2001) and for more detailed analysis later on (Yin, 1989, 1993, 1994; Miles and Huberman, 1994). It is a particularly appropriate research strategy when one is trying to attribute causal relations - and not just wanting to explore or describe a situation (Miles and Huberman, 1994). Thus, case study research can be used to show *how* and *why* something happened rather than simply whether something happened (Stake, 1995). As Miles and Huberman (1994:147) argue '*seeing that an experimental group had effect X and that the controls tells us nothing about what went on in the 'black box'. We don't understand how or why it happened, and can only guess at the mechanisms involved.*'

Case selection criteria

Having chosen to utilise the case study approach to research, the next decision that a researcher has to make is whether to conduct a single case or multiple cases (Yin, 1989). Single case studies are usually employed when they contribute to a ‘classic case’ that is to say when an event or process suddenly becomes available, such as a take-over bid of a company, and are selected purposefully on the basis they have some special contribution to make that cannot be got as well from other choices (Strauss and Corbin, 1990). Multiple case studies, on the other hand, involve the study of independent events occurring at different sites and may be chosen on the basis of generalisability, typicality or for comparative purposes (Maxwell, 1996; Banister, Burman, Parker, Taylor, Tindall, 1994)².

This research adopts a multiple case study approach for two main reasons. Firstly, because it seeks to cross-examine the implementation of BV policy within a small number of different tendering contexts and secondly because it wishes to capture, in depth, the workings of the four identified attributes of BV. In turn, these aims led to the utilisation of three main selection factors, as detailed below.

Selection factors

There are numerous selection factors that could be used to select cases for this research. These include, for example, the political control, type and geographical location of the authority within which BV reviews are being conducted (Deakin, Smith, Thomas, and Walsh, 1997). For this study, however, three other criteria were used to select cases and in different ways these reflected the exploratory and analytic purposes of the research.

The first selection factor reflected the exploratory properties of the study and the fact that during the commencement of the primary research thirty-four local authorities were embroiled in the BV pilot scheme. Given that these authorities had advanced most the principles of BV, they were also more likely at this stage to shed most light on the subject matter under investigation. It was, therefore, decided to select the cases from the population of English best value pilot authorities.’ Admittedly, as Davis and Wright (2004) argue, by drawing upon authorities which piloted BV, there is the potential problem that these authorities may be subject to significant ‘Hawthorne effects’ and are, therefore, likely to be atypical of local government’s response to BV more generally. At the same time, however, this selection factor also enables the research to display the characteristics associated with a ‘critical case’ scenario, in that if problems identified with BV arise amongst some of the most enthusiastic authorities then one could envisage greater difficulties being experienced by non-pilot authorities. Moreover, by virtue of their former pilot status, the selected cases also have an additional historical property that can provide important insights into the development of the policy.

Against this backdrop, the second selection factor reflected the analytical properties of the research in terms of how far the claimed virtues of BV appear, in practice, to resolve the difficulties identified with CCT. In recognition of this feature, each of the chosen case reviews was purposefully selected on the basis that it contained services that had previously been subjected to CCT (see appendix 5, outlining coverage of CCT services within BV pilot bid submissions). In this way it would be possible to compare the experiences of CCT and BV and to highlight the differences in terms of process and impact between them. One possible limitation of this is that services with prior experience of CCT might be more accustomed to the types of processes demanded of

BV because there are some overlapping elements between the two policies and, therefore, will experience a smaller impact. However, statistical survey evidence by Boyne, Gould-Williams, Law and Walker (2001) of the experience of Welsh authorities revealed no variations in the perceived impact of BV as a result of prior experience of CCT. Indeed, a possible advantage of examining the impact of BV on former CCT activities during the early stages of the policy is that such activities are already experienced in using some of the systems required of BV and thus do not *'have to struggle' to implement these systems during review* (Boyne, Gould-Williams, Law and Walker 2001: 61).

Given the decision to focus on CCT activities it might have also been worthwhile to make like-for-like comparisons of the impact of BV upon exactly the same activities. This was not possible, however, owing to the diverse nature of the BV pilot and review scheme. For example, a number of the piloting authorities decided not to review any of their former CCT activities during the early stages of the policy and of those that did some decided to combine various activities into distinct packages. Thus, in one authority street cleansing was packaged with grounds maintenance and in another authority street cleansing was packaged with refuse collection. Given the wide range of variability in the pilot bids and the resultant review approaches adopted, the priority of the service composition element of case selection remained with the examination of *former* CCT activity rather than with *identical* CCT activity.

The third and final case selection factor, meanwhile, reflected the decision to examine the implementation of BV within a range of local authorities that varied in terms of the degree to which they had utilised external contractors as a result of CCT. This selection factor was chosen to acknowledge the scope of the policy in terms of the ownership and

control of the service provider and, in particular, to provide a basis from which to analyse the response of the BV inspectorate to the BV review process by service ownership. Drawing upon the Local Government Management Board's database of CCT contracts, an attempt was, therefore, made to select one authority that had much experience of external contractors, one that had little or no experience of external contractors and one that was somewhere in between these two extremes (see appendix 6 for summary of Local Government Management Board findings in this regard). A summary of the three selection criteria is as follows:

1. Case authorities were former BV pilot authorities
2. Case authorities have either undertaken a BV review in a former CCT activity (e.g. in pilot) or are currently doing so.
3. Case authorities were purposefully selected in terms of the level of blue collar CCT activity retained in house following CCT.

In accordance with the selection criteria, three cases studies were conducted and their key properties are detailed in Figure 5.2. A fourth case, comprising London-based leisure provision was also initially selected for study, with two exploratory interviews having been carried out. The case was eventually discontinued, however, owing to the imminent commencement of a major reorganisation of the respective leisure department which was not only expected to prolong quite extensively the period of the BV review but was also likely to introduce additional externalities. Moreover, by this stage of the study, a wealth of primary research evidence, sufficient to satisfy the research objectives of the study, had already been accumulated from the other three cases and, therefore, it was decided that the fourth case study should be dropped.

In elaborating a little further upon each of the three completed cases, it can be explained that the first involved the examination of a review of an *internally provided* street

cleansing and grounds maintenance service. This review was conducted within a southern coastal-based Unitary Authority, which covered a population of 214,900 and had an unemployment rate of 2.4 per cent compared to the then national average of 3.1 per cent. In terms of political make-up, the authority within which the review was conducted comprised forty-five councillors with no political party having overall control. The Labour party held twenty-two seats, the Liberal Democrats sixteen and the Conservatives seven.

Figure 5.2
Case contextualisation summary profile

| Authority | % of services in-house | Review | CCT in or out | BV in or out |
|--------------------|-------------------------------|---|----------------------|---------------------|
| Southampton | 89.34 | Grounds maintenance Street cleaning | In | In |
| Newham | 100 | Leisure centres | In | Out |
| Brighton | 7.47 | Street cleansing and Refuse Collection | Out | Out |

The second case study, meanwhile, involved the examination of a leisure centres review, which following the experiences of CCT, was provided directly by the local authority but which during the course of research *transferred* to an external provider. This case review was conducted within the context of a London Borough Authority with a population of 230,000 and an unemployment rate of eight per cent, compared to a 4.5 per cent London average. In terms of political make-up, the authority was a Labour stronghold, with fifty-nine Labour councillors and an Independent one.

The final case study involved the examination of an *externally provided* refuse collection and street cleansing service. This case was conducted within the context of a southern coastal-based Unitary Authority, which covered a population of 259,000 and

had an unemployment rate of 3.9 per cent. In terms of the political make-up of the Authority within which this final case review was conducted, the Council comprised seventy-eight councillors, with the Labour party having control of forty-six seats, the Conservatives twenty-three seats and the remaining nine shared between the Liberal Democrats, the Green Party and one independent.

Selection of case methods

It was explained earlier that the case study approach is not considered to be a methodological choice, but a choice of object to be studied, with multiple resources and multiple methods (Bell, 1993). For the completion of social research, the methods used might involve asking people for information about experiences or attitudes (Silverman, 2000a, b), observing or participating in what people do (Jorgensen, 1989; Waddington, 1999) and examining documents and other archival information written by people (Tashakkori and Teddlie, 1998). Moreover, in each of these different scenarios, the resulting evidence can be analysed either qualitatively (Patton, 1987; Reason and Rowan, 1981; Silverman, 1993; Platt, 1981; Denzin and Lincoln, 1994; Hakim, 1987) or quantitatively (Bryman and Cramer, 1999; De Vaus, 1996; Marsh, 1982).

In choosing precisely how to collect and analyse information about a particular research phenomenon, however, Yin (1993) argues that, in terms of exemplary case study research, the evidence should be considered from as many perspectives as possible. In doing so, he effectively suggests that the approach embody adherence to methodological triangulation (Denzin and Lincoln, 1994; Easterby-Smith and Thorpe and Lowe, 1991), the key to which is to first to ask the same question of different sources of evidence and then to confirm that the responses obtained from them point in the same direction. In

terms of gaining methodological triangulation in this study, the case methods utilised involved semi-structured interviews, documentary analysis and direct and passive observations. Precisely why and how these techniques were used is explained in more detail below.

Semi-structured interviews

In terms of *asking* people for information the two main techniques available to the researcher are the survey (De Vaus, 1996) and the interview (Cassell and Symon, 1994). In the first instance, the researcher adopts an ‘etic’³ approach where much of the ‘work’ is done in advance and control of the respondent is tight. The survey technique, therefore, entails a structured and preparatory research strategy, which maintains a high degree of control over the nature of the responses and the length of the answers allowed by the respondent (Denscombe, 2002). The theory behind the technique is that each person is asked the same question in the same way so that any differences between answers are taken to be real ones and not the result of the interview situation itself (Denscombe, 2002). Data also tends to be collected from a non-biased and randomly representative sample of the population for the purpose of generalisation and statistical inference (Robson, 1998; Bryman, 1996).

In contrast, the semi-structured interview technique embodies the ‘emic’⁴ approach, where categories emerge from the investigation, rather than being imposed upon the respondents externally (Denzin and Lincoln, 1994; Lincoln and Guba, 1985; Easterby-Smith, Thorpe and Lowe, 1991). In particular, the technique allows the researcher to probe for information that might not otherwise have been forthcoming or anticipated from the outset. It also facilitates the gaining of access to informants’ real knowledge and meanings (Easterby-Smith and Thorpe and Lowe, 1991) and can be used to

encourage them to elaborate upon points of interest (Denscombe, 2002). This provides validity because the interviewer should be more confident that the interviewee has been more fully able to develop ideas and speak more widely on the issues raised. Thus, whereas surveys tend to be employed when questions of 'how much' are being asked, interviews are used to when the researcher is asking about 'how' or 'why' (Bryman, 1992 and 1994; De Vaus, 1996, 2001). For this and other reasons, people are often chosen deliberately because they have some special contribution to make (Banister, Burman, Parker, Taylor, Tindall, 1994).

Rationale for conducting semi-structured interviews

Although the analytical properties of the research point to the creation of a research question or hypothesis and thus suggests the utilisation of a deductive and well structured approach, in reflection also of the exploratory nature of the research and the fact that, at this stage, only tentative conclusions can be reached, a large dose of induction is also necessary. This allows new theories and concepts to emerge from the empirical investigation. Consequently, the research contains elements of both deduction and induction with efforts made to go backwards and forwards between the evidence collected and the process of conceptualisation, to make sense of the data throughout the period of data collection, and, thereafter, to inform understanding of the processes involved (Strauss and Corbin, 1990). This approach can, therefore, be seen as being consistent with the 'grounded' approach to realist method as described by Layder (1996).

More specifically, given the exploratory and analytical character of the study and the fact that the content of its subject is not yet ready for standardisation and quantification the main research technique employed in the study was the semi-structured interview.

This technique was chosen on the basis that it is sufficiently flexible to handle developing concepts and ideas – to aid the exploratory requirements of the study - whilst at the same time as being sufficiently robust to ensure a focused and structured approach to enquiry - thus facilitating an analytical approach to the study as well. It is also able to delve into a discussion of contested concepts or at least not be restricted to single operationalised definitions.

Interviewees

As can be seen in Figure 5.3, a cross-section of people were interviewed and these included authors of the respective authorities' BV pilot bid document, former client and contracting staff, local councillors, personnel from the service review team, the directors of the services being reviewed, trade union officials, corporate BV officers, personnel from external contractors and other personnel. Interviewees were selected, therefore, not only on the basis that they would have good knowledge of the review process under investigation, but that they could also be used to match the longitudinal nature of the study, spanning back as it did to interviewees' reflections of CCT processes. The selection of a cross-sectional approach to the case study interviews also acknowledged a pertinent methodological point from previous CCT research, namely that the perceived success or failure of local government policy depends very much on who is probed for information (Painter, 1992). On some occasions it was necessary to conduct more than one interview with the same respondent. This was particularly true in terms of gathering respondents' opinions and experiences of the BV inspection visit towards the end of the research, though care was obviously taken to avoid key informant bias (Philips, 1987; Kumar, Stern and Anderson 1993). In total, twenty-seven interviews were conducted with twenty-two respondents from the grounds maintenance and street cleansing review.

twenty-nine interviews were conducted with twenty-four respondents from the leisure centres review and twenty-eight interviews were conducted with twenty-four respondents from the refuse collection and street cleansing review. Typically, interviews lasted between 1-2 hours in length with additional time usually taken to request, browse, collect and photocopy supporting documentation.

Following the gaining of informed consent (Saunders, Lewis and Thornhill, 2003) the researcher began by explaining a number of the key properties of the research and by asking the interviewee about themselves and their role in relation to BV and CCT. Such introductory questions allowed the researcher to collect valuable background information about informants and to let them start proceedings by covering familiar territory. Then, depending on respondent type, the types of themes identified for analysis included the historical legacy of CCT, the BV pilot process, the BV review process and the BV inspection. In the first instance, the relevant interviewees were asked to reflect on the impact of CCT in the authority, particularly in terms of the specific services of investigation. Thus, for example, interviewees were asked to explain the impact of CCT on the cost and quality of selected services, to identify the positive and negative attributes of CCT and to detail the authority's response to it. In doing these things, a distinction between the impact of the first round and second round of tendering was also made.

Figure 5.3
List of case study interviewees

| Job title | Grounds maintenance and street cleansing | Leisure | Refuse Collection and Street Cleansing |
|--|---|--|--|
| Authors of BV bid document | 1. Best Value Pilot Manager 2. Executive Director of support services | 1. First Best Value Consultant | 1. Senior Consultant (Best Value) |
| Former 'client' or 'contracting' staff | 3. Parks and streets cleansing manager 4. Area grounds officer 5. Street Cleaning team leader 6. Parks and Street Cleaning Services Senior Operations Manager 7. Grounds maintenance monitoring officer | 2. Leisure Development and Operations Manager 3. Sport and Health Manager | 2. Project officer, waste management team 3. Waste manager 4. Procurement Officer 5. Client Contracts Manager |
| Councillors | 8. Executive Member for Leisure and Tourism; 9. Executive Member for Environment and Transport | 4. Cabinet member for leisure 5. BV sub-committee member | 6. Leader of the council 7. Executive Councillor Environment 8. Scrutiny board member for environment, transport, regeneration, leisure and tourism |
| Personnel from the service review team. | 10. Environmental Services Group Manager 11. Grounds, Cleansing and Waste Manager 12. Open Spaces Manager 13. Landscape and Development Officer | 6. Senior Health and Leisure Project Officer 7. Leisure centres Service Development officer 8. Client manager (benchmarking) 9. First Leisure Centre Manager 10. Second Leisure Centre Manager | 9. Head of Contract Services, Environment 10. Operations manager for Street Cleansing 11. Waste Local Plan Project Manager 12. Head of City Cleansing |
| Director of service | 14. Head of neighbourhood services division | 11. Divisional Director, Recreation 12. Divisional Director, support services | 13. Director of Environmental Services 14. Assistant Director of Environmental Services |
| Trade union officials | 15. Trade union side secretary, TGWU | 13. Branch Secretary, Unison | 15. GMB Regional Officer 16. GMB Branch Secretary |
| BV core team members | 16. First Performance Review Officers 17. Second Performance Review Officer 18. Corporate competition officer | 14. First officers from corporate contracts unit 15. Second Officer from corporate contracts unit 16. BV procurement officer 17. Second BV Consultant 18. Corporate Policy Manager | 17. Head of Performance and Accountability 18. Corporate finance officers |
| Personnel from external contractors. | - | 19. Chair of Leisure provider 20. Deputy head of operations | 19. Regional Manager 20. HRM manager 21. Operations Manager |
| Other personnel | 19. Local services department Accountant 20. Neighbourhood services department Accountant 21. Programme Manager Environment and Transport 22. Programme Manager Leisure | 21. Head of financial services 22. First BV inspector 23. Second BV inspector 24. Personnel officer | 22. Policy and Communications officer 23. Corporate personnel officer 24. BV research Officer |

Against this backdrop, the second section of interview questions related to developing BV policy and, in particular, the authority's response to it in terms of the BV pilot scheme. Again questions about the positive and negative attributes of the developing

policy were asked and supplemented with questions on how the authority proposed to pilot the policy in terms of, for example, organisational arrangements and the use of competition.

The third main theme identified for interviews related to the actual BV review process. Here, interviewees were asked to comment on the various components of the process, its organisation, the key issues raised, the impact of the process and resulting outcomes. This tended to be the most detailed section of the interview schedule and occasionally required repeat interviews to capture events across the entire review period. Finally, attention could be turned to the BV inspection process. Initially, this focused on the BV inspection process in general but, as time passed and the actual reviews were subjected to inspection, direct questions about the impact of inspection and the type of issues raised could also be asked.

It should be reiterated, however, that despite the adoption of this general framework, and in recognition of the variety of respondents and their likely differing expertise and knowledge about the above themes, the researcher created a number of different interview schedules, each directed towards the type of respondent questioned and their likely experience of the enquired issue (see appendix 7 of examples of interview schedules and other access information). There was, nonetheless, a large degree of overlap between the different interview schedules, with information tending to be built up over time as more evidence was collected and examined.

In all instances it was made clear to interviewees that they had a right to decline to respond to any question and whilst an interview schedule was created in advance of the interview, the researcher was willing to be drawn into any direction that promised to

shed light on the research objectives, permitting respondents themselves to identify pertinent issues and in their own language. During the time of the interview, therefore, the researcher probed for information and requested supporting evidence as part of the means of attaining triangulation. All but one of the interviews, and this on the grounds of commercial confidentiality, were tape-recorded and transcribed and interviewees were offered copies of their transcribed interviews upon completion.

Analysis of interview scripts

The transcripts were typed up as quickly as possible after each interview and read and re-read thoroughly in order for the researcher to get a feel for them. The information was then organised into a combination of fairly broad themes, such as first round and second round CCT, and specific information, such as precise contract values or key dates. In conjunction with information collected from other sources (see below), a picture of events was built up and this both facilitated the gaining of methodological triangulation, and unearthed information about the different value positions taken in relation to similar phenomena such as 'service quality'.

In organising the interview information in this way, an interactive process of data collection was enacted, one which allowed the researcher to recognise important themes, patterns and relationships at the same time as collecting data and thus permitting adjustments to the nature of the questions asked as more information was gathered. This meant that the interviews were conducted over a long period of time, with nearly every interview transcribed and interpreted before the next was carried out. This interactive approach also meant that some interviewees were interviewed more than once to ensure that they too were probed about emerging issues.

Despite this apparent fluidity, the parameters of the interview content remained confined to a starting point of CCT and an end point of the BV inspection process. Indeed, by confining the study to these chronologically based parameters, the case studies can be treated as distinct piece of research in their own right and over a given period of time, even though the surrounding context has since moved on (see final chapter). For the purpose of this study, therefore, the research was conducted in real time between the years 2000-2003 though the description and analysis of events sought spanned back also into the experiences of CCT.

Documents

The research also drew quite heavily upon documentary evidence which, as demonstrated in Figure 5.4, included the collection and analysis of such standard documents as the BV pilot bid, the BV performance plan and the BV inspection report. This facilitated the process of cross-case comparison with respect to, for example, the context within which the reviews were conducted in terms of the respective authorities' official approach to the BV pilot scheme and resulting formal policy. These documents also contained within them key performance data and information on the organisation of the three respective reviews. The most important document in terms of the analytical properties of the research, however, was the BV inspection report which allowed the researcher to examine the responses of the inspectorate to each of the three reviews and to identify, for example, respective inspection scores and key points.

Figure 5.4
Documents collected from all three case studies

- | |
|---|
| <ul style="list-style-type: none"> • BV Pilot Bid 1997 • BV Performance Plan 1999/2000 • BV Performance Plan 2000/2001 • External Auditor Statutory Report on Best Value Performance Plan 1999/2000 • Best Value Review (BVR) • BV Inspection Report • DSO accounts • Council minutes |
|---|

In addition to these commonly collected documents, Figure 5.5 details a number of the more authority-specific pieces of documentation which were obtained for the purpose of analysis. These provided more specific information about how the reviews were undertaken and in doing so facilitated a greater understanding of context and assisted in the attainment of methodological triangulation.

Figure 5.5
Documents specific to each of the three case studies

| Grounds maintenance and street cleansing | Leisure | Refuse collection and street cleansing |
|--|--|--|
| <ul style="list-style-type: none"> • Review specific consultation document • Validation reports • Standards and Guidance document • Section 14 notice • Examples of work orders • Responses to invitation to tender letters • Strategic working papers • Comparative benchmarking data • Away day event documentation • Service improvement plan • Swot analysis of services • Policy and Baseline review • BV review scoping document • EPA guide • Results from Citizen's panel | <ul style="list-style-type: none"> • Corporate Consultation document • BV Procurement Toolkit • Strategic Decision matrix • BV toolkit for leisure • Local community plan 2000 • Leisure development strategy 1998-2001 • Personnel documentation • Corporate employment contracts • Leisure contract • Performance bonus payments data • Customer satisfaction survey data • Benchmarking report from Sports England • In House performance reports 2001 | <ul style="list-style-type: none"> • Review specific consultation document • Refuse Collection Service Business Plan 2000/01; • Street Cleaning Service Business Plan 2000/01 • Integrated Waste Contract 1999 • In House performance reports 2001 • Waste Management Employee Consultation report May 2002 • Newspaper clippings • Waste survey report • Guide to best value reviews • Residents Survey March 2002 • Call centre statistics • Waste Service – Service Improvement Plan 2002 03 • Improving the City's Appearance Best Value Review • New refuse collection street cleansing rounds newsletter • Employment contracts • Grading and salary structure |

Again, there are both quantitative and qualitative ways to analyse documentary evidence. The quantitative approach can be referred to as content analysis (Weber, 1990; Holsti, 1969; Berelson, 1952) and the qualitative approach can be referred to as documentary or textual analysis (Platt, 1981; Kracauer, 1953; Scott, 1989; Rickman, 1961). Content analysis usually proceeds by measuring the relative salience of a theme by the frequency of its occurrence (Weber, 1990; Holsti, 1969; Krippendorff, 1980; Todd, McKeen and Gallupe, 1995) and, in doing so, tends to focus on the manifest content and surface meaning, rather than the deeper layers of meaning. In contrast, documentary and textual analysis are concerned with the deeper underlying message of the text (Rickman, 1961) and in some cases even the role that documents play in the maintenance of social order (Foucault, 1980; Giroux, 1983). In both instances, however, documents are a 'given' source, which means that there is very little danger that the act of measurement itself will act as an influence to confound the data (Webb, Cambell, Schwartz and Sechrist, 1981). Documents also have replicable properties in that they provide a permanent record that can be revisited and re-examined by another researcher (Plummer, 2001).

More generally, the documents in this study were used for three main purposes. Firstly, they were used to provide a commentary of the events undertaken in each of the three cases and, therefore, to supplement and confirm other data in the pursuit of methodological triangulation. In doing this it was recognised that, although consistent with documentary textual analysis, documents provide evidence for the 'official' presentation of policy to be compared to other sources, they cannot always be taken at face value but should instead be seen to construct particular kinds of representations with their own conventions (Atkinson and Coffey, 1997; Saunders, Lewis and Thornhill,

2003)⁵. One cannot for instance learn through documents alone how an organisation actually operates on a day-to-day basis (Plummer, 2001). Secondly, and more practically, the documents were also used to provide a context for interviews and thus to confirm the names, titles and other details of people (Plummer, 2001). Thirdly, and where relevant and possible, the documents were used for direct cross-case comparison purposes. This was particularly true in terms of comparing approaches to the BV pilot scheme and the responses of the BV inspectorate.

Observations

The literature suggests that by making a field visit to a case study, one automatically creates the opportunity for direct observation (Yin, 1994). The degree to which such observations are prepared, conducted and analysed can be subjected to either a quantitative or qualitative approach. The three most usual types of observations are passive observation (Tashakkori and Teddlie, 1998), participant observation (Jorgensen, 1989; Waddington, 1999) and ethnography (Hammersley and Atkinson, 1992; Taylor 1996; Cooper and Emory, 1995).

In this research, there were two particular occasions in which specific observations were conducted and they both had degrees of participation and passiveness. Firstly, an observation of a BV inspection feedback session in the leisure centres case was conducted. This involved the researcher sitting in the audience and taking notes of proceedings and, in particular, capturing the inspectors' explanations for reaching its judgements about the reviewed service in the way they did. It also enabled one to cross-check and to confirm the information contained within the BV inspection report.

Secondly, an observation of a public consultation event in the grounds maintenance and street cleansing review was conducted. During this event, members of the public and other stakeholders had been encouraged to share their views on the reviewed services and to engage in a number of participatory exercises. In doing so, they provided the researcher with a deeper understanding of the means by which the authority had set and agreed its future BV performance targets. In both cases, the observations were arranged following discussion with councillors and managers, although the degree to which the researcher was known as a researcher as opposed to a member of the general public, for example, could not be fully ascertained.

Conclusion

This chapter has provided an overview of how the empirical research for this study was conducted and, in doing so, drew attention to the philosophy, strategy and method selection processes behind it. It began by explaining why a realist approach to research is better able to contemplate and understand the underlying mechanisms involved in the determination of BV outcomes and, in particular, to the issue of how far it represents an improvement on CCT. The first section did this by contrasting the realist approach to research philosophy with both the positivistic approach and the phenomenological approach. In particular, it was argued that the realist approach is better able to contemplate and get to grips with the underlying processes or causal mechanisms that account for BV outcomes and does this by recognising the importance of context, depth and the material reality of social phenomena.

The chapter then moved onto explain that the purpose of the research was both exploratory and analytical in orientation. The exploratory aspect of the research

reflected the fact that the study was concerned partly at an important aspect of BV that has had few studies devoted to it previously and partly at detailing the factors and underlying mechanisms involved in the implementation of BV. The analytical properties of the research, meanwhile, related to the decision to examine the four identified attributes of BV within a number of conceptually distinct contexts. Accordingly, the case study approach was considered to be the most appropriate method of research for this thesis with the resulting cases being selected according to a purposeful sampling framework. This embodied the three key criteria of former pilot status, former CCT activities and degree of external contractor involvement and led to the selection of three specific cases.

The final section of the chapter then outlined the research methods chosen and explained that semi-structured interviews, documentary analysis and passive observations were all used on the basis of their relevance and depth and to ensure that as a whole they achieved methodological triangulation. Having, therefore, detailed both the method involved in conducting this study and the processes of BV against which they were concerned, the chapter concluded by detailing how these two elements were combined to reach robust conclusions on issue of the extent to which the claims and limitations of the four key attributes of BV materialised empirically.

Notes

¹ Likewise, as Davis and Wright (2004: 425) have maintained, while the Audit Commission appraises the success of local authorities' attempts in terms of linkages between local goals set for the BV reviews and outputs achieved, such approaches are *'bedevilled by problems of causal attribution.'*

² The multiple case study approach does not, therefore, seek representation in the usual statistical sense to render its 'generalisations' worthy and valid but can instead be representative in some way of a research topic (Lincoln and Guba, 1985). In place of generalisability (Hamel 1993), the case study researcher might stress authenticity, representativeness and conformance to reality (Denzin and Lincoln, 1994; Maxwell 1996). Instead of seeking certainty in the observed findings from the sample drawn apply to the population from which it is drawn, the case study researcher might seek to ascertain the degree of transferability from one studied case to another possible case (Lincoln and Guba, 1985). The term transferability in this regard can be traded for 'fittingness', which is a direct function of the similarity between two or more contexts (Lincoln and Guba, 1985).

³ The 'etic' approach is usually associated with the positivistic perspective and the notion that the belief in a world 'out there' that can be recorded and analysed independently of people's interpretations of it (May, 1993). This involves the categories or concepts of research being developed outside the observational group and used for all observed groups in the same way.

⁴ The 'emic' approach is associated with the phenomenological perspective and the notion that the researcher is an insider, or part of what is observed (Denzin and Lincoln, 1994). It, therefore, involves the researcher finding out how the group itself sees and categorises its world (Lincoln and Guba, 1985).

⁵ This was particularly true of the examination of such documentation as the BV pilot bids, performance data and the BV performance plan, which had been written by a few senior officers and, therefore, represented a particular view of the policy in terms of its constitution, its purpose and its corporate values.

Chapter 6

Southampton City Council's BV review of Grounds Maintenance and Street Cleansing

The first case study is of a unitary authority's BV review of grounds maintenance and street cleansing services. The two services employed approximately 180 front-line and support staff and had a combined service budget of £6.5 million in 2000/01, of which £4.6 million was allocated to grounds maintenance and £1.9 million to street cleansing. Under the jurisdiction of Southampton Borough Council (SBC), both services had been subjected to two rounds of CCT and, with the exception of a small arboriculture (trees) contract, had been retained by the authority's own direct workforce.

The chapter proceeds as follows. Initially, a retrospective overview of the impact of CCT on the grounds maintenance and street cleansing services is provided. This is then followed in the second section by an outline of the BV pilot scheme conducted by the unitary authority in preparation for the grounds maintenance and street cleansing review. The third and more substantial section of the chapter then details how the BV review was actually conducted before a final section details the response of the BV inspectorate to it.

The historical legacy of CCT

Throughout the policy of CCT, SBC succeeded in retaining nearly all of its grounds maintenance and street cleansing contracts. This outcome was attributed to the *'politics of the Council and its support for in-house bids and resources'* (Executive Councillor for Environment and Transport).

Interviewees explained that, in the light of this policy of in-house provision, responsibility for the implementation of CCT policy was handed to a core team of senior officers whose remit was to establish an effective contract tendering strategy in an attempt to prevent the competitive tendering out of services. In particular, the Executive Councillor for Environment and Transport described the contract strategy as having two key elements. Firstly, it entailed the preparation of highly detailed and prescriptive contract specifications, the intention of which was to increase the bid preparation workload of interested external contractors. Secondly, it entailed the core team of senior officers obtaining the rates of work schedules for grounds maintenance and street cleansing from some *'fifty or so other Labour controlled local authorities'*. This allowed the core team to create a carefully crafted pricing structure that would ensure the authority priced its own bid for the tender competitively.

Interviewees explained that the Council's first strategy of attempting to deter contractors from bidding failed because approximately seven expressions of interest and two competitive bids were received for the street cleansing contract and approximately seven expressions of interest and five competitive bids were received for each of the six grounds maintenance contracts (CIPFA data, 1999). In terms of raw tendering outcome, however, the authority could claim to have been reasonably successful, with all first

round grounds maintenance and street cleansing contracts having been retained in-house; an outcome that owed much to the second tendering strategy of ascertaining cost competitiveness.

Despite this apparent success, however, interviewees from across the authority reflected upon how, owing to such high levels of competition, the first round of CCT for street cleansing and ground maintenance had been ‘catastrophic’ in terms of jobs and service quality. On average, interviewees estimated that services had to be operated with approximately a third less grounds maintenance staff and a fifth less street cleansing staff. When probed about the impact of such employment reduction on service quality, respondents consistently explained that it had not been so much a matter of *‘trimming waste and inefficiency’* but rather a *‘real deterioration in service quality’* (Grounds, Cleansing and Waste Manager), with the outlying estate areas of the city suffering most.

The problems respondents identified with service quality did not reside solely with the level of real competition received, however, but related also to the preparation of meticulously detailed contract specifications, brought about by the first of the authority’s two key tendering strategies. This problem was then further exacerbated by the practical creation of a client-contractor split that demanded work orders were passed from one party to the other. Thus, both of these elements were described as encouraging a rather *‘cumbersome and mechanical approach to service delivery’* (Open Spaces Manager), with one respondent even able to provide evidence of how one grounds maintenance work schedule contained *‘twenty-one stages of activity between the request for work from a council tenant to its completion’* (Potential stages for procuring work by contractor following a request from a council tenant, SCC, undated). This same

respondent also explained how the deciphering of client and contractor responsibilities led to delays and frustrations on the front-line:

'Nothing was done unless there was an order. It could be two or three weeks before things were done and in this way you were not getting very good quality for the customer. Whereas before CCT, they just got on with it, the job was done' (The Area Grounds Officer).

Other respondents from the contracting side of the organisation explained that one of the most noticeable changes in post-CCT employment for grounds maintenance was that *'a lot of the skilled staff left because they did not want to chase the earnings, for what in their view was an incomplete job'* (Parks and Street Cleansing Manager). Consequently, the composition of the grounds maintenance staff became younger and less skilled, with fewer on apprenticeship schemes. As the parks and streets cleansing manager further explained:

'In the old days, gardeners would look after an area and do what needed to be done, but now it is to cut it is as quickly as you can. This reflected the nature of the contract specifications that were very much input-based' (Parks and Streets Cleansing Manager).

Despite the existence of detailed contract specifications, interviewees explained that a fairly 'soft' and amicable client-contractor relationship was, however, maintained, primarily because a number of the client-side officers were 'ex-DSO' staff and the politics of the Council remained committed to the front line. Consequently, failures in service performance were not as severely penalised as they might have been had the

contractor been an external body, with one client-based officer describing as follows the relative ease with which the DSO was able to avoid penalties for failing to complete tasks specified in the contract:

'Specifications were never fulfilled...because it was in-house, we did not really default and they got away with murder. The work they should have done, they did not do. Each year was split up into 13 months and for each month they had the work that they had to do, but if it was not done and I did not notice it, and they declared it, then they got away with it' (Area Grounds Officer).

The changes introduced as a result of CCT were not considered to be entirely deleterious, however, with many client side officers in particular, explaining that the introduction of CCT eventually furnished them with an improved knowledge of service requirements and service composition. As the Grounds Maintenance Monitoring Officer explained:

'Pre-CCT days we did not know what we managed, we were not clear about how many acres of stuff we dealt with and what standards we were aiming at' (Grounds Maintenance Monitoring Officer).

Client side officers also revealed that, as the policy of CCT matured, they increasingly learnt more about contract management and, in particular, how to remove from the contract items that had been specified but not actually provided. Although this tactic was at first reported to have been successful in that it led to *'painless cost reductions'*, the Programme Manager for Environment and Transport pointed out that there were

limits to its use and it was not long, therefore, before the opportunities for such reductions had been exhausted:

'You may be asked to visit a flower bed every week during the winter period, but in the winter period there is nothing going on, so that was a very easy budget cut. They stopped us visiting and now we visit say once a month rather than once a week. There is no deterioration in service standards and that was an easy cut but of course once you get past that easy budget cut, then you have to start looking for cuts that are going to be much more difficult. That was when the grass cutting frequencies got cut down from 16 times a year to 13/14 times a year. That is the real noticeable stuff'
(Programme Manager, Environment and Transport).

What these findings revealed, therefore, was a variety of interpretations of CCT, from producer group concerns with real service quality to client management staff concerned with making savings from activities they considered wasteful.

Second round tendering

In preparation for second round CCT, client side officers explained how increased knowledge about the two services encouraged them to combine the grounds maintenance and street cleansing services into one contract. The Council recognised that *'both services were provided on a city-wide basis, within virtually the same areas'* (Landscape and Development Officer) and for the same purpose – to maintain the appearance of the city's streets and open areas. In particular, it was recognised that service integration would *'eliminate duplicated work, facilitate joint working and lead*

to a much better co-ordination of such tasks as litter picking and sweeping' (Corporate Competition Report, 1991).

In the event, however, objections from smaller contractors that they lacked the necessary capacity to provide the authority's proposed combined activities were accepted by the Department of the Environment which ruled that service integration would be anti-competitive (Department of the Environment, Notice from Local Government Competition Division, 1996). As a result of the Government's ruling, the two services were consequently competed for separately (CIPFA data, 1999). Although, the authority successfully managed to retain the entire street cleansing service, in the face of *'three competitively priced external bids'* (Corporate Competition Officer), it was only able to retain five of the six grounds maintenance contracts (CIPFA data, 1999). Of the latter, the contract loss it did incur, however, was described as a *'relatively minor'* trees contract and this only followed *'Secretary of State intervention via a Section 14 notice'* (Corporate Competition Officer). This involved a re-tendering exercise under Government Direction which followed a local specialist trees company complaint that the tendering process *'had been flawed'* (Corporate Competition Officer).

Despite the reasonably hostile nature in which the trees contract had been lost, however, when probed about the resulting monitoring arrangements, respondents pointed out that this service had *'only employed six staff when it was council provided'* and given the nature of the work involved *'did not incur undue problems'* (Grounds Maintenance Monitoring Officer).

Meanwhile, for the services retained by the authority the situation was generally described as one of *'ensuring stability and maintaining competitiveness'* (Corporate

Competition Officer). The level of competition incurred did, nonetheless, demand a further reduction of approximately five to ten per cent of front-line staff and further reductions in the frequency with which such functions as grass cutting and street cleaning were carried out. Some respondents explained that, at times, these second round revisions were simply unsustainable, particular during peak periods, when agency workers had to be recruited. Finally, according to union sources, the overall description of the long-term effect of CCT in terms of employment and service quality was one of a '*deskilling of grounds maintenance*' and a '*loss of pride*' in the work of staff more generally (Trade Union Side Secretary).

The BV pilot scheme

Both officers and staff alike indicated that they welcomed the incoming Labour Government's proposal to replace CCT with a BV system and believed that it would lead to a more wholesome, engaging and involved process of service delivery. Indeed, the authority's successful BV pilot application had spoken of a positive shift away from the mentality of writing contracts, conducting market-testing exercises and monitoring contracts, towards more positive initiatives that would rectify and undo the problems brought about by CCT (SCC, Pilot Bid, 1997).

In thus seeking to move away from the market led approach of CCT, SCC's BV pilot bid, entitled *Older People in Southampton: Housing and Community Care*, was a thematically arranged three-year investigation into the housing conditions of older people in the city. The pilot was very crosscutting in orientation and promised to draw upon the experiences of a large number of individuals, partner organisations and stakeholders. SCC's inclusive stance reflected the Council's wider philosophy of *City*

Governance and the notion that the future success of the city was not solely dependent on the performance of the local authority but also on *'the actions of a whole range of organisations'* (SCC, BV Pilot Bid, 1997). Within this vision, SCC viewed the private sector not as a domain to *'outsource services but as a genuine source of job creation and a potential sponsor of public projects'* (SCC, BV Pilot Bid, 1997).

One of the most important components of the authority's corporate BV review process was a *Standards and Guidance* document which provided an authority-wide blueprint for each individual BV review. The *Standards and Guidance* document explained how the authority would address each of the 'four Cs' of BV and, in doing so, foster a formulaic approach to the BV review process. It also reflected the authority's wider BV philosophy that the policy should be foremost concerned with the improvement of *direct* service provision, with competition only to be used in cases of 'failing' in-house services. Consequently, the difference between CCT and BV, as explained by one of the authors of the *Standards and Guidance* document, was that:

'CCT prejudged that there would be competition, a review of competitiveness doesn't' (First Performance Review Officer).

Consistent with this view, a competitive tendering exercise would, according to the *Standards and Guidance* document, only be enacted if the in-house team failed to identify a level of in-house improvement consistent with BV legislation:

'Where the performance of a service is in line with the top 25% of national indicators and / or local indicators for both quality and cost and the service matches the best alternative supplier, then an in-house service delivery

improvement plan should be prepared and implemented' (SCC, Standards and Guidance, 2000).

Otherwise:

'Where performance falls below the top 25% for either quality or cost, or does not match the best alternative supplier, an estimate of the costs of securing improvement of the in-house service is required. Evaluation must be made between this cost and the benefit to be gained from improvement. Where the pursuit of continuous improvement would not be cost effective or where, after implementing improvements, the in-house service fails to match the best alternative then competition should be fully considered as an option' (SCC, Standards and Guidance, 2000).

Even if services failed and were, therefore, exposed to competitive pressures, the *Standards and Guidance* document explained that comparisons would be conducted in a manner that accurately estimated the respective transaction and monitoring costs. Such an approach, therefore, effectively embodied the view that competitive tendering and external contractor provision did not provide a panacea for the failings of in-house provision. The *Standards and Guidance* document had, therefore, been written with the view that in-house failure was not to be automatically met by the default transfer of the service to an external contractor. Rather, any potential alternative would also have to demonstrate that upper quartile status could be achieved within the relevant time scale.

In effect, therefore, the authority had, via its *Standards and Guidance* document, demonstrated a continuing concern that external contractors might, as a result of

developing BV policy, acquire responsibility for service provision. It, therefore, chose to utilise the '*restructure or reposition in-house service provision*' option amongst the seven options for future service delivery as later provided in official BV guidance (DETR, 1999, see chapter 4).

The grounds maintenance and street cleansing review

Having chosen to restructure its in-house provision, the competition element of the authority's BV review process was siphoned from the other three C's outlined in BV guidance. Consequently, in reflection of this, this section examines how the review of grounds maintenance and street cleansing was conducted by recourse to the three remaining Cs of challenge, compare and consult and how the authority used them to create a service improvement plan detailing how it would continuously improve in-house performance.

Challenge

Devised by corporate BV officers in a range of functional departments (SCC, BV Performance Plan, 2000-2001), the authority's largely formulaic BV review of parks and streets services was steered by two *Programme Managers* who worked under the direction of the cabinet members with budgetary responsibility for the street cleansing and grounds maintenance services respectively. In their role as the *steering group*, the two programme managers were required to initiate the review and this began in the context of challenge.

The challenge element of the authority's review required the steering group to stress the importance of the two services to the authority's strategic outlook. In doing this, reference was made in the authority's BV performance plan to seventeen *strategic working papers* that had been written by a BV core team to justify the range of services secured on behalf of the public by the Council and to reflect the crosscutting aspirations of the city (SCC, *The Renaissance of the City, City Strategy Working Papers, 2000*). Within this context, the continued provision of street cleansing and grounds maintenance activity was justified by the Council on the basis of the vital contribution that they made to the 'vibrancy', 'culture' and 'sustainability' of the city (SCC, *The Renaissance of the City, City Strategy Working Papers, 2000*).

Having justified the provision of the two services at taxpayers' expense, the next stage of the process involved setting the objectives for the review. This process was conducted by a *Project Team*, which comprised seven supervisors and managers from the street cleansing and grounds maintenance services, in close collaboration with the steering group. Freed from the constraints of CCT and feeling 'empowered' by BV pilot status, the project team explained how they set out to reverse a number of the problems incurred by the former policy of CCT. The most demanding of which was identified as taking forward the previously prohibited plan to integrate grounds maintenance and street cleansing activity and therein remove the problematic client-contractor split. As the Grounds, Waste and Cleansing Manager explained:

'One main objective will be to replace the cumbersome operation whereby the client tells the contractor what to do and thus improve and streamline the process of getting work completed from the point of order through to payment' (Grounds, Waste and Cleansing manager).

It was, therefore, proposed that an 'open spaces' team would be created comprising both grounds maintenance and street cleansing operations, as well as client and contracting staff. This, it was planned, would unleash operatives from the contract bureaucracy brought about by CCT in favour of a neighbourhood approach to service delivery. More specifically, under the proposed method of working, between six to ten area teams would be designated to specific areas thus enabling each to *'know their patch'* and to interact more flexibly with the local community (Open Spaces Manager).

In particular, the proposed open spaces method of working was intended to incorporate a shift away from fixed frequency task allocation to a needs-driven, neighbourhood approach to service delivery that would 'empower' staff to feed off user concerns and trust them to do what needed to be done. It was further proposed that area managers, comprising ex-client personnel, would supervise each of the area teams to ensure effective co-ordinated working between grounds maintenance and street cleansing staff.

The feasibility of the authority's open spaces proposal depended very much, however, on the freedom with which it would be able to pursue these plans without recourse to competitive tendering. Officers believed, for example, that if the competition element of BV was sanctioned too heavily in the legislation, it might prohibit the long-term removal of the client-contractor split and possibly even the authority's desired proposal to integrate services. Many interviewees did not believe, therefore, that a competitive tendering exercise could be appropriately accommodated into the proposed changes to improve the service. As the Grounds Maintenance Monitoring Officer further explained:

'It would be more difficult for private sector organisations to cross cut across the authority in the way that we propose to, with staff interfacing with service users. So the actual comparison shown on competitiveness is not that easy in this particular area' (Grounds Maintenance Monitoring Officer).

Opposition to competitive tendering as a route to improvement was not ubiquitous throughout the review team, however, and actually angered some of the more pro-active client side officers who felt unable to manage contracts, as they would ideally have liked to:

'The difficulty within the Council is that it is very protective of its DSOs, so you can point out what the problems are but it is another problem dealing with that. If it is an outside contractor, you can cancel the contract [or] whatever. When it is your own team it is far more difficult to actually address those issues effectively and it is the case that as a Council you cannot take it to court. You have got to work around how you get the best out of the contracting team, without them feeling they are being victimised' (Environmental Services Group Manager).

Compare

The authority's rationale for the comparison element of the review was that it would furnish the review team with information detailing the necessary improvement required to achieve an upper-quartile standard of performance. The determination of the baseline position for this entailed the project team conducting an analysis of available

performance measurement information, supplemented with a number of benchmarking exercises.

According to many of the interviewees, the accurate establishment of the baseline position was problematicised by the inconsistent, unreliable and invalid nature of many of the existing statutory performance measures. In the case of street cleansing, for example, project team officers explained that local authorities applied varying degrees of ‘randomness of inspection,’ in terms of how often and when streets were inspected, and that numerous perceptions resided amongst inspectors with respect to what constituted ‘a clean street’. As the Street Cleansing Team Leader further elucidated:

‘The dodgiest thing to me about the whole exercise is I don’t think anyone has really grasped the need to lay out incredibly clear and precise guidelines about how you actually arrive at each performance indicator. The fear is that every authority is arriving at the figures in their own way and so are you really comparing like with like?’ (Street Cleansing Team Leader).

Interviewees also spoke of how their attempts to improve upon the accuracy of the methods and indicators used were equally fruitless since they only served to further differentiate their authority from other authorities which had not undertaken such efforts. As the Street Cleansing Team Leader explained in more detail:

‘We do it (performance monitoring) completely randomly with a computer generated programme that throws out the roads and away we go. I know of other authorities’ that virtually follow the teams’ (Street Cleansing Team Leader).

Members of the project team further called into question the reliability of the statutory performance measures and spoke of a constant flux of changing definitions and guidelines. Thus, officers pointed out that of the seven available grounds maintenance and street cleansing performance indicators, two were entirely new, one was no longer required for external evaluation purposes and three were subject to change as part of the wider transition from Audit Commission to DETR indicators. These alterations are, furthermore, borne out by the information provided in Table 6.1. Thus, this shows that of the seven prevailing performance indicators in the two case services only one, the *'Net cost per km2 of keeping relevant land clean, for which local authority is responsible, clear of litter and refuse'*, remained unchanged during the period of the review. All of the others either faced changes in their definition, were new or ceased to exist.

Table 6.1 Performance Indicators for Grounds maintenance and Street cleansing

| No. | SERVICE AND INDICATOR | SOURCE/ DESTINY |
|------------------------------|---|--------------------------------------|
| Street cleansing | | |
| 1 | Percentage of streets randomly inspected meeting acceptable or high standards of cleanliness – category | Audit Commission – subject to change |
| 2 | Level of satisfaction with the cleanliness | New BV Performance indicator |
| 3 | Net cost per km2 of keeping relevant land clean, for which local authority is responsible, clear of litter and refuse | BV performance indicator |
| 4 | The time taken to remove fly-tipping | Audit Commission - subject to change |
| 5 | The net spend per head on street cleansing | Audit Commission - subject to change |
| Parks and open spaces | | |
| 6 | Cost per hectare | Ceased in 1998/9 |
| 7 | Spending per head of population on cultural and recreational facilities and activities | New BV Performance indicator |

Source: SCC, Appendix 4, Parks and Cleansing Best Value Review, 2001

Concerned by this lack of reliability and validity of the existing suite of national BV performance indicators, whilst being aware also of the continuous need to demonstrate 'competitiveness', the project team supplemented the performance comparison component of the baseline review with benchmarking exercises held with a number of comparator authorities in its 'core cities' benchmarking group (Second Performance Review Officer). This process too was described as being riddled with difficulties, since the sheer amount of information obtained was identified as being difficult to digest and to analyse effectively. In particular, officers explained how various benchmarking measures could be combined, regressed and correlated in numerous ways so as to provide an almost infinite array of information. Indeed, personal examination of this performance data information revealed how SCC's relative street cleansing performance differed tremendously depending on whether the 'cost per km', 'cost per household', 'cost per head of population' or 'km cleaned per full-time employee' was used as the unit of measurement.

Likewise, although interviewees felt that the various measures and dimensions of performance did provide a more 'rounded' view of performance they did so at the expense of clarity and rendered it almost impossible for the local authority to succeed on all of the new measures created. As a result, the more the local authority made attempts to provide a fuller picture of performance, the cloudier the picture became. Thus, the grounds, cleansing and waste manager explained how it was actually very difficult to demonstrate competitiveness by way of comparison:

'Its actually quite difficult proving how we will be in the top 25% by reference to statutory performance indicators, of which there are not many.

This leaves one with the task of developing local ones and then you have

difficulties of comparing like for like' (Grounds, Cleansing and Waste Manager).

He then moved on to talk of the more general ambiguities of BV and the uncertainty associated with it:

'BV is more difficult because it is not closely specified. It is going to be very difficult for councils to know whether they are doing it right or not' (Grounds, Cleansing and Waste Manager).

Meanwhile, interviewees explained how their attempts to demonstrate competitiveness via additional benchmarking exercises with external contractors also failed owing to a lack of interest on the part of those approached on the grounds of *'commercial sensitivity'* (Head of the Neighbourhood Service Department). Even if external contractors had been willing to provide information, the head of the neighbourhood service department did not believe that the resulting information would have provided an officially accepted proxy for competitiveness, anyway, since it would not have been a real market comparison:

'There is only one way to compare yourself against the private sector and that is to conduct a competitive tendering exercise but that beats the principle of doing a best value review' (Head of the Neighbourhood Service Department).

In contrast, more locally inspired attempts at benchmarking, such as process benchmarking, which involved officers visiting other authorities to *'see how things are*

done’ was described as being more useful in terms of actually improving services, even if it was not directly aimed at improving stated performance levels (First Performance Review Officer).

Consultation

Having rather unsatisfactorily compared the existing performance of the grounds maintenance and streets cleansing services, the project team progressed onto the second main strand of its review, which it entitled ‘*improvement options.*’ This stage involved the project team conducting three consultation exercises with a variety of producer and user interests in order to find out what, in their view, the sources of the current failings with the service were and to identify ways in which the service might be practically improved in the future.

In doing so, the producer and user group interests were first consulted with separately to gather their specific concerns about the two reviewed activities. They were then brought together for two away day consultation events to share ideas and to agree the substance of the statutorily required ‘action plan’. Each of these consultation processes are considered in more detail below.

Producer group consultation

In terms of the producer group consultation, this initially, involved representatives from the two major trade unions in the two reviewed services being approached for their views. This union-based consultation was then supplemented by making all employees, both operatives and management, aware that the review was taking place via the

dispersal of information about the review during seven parks and streets review briefing sessions and the circulation of two BV-specific newsletters (SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001). Meanwhile, a questionnaire was distributed to all parks and streets employees which asked them to rate the quality of the services they provided and to identify how much *'value for money they provided for the customer'*. Only 20% of the questionnaires were returned, however, and the responses were not considered to be very informative or representative (SCC, Parks and Streets Review. Questionnaire to Employees, Summary Report, 2000).

In contrast, interviewees revealed how a more detailed and enlightening form of analysis proceeded by way of consultation with a specifically created service improvement group comprising nine employees that met with the project team on two occasions for informal discussions and 'brainstorming'. During these discussions, employees were asked such questions as *'what are the majority of compliments and complaints about?'* and *'Are there any processes, systems or procedures that prevent a fast and efficient service?'* Such questions allowed the project team to tap into the special knowledge held by staff with respect to their day-to-day experience of the service and their knowledge of user needs. As the Corporate Consultation Officer maintained:

'Front line staff know what the public think, they receive the grief or the praises, day in day out, it would be foolish not to tap into that' (Corporate Consultation Officer).

Union officials, nevertheless, explained that a number of employees expressed fear at these investigative questions as they effectively required them to make promises about

how they would work harder in the future, thus reflecting debates in the literature linking employee involvement initiatives with work intensification (Wood, 1991). A corporate BV officer did not dispute this rather pessimistic perspective but rather admitted that:

'The staff clearly want to keep the service in-house but they need to demonstrate why and what more they can do. In terms of continuous improvement, if they want to keep in house what more could they offer, what good ideas have they got that we could actually build into the future'
(Second Performance Review Officer).

Table 6.2 summarises the key points raised by the producer group interests during this initial phase of consultation and shows that they related primarily to organisational issues and implied a return back to the methods of organisation that had been in place prior to the introduction of CCT. Notable in this regard, was the request that the chain of command should be reduced and that front line employees should be provided with greater discretion to *'do what needed to be done and not necessarily was in the contract specification'* (SCC, Service Improvement Group, Session 1 and 2 Summary, 2000).

Table 6.2 Summary of first phase of consultation with producer group interests

| Composition | Consultation processes | Key findings |
|--|---|---|
| 1 Parks and Streets employees 2 Supervisors and Management 3 Trade Union Representatives | Two Newsletters Staff survey Service Improvement Groups Two series of road shows | Reduce chain of command, introduce area based working Let those working in the area talk to customers direct Empower front line to decide what needs to be done. Litter pick before mowing Different standards between centre and neighbourhood areas More staff and resources to be directed to frontline provision More enforcement |

Source: SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001

User group consultation

Although, the project team had conducted consultation with grounds maintenance and street cleansing staff, in part on the basis that they were '*closer to the customer*', it was also felt necessary to conduct a range of user consultation exercises to gain a more 'rounded' view of the user's experience. The consultation with the user group interests first entailed the circulation of a random street survey administered across fourteen areas of the city, which obtained 130 responses, and a short ten-minute questionnaire that was sent out to 99 special interest groups, which received a fourteen per cent response rate (SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001).

These surveys were then followed by a series of open door discussion group sessions. These sessions, which were attended by six of the 99 invited special interest groups mentioned above, proceeded in a manner that was very similar to the service improvement groups held with staff (SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001). The key findings to emerge from the first phase of consultation with user groups are summarised in Table 6.3. As can be seen they show that users wanted to be consulted more about the service, felt the need for more staff and resources and believed that greater enforcement measures should be utilised to prevent people from throwing litter on the streets and damaging public facilities.

Table 6.3 Summary of first phase of consultation with user group interests

| Composition | Consultation processes | Key findings |
|---|---|---|
| 1 Organised local groups <i>Community Action Forums Tenants and Residents Associations</i> | Random street survey 10-minute Special Interest Group questionnaire Open Door Sessions | Consult users more about the service More enforcement More litter bins |
| 2 Special interest groups <i>Clean is Better Parks and Commons Protection Society</i> | Existing City Council consultative mechanisms including community action forum and Citizens Panel | Different standards between centre and neighbourhood areas Litter is mown with grass Traders need to look after frontages More staff and resources to be directed to frontline provision |
| 3 Individuals <i>Citizens Visitors</i> | | |

Source: SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001

These findings did not really surprise project team officers because *'established complaints lines and customer satisfaction monitoring mechanisms already existed'* (Grounds Cleaning and Waste Manager). In particular, it was noted that the Council regularly obtained information from users via elected ward councillors and had a 1500 strong citizen's panel in place (BV performance Plan, 2001/02). To some interviewees, therefore, the consultation was viewed as little other than a BV requirement to be addressed for audit and inspection purposes. As the Parks and Street Cleaning Services Senior Operations Manager further elucidated:

'To be honest, this sounds a bit arrogant I know, but I think most of us could have sat down and written what was going to come out of this consultation before it happened really. But do not get the impression that we framed the questions in a certain way to get these results, but we have been working in the industry for years and we know what bugs people. And there was nothing really shocking to come out. I think people had to be seen to be asked' (Parks and Street Cleaning Services Senior Operations Manager).

Nonetheless, in terms of seeking to provide a harmonious and grounded future direction for the service, a number of common strands and agreements between the user and producer groups to emerge out of this initial phase of consultation were published in the authority's BV consultation documentation (SCC, Appendix 3, Parks and Cleansing Best Value Review, 2001). In particular, this revealed that both of the two consultation groups stressed the need for more staff to be employed in the service and that greater enforcement powers should be enacted to prevent people from, for example, throwing litter in the first place.

On the contrary, there were also examples of how difficult it is to reconcile different interests. This was notably true of concerns with the different standards of quality between the city centre and outlying neighbourhood areas. Thus, whilst the majority of the producer group interests and local tenants complained at the deteriorating standards of the outlying neighbourhood areas, it was simultaneously reported, that some of the special interest groups within the user group contingent expressed the need to retain the quality of prestigious royal parks. This concern was likened to *'keeping up appearances'* and of the need to attract visitors.

First away day

In partly seeking to rectify such differences, the third stage of consultation comprised two 'away-day' events during which the project team brought members of the two consultation groups together to discuss their concerns and to create priorities for the future. Twelve employees, two union officials and fifteen delegates, representing a variety of tenant and local interest groups, attended the first away day (Parks and Streets Review, Away-day Documentation, SCC, 2000). Authority documentation revealed that

this adopted a workshop style approach which sought to get attendees to actively participate in the activities devised by the project team. For example, a 'post bag' activity required delegates to list complaints, compliments and comments on key issues affecting the service and a related questionnaire required participants to rate the top ten identified problem areas out of a list of twenty (SCC, Parks and Streets Review, Away-day Documentation, 2000).

In addition to allowing participants to prioritise their concerns for the future, the away day also allowed delegates to share their grievances with one another and to better understand the perceptions of each other. According to many respondents, this process was a '*very intense affair*' and represented one of the most significant events of the entire BV review (Programme Manager, Leisure). In particular, interviewees reflected upon how, during the first away day, a number of the more vocal delegates accused other delegates of being directly responsible for service failings and such accusations roughly materialised into an argument between staff and users. Thus, for example, interviewees reported how frontline staff argued that users did not fully appreciate the pressures that they worked under and argued that many of the highlighted problems, such as unclean streets, stemmed from the behaviour of the public and their reluctance to be responsible for their litter. In contrast, users argued that the town was too dirty and that if existing staff could not provide a better service, then perhaps someone else should be given the opportunity to do so.

Despite not reaching any solid conclusions, the main findings of this away day exercise were compiled in a summary document and sent out to all participants with a thank you letter (Parks and Streets Review, First Away-day Documentation, SCC, 2000). This letter explained that the away day had been a '*productive event that has generated ideas*

for further investigation'. It also invited previous participants to a second away day that would, in part, involve the authority reporting back on the service improvements it was proposing for the parks and streets services.

Consequently, having conducted a reasonably demanding process of consultation, supplemented by regularly collected corporate information and the away day event, the project team began to create a series of service delivery options. These were fused out of the information gathered from the consultation and comparison exercises and led to the creation of specific targets for improvement. The appropriateness of these targets formed the core subject matter for the second away day.

Second away day

The project team's rationale for conducting the second away day event was to gain support, and ultimately to demonstrate accountability, for its proposals for BV and, in particular, those relating to the gaining of future service improvement. The gaining of such legitimacy foremost entailed away day attendees '*setting targets for three key performance measures*' that had been chosen by the project team to justify and endorse the authority's commitment to continuous service performance improvement (SCC, Parks and Streets Review, Second Away-day Documentation, 2000). As demonstrated below, the first two of these indicators derived from the more general national suite of BV performance indicators and were, therefore, statutory, while the third, a public satisfaction indicator, was created locally in response to concerns about the discrepancies in quality between royal parks and estate areas:

1. Actual level of cleanliness of the city for grade A+B (national indicator)
2. Public satisfaction with the standard of cleanliness (national indicator)
3. Public satisfaction with standard of maintenance on housing estate greens (local indicator)

At the start of the second away day, it was observed how the project team provided an explanation of the composition of the three performance indicators and followed this with a group debate concerning the desired future performance targets for each of them. During this debate, a number of the away day participants were observed to express scepticism about both the authority's stated account of 'current' service performance and also its proposed performance targets. In particular, participants were seen to complain that published accounts of service performance could be manipulated to managers' own ends and did not always tally with user experience. For example, participants mocked heavily the authority's claim that, according to the procedures outlined in the Environmental Protection Act (1990), 92% of the city's streets were currently of a 'grade A or B' standard of cleanliness.

The notion that formal and internal assessments of performance did not tally with user experience was further borne out by documentary evidence which claimed that although 90 per cent of the authority's highways were, according to the procedures outlined in the Environmental Protection Act, assessed as meeting a 'high' or 'acceptable' standard of cleanliness, only 24.1 per cent of respondents asked, as part of a 1500 wide citizens panel, were 'satisfied' with such cleanliness.

Not only did users complain about the authenticity of internal performance indicators, but the project team expressed scepticism about the accuracy of the external measures of performance. Thus, during interviews, members of the project team pointed out the types of flaws that also resided in measures of consumer satisfaction. For example, a

number of project team members explained how users' perceptions might be based on such unstable premises as 'the weather', 'people's moods' and 'visibility of service activity'. As a Street Cleansing Team Leader later elucidated:

'We get a lot of different views depending on various triggers, how often they think they see the bloke coming down the street to clean it, rather than the amount of litter' (Street Cleansing Team Leader).

Wishing not to downplay all three indicators and by implication, the entire consultation and comparison processes, however, the project team reiterated the importance of entering into the spirit of BV and of providing future performance targets. Such targets, the project team maintained, would form the basis of auditors' and inspectors' judgements of the service and should therefore be taken seriously.

Subsequently, during the ensuing debate, the project team ensured that the future target for the 'actual' level of cleanliness would meet the statutorily required top 25% and, in doing so, entail an increase in the level of cleanliness of the city from 92 per cent to 97.1 per cent. Away day attendees signed up to this target, if only on the basis that it signalled the authority's commitment to improve services, but simultaneously were observed to express the concern that it represented yet *another* dubious figure.

The two public satisfaction measures, by way of contrast, did not have to reach the upper quartile position because they were not 'upper quartile' indicators. Members of the project team, therefore, chose to ensure that away-day participants created reasonably demanding *local* targets, thus demonstrating the authority's commitment to continuous service improvement. Consequently, the 'level of satisfaction with the

standard of maintenance on housing estate greens' was targeted to increase from 17.1% to over 45% by 2005 while the 'level of public satisfaction with the cleanliness of Southampton' was targeted to increase from 24.1% to over 50% by 2006. The level of improvement demanded on these two locally derived satisfaction indicators was, therefore, quite dramatic, with a two and half fold increase required on the first indicator and a doubling of performance improvement on the second indicator. In contrast, the far smaller targeted improvement on the upper quartile performance indicator reflected the fact that the existing level of performance was much higher, with less room for improvement.

Service Improvement Plan

Following a laborious year-long BV review process, the project team, had identified a range of service improvements that, if achieved, would be sufficient, in its view, to propel the integrated parks and streets service into the upper quartile performance position and thus achieve continuous in-house improvement. The project team's proposals were written up in a glossy service improvement plan that contained within it an impressive array of charts and referenced material. Despite these rather ambitious plans it was still the case, nonetheless, that at the reporting stage of the service improvement plan, *'the most pressing matter'* of integrating street cleansing and grounds maintenance operations was still in the process of negotiation between management and staff.

The reason for this, according to trade union representatives, was that the project team's preoccupation with making sure that the stated accounts of performance were consistent with statutory requirements had diverted much time away from the substantive

objectives of the review. Thus, when members of the project team were asked the more difficult question of how the local authority might actually achieve such a large improvement in performance across these three indicators, they admitted that this area needed more work and commitment.

This last statement was understandable given that it was clear that the merging of the street cleansing and grounds maintenance activities faced difficulties. The Trade Union Side Secretary noted, for example, that street cleaners were reluctant to pick litter from grass while grounds maintenance staff felt that service integration would reduce their responsibilities. In a similar vein, the head of the neighbourhood services division, with ultimate officer responsibility for the two services, observed that:

'If we co-ordinate at the lowest level, total front-line, they will probably be against it, they have taken the view that someone who cuts grass is superior to someone that sweeps up. There is little chance that a grass cutter will have a brush in their hand. They agreed in principle but felt that it should be co-ordinated at supervisory level' (Head of the Neighbourhood Services Division).

Against this background, one respondent somewhat cynically suggested that there was a much simpler solution to the problem of how to improve service performance. This was to remove the 'neither satisfied nor dissatisfied' response category from the consumer satisfaction survey since in his view such a change would provide a potential 34 per cent further satisfied respondents!

Whatever the exact direction of the two services, however, responsibility for ensuring that the changes identified in the service improvement plan were achieved, was handed to a change management team. This comprised senior officers from the open spaces team, with additionally support coming from the corporate personnel function. The necessary revisions identified in the service improvement plan were scheduled for a five-year period commencing in April 2001. Notably, in identifying the key step changes required, the service improvement plan also acknowledged that additional resources would be required to attain some of the necessary improvements. Otherwise:

'If resource levels remain at the current levels or are reduced further then adjustments to the targets will be required' (Executive Summary, Service Improvement Plan, SCC, 2001).

Finally, in recognition also that it had not directly competed during the review, the project team made a rather telling revision to the executive summary of its service improvement plan. This revision involved the project team making an even greater commitment to the involvement of external contractors in the delivery of the two services and further suggested that, to date, the authority had only determined the *changes* to service delivery and not who might be best placed to provide them:

'After reorganisation changes have settled down the situation will be reassessed to evaluate whether or not the in-house provision is the most cost-effective method of delivering specific elements of the service' (Executive Summary, Service Improvement Plan, SCC, 2001).

Interviewees later explained how this erroneous statement effectively, in the eyes of the BV inspectorate, amounted to a promise to conduct a competitive tendering exercise once the proposed changes had time to settle down. Consequently, despite all the efforts of the project team to demonstrate competitiveness, in the event, the key difference between a BV review and a CCT exercise, in terms of competition, effectively related to the amount of preparatory work involved prior to the tendering of services.

The BV Inspection

Having taken approximately a year to conduct the BV review of grounds maintenance and street cleansing activity, the project team created a final version of the BV service improvement plan that it hoped contained within it sufficient measures to propel the combined street cleansing and grounds maintenance activity into the upper quartile position. Although the desired improvement in performance it had promised had been rather dubiously arrived at, the project team still believed, nonetheless, that the key step changes it had proposed would deliver real improvement to services. The final task of the project team with respect to the BV process was to convince the impending inspection team of this.

A three-person team conducted the week-long BV inspection of SCC's parks and streets. Following analysis of the authority's BV review documentation and a series of 'reality checks,' the inspection team 'scored' the current performance of the parks and streets service and provided an estimate of the likelihood that it would 'improve in the future'. In terms of the first judgment, the BV inspection team reached the verdict that the current quality of the combined grounds maintenance and street cleansing service was 'fair', an assessment that did not really surprise project team members, most of whom

had predicted this score before hand anyway. Thus, as the Open Spaces Manager explained:

'It does not take them (the inspectorate) to tell us where we are at the end of the day, if you looked at Southampton we are pretty poor, but we do have the ability to improve, and so we want to improve in the future' (Open Spaces Manager).

More generally, the inspection team fully accepted the project team's rationale for conducting the review in the way that it had done so, and this was particularly true in terms of the attempts SCC had made to undo the problems brought about by the previous policy of CCT. In particular, the BV inspection team welcomed the introduction of the open spaces team and believed that the approach should be *'developed so that all staff have opportunities to fully apply their skills'* (Audit Commission, 2002a: 72).

The inspection team also believed, along with the project team, that the grounds maintenance and street cleansing services had the ability to improve and consequently made the judgement that the *'prospects for service improvement were promising'*. This verdict had, however, been strongly influenced by the fact, that during its visit, the inspection team learnt that the authority had managed to attain additional resources from the Council's budget for the two services. As the inspection report maintained:

'Initially we had concerns about the resources that were available to deliver improvements and what sources of funding had been identified and were being pursued. Much of the improvement plan was to be funded by

reallocating existing resources. However, some actions did not have funding identified. While we were on site we learnt that councillors had approved funding for two years for a programme called 'improving the visible quality of the environment'. This will allow the implementation of the rest of the actions in the improvement plan' (Audit Commission, 2002a: 27).

This response perhaps, influenced by the knowledge that the authority had explicitly documented that it spent approximately £1.20 per head (equivalent to an annual difference of £256,000) less on street cleansing than the average upper quartile authority in terms of a 'high' or 'adequate' standard of cleanliness (Audit Commission data, as reported by SCC, June 2000) and that there was, therefore, more scope for justified increased resources.

If the inspection team was fairly upbeat about the future improvement prospects of the street cleansing service it had rather more concerns with the likely future performance of parks maintenance. As the BV inspection report (Audit Commission, 2002a: 21) maintained:

'In conclusion, Southampton's performance on street cleaning is above average when compared with other councils, and we consider that the Council will be able to achieve best 25 per cent performance. However, the Council compares less well in regards to parks with higher spending and falling satisfaction levels' (Audit Commission, 2002a: 21).

In addition, despite reaching the verdict that the parks and streets service would 'probably improve in the future,' the inspection team did raise a number of concerns

about the way in which the review had been conducted and expressed related concerns that not all of the desired means of BV had been adhered to. In terms of the challenge element, for example, the BV inspection team recommended that the integrated service should *'contribute to achieving the broad strategic themes, such as 'the healthy City' and 'safe City'*. For their part, interviewees expressed annoyance at this recommendation since it seemed to ignore the efforts that the project team had made to link each review to the authority's strategic framework. Indeed, they believed that had the project team *'not bothered to link the review to the strategic working papers'*, in the elaborate manner in which it had done so, *'the inspection team would probably not have raised the issue at all'* (Area Grounds Officer).

It was, however, the local authority's lack of competitive tendering that caused the greatest concern amongst inspectors. In particular, the BV inspectors strongly disputed the authority's promise to *'rigorously and independently compare'* the competitiveness of the in-house provider (Audit Commission, 2002a: 24) and stated in no uncertain terms that:

'(Rigorous and independent comparison) was not done...The Council took the view that it would be better to wait until the present reorganisation was completed. It decided to review the effectiveness of the restructured service at a later date, seeking evidence of improved service efficiency and economy. We consider this a weakness of the review' (Audit Commission, 2002: 25).

The BV inspection report went on to state that:

'The opportunity' had been missed to go out to the market and also to consider partnership and trust options as part of the review. This is

important because of the need to explore a range of options in order to be able to demonstrate that services are being delivered efficiently and effectively to meet the needs of local people' (Audit Commission, 2002a: 25).

The resulting inspection recommendation, *'to prepare and carry out a market testing exercise for grounds maintenance and street cleaning services,'* was later described as having been *'met with uproar and dismay amongst members of the project team'* (Area Grounds Officer). One of the strongest objections to competition was that it would involve the authority undoing much of the hard work it had undertaken to arrive at the key step changes. In particular, the undertaking of a fresh competitive tendering exercise would entail the re-introduction of the client-contractor split, the removal of which had been at the forefront of the authority's practical aims for the review. As the service improvement plan had previously stated:

'It would not be possible at this time to procure services from the marketplace that match the integrated service provision developed by SCC without reinventing the 'client' to let and evaluate tenders, appoint contractors and administer the contract' (SCC, Service Improvement Plan, 2001).

Indeed, while the inspection report recognised that the 'client-contractor split' had a deleterious impact on service performance and staff morale, it still recommended competitive tendering:

'Staff have been working to a specification drawn up under the compulsory competitive tendering arrangements. Under the terms of this specification, the range of maintenance permitted was restricted and limited. Staff have been unable to rectify damage, due to prescriptive schedules of work and

tight timescales for routine maintenance. This has meant that staff have been unable to deal with the range of problems and damage' (Audit Commission, 2002a: 16).

It was almost as if, therefore, the recommendations provided by the inspection team derived from some predetermined check-list that paid scant regard to the particular findings that had been unearthed during the visit. Indeed, in many respects the BV inspection team appeared to be far more hostile to the authority's corporate BV review process than even the then DETR. For example, a DETR produced procurement publication had praised the authority's corporate approach to continuous improvement and warmly embraced the link between compare and consult:

'Southampton City Council's policy for competitiveness deals with the 'make or buy' part of BV. Every service is measured against the public and private sectors in terms of competitiveness to see whether they are achieving the top 25%. If a service area is not achieving this they must set out a plan detailing how they intend to achieve this. If it is decided that the service area cannot realistically achieve the top quartile, in terms either of cost or quality, then other service delivery options (as set out in the Statutory Guidance) must be considered' (DETR, Organisation and profile of Procurement: 23, 2001).

The inspection team, operating from within a different regulatory context, however, disputed the worthiness of the authority's approach to continuous service improvement and appeared to be more preoccupied with the authority's weak efforts to conduct a

competitive tendering exercise. For this case at least, it seemed that the means rather than ends took priority in the inspectors' judgements.

Conclusions

This case study has demonstrated how SCC conducted a BV review of two services previously subject to CCT and the response to this review by the BV inspectorate. It began by detailing the impact of CCT on the two services and revealed that following two full rounds of tendering, the authority managed to retain all services, with the exception of a rather minor trees contract, in-house. Despite this apparent success, however, the first section of the chapter also noted that the exposure to competition had exerted a major disciplining effect on the authority and led to substantial reductions in employment and service quality within the two services. In addition, problems were found to have arisen as a result of the way in which the two services had to be operated in a post-CCT environment and, in particular, by the complications brought about by the introduction of a contract bureaucracy.

Against the backdrop of this unsatisfactory experience, the second section of the chapter explained that personnel from across the authority warmly embraced the incoming Labour Government's proposed BV pilot scheme, not least because it promised to provide participating local authorities with a greater degree of freedom and flexibility than was the case with CCT. The resulting BV pilot project created in the authority was shown to reflect this view, with proposals to remove away from the inflexible and bureaucratic practices of CCT being given much prominence in the bid submission.

With BV having replaced CCT, and SCC having been selected as a pilot, the chapter moved on to describe how the authority proposed to take the opportunity to reverse the problems brought about by CCT and how it had planned to do so without recourse to competitive tendering. In the local authority's view, the process and impact of competitive tendering had created a number of obstacles to the effective provision of quality services and such an approach would not, therefore, be voluntarily utilised by it under BV.

In line with this approach, the third section of the chapter moved on to provide a detailed overview of how the review of grounds maintenance and street cleansing was conducted by recourse to the three Cs of challenge, compare and consult, with competition being purposefully siphoned off by the authority as a fall back measure in the event of service failings. Although the authority's aspirations for BV were not too dissimilar from the Government's desired outcomes, based as they were on the continuous improvement of local service, the findings from the review demonstrated how difficult the authority found it to demonstrate 'competitiveness,' without recourse to competitive tendering. It was revealed, nonetheless, that whilst the project team had no doubt that the proposed changes it had planned for the reviewed services, primarily in the form of the creation of an open spaces team, would lead to improvements in service performance, the key issue of whether they would formally be measured as having done so was doubted.

In the event, the final section of the chapter revealed that although the BV inspectorate reached the judgement that the authority had 'promising prospects for improvement', it still recommended that the authority should conduct a competitive tendering exercise. This was a recommendation, however, which not only had the potential to reverse some

of the key initiatives that the authority had planned and which had justified the need for a BV review initially but also served to question the extent to which BV truly allows authorities to '*restructure their [former CCT] in-house services*' without resorting to competitive tendering.

Chapter 7

Newham's London Borough's BV review of leisure centres

This chapter takes as its case a London borough authority's BV review of leisure centres. At the start of the review in 1999, the authority directly provided three leisure centres, at an annual budgeted cost of £3.13 million. The authority was also in the process of completing the construction of a fourth, lottery-funded, leisure centre, which was due to open two years after the commencement of the review. The existing leisure centres employed approximately 100 full-time equivalent staff and it was anticipated that a further forty employees would be required for the new centre.

This chapter broadly follows the structure of the previous one in examining the impact of the BV review on Newham's leisure centres provision. Thus, initially, it details the impact of CCT on the authority's leisure centres provision. It then goes on to provide an outline of the authority's aspirations for the BV pilot scheme by detailing the most salient elements of it. Following this, the chapter moves on to detail how the BV review of leisure centres was conducted and, subsequently, examines the resulting partnership that was established with an outside provider. Finally, the fifth section of the chapter concludes with a discussion of the response to the review by the BV inspectorate.

The historical legacy of CCT

Throughout the policy of CCT Newham London borough council (NLBC) succeeded in retaining responsibility for its leisure centres provision, though its 'grip' on them was not merely the outcome of political considerations but rather a product of the efforts of

DSO managers fighting hard in the face of mounting competition. Initially, there had been no fight because the implementation of the first round of CCT proceeded in the context set out for it by the authority's strong Labour leadership and its policy of *'seeking to win and retain all of the services subjected to CCT'* (First Corporate Contract Officer). This policy reflected the view amongst leading councillors that CCT legislation was *'akin to privatisation and bad for local democracy'* (NLBC, Council Minutes, 1990). Thus, as a Corporate Policy Manager explained, throughout the early days of CCT the Council expressed *'very strong support for local employment to support the local economy'*. In adopting a hostile attitude to CCT and, more specifically, in seeking to retain all services without making reductions to jobs or service quality, interviewees revealed that a highly centralised approach to CCT was adopted which entailed the creation of a core CCT team to implement the policy and to present a *'focused and coherent opposition'* (Second Corporate Contracts Officer).

Despite the undeveloped nature of the leisure service market, however, former members of the core team explained how, against this background, they still decided not to take any risks with the preparation of the first leisure management contract. One explained, for example, how he and his colleagues had been instructed to prepare the leisure contract in such a way as to increase the time, costs and risks incurred by competing contractors. Consequently, it was explained that not only did the core CCT team write, as it had done for all CCT contracts, meticulously detailed and prescriptive specifications, but it also prepared separate contracts for each of the authority's three leisure centres. These efforts had the desired effect since no external contractors *'expressed an interest'* for any of the three leisure centres contracts (CIPFA data, 1992), with the authority, therefore, being able to retain responsibility for all of them.

The second round of CCT

The second round of leisure centres CCT occurred in 1997. Respondents explained that by this relatively late stage in the life of CCT the politics of the Council were moving keenly in favour of BV policy and as a consequence took a more pragmatic approach to competition and to the potential involvement of external contractors in the delivery of local services. In line with this new, *'less defensive approach'* (BV Procurement Officer), interviewees explained that responsibility for the preparation of second round CCT was devolved to separate service departments and the message cascaded to them by the Council's political leadership was that they should adopt a more *'even handed'* (Second Corporate Contracts Officer) approach to CCT. The policy of CCT was hence now no longer conceptualised by leading officers and councillors in the authority as a threat to local service provision but rather as a *'rigorous and necessary test of the economy and efficiency of local services'* (NLBC, Leisure Service Division's Evaluation of the performance of Leisure, 1997). A former Core Contracts Officer explained this new policy context in the following terms:

'Whilst DSO's were encouraged to prepare tenders in a bid to retain services, they were also expected to facilitate a more even-handed contest than the rather biased approach adopted to CCT in the first round. If contractors were better on price and value then the work was expected to go to them. Otherwise, if DSO could do it and was as good as anybody else then it could carry on' (Corporate Policy Manager).

At departmental level, meanwhile, officers from the leisure service department (LSD) reported how, in accordance with the Council leadership's new approach, they began

the second round of CCT with a view to learning more about the private leisure services market. Interviewees explained that this involved the LSD consulting with six external contractors to ascertain their thoughts on the authority's existing contract documentation and subsequently led to the conclusion that external contractors *'would express more interest in operating the leisure service if the three existing leisure contracts were repackaged and competed for as one'* (First Leisure Centre Manager). This conclusion, moreover, proved to be correct since when the LSD tendered the second round leisure centres contract as one, a previously dormant local leisure service market erupted and four 'expressions of interest' eventually materialised into two external bids, a figure later confirmed by LGMB statistics (LGMB, 1997a).

The two competing external bids were reported to have been *'very well priced and targeted'* (Service Development Officer), with only £100,000 per annum on the submitted contract value separating the lowest externally priced bid with that of the DSO. Officers from the LSD revealed, however, that in preparing the in-house bid they used the special discretion afforded to them by the nature of the leisure service tendering arrangements to *'assess favourably'* (Second Leisure Centres Manager) the DSO's planned membership scheme to provide unlimited access to users for £30 per month. Multiplied against the predicted take-up of the membership scheme, the DSO bid submission was calculated to amount to a lower operational subsidy than the two competing alternatives and for this reason was chosen. At a more senior level, the Divisional Director of Recreation agreed that the resulting figures for the leisure services tendering had not been created in the most objective or scientific way:

'If you ever have a DSO bid coming in and a DSO manager is bidding against external contractors and they don't want to transfer over, then you

think well, if they project high levels of income, who carries the risk and with the private companies its them, but with us its the Council. Subsequently there is a lot of leeway for a DSO manager to transfer that risk back to the Council in their bidding strategy' (Divisional Director of Recreation).

The financial repercussions of the authority retaining continued in-house provision was that it necessitated a £550,000 (20%) reduction on the existing per annum subsidy level. In discussing this figure, however, the leisure development and operations manager explained that a reduced subsidy allowance did not immediately *'pose a threat to jobs or service quality'* since the evaluation of tenders was predominantly based upon *'competitors' income projections'*, which in turn, reflected predicted user numbers and user charges *'and almost anything could be put down here'*.

The lasting impact of second round leisure centres CCT for the leisure centres had been, therefore, to increase the emphasis *'placed upon marketing existing and new services rather than making cuts to existing service levels'* (Leisure Development and Operations Manager). Nonetheless, one respondent explained that this revised focus had the effect of diverting attention away from the core function of the service, namely that of providing leisure services (Service Development Officer).

The BV pilot scheme

Shortly following the retention of leisure centres provision NLBC learnt that it had successfully applied for BV pilot status. In the eyes of the authority's leadership, the introduction of BV *'wiped the slate clean'* with respect to previous tendering

experiences and provided it with the opportunity to demonstrate *'just how much it could do'* with the emerging BV philosophy and the twelve BV principles (Second Corporate Contracts Officer). Thus, as part of its pilot bid, Newham LBC emphasised its overall philosophy for the future development of the borough as follows:

'The Council wants to rebuild east London and foster a prosperous community in which people enjoy a better quality of life, with safe and attractive neighbourhoods, good housing and local services, a community in which people are empowered to take responsibility for themselves and one another. By 2010 Newham will be a major business location and a place where people will choose to live, work and stay' (NLBC, Pilot Bid Application, 1997).

Respondents agreed that the policy of BV was driven relentlessly from the top of the authority, with leading councillors and officers seeking to exert a major influence on the development of BV legislation (Evening Standard, 22 June, 2000:24-25). Personal examination of the authority's BV pilot application also revealed that, in the context of the other thirty four pilot bids, it was highly ambitious in nature and foremost based around 'challenging' the current status of service delivery with a view to embracing external contractors in the delivery of local services (NLBC, Pilot Bid Application, 1997). This approach was further exemplified by the inclusion of the three following high profile corporate BV review targets:

1. to achieve overall cost savings of five per cent
 2. to achieve an improvement in service quality of ten per cent
 3. to move over five years from 10% to 35% of services externally supplied
- (NLBC, BV Pilot Application, 1997)

The three targets clearly demonstrated the authority's seriousness about shaking up the existing service and to do so firstly by targeting both cost savings and improvements in service quality and then more controversially by moving *'over five years from 10% to 35% of services externally supplied'* (Second BV Consultant). This third target, then, seemed to embrace a degree of ideological opposition to direct service provision, a view not dispelled in the authority's BV pilot application:

'Newham has in the past relied almost wholly on Council provided services. This reflected both political preferences and an often inadequate local supply. This approach will change with the Council's commitment to a diversity of suppliers' (NLBC, BV Pilot Application, 1997).

What was particularly controversial about the third target was that it seemed to contradict the then widely supported BV mantra of 'what matters is what works' by assuming that only external provision could achieve improved performance. A senior officer, partly responsible for creating the authority's BV performance plan and the three performance targets therein, admitted that the *'third (target) in particular'* had not been:

'...a sensible objective because, we could find and we are finding that we are better at providing some services and we do not want to externalise them. The arbitrary target of 35% might not be the appropriate level therefore. You know it could be that 20%, is the correct level, or 65%. We will just see what happens' (First Best Value Consultant).

Officers explained how the Council's leadership ignored these concerns, however, and, in anticipation of the controversy that would greet its plans, created a high profile core BV team, comprising the chief executive, deputy chief executive and eight other senior officers, (NLBC, Brief Outline of Year One Reviews, 1998). The task of this team was to assert discipline over recalcitrant departmental based officers unwilling to conform to the leadership's blueprint for BV.

In some respects, the core BV team was not unlike the core CCT team before it since it too had sought to ensure a coherent and authority-wide approach to policy. A noticeable difference between the two respective core teams, however, was that, in contrast to the core CCT team, the BV one had not been established to oppose and confront national policy but to champion and further it.

The leisure centres review

Although, NLBC's review of leisure centres began during the piloting stages of BV policy and, therefore, in advance of the publication of the four Cs, the authority did effectively carry out activities which one could later equate to the 'challenge,' 'compete' and 'compare' elements of BV. In addition, a high profile corporate consultation event had also been created in the authority and used to inform the public's view of council services across the board, including leisure. Consequently, this section of the chapter is organised in relation to how the leisure centres review embraced all of the 'four C's' and begins first with 'challenge'.

Challenge

The authority's challenge element of the review of leisure was primarily operationalised via an internally created BV toolkit that effectively demanded an analysis of whether activities were *'needed at all'*, and if so, *'whether they necessarily had to be directly provided'* (NLBC, BV Procurement Toolkit, 1998). In doing so, the toolkit effectively expanded the scope of competitive tendering by requiring officers to investigate whether external contractors might more effectively provide services than the local authority. A senior BV officer duly summarised the authority's approach to the BV pilot as follows:

'There is no point in providing a service if you have no purpose to provide it. Does it strategically fit in with our Corporate Plan and Corporate Priorities? Does the local community want it? Does the local community value it? By and large if the public don't see the need for it and there's no legal reason to do it, then you have to question 'why do we do this'? And if it is not required, then you can spend the money and resources somewhere else. These are all important stages and once you've established that you are going to fund a service, you then begin to look at how you are going to provide it' (Divisional Director of Support Services).

Perhaps the most important section within the authority's BV toolkit, in this regard, was that entitled the strategic decision matrix. This contained eleven criteria that every reviewed service would be evaluated against in terms of whether they had the potential to be provided externally. As the authority's BV pilot bid had previously stated:

'All service areas in the first year pilot will be assessed using a systematic strategic decision matrix. The presumption is that services will be subjected to open tendering unless they have been tested within the last year or are assessed as providing a strategically important service' (NLBC, BV Pilot Application, 1997).

Each of the eleven dimensions were weighted by a factor of between one and four, depending on their perceived importance to the 'make or buy decision' and the risk that would be associated with external contractors taking responsibility for their provision. Then, in terms of evaluation, the strategic decision matrix awarded between one and three points to each local authority service depending on the extent to which each of the specific criteria indicated that the service should remain in-house. Notable within the eleven dimensions of the matrix was a 'local economic benefit' dimension which implicitly exemplified the shift within the authority from a producer concerned body, as in the early days of CCT, to a more user orientated one. Thus, as the strategic decision matrix document was at pains to state, 'contracting out' need not necessarily lead to a loss of jobs since:

'A firm could locate in Newham to deliver a contracted service and expand into other local authorities while keeping its headquarters in Newham or close by in a neighbouring borough. This outcome would be beneficial and outsourcing would have little impact' (NLBC, Strategic Decision Matrix, Procurement Toolkit, 1998).

The maximum score that could be achieved under the strategic decision matrix scoring system was 63, with the potential scores being interpreted as follows:

'A high score (46-63) points to retaining services in-house, a middling score (28-45) points to a mixed economy of provision and a low score (11-27) points to the application of a more traditional approach to competition based on tendering' (NLBC, Strategic Decision Matrix, Procurement Toolkit, 1998).

During interviews, departmental officers explained how it was felt that the authority's approach to BV went *'far beyond that required statutorily'* (Client Manager, Benchmarking) and, in doing so, represented a very real threat to the continued direct service provision of leisure services. In particular, interviewees commented that they did not really believe that the authority's BV pilot process would add much to the actual improvement of the authority's leisure centres, which they saw as the real objective of BV, since it was located primarily in the context of 'compete'.

Compete

Day-to-day responsibility for the leisure centres review was handed to a specifically constituted service review team. This comprised five officers from the LSD, which in turn, reported to the cabinet member for leisure. To ensure that the service review team properly traversed the BV review process in the spirit set out in the BV toolkit documentation, a core BV team officer was also assigned to the team (NLBC, The Newham Process – Roles and Responsibilities, 1998).

Personnel within the service review team explained how they did not take happily to the task placed upon them to examine the leisure service in the context of the BV Toolkit

and, in particular, the strategic decision matrix. One key explanation offered for this unhappiness was that review team members had only *'one year previously taken the service through a CCT exercise'* and were also embroiled in the delicate process of *'completing the construction of a fourth, lottery-funded leisure centre'* (Service Development Officer). In particular, service review team members pointed out that having fought hard to obtain £15 million from the sports lottery to construct the fourth leisure centre, they were *'now hardly going to challenge its existence'* (Leisure Development and Operations Manager).

The reservations of the leisure centres review team concerning the appropriateness of having to go through with the BV toolkit so shortly after CCT appeared to be justified when, upon completion of the strategic decision matrix, a score of 47 out of 63 points was achieved (see Table 7.1). In particular, associated documentation reported that the DSO had operated fully within the terms of the contract specification, met the income projection targets created as part of the second round of CCT and was registering improved service performance (NLBC, BV Toolkit for Leisure, 1999). The service review team responsible for evaluating the eleven criteria was also able to document that the DSO *'provided a reasonably good level of service for a relatively low cost'* (BV Toolkit for Leisure, NLBC, 1998); a conclusion which accorded with the observation that it was *'basically doing a good job under difficult conditions'* (Second Leisure Centre Manager).

More specifically, the elements on which the service review team rated the leisure centres provision most highly resided within the 'current performance' dimension of the service, as expressed in terms of quality, price and performance track record. These elements all received maximum points. The service did less well, however, in terms of

the 'structural composition of the service', a dimension which encapsulated six elements that captured such given and unchangeable characteristics of the service as contract specificity, size and development of the market place.

Table 7.1 Strategic Decision Matrix For Leisure centres

| Element | Description | Weight | Total Score |
|--|--|-----------|-------------|
| Current performance | | | |
| Quality / Price Balance | Most heavily weighted factor, measures balance between cost and quality. | 4 | 12 |
| Performance Track Record | Current success in meeting service standards, contractual specifications or statutory requirements. | 3 | 9 |
| Structural aspects of the service | | | |
| Nature of Service Specification | Ease of specifying service to manage contractor by ability to accurately describe requirements. | 1 | 1 |
| Supplier Quality | Judgement on the availability of reputable alternative suppliers with regard to entry barriers, trade association and code of conduct. | 2 | 2 |
| Supplier Market Place | Measures the quantity of competition in the marketplace. | 1 | 2 |
| Control of Service | Judgement on the centrality of the service to the Council's core functions. | 3 | 6 |
| Capital Needs | Measures degree of capital required by service on assumption that an external provider can access investment. | 1 | 3 |
| Gross Budget | Measures size of the gross budget on basis that larger valued services have more scope for costs savings | 1 | 1 |
| Local Community Interest | | | |
| Local Economic Benefits | Measures impact of proposed course of action on local economy. | 1 | 3 |
| Community Impact | Measurement of the relevance of service in terms of achieving council's vision and the visibility of the service to the community. | 3 | 6 |
| Public Interest | Judgement of the sensitivity of the service with respect to damage arising from failure. | 1 | 2 |
| Total | | 21 | 47 |

Source: NLBC, BV Toolkit for Leisure, 1998

Despite these obstacles and according to pre-established criteria, the 47 score still fell into the highest scoring category which not only pointed to in-house retention but also raised doubts as to whether the service should have previously been subjected to a competitive tendering exercise. In fact, it was also noted in the review that 'left to

market forces, many activities would not be provided that are currently available at the leisure centres, particularly minority activities and opportunities would be aimed primarily at the affluent population' (NLBC, BV Toolkit for Leisure, 1998).

Compare

At the time of the research two national performance indicators existed for leisure centres service provision. These can be defined simply as the 'net cost per swim/visit' and 'net cost per head of population.' The first indicator calculates the operational cost per swim and 'tends to reduce with increased usage,' owing to economies of scale (Leisure Development and Operations Manager). The second indicator, in contrast, reflects the average cost of the service to the local taxpayer in terms of the level of subsidy provided.

In the authority's leisure centres review documentation the service was calculated as being equivalent to London's fifth most expensive leisure service provider in terms of the 'net cost per swim' and London's sixth most expensive leisure service provider in terms of the net cost per head of population (NLBC, Management of Sport and Leisure Facilities, Annual Report, 1999). Interviewees explained that this reasonably 'poor' comparative performance had not previously troubled the authority because it reflected the structural context and in particular the *'relative deprivation of the authority'* (BV Sub-Committee Councillor).

Moreover, the service review team's assessment of the 'Local Community Interest' dimension of the strategic decision matrix had actually praised this level of performance on the basis that it represented a *'commitment to social programming'* and *'subsidised*

access. There was, therefore, something of an inconsistency between how the authority had viewed its leisure service provision performance, as outlined in the strategic decision matrix, and the emphasis being placed nationally on achieving high standards of performance. A number of respondents also pointed out how these different priorities were further exacerbated by the *'time and effort they had to devote to measuring, assessing and ultimately comparing performance'* (Second Leisure Centre Manager) because this served to divert even further attention away from the key objective of actually delivering services. As one service review team member further elucidated:

'When we had the pressure of dealing with the BV review, which was coming on very heavily, people like myself could no longer focus on the DSO and this proved to be disastrous for management performance'
(Service Development Officer).

Service review team officers explained how these concerns were further exacerbated by the aforementioned corporate BV pilot targets which demanded that services attain a cost-saving reduction of five per cent and an increase in service quality of ten per cent over three years. Far from attaining these two targets, service review team officers explained that the pressures of completing the review became so much that they began to lose a grip on the subscription targets for the membership scheme that had been so influential in enabling the authority to retain the leisure service during the second round of CCT (NLBC, LSD's Evaluation of the performance of NLBC's Leisure, 1998).

Having successfully got the user base up to 1500 people for the first year of the scheme, following the onset of BV, officers explained that the DSO *'failed to maintain the target, and this led to resultant losses on the DSO account'* (Second Leisure Centre Manager).

Consequently, the financial dilemma faced by the service review team was summarised by the Head of Financial Services as follows:

'Moving through the BV review process, the service found itself with £250-300,000 budgetary problem plus a five per cent efficiency saving required on the overall budget and no further access to capital resources' (Head of Financial Services).

One respondent even went as far as to suggest that had the service *'not been required to go through with BV'*, it could have focused more carefully on overseeing the construction of the fourth leisure centre, thus more quickly enabling it to have a new resource at its disposal to attract users (Sport and Health Manager). The strains and stresses involved in conducting the BV review were, therefore, identified as being a key contributing factor to the rapid deterioration in actual service delivery. As the first leisure centre manager explained, one major difference between CCT and the BV toolkit requirement was that under the latter an *'immense amount of work was involved in just getting to the tendering stage.'*

One indication of just how far the quality levels had deteriorated since the commencement of the review could be obtained from statistics detailing the number of default points received per monitoring visit (NLBC, BV Sub-Committee Minutes, September, 1998). These indicated an average increase of 22 per cent default points across the authority's three leisure centres. Similarly, customer satisfaction survey documentation also reported an increase of 39% default points per visit during the sixth months from the commencement of the BV review (NLBC, BV Sub-Committee Minutes, September, 1998). Just as had been the situation in the previous case study,

therefore, the sheer level of effort required to complete the BV review and to attain all the desired local and national targets had diverted the authority from key operational issues and actual service delivery.

The rapid deterioration in service and financial performance also meant that no sooner had the praiseworthy documentary accounts of service and financial performance been published in the BV toolkit, they became outdated. As a result, the deterioration in performance made the justification for continued in-house provision increasingly fragile. As the Service Development Officer somewhat ominously explained:

'At that point I was able to say to all of the DSO management team, look this is our position, this is what we've got to do. Do any of us believe here that we can, as an in-house team, make this five per cent efficiency saving on top of what we are experiencing at the moment? There was total unanimity that it could not be done' (Service Development Officer).

Consultation

Despite not undertaking a specific leisure centres review consultation, the service review team did draw upon information collected from such established corporate consultation mechanisms as the authority's annually conducted community consultation event, entitled *Newham 2010*, and the regularly collected user satisfaction surveys.

Although service review team respondents spoke fondly of the community consultation event in terms of getting people together to discuss a range of local issues, at the same time they doubted its direct relevance to the leisure centres review. The reason for this

was that the event chiefly sought to ascertain the relative importance attendees attached to local services in terms of needs and wants rather than, for example, engaging them in debates and discussions about the future direction of the reviewed service in the way that the previous case review had. Consequently, rather than discussing with attendees their ideas and aspirations for future leisure service provision, they were instead effectively asked to compare the relevant importance of the service in relation to other services. Given these limitations, service review team officers spoke more frequently of their quarterly conducted user satisfaction survey which measured a range of factors including *'cleanliness of water, changing rooms, showers and toilets'*, *'helpfulness of staff'*, *'speed of service at reception'* and *'quality of information and publicity.'*

Officers were keen to point out the limitations of this survey, however. One such limitation was that its findings did not always coincide with technical assessments of service quality. As the Senior Health and Leisure Project Officer explained, this was particularly true in terms of the assessment of water quality:

'We have done a lot of work on water quality, and from a technical point of view, water quality is excellent. Yet one of the biggest areas of complaints is water quality - and it is very, very interesting. We chose these targets from a customer point of view, as these seemed to be the issues that mattered most, but there is an inconsistency between what our water analysis reveals about water quality and customer satisfaction' (Senior Health and Leisure Project Officer).

Respondents from the service review team also pointed out the limitations the satisfaction survey had in terms of not being able to capture the thoughts and opinions

of non-users. Consequently, the leisure centres service development officer admitted how the service review team was unable to ascertain why a particular person or range of people did not use a service and this was quite an important consideration given the target to increase membership levels. There was, however, no evidence of the service review team attempting to reverse this situation.

Likewise, when asked about staff consultation, officers from the service review team admitted that this had been '*practically non-existent*'. One of the explanations given for the lack of staff consultation was that there was a '*high proportion of temporary staff working limited hours*' which '*made meaningful and lasting consultation difficult to come by*' (Service Development Officer). Officers further explained that there was a very low level of trade union representation in the service and this had served to stifle the usual source of pressure for the types of staff consultation experienced in some of the authority's more highly represented services. In practice, however, although the service review team had not directly consulted with staff, the views of staff still, somewhat inadvertently, manifested themselves in terms of data showing the levels of sickness absences and staff resignations (NLBC, Sickness Absence Statistics, 1998-1999).

These two sets of data were shown to have increased quite substantially when news filtered through to the front line that the authority's leadership was considering, as a demonstration of its ability to attain its high profile BV pilot targets (Corporate Policy Manager), to transfer the leisure centres provision to an external contractor. The rumours about an imminent transfer continued to gather pace and led to further deterioration in service performance levels (NLBC, Leisure Committee Minutes, 1999) which could not easily be halted with extra recruitment because at this stage the Council

was unable *'to tell applicants who their future employer would be'* (Personnel Officer). The process of meltdown occurring on the front-line was summarised by the Divisional Director of Recreation Services as follows:

'Once you start talking about externalisation, and the further you go down that route, service quality and all sorts of things start to drop. So we had service quality dropping, levels of sickness going up, staff leaving, recruitment becoming an issue and the longer this goes on for and the point you let the contract, the more problems you create for yourself. We had a real nose-dive in all those areas, people not wanting to work for a private contractor' (Divisional Director of Recreation).

By December 1999, the fears of employees were confirmed when a cabinet decision to transfer leisure centres provision was finally made. The continuing deterioration in service and financial performance levels provided a central justification in this decision (NLBC, Leisure Committee Minutes, 2000). However, the Leisure Development and Operations Manager observed there also seemed a *'large dose of politics'* to it:

'It was disappointing because the authority had only just gone through CCT and won but given the wider corporate agenda and, as a year one pilot, we were almost being earmarked for externalisation. Over here there has been a political will to keep services in-house, but the BV review changed this' (Leisure Development and Operations Manager).

Having decided to transfer out the leisure service, the remainder of the authority's BV review process was directed exclusively towards the completion of a competitive

tendering exercise, one that would both attain the 'BV position', by reaching a balance between cost and quality, and embody the principles of 'partnership'.

Creation of a partnership

What was immediately striking about the preparation for the BV tendering exercise of leisure services was that having only recently defended the direct provision of leisure centres in the face of second round CCT and in the face of the BV pilot's strategic decision matrix, service review team members now no longer talked about the benefits of in-house provision and municipal employment practices, but of how to marry:

'the contractors' expertise on operational issues and the Council's expertise on ascertaining local needs and how to access them' (Leisure Centres Contract Specification, NLBC, 2000).

Departmental officers from within the service review team were able to speak in such terms because they had been reconstituted into a new sport and physical activity section that was immediately charged by the relevant cabinet members with setting about the process of preparing the tendering exercise for the impending leisure centres transfer. An OJEC advertisement, seeking a partner to *'deliver four high quality leisure centres, best value savings and £1.8 million capital investment into the authority over the following three years,'* was duly displayed in relevant trade journals (NLBC, OJEC Advertisement, 2000). As a previous Leisure Committee Report (2000) explained, the advertisement made clear the authority's intention to appoint externally since was seen as a way of beginning a process of developing a partnership:

'Commercial operators will focus resources towards councils who seek to develop a partnership with a commercial leisure operator. This is most clearly expressed through a commitment to contract out a service' (NLBC, Leisure Committee Report 2000).

The emphasis placed by the sport and physical activity section on partnership was further apparent in the contractual documentation it created in preparation for the newly recruited contractor. Thus, the documentation was laced with pleas for *'shared aspirations'* and *'joint working'* (NLBC, Leisure Centres Contract Specification, 2000) and, according to officers from the sport and physical activity section, contained sufficient flexibility within it to encourage the newly recruited contractor to identify improvements and more generally to *'get on with the job'* (Service Development Officer). Thus, as documentation further revealed, at the same time as the authority would *'retain control of prices'* and *'stipulate minimum opening hours'*, the contractor would still be entitled to submit *'annual proposals for price, timetable and membership changes'*. As the Director of Recreation, also somewhat hopefully maintained, both would also be subjected to *'annual review'*:

'At the end of the day we know what we want from the contract and they know what they want from the contract. We must ensure that the two marry. We must work together, it is early days, but I hope, in years to come we are still talking but not via our solicitors' (Director of Recreation).

Tendering and evaluation

The sport and physical activity section's tendering evaluation model was based on a weighting of 60 points for price and 40 points for quality. The relatively large emphasis given to the quality component of the evaluation was strongly promoted by the sport and physical activity section according to the mantra of 'reaching the BV position' and contained four different levels of assessment. A summary of the quality component of the evaluation framework and in particular the relative importance attached to each of the four sub-components is provided in figure 7.1.

Figure 7.1 Evaluation of the Quality Of Newhams Leisure Management Contract

| Evaluation | Points | Description |
|-------------------------------------|--------|--|
| 19 method statements | 20 | To demonstrate how they would deliver the service in accordance with 10 principles that reflect Council's corporate agenda and 9 method statements demonstrating operational efficiency. |
| Site visits | 8 | Visits to 22 leisure centres operated by contractors across eight London boroughs to evaluate the quality of the services across a variety of factors, including cleaning, maintenance, customer comments and complaints, marketing and staffing levels and resources. |
| Capital investment proposals | 8 | To demonstrate their technical competence and innovation in modernising facilities and lowering operational costs. |
| Client ratings | 4 | Client references taken from all contracts managed by contractors |

Source: NLBC, Leisure Centres Contract Evaluation, 2000

It can be seen from figure 7.1 that half of the quality component of NLBC's leisure management contract was based on nineteen method statements that required contractors to submit essays outlining how they would achieve the Council's corporate agenda. A service review team officer described the quality of contractors' response to this component as being '*particularly crucial*' since it later formed the basis upon which the recruited contractor would be monitored (First Leisure Centre Manager). The sport and physical activity section also assessed the contractors' capital investment proposals

to see how far they demonstrated a commitment to modernise existing facilities, to lower the operational cost and, by implication, reduce the level of subsidy required from the Council. The 'capital investment' component of the three contractors' bids was worth a further fifth of the overall quality score.

Reassured by the certainty that the authority would appoint externally, ten contractors 'expressed an interest' in the resulting leisure service contract and four of these went on to submit preliminary bids. The resulting elimination process, according to respondents, rapidly became a one-horse race owing chiefly to the fact that one of the four competing contractors, a leisure service trust provider, offered such a '*vastly superior preliminary bid submission*' (Leisure Development and Operations Manager). The feasibility of this contractor's preliminary bid submission was sufficient to enable it to be immediately subjected to a negotiated procurement route, and enabled the authority to quickly reach the '*best and final offer*' stage of the tendering process. This duly occurred when the BV leisure centres contract was awarded to the leisure trust provider.

One of the main advantages of the leisure trust's bid submission, in comparison to the other competing one, was that it had a charitable status. This characteristic enabled it to claim relief from business rates, thus lowering costs and '*in effect enabling the Trust Provider to submit far higher projected utilisation figures*' (Leisure Development and Operations Manager). These were duly estimated to rise by 55 per cent over five years, which was equivalent to a rise from just over one million visits per annum to 2.4 million visits per annum (Evaluation of Leisure Management Tenders and Award of 10 Year Contract Cabinet Committee, NLBC, 2001).

Despite notions of reaching the 'BV position', therefore, this hugely influential tendering element of the contract evaluation process depended very much, as the CCT exercise before it, on rather dubious income projections. The Deputy Head of the leisure trust provider's operations, nevertheless, did not appear to be unduly worried by such high projections:

'Under the old CCT based contract one would have merely considered ways of trimming expenditure, but under the revised BV contractual approach, selection is more dependent on income generation. Whether or not there is fat in the municipal market is not the crucial thing, the crucial thing relates to whether they are realising the income potential in the Borough' (Deputy Head of Operations).

In conjunction, with savings on business rates, the income projections estimated by the leisure trust provider had, in turn, also allowed the authority to exceed its corporate-desired cost reduction target for this particular service. It was reported in associated contract tender documentation, for example, that the service transfer would result in a *'£3.1 million saving against the existing service cost over a ten-year period, equivalent to a reduction in subsidy from £2.77 per user to £1.40 per user'* (NLBC, Evaluation of Leisure Management Tenders and Award of 10 Year Contract Cabinet Committee, 2001).

Despite the problems it had experienced previously with its own DSO, and in particular concerns with over-optimistic income projections, cabinet members and sport and physical activity section officers alike accepted the leisure trust's rationale for predicting such massive user attendance (Evaluation of Leisure Management Tenders

and Award of 10 Year Contract Cabinet Committee, NLBC, 2001). The new Leisure trust provider would, managers from the trust reminded, *'shortly be provided with a fourth leisure centre which had good marketing potential'* (Chair of Leisure Trust Provider). Such a discussion also had direct implications for the way in which quality was discussed, as the leisure trust provider services operations manager further explained:

'Unless you take participation as a proxy of quality, then you are going to run into difficulties. I interpret it as a measure of quality because I think there is a threshold level at which people will say I am not going there it is rubbish, and then there is a threshold at which the quality is clearly acceptable for them. So it is a true measure, I think of quality' (Leisure Trust Provider Services Operations Manager).

An officer from the sport and physical activity section disputed such views and explained that there were obvious *'limits of spatial management'* that had to be considered when discussing user levels of swimming pools and that the pools could *'become overcrowded and therefore of poor quality'* (Leisure Development and Operations Manager).

Nineteen service objectives

Aware also of a number of potentially undesirable incentives that might be created in a chase for increased usage, another officer explained how the sport and physical activity section sought to prevent the leisure trust provider reducing *'social programming, asset maintenance and/or off peak service periods'* (NLBC, Objectives Action Plan, 2000) by

the creation of nineteen key service objectives. These embodied the authority's desired corporate priorities and service characteristics and were intended to direct the actions of the trust provider (NLBC, Social Programming Objectives, 1999). As shown in Table 7.2, the nineteen key objectives were separated into the three categories of 'service quality' (nine objectives), 'service effectiveness' (eight objectives) and 'service economy and efficiency' (two objectives).

Table 7.2 Nineteen key service objectives

| NO. | SERVICE OBJECTIVE | ORIGIN |
|---------------------------------------|---|--------------------|
| Service Quality | | |
| 1 | To improve the perception of service quality at leisure centres | Baseline |
| 2 | Reduce all potential health and safety risks | Baseline |
| 3 | Reduce written complaints by 10% per annum | Baseline |
| 4 | Achieve a Leisure industry quality award at all four centres. | Bid Submission |
| 5 | Achieve IIP at all four centres | Bid Submission |
| 6-9 | Complete four separate refurbishments | Bid Submission |
| Service Effectiveness | | |
| 10-12 | To increase usage, registration and regular exercise of leisure centres by the following target groups: young people (11-19); Social Groups D and E; Ethnic Minority Communities. | Baseline |
| 13 | To encourage participation in regular activity | Bid Submission |
| 14 | Introduce a school leavers one year membership card | Bid Submission |
| 15 | Commence active partnership to contribute to community safety in the borough | Feasibility Report |
| 16 | To increase number of residents able to swim 25m or more | Bid Submission |
| 17 | To utilise the leisure centre resources to provide opportunities for training qualifications and employment | Bid Submission |
| Service Economy and Efficiency | | |
| 18 | To reduce the operational costs of the leisure centres. | Baseline |
| 19 | To facilitate the Leisure centres' achievement of positive environmental improvement | Baseline |

Source: NLBC, Objectives Action Plan, 2000

Despite the creation of the key service objectives to guide and discipline the contractor, officers from the sport and physical activity still, nonetheless, explained how they had been instructed by the authority's leadership to create an '*effective partnership relationship*' with the leisure trust provider (NLBC, Evaluation of Leisure Management Tenders and Award of 10 Year Contract Cabinet Committee, 2001). Consequently, in accordance with this approach, it was made clear that the contractual obligations to be

imposed on the provident society were *'not to be set in stone'* but would have sufficient flexibility within them to *'account for changes at both a national and local policy level'* (NLBC, Method Statements, The Councils Principles, 2000).

In turn, the desired level of service performance demanded by the sport and physical activity section during the contract preparation process was not stated explicitly but was left to be resolved via further discussion with the contractor *'so as not to antagonise it'* (NLBC, Method Statements, The Councils Principles, 2000). Indeed, the relatively low performance demands expected of the trust provider and the degree of flexibility it would be offered was prevalent in many of the service objectives, as can be seen from the third column of Table 7.2.

It can be seen, for example, that in terms of offering flexibility a number of the key service objectives and by implication the desired level of future service performance, were based upon the contractors own statements (bid submissions) of what it believed it could achieve within a variety of time-scales. This was particularly true of the requirement placed upon the contractor to state how it would achieve a number of the new performance targets such as the achievement of a *'leisure industry quality award'* and the *'achievement of investors in people'* (NLBC, Objectives Action Plan, 2000).

Meanwhile, in terms of the low performance demands, the third column of Table 7.2 also shows that, in the case of the six other key service objectives, the desired level of performance demanded by the authority were determined by reference to the existing 'baseline'. This level of performance was not considered to be particularly demanding since it derived from the *'historically low level of performance inherited by the DSO at the point of transfer'* (First Leisure Centre Manager). Consequently, the desired level of

actual service performance/improvement equated only to the standard that existed prior to the commencement of the leisure centres review and thus represented a rather dubious interpretation of the term 'continuous improvement'.

In analysing further the content of the nineteen key performance standards it also became apparent that the service objective to improve service economy and efficiency involved the targeted reduction in the operational costs of leisure centres. In then revealing precisely how this would be achieved, interviewees explained that the Council and trust had reached an agreement to increase full paying prices to users by ten per cent above the rate of inflation over three years, a solution which illustrated the multifaceted nature of continuous improvement.

More generally, interviews held with two of the trust's senior management team revealed that they did not think that the performance targets demanded of the trust were particularly demanding. Thus, for example, it was noted that the requirement placed upon the trust to increase the levels of participation amongst target groups only required it to increase the *absolute*, rather than the *percentage*, number of target groups using the leisure centres. With a brand new leisure centre at their disposal, such targets were consequently not considered to be '*overly onerous*' (Chair of Leisure Trust Provider). The chair also provided an example of how the leisure trust could do even more than that required from the nineteen service objectives by seeking to eliminate *all* rather than *ten per cent of written* complaints at the leisure centres. He explained that this could be achieved by encouraging a culture in which users would '*freely air their grievances*'.

There was, therefore, an element of 'give and take' with respect to the nineteen service objectives and in line with this reasonably flexible approach, the sport and physical

activity section decided against the use of penalty notices for failures in their achievement. This meant that the only real remedial action at the disposal of the sport and physical activity section was to terminate the contract. The Leisure Development and Operations Manager admitted that this reflected an *'all or nothing approach to contractual failure'* and predicted that it would be quite difficult to ascertain the point at which such a termination would be necessary:

'One of the questions that came up within these 19 key objectives was at what point will we say that performance is not good enough. The problem as an officer is that you never actually know at what point your Council will support a re-tendering exercise, because what I have got under those 19 objectives is structured into three types 'quality', 'effectiveness' and 'economy and efficiency'. If we get all of these economy and efficiencies, and meet all of our financial targets but find that we are doing nothing in terms of increasing our ethnic usage what would members want to do about that?' (Leisure Development and Operations Manager).

More generally, a number of officers from the sport and physical activity section believed that, in many respects, improvements in service performance were reasonably self-fulfilling since *'salary-seeking incentives'* had been unleashed as a result of the selection of the external contractor (Service Development Officer). Under such an interpretation, profit incentive and service improvement were considered to be compatible bedfellows. As the Divisional Director of Recreation maintained:

'Previously leisure management contracts were monitored on the basis of default systems, penalty points and everything else. That was not effective as

a controlling mechanism because no matter how well the managers performed, there is not like the same kind of profit incentive if you increase turnover. You don't get any sort of additional salary in your pay packet. This has now changed with the recruitment of the trust partner, although they do not make profits, they pay themselves pretty well' (Divisional Director of Recreation).

Clearly the same level of compensation was not to be offered to employee interests. The award of the leisure centres contract to the trust provider had led to a TUPE transfer of 66 full-time staff together with a recruitment crisis owing to a loss of *'approximately a quarter of staff since the transfer'* (Branch Secretary, Unison) and the fact that a new leisure centre was about to be opened. In response, the newly recruited contractor created vacancies based on *'more flexible terms and conditions of employment'* (Branch Secretary, Unison). These required newly recruited staff to work a basic average of 39, as opposed to 36 hours, per week, with pay, in part, being determined by a formula that penalised sickness absence but did reward attendance (Leisure Trust, Statement of Terms and Conditions of Employment, 2001). As the new employment contract stated:

'Flexibility in your hours of duty is an essential aspect of this appointment. You will be required to attend for duty as required in accordance with the demands of the service with a minimum of 36 hours notice. The service operates seven days a week from around 6.30 until midnight or even later. You may be required to attend for duty during these times as necessary and to vary your hours to work peaks and staff shortages. Any hour that you work, irrespective of whether it is on a Saturday, Sunday or Bank Holiday is

treated the same and paid at the same rate. Contractual overtime is not payable' (Leisure Trust Corporate Employment Contract, 2001).

The Local Trade Union Branch Secretary was quick to identify the limitations of TUPE, in this regard, and how the proposed leisure trust arrangements promoted the creation of a two-tier workforce in local government:

'The Council has told us of the promotional opportunities that will arise as a result of the transfer but I do not believe they will materialise. In fact I doubt very much the leisure provider will be encouraging staff to stay and get promoted. They will be encouraging them to go so they can replace them with people they can employ on cheaper salaries...it is a major loophole that the government won't close. You'll end up with a two-tier workforce. Those people who transfer will be on conditions 'a' and the people who are recruited afterwards will be on conditions 'b'. What that will mean, with very few exceptions, is that the companies who take over will have no stake in the future of the staff because they can replace them with cheaper people'
(Branch Secretary, Unison).

The BV Inspection

NLBC's leisure centres review was subjected to a two-person BV inspection in the summer of 2001, some ten weeks after the service had transferred to the leisure trust provider. Following preliminary negotiations concerning access to the authority, the inspection process began with the inspection team conducting an analysis of the leisure service department's BV documentation and followed this with a series of 'reality

checks' including mystery shopping visits to leisure centres, discussions with users and interviews with staff.

Although the BV inspection team reached the verdict that the current performance of the service was 'fair', all of the evidence suggested it was far more preoccupied with the Council's consequential efforts to improve upon this. In this regard, the team praised the Council for having decided to transfer the leisure centres provision. As the BV inspection report maintained:

'...(the Authority) recognised that the centres have been under utilised and have not achieved the financial performance anticipated within the DSO contract. These factors have been partly responsible for consideration being given to different management options and from April 2001 (the new contractor) have been awarded a ten-year contract to manage all four centres' (Audit Commission, 2001d: 8).

In a similar way, despite not having involved an in-house competitor, the resulting tendering and evaluation arrangement was still described as '*robust, rigorous and equitable*' (Audit Commission, 2001d: 8). It was perhaps unsurprising, therefore, that the second inspection judgement concerned with the 'likely future performance of the service' was reported positively, with a verdict that the leisure service had 'excellent' prospects for future performance. As one respondent explained, the availability of a brand new fourth leisure centre, which is far superior to the three existing centres, was in itself sufficient to improve services (Leisure Development and Operations Manager).

The inspection team's upbeat inspection verdict for the 'likely future performance' was also, it should also be noted, based on the view that the newly recruited contractor would, without problem, rectify both poor levels of service performance and retain highly performing areas. This was despite the fact that the case study evidence indicated that the contractor had not actually addressed many areas of service performance identified as currently 'under performing' in the BV inspection report. This was particularly true with respect to the shortcomings the inspection team found with the *'overall signage, marketing and promotion of centres'*, none of which had actually been identified in contractual documentation.

Equally problematic was the inspection team's belief that the leisure trust provider would retain the Council's positive emphasis on 'social programming':

'We found that within the physical limitations identified, a broad range of programming has attracted effective representation from a number of target groups. The high overall use from women, nearly 60 per cent, is a consequence in part of a commitment to women only sessions being programmed. While usage from ethnic minority groups and the over 50's is reflective of the population in Newham' (Audit Commission, 2001d: 14).

Thus, interviews held previously with managers of the leisure trust revealed how they had actually proposed to *change* the composition of social programming in order to integrate 'key groups' into the 'core' programme *at discounted prices*, rather than to treat them separately and provide them with *specific sessions*. As the Chair of the Trust contractor maintained:

'We did not want to separate people into different sessions but to allow target groups to use mainstream and to integrate them. Targeted groups also create a stigma. From a commercial view it makes much sense to go down the integrated route' (Chair of the Trust).

Whatever the merits of the contractor's proposals, in this regard, they still represented a marked variation to the Council's previous prioritisation of 'targeted sessions', a facet of social programming that the inspection team had viewed so positively. This is not to suggest, however, that the inspection team failed to make any recommendations about how the service could be improved. In particular, it pointed out that more refurbishment was required, particularly in the entrance and reception areas, sport halls and fitness areas to make them more accessible and of better physical appearance (Audit Commission, 2001d: 11-12). The completion of these tasks would, however, require further negotiations between the Council and contractor and had the potential to create tensions between them and to antagonise the newly developing partnership.

More generally, the inspection team's positive interpretation of the Council's decision to increase prices *'by ten per cent above the rate of inflation over a three year period'* (Audit Commission, 2001d: 18) did not appear to acknowledge the likely disappointment to be felt by users of the service who would be expected to pay more for their swims, thus increasing the consumerist principles of the service.

Perhaps the most significant revelation to emerge from an examination of the BV Inspection response, however, was the fact that despite reaching the verdict that the leisure service had 'excellent prospects for improvement,' the targets signed between council and contractor were not considered to be *'sufficient to achieve upper quartile*

status within five years' (BV inspection team report back to council). When probed about this apparent contradiction, a member of the inspection team was at pains to state that the existing statutory performance indicators for leisure centres provision:

'...are not that good, especially the cost per head, but I hope that within the next couple of years the performance indicators will be better' (First BV Inspector).

In reaching this conclusion, however, the same respondent also maintained that the limited coverage of statutory leisure centre performance indicators did not excuse the authority for having relied so heavily on them for the purpose of demonstrating continuous improvement. This was a view that had been published also in the associated inspection report, as the following quote reveals:

'We found that the comparison used to inform the review was poor. The centres were compared with the two Audit Commission performance indicators, spend per head of population and cost per swim, with other comparisons principally reliant upon internal assessment of previous performance' (Audit Commission, 2001d: 21).

The response of the BV inspection team, in this regard, exemplified, as in the previous chapter, the types of difficulties faced by local authorities when trying to ascertain and prove their competitiveness. One major difficulty according to sport and physical activity section officers, in this regard, was knowing precisely in which areas of activity they might be asked to prove themselves, given that the evidence used to judge a given performance area is subject to much inspector discretion (Leisure Development and

Operations Manager). At the same time, officers also explained that, in seeking to create a partnership arrangement with their newly recruited contractor, they did not want to be too demanding in terms of making onerous performance requests and were, therefore, caught between two inconsistent policy commitments.

The authority, therefore, faced a conundrum between, on the one hand, meeting tough performance targets and, on the other hand, of fostering a friendly partnership relationship with the contractor. This led to one final conundrum of the BV process, namely that in believing it necessary to incorporate the BV principles of ‘partnership’ into its contractual relationship, the local authority was duly criticised by the BV inspection team for not being firm or ambitious enough with its new partner (Audit Commission, 2001d).

Conclusion

This case study has demonstrated how NLBC conducted a BV review of its leisure centres provision and the response to it by the BV inspectorate. It began by detailing the impact of CCT on the service and revealed that following two full rounds of tendering, the authority managed to retain the service in-house with little in the way of a noticeable deterioration in jobs or service quality. It was demonstrated that this had been achieved, however, on the basis of both officer commitment to the in-house retention of the service and the fact that the outcome of the tendering process had been strongly influenced by *predicted* increases in future use of the service made in the in-house bid. This second factor was shown to have afforded contract managers a degree of flexibility to protect the service and to do so in the context of the authority’s increasingly warm approach to the use of external contractors in the delivery of local services.

The chapter went on to highlight how the authority's leadership, in embracing the policy of BV, moved towards greater support for the involvement of external contractors in the delivery of local services. In particular, it was noted that the authority's BV pilot programme contained within it three high profile BV performance targets, one of which was to increase the percentage of services externally supplied - an objective which appeared to contradict the BV mantra of 'what matters is what works'.

The third and more substantial section, of the chapter, then, provided a detailed overview of the leisure centres review and examined each of the 'four C's' in turn. It was revealed that, initially, the review was structured in relation to an internally created strategic decision matrix that effectively drew upon the challenge elements of BV. Although the utilisation of this tool demonstrated that the existing municipally provided leisure centres service had performed admirably, under quite difficult circumstances, the pressures of conducting the review led to a loss of operational focus and an associated deterioration in service and financial performance. This deterioration was, furthermore, compounded as a result of concerns on the part of staff that the authority's leadership was singling out leisure centres provision for externalisation on the basis that it wanted to demonstrate its commitment to central Government policy objectives. The case further explained that a decision to transfer the leisure centres service to an external provider was duly taken and a tendering process was subsequently carried out.

Against this backdrop, the fourth section of the chapter was devoted to examining how the authority employed a revised approach to competitive tendering in order to award a single leisure centres contract to a single 'partnering' leisure trust provider. In particular, this section revealed how the authority, by utilising the leisure trust provider's

charitable objectives, was able to advance two of the three corporate BV pilot targets it had created and which related to desired cost reductions and the increased use of external contractors in the delivery of local services. The implications of this tendering decision for future service quality was shown to be rather more uncertain, however, not least because the reviewed service, in conjunction with the partner, had failed to demonstrate how the service would achieve the continuous improvement standard of 'upper quartile status'. It was also revealed that the key service objectives demanded of the new leisure trust provider were not particularly demanding and imbued it with a good deal of operational flexibility.

The final section of the chapter went on to examine the response of the BV inspectorate to the review. In particular, it noted how, despite the development of a 'partnership', the BV inspection team directed most of its efforts towards the authority and raised concerns about its inability to properly and rigorously control and monitor its partner. Consequently, not only did the resulting recommendations have the potential to upset the relatively immature and developing relationship that had been forged between the Council and the contractor but they also questioned the authority's new strategic and monitoring role.

The case, nonetheless, also revealed that the inspection report indicated support for the decision to appoint an external contractor despite the previous success of the authority's leisure service and the fact that the authority was about to be furnished with a new, far superior, leisure facility. Indeed the future likely performance of the leisure trust provider was assessed positively because the BV inspectorate believed that the newly recruited contractor would both rectify poorly performing areas of service and maintain highly performing areas of service. At the same time, however, the inspection team did

not believe that the targets signed between the Council and the contractor would be sufficient to achieve upper quartile status within five years. This finding, therefore, lends support to the argument that the BV inspectorate might not be wholly neutral in relation to the issue of service delivery ownership.

Chapter 8

Brighton and Hove Unitary Authority's review of Refuse Collection and Street Cleansing

The chapter takes as its case a unitary authority's BV review of refuse collection and street cleansing. At the start of the review a range of external contractors provided the two services at a combined annual total contract value of £4,234,780. The combined workforce of the two services was 233, with 218 employed on the front-line and 15 employed within management.

This chapter largely follows the structure of the previous chapters in that it begins by charting the impact of CCT on the two services before moving on to outline the BV pilot scheme conducted by the unitary authority responsible for the review. Following this, the third section of the chapter explains how the BV review of refuse collection and street cleansing was conducted. Then, in the fourth section of the chapter, attention turns to the actual *impact* of the review before the final section concludes with an overview of the response of the BV inspectorate to it.

The historical legacy of CCT

Under the former separate jurisdictions of Brighton Borough Council (BBC) and Hove Borough Council (HBC) both services had been subjected to two rounds of CCT and, at the beginning of the BV review, resided with external contractors (CIPFA data, 1990-1995). It was, however, the history of CCT in BBC that proved to be the most influential in terms of the development of BV and the reason for this was simply that the

contracts were worth approximately three times as much at £3,800,000 per year (CIPFA data, 1995). Consequently, the discussion of the experience of CCT that is conducted in this first section is situated within the BBC context.

The impression given by interviewees, when asked to reflect on their experiences of CCT within BBC, was that it *'had been disastrous'*, with both the threat of competition and the exposure to real competition managing to incur *'savage cuts to the existing level of resource allocation'* (Waste Manager). The explanation given for this unsatisfactory outcome was that, in *'wishing not to be the first Labour controlled council to award a high profile CCT contract externally'*, the Labour leadership was prepared to *'retain all services in house at the expense of cuts in service provision'* (Waste Manager).

Thus in anticipation that many external contractors would attempt to gain a foothold in the authority's prestigious refuse collection service, senior officers and councillors explained how they decided to *'lock themselves in a room without union involvement'* so that they could make their in-house bid as competitive as possible and thus retain it (Head of Contract Services, Environment). As they had predicted, a huge amount of external interest was galvanised for this service, with eighteen expressions of interest (CIPFA data, 1993) registered. The interest was not sustained, however, as only one of the eighteen interested contractors actually submitted a bid, which was, ultimately, unsuccessful. Consequently, the Council shortly came to realise that it had suffered the *'winner's curse'*, as the Project Officer from the Waste Management Team explained:

'We started with two differently priced internal bids and had to make a decision in terms of which one we went with. Now of course the danger was that we could sharpen the pencil too much and then be unable to deliver it

for the price that we put in or that we could submit a higher bid and then lose it to a more lowly priced external bid. In the refuse case we sharpened far too much' (Project Officer from the Waste Management Team).

In the light of this far from satisfactory experience, interviewees explained how immediate changes to the authority's tendering policy were implemented and as a result, the street cleansing contract was duly prepared on a more *'realistic and workable basis'* (Project Officer from the Waste Management Team). In addition, a trade union official explained how the Council decided to *'involve the local Trade Union in the preparation of the in-house street cleansing bid,'* including both the contract specification and the final price submitted:

'The thing that the Council learnt is that when they compiled the bid for the street cleansing contract they involved the union locally because having not done so for refuse collection they had gone in far too low' (GMB Regional Officer).

It was not only the Council that decided to revise its tendering strategy for the street cleansing contract, however, but also the contractor which had lost the previous refuse collection contract and which then decided to revise its bid submission downwards. The result was that, of the nine external tenders submitted (CIPFA data, 1993), two were cheaper than the in-house bid and *'the cheapest by approximately a million'* (Head of Contract Services, Environment).

At the same time, however, those responsible for contractor selection knew that the prices secured for both the refuse collection and street cleansing services would *'prove*

to be financially unsustainable' (Head of Contract Services, Environment). They also had serious concerns about the level of service quality that would be provided from the refuse collection and street cleansing contracts since *'so many staff had been taken out'* (Head of City Cleansing). A client side officer did not dispute the view that the authority had conducted the first round of CCT unsatisfactorily:

'I think part of the problem is that, when we were dealing with CCT, it was new to all of us and preparation of contracts in that way was an evolving science, and perhaps we were not always as smart as we should have been'
(Procurement Officer).

As officers had expected, therefore, immediate losses on the in-house refuse collection service were reported and continued to grow to the point that by 1994/5 trading deficits of £239,000, against an expenditure of approximately £3 million, were reported (BBC, DSO accounts, 1994/5; CIPFA data, 1996). In the face of such abject financial performance the, then, Department of the Environment decided to serve Section 14 notices on a range of BBC's loss-making DSO's, including refuse collection, and in doing so, demanded that the authority conduct a re-tendering exercise for each of them (CIPFA data, 1994/5).

Second round

Respondents explained that in the face of the enormity of the task placed upon the Authority to re-tender the financially under performing services an *'alternative course of action was proposed'* which involved *'voluntarily transferring all of the loss making activities to one single service provider'* (Scrutiny Board Member for Environment.

Transport, Regeneration, Leisure and Tourism). The authority's rationale behind this proposal was to gain more control over the tendering process and to reduce the number of required tendering exercises to one. As the Leader of the Council explained:

'Rather than go through the CCT prescribed route we would ourselves voluntarily transfer in order to have more control of the outcomes than we would have had from straight CCT. We had some DSOs that we did not think we would win a second time and there were others that were likely...It was patchy and messy. One of the things we disliked about CCT was the lack of long-term certainty and the ability to plan ahead in a sensible way. So the idea was to transfer a range of activity to one service provider voluntarily'
(Leader of the Council).

Figure 8.1 details the eleven service activities that the Council proposed to transfer to a single service provider and it should be noted that amongst them was the externally provided street cleansing service. This service had been included within the voluntary transfer proposal on the basis that *'it too was performing poorly'* and equally its external service provider was suffering heavy financial consequences and *'wanted to get out'* (Project Officer Waste Management Team).

Figure 8.1 Composition of services subject to transfer

| | | |
|-------------------------|--------------------------------|-------------------|
| Refuse collection | Street cleansing | Public toilets |
| Highways and repairs | Building repairs | Catering |
| Grounds maintenance | Leisure services | Market management |
| Printing and stationery | White collar building services | |

Source: BBC, Contract Documentation, 1995

BBC's proposal to transfer the eleven service activities to one service provider was approved by the Secretary of State, who suspended the Section 14 notices and gave the authority eighteen months to go through the necessary tendering procedures. Although the local authority saw the voluntary transfer as a means to exert greater control over the outcomes of tendering, they also explained that some elements of the organisation of the resulting transfer still had to comply with prevailing CCT legislation. This was particularly true in terms of contract packaging and contract duration whereby, *'in accordance with the legislative requirements'*, each of the transferred activities had to remain separate and distinct entities, governed by independent contract specifications and contract managers (Director of Environmental Services). Within this arrangement, the refuse collection and street cleansing components of the transfer contributed heavily to the overall cost of the eleven services and were worth approximately 40 per cent of the total contract value (BBC, Contract Documentation, 1995).

Following a huge amount of initial interest in this contract, the Council invited nine contractors to tender and of these three submitted fully priced bids. With much of the contract value residing in environmental services, however, the process of contractor selection quickly became a two horse race between the former street cleaning operator and a second contractor which also had more general experience in environmental services. Indeed, it was this second contractor that the workforce and its union representatives voiced a preference for given their unsatisfactory experience of the former street cleansing contractor. Fortunately for the Council, the union's preferred contractor was also the cheapest of the three bids and duly chosen.

Despite the more positive manner in which the contract had been secured, however, interviewees nonetheless described how, with the pressures of competition particularly

prevalent on these two activities, the voluntary transfer was *'unable to address the failings of CCT'* (Head of Contract Services). Consequently financial and service failings were shortly reported, with local newspaper reports identifying financial losses of £2 million on the refuse collection and street cleansing components of the contract (Argus, 1996). Officers explained that not only had these losses been brought about by the lack of sufficient funding for the services but also by the additional costs incurred as a result of liquidated damages associated with service failure. As one senior officer explained:

'Not only had the contractor underestimated the cost of operating the two services but as a result they were being heavily penalised for not meeting the standards within the specification... so not only did they struggle to provide the service but they were receiving financial penalties as well' (Procurement Officer).

Although the Council had, in effect, therefore, obtained, what some respondents described as *'subsidised, refuse collection and street cleansing services'* (Procurement Officer, GMB Regional Officer), the poor level of service quality it received proved to be politically untenable. In the light of this unsatisfactory outcome, interviewees revealed how an eventual solution was fashioned between the Council and the contractor which also *'acknowledged the implications of a local government re-organisation that would lead [in 1997] to the merger of BBC with HBC into one unitary authority'* (Scrutiny Board Member for Environment, Transport, Regeneration, Leisure and Tourism). Under this, as respondents explained, BBC agreed to a *'request from the contractor to negotiate itself out of the loss-making refuse collection and street cleansing activities'* (Scrutiny Board Member for Environment, Transport, Regeneration,

Leisure and Tourism), and its client-side staff then began work on the preparation of a new unitary-wide service within the context of emerging BV policy.

The BV pilot scheme

Officers and councillors from the newly created BHUA explained how they warmly received the policy of BV and did so primarily because they saw it as providing an opportunity to move away from 'CCT's narrow cost focus' (BHUA, BV Pilot Bid, 1997). Even if they did not, at this early stage, plan to return the refuse collection and street cleansing services in-house, they did, nonetheless, believe that BV policy would consequently allow them to undo some of the problems brought about by CCT (BHUA, BV Pilot Bid, 1997). The reason for this was that the key problem of CCT for the majority of respondents had not been the use of external contractors *per se* but the tendering process used to select them. As the Executive Councillor for the newly created environment portfolio explained:

'The problem with our contractors lay in CCT legislation and the requirement to take the lowest bidder. I think the basic idea behind BV is that we will not be penned in by having to accept the lowest tender. We will have far more discretion to select contractors according to our's and the public's criteria' (Executive Councillor for Environment).

The perception of BV put forward by the authority in its BV pilot bid endorsed this view. In particular, the pilot was described as being able to undo some of the problems encountered from previous tendering exercises, whilst simultaneously maintaining a commitment to external service provision (BHUA, BV Pilot Bid, 1997). The strategic

orientation of the authority was duly described as one of *'enabling,'* where *'decisions on whether services are delivered in-house, through or by other providers, would be made by a judgement relevant to each specific service'* (BHUA, BV Board *Who should provide BV services?* 04/1999: 1).

Not all interviewees, however, shared the pilot bid's interpretation of former CCT difficulties, with one corporate personnel officer from the former HBC authority explaining that the problems of CCT had been more than just about a poor tendering mechanism:

'Although we lost direct control of contracts we still had responsibility for delivering the service, but could not manage the workforce doing it and we found that that was actually quite difficult. We had problems with the delivery of the specification and imposed penalty notices on contractors, so there were considerable difficulties' (Corporate Personnel Officer).

Despite these concerns, it was explained how the Council *'pressed ahead with its decision to recruit an external contractor for its refuse collection and street cleansing services'* (Senior Consultant, BV). This it chose to do so, as interviewees explained, by, first, integrating the two services and, then, by developing selection criteria that would provide more scope for quality considerations and allow the adoption of a more flexible approach to contractor management which removed the adversarial client-contractor relationship which had stifled previous tendering experiences. As a client side officer explained:

'The philosophy of BV is that we should look to be more imaginative in how we provide services and consider a range of different partnerships or approaches to the delivery of those services for the future' (Operations Manager, Street Cleansing).

In particular, officers spoke of their plans to provide the BV contractor with *'more responsibility for the location and repairs to waste management facilities and to act more directly upon complaints and enquiries received from service users'* (BHUA, BV Review – Contracts due for renewal, 1998). This was an approach which the Head of Contract Services, had previously explained, reflected the authority's desire to divert *'some of the venom that had been focused on the Council'* following contractual failures on the part of previous contractors (Head of Contract Services, Environment). The future expectation was, therefore, that the contractor would displace the local authority as a buffer between it and users.

The Refuse collection and street cleansing Review

Responsibility for the undertaking of the BV review and, ultimately, the BV tendering exercise, was given to a service review team. This comprised five client side officers from the environmental services department, together with a non-environmental client side officer. The service review team reported its BV review findings to a corporate BV board, comprising leading members and officers, for approval (BHUA, *Making Decisions*, 1998). Within this organisational arrangement, BHUA's BV review of refuse collection and street cleansing can be seen to be distinct from the other two case reviews in that it began in the context of services provided externally (BHUA, BV Performance Plan, 2000/01). It was also conducted primarily in the context of a BV tendering

exercise, which as this section reveals, was shaped by reference also to the ‘challenge’, ‘consult’ and ‘compare’ elements as well.

Challenge

As was found with SCC’s grounds maintenance and street cleansing review, respondents from this case viewed the ‘challenge’ element of the refuse collection and street cleansing review as something of a misnomer since the services encapsulated by the review were statutorily required and, therefore, *necessarily* provided. The only component of challenge that appeared relevant to the service review team, therefore, was that concerned with ‘how’ services should be provided. It was, therefore, this element of BV that allowed the service review team to combine the *‘relatively similar refuse collection and street cleansing activities’* in order to create a single integrated waste management contract (Waste Local Plan Project Manager), thus bringing together the four existing contracts across the two towns.

The other major feature of this proposed contract, as already mentioned, was that the authority envisaged the adoption of a more flexible and arms-length approach to contract management that would see the contractor take far greater responsibility for operating the contract and dealing with any resulting service failures (BHUA, BV Review – Contracts due for renewal, 1998). Thus, it was anticipated that all *‘future contract specifications will require the contractor to monitor customer satisfaction in line with the principles of BV’* and *‘all prospective contractors will be required to demonstrate competence on two grounds – cost and added value’* (BHUA, Policy and Resources Committee, Waste BV Review, 1999). In line with this new approach to contract management, it was, therefore, stated that: *‘Contracts will be awarded to the*

company that not only produces the most competitive bid but also demonstrates how they will deliver a quality service for the city' (BHUA, Policy and Resources Committee, Waste BV Review, 1999).

At the same time, although the policy of BV was seen to provide the authority with the opportunity to raise the level of resource allocation to a point at which its desired service objectives could adequately be met, the authority was also keen to limit budgetary increases to *'politically acceptable levels'* (Leader of the Council).

Consultation

Having 'challenged the existing basis of service provision', officers from the service review team explained how they then embarked upon a process of consultation to ascertain in more detail the desired needs of service users and to gain legitimacy for their original plan to ensure that the contractor dealt more directly with complaints and enquiries received from service users (BHUA, BV Review – Contracts due for renewal, 1998). In this latter respect, the consultation exercise was placed near the beginning of the review so that it could *'inform the resulting contract specification process and client and contractor responsibilities'* (Head of Contract Services Environment).

Within this set-up, officers from the service review team were keen to stress, nonetheless, that they did not embark upon the BV consultation exercise from afresh because a great deal was already known about the views of the public. Thus as the Operations Manager for Street Cleansing noted:

'Out of all the views and consultation we have had with the public in the past, the number one concern has consistently been refuse collection and street cleansing. If this service fails, then the Council has failed. You do not run a good council unless you have a got a good refuse collection service. It is the wrong thinking, but that is how people do think' (Operations Manager for Street Cleansing).

User group consultation

The consultation process for the refuse collection and street cleansing review began with the service review team identifying 233 individual and multiple stakeholders from whom it could gain opinions (BHUA, Contract Management BV review, 1998). The identified stakeholders included representatives from residents' and tenants' associations, businesses and traders, commuters, pressure groups, bus companies, taxis and the tourist industry. Each of these representatives were sent a self-completion questionnaire that contained within it twenty-three questions concerned with the areas of contract management under review. These questions were broken down into four sections entitled 'service satisfaction', 'information and communication', 'service priority' and 'desired improvements'. Ninety-three questionnaires were returned and declared as representative of 4,155 people directly related to the respondents (BHUA, Contract Management BV review, 1998).

Resulting analysis of the responses revealed, according to council documentation, that respondents believed the *'refuse collection and street cleansing services were of an acceptable standard but that more information about the services should be made available'* (BHUA, Environmental Services Contract Management BV Review,

Research and Consultation Report, 1999). Then, in terms of how the service could be improved, it was reported that a number of the survey respondents believed that the Council should more tightly police and monitor the contractor (BHUA, Environmental Services Contract Management BV Review, Research and Consultation Report, 1999). This last view was, therefore, essentially in line with the authority's thinking on the issue.

The responses from the questionnaire were also supplemented with what interviewees referred to as a *'far more informative focus group exercise'* (Head of Performance and Accountability). This involved twenty 'key' stakeholders, drawn exclusively from the resident population, being brought together in a forum of open discussion (BHUA, Environmental Services Contract Management BV Review, Report and Discussion Paper – Identifying a High Quality Service, 1999). This forum began with participants being given a card and asked to briefly indicate what they considered to be the good and bad aspects of the services (BHUA, Environmental Services Contract Management BV Review, Report and Discussion Paper – Identifying a High Quality Service, 1999).

The analysis of the card responses identified 'repeat failures' as one of the most unsettling facets of service delivery, a view shared in an interview with the Client Contracts Manager:

'In a way a repeat complaint is more important than a complaint. You can live with a complaint, you can live with one complaint but you don't want two. So we then said that in the new contract we would strive to reduce drastically the level of repeat complaints' (Client Contracts Manager).

Interviewees explained that the key issue discussed during the forum was *'what the future client and contractor responsibilities should be'* (Project Officer Waste Management Team), though it was broadly agreed that this particular issue had been rather forced onto the agenda by the service review team. As the Head of Contractor Services explained:

'During the focus group, I said 'right, you know this is how we structure our management arrangement, what do you think', and it was, very quickly 'if we phone you it just slows things down. If you tell us what we can expect, and tell us who to phone, we'll sort the contractor out' and it was literally that sort of language' (Head of Contract Services, Environment).

Thus, when asked about their views on preferred client-contractor responsibilities, documentation revealed that the consultation participants tended to hold a poor view of external contractors and questioned their *ownership* of the service (BHUA, Environmental Services Contract Management BV Review, Report and Discussion Paper – Identifying a High Quality Service, 1999). In particular, a small number of participants believed that the contractor *'did the minimum amount of work necessary'* and *'failed to act on its initiative to deal with other 'found' problems'* (BHUA, Environmental Services Contract Management BV Review, Research and Consultation Report, 1999). In the light of these concerns, a number of focus group participants encouraged the Council to impose stiffer penalties in the event of service failings (BHUA, Environmental Services Contract Management BV Review, Research and Consultation Report, 1999).

Other respondents, however, were documented as disputing these types of plans, on the basis that they felt that it should *'not be the role of the public to complain, but the role of the Council to manage'* (BHUA, Environmental Services Contract Management BV Review, Research and Consultation Report, 1999). Despite these concerns, the authority used the consultation exercise to justify its proposal to let the local community, in conjunction with the external contractor, take greater responsibility for resulting outcomes:

'If you have got failing schools and everyone blames the government you might think well, hang on a second this should be determined locally. Why don't we allow people to actually determine it locally and then perhaps they will stop blaming us. The problem is trying to develop a different sort of contract under BV, which allows the contractor to develop the service for the local community and allows the local community, almost as a stakeholder, to be able to shape the service that is wanted' (Head of Performance and Accountability).

A lack of producer group consultation

Nevertheless, although service review team officers spoke of their satisfaction with the outcome of the consultation exercise, such approval did not extend to front-line employees and their representatives, who had not been so heavily involved in the process. Thus, union representatives explained that whilst a BV *user* consultation exercise had informed the composition of the resulting integrated waste management contract, the opinions of the four disparate workforces had not done so. One union representative went on to report that the reason why the refuse collection and street

cleansing staff had been excluded from the consultation process was that they were not employed by the authority and were not, therefore, encapsulated within its corporate staff consultation processes:

'If you are working for the Council and subject to a BV review, that will be inclusive and you will take part in that. But when you look at the refuse and street cleansing, there was no consultation with the union or certainly no consultation with the workforce direct who had already been externalised a number of years previously' (GMB Branch Secretary).

Another union official went onto explain how he felt aggrieved that the service review team had not tapped into such rich experience:

'On average when you do a refuse re-route the refuse crews will, within a month, find the quickest way of getting around it, they are very good at finding the quickest way to finish their work. If changes are imposed that leave little in the way of discretion, then you can expect a drop in productivity' (GMB Regional Organiser).

Meanwhile, officers from the service review team reported how the major concerns and ideas that they had received during the public consultation exercises were written directly into the terms and conditions of the new integrated waste management contract. Thus, as can be seen in Figure 8.2, under general conditions, in contrast to previous contractual arrangements, the new provisions for the integrated waste management contract would, as participants of the focus group had requested, give the recruited contractor greater responsibility and discretion for meeting the desired level of service performance. This chiefly involved providing incentives for the contractor (see below)

to avoid the generation of complaints about the service, because one of the main ways the authority would audit the contractor would be by reference to a 'complaint's line' monitored by client side officers (BHUA, Scrutiny Board, Integrated Waste Management Contracts: Meeting Service User Expectations, 1999).

Figure 8.2 Summary of main provisions in integrated waste management contract

| General conditions | |
|--|--|
| Previous | New |
| 1) Client directing contractor | Contractor managing the business with council auditing arrangements |
| 2) Client judges success of contract | Service users determine success of contract |
| Street cleansing | |
| 3) Contractor reacts to whom it may concern | Increased requirement for self-supervision |
| 4) Council responsible for deciding location and repair of litter and dog bins, seats and shelters | Contractor responsible for arranging location and repair of dog bins, seats and shelters |
| Waste collection | |
| 5) Enquiries/complaints to client | Enquiries/complaints to contractor |
| 6) Contractor responsible for publicising services | Contractor shares responsibility for publicity |

Source: BHUA, Integrated Waste Management Contract, 1999

Compare

During the period of research, nine nationally collected performance indicators could be identified for refuse collection and street cleansing services (Audit Commission, 1999, 2000, 2001, DETR, 1999, 2000). Despite the relatively high number of such indicators, however, there was no evidence that the authority had addressed the issue of how it proposed to reach the upper quartile performance position in relation to them. When asked about this apparent failing, one respondent simply explained that *'the problems in current service performance were so obvious and pressing'* that the authority simply did not have time to worry about the future (Assistant Director of Environmental Services).

Instead, the service review team, having made the decision to recruit an external contractor, set about ensuring, as the public consultation process had suggested, that in cases where the contractor failed it should face default mechanisms and liquidated damages procedures (see figure 8.3).

Figure 8.3 Default procedures in Integrated Waste Management Contract

- Where the Contractor fails to provide the Service and the Council is required to undertake an investigation into the failure, then liquidated damages will be recovered.
- If the Contractor has failed to provide the Service or any part thereof in accordance with the Contract, the Council shall be entitled in her/his absolute discretion to issue a Default Notice requiring the Contractor to remedy the failure within the period specified in the Default Notice.
- On each occasion when a Default Notice is issued, the Council shall be entitled to charge the Contractor a sum to cover the Council's cost of investigating the failure to provide the Service and issuing the Default Notice inclusive of all overheads and associated costs.

Source: BHUA, Integrated Waste Management Contract, 1999

The resulting contract specifications thus included twenty-seven default procedures which posed the threat of liquidated damages for costs incurred. A small number of these default procedures derived from statutorily determined performance targets such, as the failure to meet *'a grade A street cleansing standard'*, while others derived from the concerns of local users, such as *'causing damage to property'* (BHUA, Default Schedule, Appendix 3, Integrated Waste Management Contract).

Compete

The service review team not only used the policy of BV to repackage and to rewrite the contract specifications for its waste management service, but also to introduce a revised set of tendering rules that would provide it with much greater discretion with respect to

contractor selection. In particular, the BV tendering process permitted the service review team to consider more carefully the desired cost and quality of service provision and, by implication, provided it with the opportunity to address the shortfall in resources that had been prevalent in previous waste contracts. As the review document governing the tendering process pointed out:

'All prospective contractors will be required to demonstrate competence on two grounds, cost and added value. Contracts will be awarded to the company that not only produces the most competitive bid but also demonstrates how they will deliver a quality service for the city' (BHUA, Value Assessment Document, 1999).

Consequently, the BV framework employed for use in the contract tendering evaluation process invited competing contractors to state how they would achieve such desired outputs as improved customer satisfaction. The evaluation framework also required the service review team to assess whether the contractor had the necessary technical and resource capability to deliver the required standard of service. Another important component of the quality assessment, meanwhile was entitled 'added value,' and this required potential contractors to submit proposals outlining any innovative ideas and improvements that they could bring to the service, at no extra cost. These arrangements are detailed in Table 8.1.

Table 8.1 Evaluation framework for integrated waste management contract

| Component | Composition |
|---|--|
| Price (500 points) | The value of the contract to be assessed in accordance with CIPFA code of practice for CCT and Government regulations. |
| Technical Quality (200 points) | Contractor must demonstrate that it can apply sufficient resources to the task, including the necessary staffing, skills, experience, management and support systems for the required standard of service. |
| Quality management and quality systems (100 points) | Process performance measures, control and continual improvement assessment. Contractors ability to maintain and improve service quality and customer satisfaction |
| Added value (100 points) | Contractors required to submit proposals outlining any added value they may bring to process of service delivery, at no extra cost. |
| Equal opportunities (50 points) | Contractor required to demonstrate commitment to equalities equal to that of the Council. Criterion included a workforce that reflects the community that it serves. |
| Health and Safety (50 points) | Contractor compliant to the Health and Safety at Work Act 1974 |

Source: BHUA, Value Assessment Document, 1999

From this table it can be seen that only half of the overall score awarded to competing tenders captured the price of bid submitted. Of the remainder, two hundred points were directed at technical quality, one hundred points to quality management and added value, and the remaining hundred split between equal opportunities and health and safety. In terms of price, service review team officers also explained how they asked competing contractors to include a profit margin within their bid submissions. This request was intended to ensure that external contractors were confident that they would make a suitable return from the contract and thus not shirk on proposed quality commitments. It could also be seen, however, as a means of pressurising the contractor to keep its bid lower.

The head of contract services described the overall philosophy underlying these tendering arrangements as follows:

'What we have done now, is say these are the things that are important to residents, or people in the city and when you bid, bid your money and bid the level of satisfaction you will achieve in those areas. These companies are supposed to be the experts in their field. We do not want the contract documents to be directive. They should be receptive as well, what can you bring to the contract, so obviously you would have to go through that and put a value on it' (Head of Contract Services).

The Council's invitation to tender received a good response from contractors, with ten expressing an interest and eight submitting a preliminary bid (BHUA, PARC April 2000:82). The service review team attributed this high level of enthusiasm amongst contractors to the quality and clarity of the bid documentation it had prepared and to the unique partnering arrangement implied within it. The principles of BV were then further experimented with when the Council selected the third lowest of the eight bids (BHUA, Minutes from Scrutiny Board, 1999) on the basis that it represented the 'best value' option. As a client side officer explained:

'We did not go for the cheapest since there was fairly clear water between the chosen contractor and the others about what they could bring to the contract. We were very happy with the way that the preferred contractor were going to manage it, with the resources they were putting in, they were putting in more resources than most of the other contractors said they were going to do. We also felt that the selected contractor had understood the complex nature of the area, especially during the summer months and weekends' (Corporate Finance Officer).

Notable amongst the eight evaluated bids was the former BBC operator, which had originally negotiated out of the refuse collection and street cleansing contract, and whose bid was documented as being the most costly of those submitted (BHUA, Minutes from Scrutiny Board, 1999). A manager from this former operator explained how their company's bid had been based on a *'realistic assessment of service delivery and of their experience of operating parts of the service previously'* (HRM Manager). He also spoke, however, of his company's *'political exclusion from the tendering process'* and put this down to the belief that if his company had been selected, it would have cost much more and the fact that this would have been perceived as weak contractor management on the part of the Council. This accusation also implied that, despite increased resources, the contract secured by the Council would be insufficient for the task in hand.

Union representatives had sympathy for such views and explained that the £2 million losses reported by the former BBC contractor had not been suffered in return for *'quality service provision'* and that *'something quite substantial'* (GMB Regional Organiser) would have been necessary to reverse the devastating consequences of CCT. Thus, whilst the chosen contract raised the costs of the former HBC and BBC contracts by £1.8 million, an increase to be paid for by *'a £21 rise in the band D council tax'* (BHUA, Letter to Council residents, 1999), union officials did not believe that the price secured was adequate. As the GMB Branch Secretary explained:

'The Council conducted the BV tendering exercise on the basis of 'let the companies' do the undercutting, let them do the subsidy and leave it up to the unions to manage the staff problems' (GMB Branch Secretary).

Officers within the service review team, however, disagreed with this pessimistic view and were convinced of the robustness of the BV review process. They, therefore, had no hesitation in pressing forward with the decision to award the contract to the third lowest bidder. Subsequently, explanatory letters were sent out to taxpayers in order to justify the £21 council tax rise on the basis that an improved refuse collection and street cleansing service had not only been requested but that, with additional resources, and improved contract conditions, would be delivered. Somewhat ominously, the explanatory letter also explained that service recipients should direct future *complaints* towards the contractor and not the Council. Having secured a £1.8 million increase in funding, the Council did not, therefore, rule out the possibility of future service failures.

The outcome of the BV review in practice

The £6.5 million integrated waste management contract commenced on the 1st November 1999 and was set to last for a term of five years, with the option of a two-year extension (BHUA, Minutes from Scrutiny Board, 1999). The contract had been secured following a BV tendering exercise which gave equal priority to both cost and quality. The contract provisions had also been secured under the mantra of ‘partnership working’ and in this respect the contractor was given responsibility for a whole host of issues including dealing with service user complaints. Simultaneously, the local authority was able to contemplate a future, in this particular range of activity, whereby it would essentially be ‘enabling’ and chiefly concerned with *mere* arms-length monitoring (BHUA, Integrated Waste Management Contract, 1999).

Failed management and staff relationships

This interpretation of the partnership arrangement proved to be far too optimistic, however, with respondents broadly describing the history of the integrated waste management contract as one that *'got off to a bad start and never recovered'* (BV Research Officer). Even before the contract commenced, the head of contract services explained how the reservations of the workforce were stirred when, during the first management-workforce meetings, the newly recruited managers explained that it was time *'to make a reality of the bid'* and proposed to replace the current 'beat system' of working with a 'zone-based system' in a bid to improve productivity.

This proposal was actually implemented as part of a rather *'reluctantly agreed'* (Corporate Personnel Officer) staff harmonisation process intended to harmonise the four disparate terms and conditions of employment inherited from the previous refuse collection and street cleansing contracts (see Figure 8.4).

Figure 8.4 The origins of four different terms and conditions of employment.

1. Street cleansing in HBC operated by non-TUPE private contractor
2. Refuse collection in HBC operated by non-TUPE private contractor
3. Street cleansing in BBC operated by non-TUPE private contractor
4. Refuse collection in BBC operated by voluntary transferred contractor via TUPE protection.

Source: GMB Press Release, 2000

The key industrial relation issue that arose during this process was that although the contractor had agreed to address discrepancies in terms and conditions of service 'upwards', it simultaneously sought to equalise productivity levels (Regional Manager).

As a contract manager from the external contractor explained:

'With 60% of our costs labour, if you increase that by any percentage it has a fundamental effect on the contract and if you do not get the productivity to match it and need more labour then it kills it' (Operations Manager).

In response, union representatives explained how they contested the contractor's argument that the 'properties per day' productivity rate of the ex-BBC workforce was far below that of the ex-HBC workforce and also below the industrial norm. In articulating this view, union officials expressed annoyance that the contractor had not really tapped into front-line experience before imposing an unworkable zone-based system. In particular, union representatives complained bitterly of the abstract nature in which the productivity comparisons had been calculated and by implication did not believe that the proposed zone-system of organisation would work. As the GMB Regional Organiser further elucidated:

'What the new contractor did was to work on the tonnage, but you cannot work on tonnage; tonnage and time is what have you got to look at. They looked at tonnage, see that a Hove crew was pulling in say 80 tonnes a week and there is a Brighton crew only pulling in 60 tonnes a week, more productivity needed there. The difference is where the rubbish is. You can go all the way up a driveway in some of these places in town and there is nothing in the bin, but you have got to go up there and of course its time'
(GMB Regional Organiser).

Officers from the service review team had, during the BV review process, also raised similar criticisms about the inadequacy of productivity comparisons, which in their view:

'Take no account of local geography, local pressures over waste provision of non-statutory services and the availability, cost and proximity of disposal facilities' (BHUA, Policy and Resources Committee – Waste BV review, April 2000).

Nevertheless, despite believing that the contractor was being 'simplistic', officers from the service review team did not consider it necessary to become involved in the debates that raged between management and the union, since this would contradict its original aspirations for the contract.

Meanwhile, despite the concerns of the workforce, a deal was brokered with the contractor which meant that in return for harmonising the terms and conditions of employment upwards the contractor would replace the beat system of working with zones, thus seeking to address differences in productivity between the various workforces. It was not long, however, before the contractor experienced difficulties and failed to meet historically achievable levels of service performance. In particular, interviewees explained that the transition from a 'beats' to a 'zoning' system led to immediate chaos, as operatives lost areas of work well known to them, and in some cases, were even forced to work from maps.

These problems were, then, further compounded by the inadequate advertising of the altered pick-up times that were to apply to 80 per cent of residents. The most pressing problem, according to union officials, however, was the uneven distribution of workload between the different refuse crews. Indeed, external contract managers, themselves, admitted that the uneven nature of the new rounds meant that some crews *'managed to*

finish their rounds before 1pm on some days, while other crews returned to the depot as late as 6pm after a 7am start (GMB Regional Officer).

The GMB regional officer further explained that, having failed to consult with the unions regarding working practices, employees would only take up some of the slack that existed between different areas of the City:

'We realised that there was some slack in the BBC side of the operation and although the guys in BBC were prepared to help the guys in HBC, for a time, the stick got bent too far' (GMB Regional Officer).

Derisory service performance

The complications brought about by the new zoning system, therefore, exacerbated the derisory service performance that had characterised the service since the beginning of the integrated waste management contract. During the first six months of the contract, for example, it had been reported that the contractor had failed to meet the Council's target of no more than *'150 weekly total missed bin complaints'* on sixteen out of twenty-four occasions (BHUA, In House performance report, November 2001). Following the introduction of the zoning system, this level of performance deteriorated further, with the total missed bins target not being achieved on twenty-seven out of thirty-two occasions. On one notable occasion, the level of performance was greater than 600 weekly total missed bin complaints and on seventeen occasions it was more than double the desired level of 150 (BHUA, In House performance report, November 2001).

The randomly measured street cleansing performance was also reported to have suffered and fallen to its lowest ever level following the introduction of the new zones (BHUA, In House performance report, November 2001). In addition, during the first six months of the contract, the number of 'service user complaints' rose from approximately 800 to 2115, with the contractor never once reaching the desired target of '90 per cent satisfactory cleansed roads (A, B and 50% C grades)' (BHUA, In House performance report, November 2001). Against the backdrop of such derisory performance, a contract officer from the authority explained how he formally justified the Council's heavy use of liquidated damages and defaults procedures by merely reverting back to the evaluation process and the means by which the contract had actually been secured:

'I put all the contractor's complaints and concerns aside and said 'here are a few things you said you'd do to this level, you'd agreed up front, I'm sorry you are not doing it, you are failing' (Client Contracts Manager).

Another interviewee from the external contractor, however, took a more philosophical view:

'It all depends on how you view things. If you go on refuse collection and complaints, we were achieving 99.9% success rate, but that still allowed for there to be many people not being collected and many defaults and when things go wrong everyone hides behind contract documentation' (Operations Manager).

Nonetheless, one and half years into the contract, the problems of the integrated waste management contract had become so intense that the Council gave the contractor 'six

weeks’ to bring its refuse collection and street cleansing up to a *‘satisfactory performance level’* (BHUA, Scrutiny report, 2001). The request was not met, however, with the problems continuing to the point that, after 23 months of operation, documentary evidence revealed that the contractor had only managed to achieve the desired level of ‘missed bin’ complaints on twelve out of 100 occasions (BHUA, Call Centre Statistics, 2001). The results for the percentage of ‘satisfactorily cleansed roads’ were described as being even worse, with the contractor never once being reported to have achieved the desired level of service standard (BHUA, Scrutiny report, 2001).

Termination of contract

Against this background, interviewees explained that the increasingly irate authority threatened to withhold payments to the contractor, a sanction that was met by the rushed introduction of a fully integrated waste management system, again without staff consultation, that involved designated street cleaners sweeping immediately after refuse had been collected (GMB Press Release, 2001). This arrangement eventually broke down when thirteen street cleansers refused to take part in the contractor’s new work schedules and as a result were suspended by managers (Davies, 2001). The suspension of the thirteen street cleansing operatives was quickly followed by the sacking of 131 workers for taking part in an unlawful strike in support of the suspended colleagues (Davies, 2001). By this time the public and the local press clearly identified the contractor as being responsible for service failings and the Council, wishing not to be seen as siding with it, gave the contractor forty hours to show how it would meet the terms of the contract (Argus, 2001).

Shortly afterwards, with losses amounting to £350,000 a month, equivalent to approximately £4 million a year and potential losses of £18 million over the future life of the contract, the contractor reached an agreement with the Council to pay £3 million to terminate the contract (Argus, 2001). In agreeing to this proposal, the authority ensured that contractor *'remained in the city for up to three months'* while the Council found a replacement (BHUA, Scrutiny report, 2001). The five-year contract had, therefore, failed after two years of unsatisfactory performance and the Council was once again charged with the task of engaging in a fresh tendering exercise.

Following an emergency tendering process which revealed that external contractors would only operate the contract in return for at least a two-fold increase in cost, the Authority decided that the only realistic option was to return the service in-house (BHUA, Scrutiny report, 2001). By returning the service in-house to a new 'city cleansing team,' the contract was documented to have cost the Council £12.5 million for 2001/02, with an expected cost of £17.9 million in 2002/03, nearly *three* times the amount paid previously (Audit Commission, 2002).

In the meantime, the new city cleansing team was required to complete a fresh BV review entitled 'waste management services' which was reported as providing the *'opportunity to work in partnership with the workforce'* whilst at the same time *'ensuring that the refuse collection and street cleansing is provided at the lowest possible cost for much improved quality'* (BHUA, BV performance plan, 2002/03). It was also during this time that the BV Inspectorate decided to make a visit to the authority. The inspection team's interpretation of the events is next considered.

BV Inspection

Following two years of unsatisfactory service performance from its external contractor and having only regained direct control of the integrated refuse collection and street cleansing service for a period of six months, BHUA was subjected to an inspection of 'waste management services.' The title of the inspection reflected the name of a fresh BV review the authority had commenced upon following the downfall of the earlier contract and thus rendered the timing of the inspection somewhat premature since the review was still in the process of completion.

Perhaps even more striking, however, was the fact that despite the torrid history of the former contract, the only mention of the former contractor in the resulting BV inspection report was limited to the following short statement:

'The service is delivered by the Council's own staff following the termination of a contract with a waste management contractor' (Audit Commission, 2002b: 5).

The fact that the BV inspection occurred after the failed external contractor had left also meant that the BV inspectorate's attention was directed exclusively towards the actions of the Council rather than the previous actions of the contractor. Although the main body of the report did view positively the decision of the Council to take '*action to restore satisfactory performance*' (Audit Commission, 2002b: 16), it was also blamed for allowing performance to deteriorate, with the inspection team noting:

'Concerns about former performance and contract management by the Council and their handling of a contractor who did not effectively manage its workforce or contract' (Audit Commission, 2002b: 16).

Against this backdrop, the BV inspection team judged the current performance of the service, *at the time* of the inspection, as 'fair' (Audit Commission, 2002b: 16). This assessment was predominantly based on information detailing that the level of complaints received by users had fallen from historically high levels since the service had come back in-house, with it being noted that the number of complaints and missed bins was now approximately *'half of that of the former contractor and still falling.'* The Council's performance was also reported to have moved *'closer to the average for missed refuse collections and satisfaction with street cleaning and refuse collection generally'* (Audit Commission, 2002b: 27). At the same time, these findings highlight, as in the previous case, the importance of baseline figures to the ways in which inspectors rate current performance.

The BV inspection team, however, also noted that in returning the service in-house, the cost per household of waste collection had more than doubled. The result of this, the team further observed, had been to move the service from a *'poor service provided at relatively low overall cost, to a close to average but high cost service'* (Audit Commission, 2002b: 27). In particular, it was reported that the *'cost of refuse collection will have moved (the authority) into the worst 25 per cent performance range'* (Audit Commission, 2002b: 27). The premise upon which the inspection team rated the 'current performance of the service' was, therefore, a mixed one.

Promising prospects for improvement

In many respects, the inspection team's impression of the authority's likely future performance were not helped by the Council having *'failed to set any long-term aims to reduce service costs despite a recent history of rapid cost increase'* (Audit Commission, 2002b). As the inspection report further maintained:

'The Council's targets for the cost of waste disposal [per tonne] and waste collection [per household] in 2002/03 both show substantial increases over the 2001/02 estimated costs. For disposal the figures are £37.14 to £47.81 (29 per cent) and for collection £37.50 to £57.48 (53 per cent)' (Audit Commission, 2002b: 15).

The reported situation for the authority's approach to the increasingly important process of recycling was even less promising, with the inspection team reaching the conclusion that the Council had failed to set sufficiently challenging household recycling targets and was also incapable of achieving the *unchallenging* targets it *had* set (Audit Commission, 2002b: 14).

Nonetheless, despite these identified limitations, inspectors concluded that the reviewed service had 'promising' prospects for improvement. Given some of the negative comments made in the report, this conclusion seemed to stem from the 'softer' information that the inspection team had collected from its reality checking and general discussions with officers and other interviewees. Moreover, in spite of reaching the rather promising likely future inspection verdict and acknowledging the past history of contractor failure, the inspection team still managed to conclude that over time *'the*

Council would need to continue to assess alternative options for service delivery to remain competitive' (Audit Commission, 2002b: 31). This statement, therefore, implied the reintroduction of competition at some later stage.

Conclusion

The review examined in this third case study was BHUA's review of refuse collection and street cleansing services. It began by detailing the impact of CCT on the two services and, in doing so, focused on events in the far more significant BBC. The impact of CCT was shown to have been a hugely eventful one, with all of the contracts residing with external contractors following the completion of two separate rounds of competition. In particular, the impact of CCT on the two services in BBC was shown to have been devastating, with the threat of, and exposure to, competition, coupled with accusations of loss leading on the part of external contractors, resulting in continuous financial and service performance failures.

Consequently, when the two former borough authorities were combined, against the background of a keenness on the part of the existing BBC contractor to negotiate out of the refuse collection and street cleansing contract, the introduction of BV policy was seen to provide an opportunity to conduct a fundamental review of the future delivery of the services. Under the jurisdiction of the newly formed BHUA, the second section of the chapter, therefore, explained how the approach adopted towards the BV pilot was one which identified previous failings as a result, predominantly, of the tendering process of CCT rather than the use of external contractors *per se*.

In line with this approach, the chapter explained how the authority conducted a BV review process that was shaped primarily, owing in part to time limitations relating to the expiry dates of various contracts, by a BV tendering exercise which afforded more priority to quality factors in the resulting tender evaluation. Although the policy of BV, therefore, provided the authority with the opportunity to raise the level of resource allocation to a point at which desired service objectives could adequately be met, the case also revealed how such resources had to be accommodated within politically acceptable budgetary levels. Given that these limitations could not rule out future service failures, the resulting dilemma faced by the Council was how to disperse the potential blame for this onto the externally recruited contractor.

The answer to this dilemma was provided in the third section of the chapter which devoted its attention to the BV review of refuse collection and grounds maintenance and revealed how the authority first challenged the existing basis of service provision by combining four disparate street cleansing and grounds maintenance contracts into one. It, then, proposed that the recruited contractor be required to take greater ownership for resulting service performance, even though the language of the contractual relation sought was expressed very much in terms of 'partnership.' Along similar lines, the resulting consultation process was based on the Council removing itself from responsibility for any future service performance failures by requiring service recipients to contact the contractor directly in the event of service failures. Nonetheless, it was also shown that whilst the ensuing integrated waste management contract contained twenty-seven carefully crafted defaults procedures, these did not, in themselves, demand that the recruited contractor attain the continuous service improvement standard of 'upper quartile status' within a given period of time. Finally, the third section of the chapter also revealed that the BV review process culminated in a BV tendering exercise that

gave equal weighting to both cost and quality factors and resulted in the third lowest of eight bids being selected.

Having, therefore, detailed the outcome of the BV review, the fourth section of the chapter investigated the impact of BV on the two services and in doing so revealed how the new integrated waste management contract quickly failed to live up to its partnership expectations. In particular, a staff harmonisation process was revealed as having been badly handled by the contractor and consequently resulted in the failed introduction of a new zone-system of working. Against the background of rapidly deteriorating service performance, it was further reported how the authority had no option but to issue the contractor with an increasing flow of default notices. Similarly, in the face of mounting public and media pressure, the chapter revealed how the Council was forced into removing the failed contractor and ultimately to returning the service in house. This was achieved at nearly three times the cost of the former external contract, and was accompanied by the Council's decision to conduct a fresh review of the two services.

In the light of this rather eventful experience, the final section of the chapter devoted its attention to examining the response of the BV inspectorate and, in doing so, first noted that the timing of the visit was of some interest given that it occurred approximately two years after the initial review and only once the contractor had departed. Indeed, despite the devastating experience of the former contractor, hardly any mention of it was made in the resulting BV inspection report. This meant that the resulting inspection efforts were directed exclusively at the authority, which was, in part, criticised for not managing the contractor effectively enough. The inspection team did, however, accept the reasoning behind the authority's decision to return the service back in-house and

duly judged the performance of the service as 'fair' with 'promising' prospects for improvement. In making the second of these judgements, however, the inspection team also recommended that the authority consider alternative options for future service delivery, suggesting once again, that the question of the role of competition and the utilisation of external contractors is never far from BV inspectors' lips.

Chapter 9

Cross case comparison

This chapter compares the findings of the three preceding case studies within the context of the four attributes of BV that were critically examined in the fourth chapter of the thesis. These attributes were identified as ‘public involvement’, ‘flexibility of means’, ‘public-private partnerships’ and ‘inspection’ and had all been purposefully selected by this study on the basis that they are at the heart of the Government’s solutions to its identified weaknesses with CCT. By comparing the case study findings within the context of these four attributes, this chapter is able to identify both how the four attributes were used in the three case studies and to what extent the claims and counter claims made for them materialised in practice. In doing this, the chapter is organised into four main sections each of which focus attention on one of the attributes.

Public involvement

One of the claims made for BV over CCT is that, by virtue of placing a duty on local authorities to consult, it is able to gain economies and efficiencies by focusing resources on aspects of service that are most important to the public. Having read the policy, guidance and literature on BV consultation, this first attribute was referred to in this study’s literature review as ‘public involvement’ and was identified as requiring local authorities to engage with the public. This occurred in two overlapping ways. Firstly, by the policy enforcing local authorities to provide information to, and collect information from, the public about the performance of local services. Secondly, by the policy encouraging local authorities to involve the public in decisions regarding future service delivery. It was explained that whereas the processes of the former operated via

statutorily required performance and user satisfaction indicators, the processes of the latter were not statutorily defined and embraced a variety of methods including public meetings, suggestion cards and citizens juries. This section continues in two main parts. Firstly, it details and compares how each of the case reviews involved the public during the BV process. Secondly, it cross-compares the potential advantages and limitations previously identified as being potentially associated with such involvement.

Public involvement in the case reviews

The degree of public involvement undertaken by the three case authorities inevitably varied and was found to be the most extensive in the grounds maintenance and refuse collection review and the least extensive in the leisure centres review.

Beginning with the review that entailed the highest level of public involvement, grounds maintenance and street cleansing, it was reported how the respective project team separated its public consultation process into three distinct phases. The first of these sought to gain the standardised views of a fairly wide range of the population and entailed the distribution of a random city-wide street survey, a ten-minute questionnaire to 99 special interest groups and a series of open door discussions attended by six special interest group representatives. The second and third consultation processes, meanwhile, entailed two separately organised away-day events. The first of which involved special interest group representatives - comprising mostly tenant and other local interest groups - engaging with staff officers and councillors in a number of workshop activities that primarily required them to state their key concerns about the services and to identify their priorities for the future. The second away day event, meanwhile, culminated in attendees being asked to endorse the project team's action plan for the review and to agree to three key performance indicators chosen by it to

demonstrate the authority's commitment to continuous improvement. Upon gaining this endorsement, the process of consultation for this particular review ended.

The refuse collection and street cleansing case study review, meanwhile, entailed two main episodes of specific BV review consultation and, in reflection of the aims of this particular review, occurred only once the Council had decided to continue to recruit external contractors to deliver the reviewed services. The first episode of consultation involved a self-completion questionnaire being sent out to 233 local 'stakeholders' that requested information on the four issues of 'service satisfaction', 'information and communication', 'service priority' and 'desired improvements'. The second episode of consultation involved twenty 'key' stakeholders, drawn from the resident population, being brought together in a forum of open discussion. The authority documentation on this forum reported that participants had been asked to briefly indicate what they considered to be the good and bad aspects of the service. Upon completion, the respective service review team spoke of their satisfaction with these two consultation processes and expressed confidence in the authority's plan to encourage the public to contact the selected external contractor, rather than the Council, for service complaints. Far from confusing the public about where responsibility for service outcomes resided, the Council was quite explicit about this issue and ensured that the contractor had full liability.

Finally, the case study of the leisure centres review revealed that the respective service review team did not conduct a specific process of BV review consultation in the way that the other two review teams had done. Instead, in the face of pressures exerted upon it by the authority's leadership and cascaded down to it via senior officers and the core BV team, it relied on already established, albeit, distant, corporate consultation

mechanisms and the regularly collected leisure user satisfaction surveys to track the concerns of the public. Although these methods of consultation were not conducted as part of the BV review, interviewees did, nonetheless, explain that they had informed the direction and subsequent outcome of the review, with the BV inspectorate also making reference to it in the resulting BV inspection report.

Potential limitations with public involvement

At face value, therefore, and with the possible exception of the leisure centres case study, the efforts of the other two authorities to involve the public in local service delivery could be seen to reflect the aspirations of BV in terms of providing the public with the opportunity to influence decisions regarding the future delivery of the service. Indeed, the consultation exercises certainly embodied a greater degree of public involvement than that which was reported to have occurred under CCT.

Nonetheless, despite these possible advances a number of concerns had also been singled out for attention in this study's literature review and these related to doubts about the authenticity of public involvement, concerns about whether divergent interests could be reconciled and a fear that the information provided to, and collected from, the public might not be accurate. The case study evidence was able to shed light on all of these issues and they are each considered in turn below.

Authenticity of public involvement

One of the key concerns to emerge from the literature about the public involvement attribute of BV related to doubts about the authenticity of the process in terms of the

depth and intensity of public engagement (Halvorsen, 2003, Irvin, 2004). The reason for this concern is that the statutorily required methods of consultation in BV revolve around the provision and collection of performance and user satisfaction indicators. These are both a fairly limited means of involvement and might not be elaborated upon or added to by local authorities already saddled with other BV requirements and responsibilities. For this reason, the degree of public involvement undertaken might be rather limited.

In practice, the research evidence revealed that in two of the three cases the methods of public involvement progressed far beyond the statutory minimum and involved fairly in-depth and interactive processes. The agendas of these episodes of public consultation tended to be heavily controlled by the respective review teams, however, thus lending to doubts about their authenticity. The review team in the refuse collection and street cleansing case, for example, was shown to have purposefully situated its consultation process at the start of the review in order to obtain user endorsement of its own plan to integrate the two services and to justify resulting contractual arrangements. Consequently, the involvement of the public in decisions about the reviewed services occurred only once the decision to appoint an external contractor had been decided.

Similarly, the involvement of the public as a means to legitimise already taken council decisions was a prominent feature of the grounds maintenance and street cleansing case, particularly during the observed second away day event. For, during this event, the grounds maintenance and street cleansing project team sought legitimacy for its review findings by asking respondents to agree to future performance targets that had been directed entirely at meeting the statutory performance level. Thus, even though neither the organisers of the event, nor attendees, really accepted, or believed, that the

negotiated targets reflected reality, they did, nonetheless, sign up to the targets on the basis that this would best 'promote' continuous service improvement and keep central regulators 'off their backs'. In purposefully, steering the consultation process towards certain ends, the efforts thus taken by Southampton reflected a rather limited interpretation of the concept of participation or empowerment (Arnstein, 1969; Burns, Hambleton and Hoggett, 1994 and Gyford, 1994).

In Newham, meanwhile, despite not progressing much beyond the statutory minimum, the style of consultation undertaken could possibly be viewed as being the most authentic of all of the three consultation processes examined. The explanation for this is that the authority did not seek to mobilise the consultation agenda in any particular way. It simply let the issue of resource allocation and user priorities dominate the corporate consultation agenda and thus clearly recognised the resource limitations it was faced with. Having said that, of course, the sheer lack of direct review consultation in this review also meant that the public had no involvement in relation to the authority's decision to transfer the service to an external leisure service provider either and thus supports the contention that the advances that BV makes over CCT in terms of its inclusion of a public involvement element depends on how this opportunity is used.

This is also not to say that a lack of BV specific public involvement need be viewed as being inevitably problematic, particularly if sufficient previous information has already been gathered. Thus, as officers from the grounds maintenance and street cleansing case study also explained, owing to the nature of the service and the types of information previously collected during the day-to-day interaction between staff and users and between members and users, the BV review consultation process constituted little more

than 'going through the motions' and, by implication, the same time and effort could have more effectively been spent on other issues.

Reconciliation of divergent interests

A second key concern to emerge from the literature about the public involvement attribute of BV was that it might be difficult to reach a consensus on service preferences amongst those consulted. In the Newham case, the authority appeared to recognise this tension in the way it organised its corporate consultation process in the direction of seeking to ascertain the relative importance individual members of the public attached to different local services. In seeking to quantify the public's preferences in this way it was able to ascertain the optimum service level thus adhering quite well to the 'challenge' element of BV. In other words, it was a fairly individualised and commercialised form of engagement.

The grounds maintenance and street cleansing review provided another good example of how a consensus might not be reached amongst the various members of the public (Curtis, 2002; Martin, 1998) and did so by identifying the differences in opinion expressed by local residents and special interest groups with respect to the allocation of resources to different aspects of the reviewed services. Thus, for example, whereas local residents made calls for more resources to be spent on outlying residential areas, representatives from a variety of special interest groups stressed the importance of ensuring good quality royal parks as a means to attract visitors.

More generally, the case study evidence identified tensions in the variety of definitions used to measure performance and achievement. In the Newham case, for example, while

review documentation revealed that the leisure service was performing at *below* the upper quartile standard, others argued that this was a function of the socio-economic context and high levels of economic deprivation which led to consequential efforts of costly social programming being implemented. By stressing economy and efficiency, therefore, the very constructs against which the local authorities in the three case studies were required to collect information to demonstrate their performance to the public was not necessarily even consistent with what the public or other interest groups desired (Humphrey, 2002; Boyne, Gould-Williams, Law and Walker, 2002).

The accuracy of internal and external performance indicators

The third concern raised in the literature about the public involvement element of BV was that information collected from the public via statutorily required user satisfaction indicators might not always accord with the information provided to the public in such documents as the BV performance plan (Bouckaert and Van de Walle 2003). This type of concern, in fact, became apparent in both the leisure centres case and in the grounds maintenance and street cleansing one.

In the former, it was noted how the level of users' satisfaction with the cleanliness of water did not always coincide with the results attained from the formal assessment of water quality. Thus, even though, according to formal evaluations of water, the levels of cleanliness had increased, service satisfaction with such cleanliness was found to have deteriorated. In the latter, it was observed how the level of service performance measured by the review team's utilisation of the Environmental Protection Act's quality standards was reported as being noticeably higher than the respective figure collected from the user satisfaction survey. One explanation for this, in contrast to Leisure, is that

the authority's own measurement processes were not as stringent as they should be and higher targets had to be met.

These outcomes thus reflect the argument that the extent to which users are able to accurately and objectively assess their satisfaction with different aspects of service delivery depends on the nature of the service for which they are being requested to make a judgement (Kelly and Swindell, 2002). In the case of the assessment of water quality, for example, users may not have the information or knowledge at their disposal to properly evaluate whether a satisfactory job has been undertaken.

Meanwhile, the grounds maintenance and street cleansing case also raised concerns about the source of the user satisfaction data and whether it served to hide differences in satisfaction amongst various members of the public (Townsend, 2000). Thus, for example, because the statutory satisfaction indicator of street cleanliness was measured at the level of satisfaction across the *entire* city, and in terms of a mean average, it served to mask differences in the satisfaction of cleanliness between different *areas* of the city. Moreover, this finding also raises the rather interesting insight that had the public not had other avenues of consultation available to them, it might have been questionable whether this geographical difference in the cleanliness and maintenance of the city would even have been noted.

In summary, therefore, the inconsistencies in data collected from internal and external indicators of performance identified in this study raise doubts about the extent to which these processes of BV are able to provide accurate and clear information to the public about the performance of local services. Thus, even though the public are certainly provided with more opportunity to be involved in decisions regarding future service

delivery, the mechanisms underpinning such opportunities are far from perfect and can lead to both the gathering of conflicting information and answers to questions asked about the wrong issues. Simultaneously, user satisfaction surveys as a statutorily required expression of public involvement might also be rather limited and should not necessarily be relied upon.

Flexibility of means

The second claim made for BV over CCT is that it affords local authorities a greater degree of means flexibility. This is particularly so with respect to the ways they are allowed to put services together for BV, thus allowing them to combine previously barred combinations. It also expands the range of criteria by which local authorities' can assess the relative merits of other potential service providers and this relates not only to a more careful consideration of cost and quality issues but also to their choice of a far greater range of service delivery options. With these features in mind, this section continues in the vein of the previous one, by first identifying how the three case studies used the freedoms offered to them to pursue the desired outcomes of BV and, then, by detecting whether any problems materialised in relation to the use of such freedom.

Flexibility of means in the case reviews

In each of the case studies the authority was found to have used the discretion afforded it to conduct the BV review in a way that embodied a number of the alleged virtues of the flexibility of means attribute. Thus, for example, the authority in the grounds maintenance and refuse collection review immediately used the flexibility in BV to pursue a previously prohibited attempt to integrate its grounds maintenance and street cleansing services. This course of action was viewed as providing the opportunity to

remove duplicated functions and improve co-ordination. Likewise, having experienced a dissatisfactory period of CCT the authority also chose to organise the content of the review process in the context only of the consultation and comparison elements of BV, with a view also to demonstrating its commitment to continuous in-house improvement. Consequently, as the authority's standards and guidance document explained competition would only be used in cases of 'failing' in-house services. Given that the project team did not consider the grounds maintenance and street cleansing services to be of this ilk, it did not feel it necessary to subject them to competitive tendering. Thus, having guided the two reviewed services through the remaining 'Cs' of BV, the project team believed that it had identified the necessary improvements to be made to the service and explained how it would do this in a service improvement plan, referred to formally as an action plan, for examination by the BV inspectorate.

The authority in the refuse collection and street cleansing review also used the flexibility afforded it to combine two former CCT activities in such a way that would not have been allowed under CCT. As in the case of the grounds maintenance and street cleansing review, service integration was pursued primarily on the basis that the authority believed that the two services were sufficiently related to one another so as to facilitate the eradication of a number of overlapping functions and duplicated processes. It then proceeded to complete the review within the context of two externally provided services and this involved them also being subjected to the four C's of BV. In contrast to CCT, therefore, where the avoidance of the national policy was pursued in the authority's undertaking of a voluntary approach to contracting out, under BV the principles of the legislation were more warmly embraced. Thus having made the decision to integrate the two services, the remainder of the refuse collection and street cleansing review was then directed towards the creation of an integrated waste

management contract and the undertaking of a BV tendering exercise which embodied a far greater consideration of quality in the resulting contract evaluation exercise. The principles of 'flexibility' were then further endorsed by the selection of the third lowest of eight bids on the basis that this represented the 'best value' for money.

Finally, although the authority in the leisure centres case did not decide to change the organisation of its leisure management activity in terms of service composition, it did, nonetheless, use the freedom inherent in BV to combine three separate leisure centre contracts into one. It also used the discretion afforded it to conduct a BV tendering exercise that allowed it to award a single leisure centres contract to a single external leisure trust provider. Again, the criteria used to evaluate this particular tendering exercise was informed by a variety of factors above and beyond cost and these included not only capital investment proposals but also nineteen method statements, which were intended to allow the authority to flexibly guide and shape future client and contractor responsibilities.

Potential limitations with flexibility of means

It can be seen from the above discussion, therefore, that each of the local authorities in the three case studies used the freedoms inherent in BV to complete their reviews in ways that would have been prohibited under CCT. Upon initial examination, therefore, the policy of BV can, indeed, be seen to provide local authorities with more flexible means than was the case previously with CCT. In seeking to gauge just how 'free' local authorities were to complete the BV review process, it is first necessary to revert back to concerns raised in the literature about this particular attribute of BV. Two issues were singled out for attention. These related, firstly, to doubts about the degree of discretion

BV would actually provide local authorities in terms of competition and service ownership and, secondly, to the fact that political and financial concerns might serve to tame some of the aspirations of BV contracting with respect to increased resource allocation. Again the case study evidence was able to shed light on both of these issues, as illustrated below.

Degree of discretion

The differences between BV and CCT in terms of allowing local authorities to freely decide how they secure services should not be emphasised too strongly in the two cases that utilised external contractors in the delivery of local services. The reason for this is that, under CCT, only those local authorities that wanted to retain services in-house had to abide by the CCT rules (Painter, 1991). The actions of two of the case authorities to utilise external contractors could, therefore, have been undertaken fairly freely under CCT as well. Indeed, one important difference between the two policies in this respect emerged from the Brighton case given that its *externally provided* refuse collection and street cleansing service was subjected to a BV review. The provisions of CCT in contrast extended only to local authority provided services. It would be interesting to know if other externally provided services in other authorities were also subjected to a BV review in this way. Similarly, both the externally provided services in Newham and Brighton were subjected to inspection, with the policy therefore again casting a regulatory glance over the actions of the external contractors. Though, as detailed below, the extent to which this actually occurred could be doubted.

Equally important for the purposes of policy comparison, is the case of the Southampton authority that did not utilise external contractors or competition in BV. At the same time,

it was also the only authority of the three to detail explicitly how its reviewed services would attain upper quartile performance status within a given period of time. In one sense, it had aligned itself to the BV objective of continuous improvement, but had not been particularly adventurous or challenging with respect to competition. The fact that the authority was met with a BV inspection recommendation to conduct a competitive tendering exercise meant that the policy appeared to prioritise competition over continuous improvement.

Relatedly, while officers from this particular review's project team believed that the changes they had made would improve the quality of local services, the inspectorate disagreed. One key explanation for this was that according to the Audit Commission competition and the discipline of the market are considered to be functional to the achievement of continuous improvement. Yet, implicitly, by the respective Audit Commission's own admission this argument is abstracted from reality because in addition to recognising the problems brought about previously by the introduction of CCT, particularly with respect to the 'client-contractor split', it still made the recommendation that the authority conduct a competitive tendering exercise. A similar finding was also reached in the Brighton case, where despite the immense problems the authority had incurred with previous external contractors and despite the fact that since returning the service in-house service performance levels had improved, the BV inspectorate was also at pains to state that the authority should still continue to consider alternative options for future service delivery.

Initial indications from both the grounds maintenance and street cleansing and refuse collection and street cleansing reviews suggest, therefore, that if local authorities are going to satisfy the competition element of BV, certainly for former CCT services, then.

they must at least undertake a competitive tendering exercise. This is a conclusion, which, therefore, downplays the differences between the two policies in relation to the role of competition. The case study findings also suggest that the BV inspectorate is blinded to the principles of the market and, at least local, authority competition to the detriment of practical measures to improve performance/quality. Indeed, the mere effort by the Southampton authority to *demonstrate* its competitiveness, in part a function of the fear of competition, also diverted its attention from carrying out the necessary practical changes that might have led to real improvement. The result of this was that the authority's key plan to integrate staff roles and responsibilities, along with other action plan proposals, had not really been addressed during the period of the review.

The resource limitations of BV contracting

A second identified limitation with the flexibility of means dimension of BV to emerge from the case studies was that while, in theory, it provides local authorities with the freedom to account more highly for quality in the evaluation of competing tenders' bids, in order to do so, such quality must be traded for increases in cost and there are obvious limits to resources to allow this to occur on a wide basis. Clearly, the likelihood of this problem directly occurring in the grounds maintenance and street cleansing case study was negated by the fact that no competitive tendering exercise was conducted. Having said that, however, by virtue of attempting to demonstrate competitiveness by recourse to the consult and compare elements of BV, the authority in this case study still reached the decision to inject a further 250,000 pounds worth of resources into the two activities. One impression given of this additional funding was that it did not equate with the sorts of losses in resources that the services had met during the period of CCT and one reason for this was that there was insufficient money in the Council funds to do this. Thus,

whilst BV could begin to reverse some of the shortfalls in resources since CCT there were also limits to how much reversal was possible.

Meanwhile, upon initial examination, Brighton's decision to conduct a BV tendering exercise lent even stronger support to the view that BV allows local authorities to raise the quality of local services to a more satisfactory standard. This was achieved, however, at some substantial increase in cost. Thus although the third, as opposed to the cheapest, contractor was selected, the resources devoted to the winning contractor still proved to be insufficient to deliver aspired performance levels, with inevitable service failures resulting. Indeed, when the authority finally priced the cost of a service that would live up to both the public's and the inspectorate's expectations, it involved a three-fold increase in financial resources. The conclusion to be reached from this case, therefore, was that despite all of the emphasis given to BV tendering and the attainment of the BV position, the metrics of tendering decisions ultimately reflects what the public are willing to pay, and if this is insufficient, then service failures can only be expected. Indeed, the particular problems in this authority's reviewed services led to targeted and ring-fenced increases in council tax and these were proving to be politically painful.

Finally, despite the introduction of BV tendering, the quality gains promised by the authority in the leisure centres review depended, as in the case of CCT before it, on rather suspect income projections and, in particular, on the promise to increase leisure centre usage. One potential problem with the increased usage of such facilities as swimming pools, however, is that owing to physical parameters they quickly become overcrowded. Thus, in seeking to improve the quality of a swimming experience, in terms of having space to swim, one strategy might be to raise prices in order to control demand. In the event, the evidence from the leisure centres case, demonstrated how the

project team both increased prices and accepted the recruited contractor's changes to social programming and this action again reflected the existence of a close relationship between cost and quality albeit at another point in the service's existence.

In summary, therefore, whilst the evidence from the case studies suggests that BV has lived up to its claim that it provides local authorities with greater discretion to increase the quality component of the tender evaluation, it would appear that there are limits to the extent to which this can be achieved on a wide-scale.

BV partnership

The third key claim made for BV over CCT is that it allows local authorities to address the hugely adversarial way in which many of the CCT contracts with external contractors had been negotiated and operated. These problems stemmed from the fact that councils and contractors often viewed themselves as competitors *for* services rather than as partners *of* services, thus leading to a difficult working relationship between them. In recognition of this limitation, the policy of BV was identified as requiring local authorities to reach more cost-effective and harmonious partnership arrangements with external providers. In doing this, it was further anticipated that local authorities would be able to create synergy by drawing upon external expertise and capital and reducing some of the transaction and contract monitoring costs formally associated with the contractual arrangements created under CCT. The fourth chapter of the study also explained, however, that in contrast to the public involvement and flexibility of means dimensions of BV, the public-private partnership attribute of it is not directly implicated in BV policy. It can, instead, be seen to exemplify good practice and thus, as a discretionary process, might not encounter such widespread use as the other two

attributes on a review-by-review basis. With these issues in mind, this section moves on to examine the extent to which the alleged virtues of public-private partnerships materialised in the three cases and whether any resulting problems were encountered.

Public-private partnerships in the three cases

The public-private partnership attribute is, in a sense, the most difficult to report on given that in only one case study did its principles actually materialise, and furthermore, this occurred between a local authority and a charitable leisure trust provider rather than with a private contractor. In reaching this conclusion, however, it is necessary to discount the stated public-private partnership created in the refuse collection and street cleansing case study. The reason for this is that the authority, in negotiating this ‘partnership’, did not utilise the attributes consistent with partnership working such as a strengthened focus on shared achievements and a commitment to common values (Baggott, 2004) Instead, the local authority remained firmly in control, with the contractor treated much more as an arms-length contractor.

This is not to suggest, however, that a discussion of the use of, and problems pertaining to, the development of public-private partnerships has to be reserved for only one of three case studies. In fact, insightful evidence can be drawn from all three case studies, not least, because the failure to develop a partnership can itself be seen to be a function of the inadequacy of the underpinning foundations behind doing so (Arblaster, Conway, Foreman and Hatwin, 1996; Grimshaw, Vincent and Willmott, 2002).

To begin with, therefore, even though the authority in the grounds maintenance and street cleansing case had not awarded a contract to an external contractor, it did, at the

macro level, evoke the image of a public-private partnership in its philosophy of 'City Governance.' In this image, the private sector was considered to be a genuine source of job creation and a potential sponsor of public projects, rather than as a domain to outsource services. The particular issue of concern here, therefore, related to the level at which service integration or, more directly, partnership working was progressed and whether it occurred at the local authority level, as the policy desires, or as in the case study, at the level of the city.

In contrast, the nature of the partnership created in the refuse collection and street cleansing case was, at face value, far more in line with the Government's aspirations for this particular attribute since it involved the creation of a partnership at a service provider level and was created in response to previous problems with external contractors under the former regime of CCT. The authority in the refuse collection and street cleansing case also maintained a commitment to the use of external contractors in the delivery of local services and further stressed the importance of creating a trusting relationship with the contractor in the sense of allowing it to deal directly with enquiries and complaints from the public. However, as will be detailed further below, many of these commitments were founded on a bed of default mechanisms and liquidated damages procedures and thus do not accord with the characteristics Sako (1992) identifies with obligational contracting.

Finally, the features usually associated with the existence of a public-private partnership were most evident in the leisure centres case. Following a rather lengthy BV review process, that began during the piloting stages of the policy and ended under the direction of the Local Government Act 1999 and associated guidance, Newham created a partnership arrangement with a leisure trust provider. The more flexible terms of this

particular partnership were shaped by nineteen key service objectives that both retained the council's strategic ownership of core principles and service requirements but which also, in contrast to the refuse collection and street cleansing contractual arrangements, facilitated a large degree of 'give and take'. Consequently, the partnership arrangement was created in such a way as to allow the contractor to complete a number of key service projects and to take responsibility for achieving certain performance targets, targets that were purposefully set at a level that would allow the contractor to ease into its new position.

Potential limitations with public-private partnerships

Even though the above discussion suggests that the degree to which the three case studies endorsed the Government's desired principles of partnership varied tremendously, with only one authority experimenting with it fully, it is still possible to use the case study evidence to shed light on a number of the concerns raised in the literature. Three such issues were singled out from the literature and these related to concerns about the feasibility of the desired partnership relationships, fears that the creation of partnerships would incur the potential loss of local authority control and doubts about the compatibility of public-private partnerships with the other elements of BV.

The potential loss of local authority control

One of the key limitations identified in the literature about the public-private partnership attribute of BV was that it might raise difficulties in terms of the ability of the authority to control the contractor and, by implication, to ensure the delivery of local services in

the public interest (Grimshaw and Hebson, 2005). Indeed, despite references to shared responsibilities and aspirations, the literature suggested that under a partnership relationship one organisation is often in a position to dictate the terms of the contract to the other (Roper, 1997) and given the greater experience of private contractors in such relationships, this is unlikely to be the client local authority organisation.

This type of concern was most applicable to the experiences of the authority in the leisure centres case which had embarked the furthest in terms of partnership-working. In this case it was noted how the local authority did its utmost not to antagonise its newly recruited partner, primarily on the basis that it was keen to gain its external capital investment and rate relief. Consequently, the authority in this case was shown to have made a number of sacrifices to its partner in order to safeguard these benefits.

One such sacrifice was that the review team chose not to create defaults procedures as a means to discipline its contractor in the event of service failings nor to demand from the recruited contractor a commitment to reach the upper quartile position in terms of performance. An undesirable by-product of this preferential treatment, however, was that, in easing the contractor into a partnership position, the resultant changes the leisure trust provider made to social programming were inconsistent with the social distributional aspirations of the authority and at least some of the public's preferences, thus supporting doubts that under partnership arrangements, local authorities might not be able to secure local services in the public interest.

Moreover, evidence from the refuse collection and street cleansing review, also revealed how in not wanting to lose out to an external contractor under a partnership regime, the Brighton authority chose to retain the lead position in its contractual arrangement with

the external contractor. According to some respondents, this course of action stemmed from its knowledge that the contract price it was able to afford for the service might not be sufficient to prevent future service performance failures and it did not want to be party to them. Consistent with the characteristics associated with arms-length contracting, therefore, it, created detailed performance measures and standards to protect itself from financial responsibility for future service performance failures. There was, therefore, less give and take between the council and contractor in Brighton than there was in the Newham case.

Feasibility of partnership relationships

A second concern raised in the literature about the BV emphasis on public-private partnerships was that the underpinning foundations necessary to ensure the creation of desired obligational contractual relationships do not yet exist in the local authority service context. Indeed, as noted above, while the creation of a partnership was possible in Newham, the gains were not shared equally between the Council and contractor and thus did not exemplify all of the attributes or claims made for it.

The concern about the lack of the necessary underpinning foundations for partnership working was, however, more apparent in the refuse collection and street cleansing case since the respective authority, following its experiences of working with private contractors previously, *ensured* that it specified a number of default mechanisms and liquidated damages procedures that would penalise its new BV contractor for any resulting service failures. In this sense, the existence of an institutional framework exalting the need for local authorities to attain centrally defined performance targets represented a barrier to the fostering of relational contracting arrangements.

Further evidence that the nature of the public-private partnerships emphasised in BV is unlikely to be based on stable foundations came from the reasons provided by project team members in the grounds maintenance and street cleansing case for not embarking upon a partnership relationship with an external contractor. In particular, respondents from this particular case expressed concerns that, despite the onset of BV, external contractors were still very much perceived as being competitors, rather than partners, for local services. This view appeared to be reasonably well founded in the context of the authority's attempts to conduct data benchmarking exercises with a range of external contractors. Thus, these attempts had to be abandoned owing to a lack of commitment on the part of the external contractors to participate because of the commercial nature of the desired information sought. This finding again, therefore, supports the argument that public-private partnerships might not live up to all of their expectations because of a lack of shared aspirations and an associated conflict of interests between the two parties (Grimshaw and Hebson, 2005; Arblaster, Conway, Foreman and Hatwin, 1996).

The compatibility of public-private partnerships with other elements of BV

A third problem to arise out of the findings from the three case studies with respect to the partnering aspirations of BV related to the deleterious impacts that they had on some of the other aspirations of BV, particularly service performance. It is the main explanation for this impact, however, that is particularly interesting because it relates to inadequacies in the management of staff.

In the leisure centres case, for example, it was noted how the threat of a proposed service transfer, and ultimately partnership, was attributed, in part, for the rapid increase

in sickness absences and staff resignations as employees became fearful of their future employment and this had a knock-on effect in terms of reduced service performance.

Likewise, it was apparent in the refuse collection and street cleansing case that the recruitment of an external contractor committed to 'making a reality' of an under-resourced bid also demanded Herculean efforts on the part of front line workers to avert failure (Hudson, 1999). A failure to develop partnership in any meaningful sense in this authority was attributed to the lack of morale and derisory performance incurred. In the light of these tensions, it is questionable whether it is possible, as the policy documentation claims, to achieve 'mutually beneficial', or win-win gains simultaneously amongst all of the interested parties and different collaborators affected by them in the ways so defined (Roper, Higgins and James, 2005).

BV inspection

The fourth identified attribute of BV is inspection. This attribute differs to each of the others on the basis that, rather than being concerned with the means by which local authorities create continuous service improvements in local services, it is devoted instead towards ensuring that local authorities have achieved the desired outcomes of BV. In this regard, the inspection process can be seen to provide assurances to the public that local authorities are not failing their communities and, furthermore, that in the event that they are judged to have failed, remedial actions are at hand. In elaborating further on the practical operation of this process, this section continues by first identifying the impact that the inspection process had on each of the three case studies before moving on to discussing whether any of the doubts raised in the literature about the inspection process materialised in practice.

BV inspection in the three cases

Each of the three case reviews had been subjected to a BV inspection whose purpose it was to reach a judgement about the current and likely future performance of the reviewed services and to provide recommendations in relation to their achievement of continuous improvement. In each case, the inspection process proceeded in a way that advanced beyond a mere examination of council documentation and thus the limitations of audit and included, notably, interviews with key stakeholders and a series of reality checks - a range of processes that in their entirety were certainly far more detailed than that associated with district auditors conducting accounting checks of DSO's financial performance under the provisions of CCT.

Against this backdrop, the inspection visit in the grounds maintenance and street cleansing case was found to have been conducted after the completion of the associated review and following the publication of the local authority's service improvement plan. The case study found that the inspection team endorsed many of the changes that the project team proposed to make to the reviewed activities and further accepted that additional resources were required to make some of the identified changes possible. At the same time, however, the inspectorate was also found to have expressed grave concern at the authority's failure to conduct a competitive tendering exercise and duly recommended that the authority more fully address this aspect of BV in the future. In the context of this evaluation, the authority received a verdict of 'fair' current performance with 'promising' prospects for improvement.

In the case of the leisure centres review, meanwhile, it was revealed that the inspection team conducted this particular visit ten weeks into the operation of the contract by the leisure trust partner. The case study revealed that the inspection team was very upbeat about the authority's review efforts and, in particular, praised its decision to embark upon a partnership approach with a leisure trust service provider. The inspection team did, however, also suggest that more refurbishment was required to a number of the existing leisure centres in order to make them more accessible and of better physical appearance. At the same time, despite reaching the verdict that the targets signed between council and contractor were insufficient to reach upper quartile status, the authority still received a verdict of 'fair' current performance and '*excellent*' prospects for improvement.

Finally, the inspection team in the refuse collection and street cleansing review chose to visit the respective authority after two years of unsatisfactory performance from the externally recruited contractor and once the contract had been returned in-house. Given the severity of the situation in this authority, however, the inspection team did not wait until the authority had completed its re-review of the two activities but instead chose to visit it during its completion. Obviously concerned at recent events in this authority, the inspection team accepted the reasoning behind the council's decision to return the two services in-house and largely endorsed also the high level of additional resource allocation it had incurred in doing so. Strikingly, however, there was very little mention in the BV inspection report of the history of the former contractor, with the focus of the inspection being primarily concerned with the authority's proposals for the future. Thus, in the context of concerns that the costs of the service should not be left to rise indefinitely, the inspection team awarded the authority a verdict of 'fair' current

performance with ‘promising’ prospects for improvement, exactly the same outcome as the grounds maintenance and street cleansing case review.

Potential limitations with the inspection process

With all of the case reviews having been subjected to a BV inspection, there was a large swathe of evidence available for the purposes of examining whether the concerns raised in the literature about the inspection process of BV materialised in practice. The literature review focused on the three pertinent issues of ontology, consistency and impartiality and the case study evidence was able to shed light on all of these issues.

Ontology

One of the concerns raised in the literature about the BV inspection process was whether it would actually be possible for a team of between two and three inspectors to properly and accurately capture the actions of such a complex organisation as a local authority service activity and reduce it ultimately to a two-dimensional summary of its performance. In reflecting upon this issue, the case study evidence certainly lent support to concerns in the literature that such complex organisations as local authorities are not fixed and unchanging entities but instead are subject to much change and flux (Ball, 1997). Thus, what becomes apparent about an organisation at the time of inspection might not be apparent at another point in time.

Indeed, the importance of inspection timing, and thus at what point in time an organisation is inspected, was particularly noticeable in the refuse collection and street cleansing review, given that the authority concerned was inspected at a relatively late

stage and only after the service had been returned in-house. Had the inspection team visited a few months earlier, it is likely that a 'poor' inspection verdict would have been received. Given this finding, questions must be raised about the longevity and relevance of inspection judgements.

Another problem that can be identified from an examination of the response of the BV inspectorate in each of the three case studies relates to the contested definitions of 'good and bad performance'. Thus, for example, despite the general level of agreement amongst local authority respondents about the inspection scores provided for 'current' performance a number of respondents also explained that this only related to official definitions of 'failure' and that the notion of a 'failing' service depended largely on how one interpreted the underlying meaning of the figures (Humphrey, 2002). Thus, while inspectors in the leisure centres case concluded that, in terms of 'net cost per swim/visit' and 'net cost per head of population,' the respective authority was London's fifth and sixth most expensive leisure service provider respectively, local elected councillors strongly disputed the formal interpretation of these figures noting that they were heavily influenced by the 'relative deprivation of the authority' and its 'commitment to social programming' and 'subsidised access'.

Consistency

A second doubt raised in the literature about the process of BV regulation was the fear that the collection and analysis of performance comparison data would not be conducted on a like-for-like basis (Fitz-Gibbon and Stephenson-Forster, 1999). In turn, this fear reflected two areas of concern. The first was that it was likely to be incredibly difficult to set a consistent interpretation of inspection procedures amongst different teams of

inspectors. The second was that the complexity of the service under investigation, and the inspector's previous experience of it, was likely to differ fairly widely on a service-by-service basis.

The case study findings found evidence of both these areas of concern. To begin with, it did indeed appear to be the case that the lines of enquiry and types of analysis that the various inspection teams drew upon were far from consistent. In particular, it appeared to be the case that, armed with an immense amount of potential information to utilise, some general and some specific, the three respective inspection teams could effectively select information that justified their verdicts about a particular authority's review. To illustrate such discretion, it was found, for example, that the teams in the leisure centres and refuse collection and street cleansing cases expressed no concern with the effective failure on the part of their respective review teams to link their reviews to their authority's strategic framework in the way that the one in the grounds maintenance and street cleansing authority had. Although such differences in emphasis could be a function perhaps of the different types of activity being inspected, this finding does not instil one with confidence that the process had been conducted consistently. Rather, it seems, inspectors drew upon evidence which supported their own hunches and ignored evidence that did not.

Given this, it was not surprising to find that respondents from across the three cases reviews tended to agree more with inspectors' estimation of the 'current' rather than the 'likely future' performance of the reviewed activity. The explanation for this was that the task of predicting the 'likely future performance' score was felt to provide inspectors with far more discretion when making their judgements than was the case for the current level of service performance. Thus, as one respondent remarked, *'for current*

performance we know what sorts of performance data inspectors will base their judgements on, for future performance, however, inspectors are able to draw upon any evidence they wish'.

Meanwhile, in terms of the issue of service complexity, a comparison of the number of national performance indicators in existence amongst the reviewed activities was shown to have differed tremendously between the environmental based services and the leisure centres service. Thus, whereas the two case studies containing environmental service activity were both exposed to approximately nine national BV performance indicators, the leisure centres case was only exposed to two. Consequently, in the case of the latter, inspectors are implicitly responsible for compiling a greater range of non-statutory/non-consistent information to make their judgements. This affords them far more discretion to reach their verdicts since they do not constrained by having to refer to standards performance data. Similarly, the accuracy of the indicators used, in terms of the clarity of collection, also differs between services. Thus, for example, the procedures involved in making a judgement about whether refuse has been collected from a household is easier to judge than it is to measure the cleanliness of swimming pool water. In this example, therefore, data collected in relation to the former, simpler process is more likely to be collected with a greater degree of consistency amongst different inspectors than the latter, more complicated, process.

Impartiality of inspection process

A final and more serious concern about the BV inspection process raised in the literature review related to the impartiality of the process - particularly in terms of the degree of local authority support for the role of external contractors in the delivery of

local services as against their actual and proposed performance. Chapter four of this thesis suggested, for example, that the scoring parameters of the 'likely future performance' assessment is structured in such a way so as to make the mere act of changing service providers, whether willingly or not, a positive one – since it clearly demonstrates the authority's ability to 'challenge' the existing basis of service provision irrespective of outcome.

A cross examination of the BV inspection team's visits and associated reports appears to lend support to this contention, given that the most positive inspection verdict was awarded to the authority which awarded a leisure centres contract to an external contractor. Although, this outcome might have simply reflected the small sample size, and the fact that this might have been perfectly legitimate, what makes this outcome particularly enlightening is the related failure on the part of the associated BV inspection team to be concerned with the authority's failure to demonstrate its commitment to continuous improvement. Thus, despite receiving the highest inspection score for 'likely future improvement,' the authority in the leisure centres review did not satisfy inspectors that its recruited 'partnering' contractor would propel the service into the upper quartile position within five years. This finding was a striking one, given the great importance that has been placed by BV policy on the need for local authorities to reach the upper quartile, and as a result, raises grave doubts about the impartiality of the BV inspection process.

In contrast, despite being the only authority to make an explicit commitment to reach the upper quartile position within a given period of time, the BV inspection team in the grounds maintenance and street cleansing case remained focused upon the authority's failure to conduct a competitive tendering exercise and subsequently recommended that

it conducted one. This was a recommendation which not only reinforced the view that the policy has an in-built tendency against continued in-house provision but appeared also to be inconsistent with both the inspectorate's and authority's view that the removal of the former client-contractor split had been a worthy one.

Meanwhile, the relatively dire situation of the refuse collection and street cleansing review case faced no worse inspection result than the grounds maintenance and street collection one. One possible explanation for this being that the authority had at least demonstrated a recent commitment to experiment with external contractors and by implication to embody the underlying principles of BV. Moreover, it was also noted in the inspection report that the mention of the role of the external contractor in relation to the failed previous service performance was the subject of only one short statement. This downplays the difference between BV and CCT in terms of the extent to which they might actually regulate the external provision of public services.

It might be suspected, therefore, that just as the literature on CCT revealed a relaxation of the associated legislation occurred in the event that local authorities directly awarded contracts to external contractors (Painter, 1991), the severity of BV regulation also subsides in cases where external contractors take responsibility for service delivery under BV (Ridowski, 2002). Indeed, one key explanation why the inspection team believed that the newly recruited contractor in the leisure centres case would do well was because it wrongly believed that the contractor would both rectify poorly performing areas and retain highly performing ones. It is a finding that once again lends support to Rikowski's (2002) argument that the BV inspection process is implicitly biased towards supporting the role of external contractors in the delivery of local services. It also marks a striking parallel with van de Berg's (2004) discussion of public

choice theory more generally and the argument that its proponents tend to compare public officials' behaviour *in practice* unfavourably with the assumed practices of private entrepreneurs *in theory*. A similar argument could be levelled at the BV inspection process, with inspectors being seen to compare local authorities' performance unfavourably compared to the assumed gains of alternative providers.

Conclusion

This chapter has cross-examined the findings from three case studies each devoted to the examination of the implementation of BV amongst former CCT activities. It was primarily structured with a view to examining the extent to which doubts about the four claimed attributes of BV materialised empirically. Beginning first with the attribute of public involvement, the chapter revealed that, consistent with the claims made for this particular aspect of BV, the evidence from the case studies identified numerous examples of how the BV review process provided the public with a far greater opportunity to have a say in local service delivery than was the case with CCT. This was certainly true of both the grounds maintenance and street cleansing and the refuse collection and street cleansing case studies, whose respective review teams conducted a range of consultation exercises with a wide cross-section of the public.

Having reached this conclusion, however, the evidence on the public involvement attribute of BV also supported a number of the doubts raised in the literature. To begin with, it was found that although BV does provide the public with the opportunity to be involved in decisions about local services, in doing this, complicated decisions then have to be made to deal with the needs and wishes of divergent interests. In other words,

a zero-sum game is in operation with some members of the public likely to be pleased with the outcomes of consultation for future service delivery and others less so.

In addition, doubts were also raised about the extent to which data collected from internally collected performance indicators corresponds with data collected via user satisfaction surveys, with the result that published performance data might actually be confusing to the public. Consequently, although the policy emphasises the importance of providing the public with information about services and to allow the public to express their degree of satisfaction, both mechanisms were shown to have a number of flaws.

Finally, the process of public involvement was also shown to be limited in terms of the authenticity by which the processes of consultation had been conducted. In all three cases it was revealed, for example, how the consultation process had been steered in particular directions so as to ensure that the public did not challenge decisions already taken by the respective councils and thus involved a degree of mobilisation of bias. In this sense, although there clearly was more public involvement in the BV review process than with CCT, the degree of involvement was rather superficial and inauthentic.

Secondly, in terms of the flexibility of means dimension, the case study evidence certainly revealed how the two local authorities that conducted competitive tendering exercises used the flexibility in BV to increase the quality component of the exercise. At the same time, however, concerns in the literature that the additional attention on quality would require politically and financially sensitive resource allocation also appeared to be supported in the findings. Thus, the outcome for the refuse collection and street cleansing case proved to be particularly demanding in terms of resource implications

because it required an effective tripling of service costs between commencement of the BV review and the eventual return of the service in-house. Similarly, although the contractual arrangement in the leisure centres case was achieved at a *stated* saving to the authority, the related tendering evaluation, heavily weighted as it was by predicted user numbers and income projections, differed little to the evaluation used under CCT, with the implications for quality, therefore, remaining uncertain.

Meanwhile, the claim that BV policy freely allows local authorities to progress the BV review process without necessarily having to engage in competitive tendering was not supported by the evidence collected from the grounds maintenance and street cleansing review. In particular, although it was the authority in this case that went the furthest of the three case authorities to demonstrate its commitment to continuous improvement, the inspectorate still, nonetheless, recommended that it addressed the competition element of the review. Consequently, it seems that, with the possible exception of those authorities' with current upper quartile performance status, competition will remain an almost obligatory tool given that the other elements of BV are not as powerful as competition in terms of demonstrating competitiveness.

Thirdly, in terms of the implications of the case study findings for the BV attribute of public-private partnerships, the case study evidence was rather limited by the fact that in only one case was a meaningful attempt made to establish a partnership relationship. The limited availability of primary evidence in this respect was in itself insightful, however, given that the failure to develop desired partnership relations can itself be seen to be a function of the lack of the necessary underpinning foundations for such a relationship. Thus, for example, despite heralding the benefits of partnership, the evidence from the refuse collection and street cleansing case study demonstrated how a

lack of shared aspirations and a willingness to share risk involved the authority ensuring that it wrote into its contract specification, clauses that would divert resulting blame for service performance squarely onto the contractor. This action clearly did not encourage the creation of a friendly, partnering, relationship.

Similarly, even in the case study that did involve a partnership relationship being created, it was found that, consistent with the concerns raised in the literature, the relationship was one of unequal power. It was revealed, for example, how the authority in the leisure centres case was keen not to upset the newly emerging and developing contractual relationship with its leisure trust provider and chose not, therefore, to demand high performance levels from it. In doing this, however, the authority was identified as losing control of the strategic direction of the service, with the fear that its social objectives were, in particular, being undermined.

Finally, as suggested in the literature, in each of the cases involving an external contractor, the implications for staff was shown to have been far from satisfactory and duly resulted in reduced service performance, either as a result of the threat of a service transfer or following their experience of actual partnership-type management arrangements. For these and other reasons, some support could be given to the concern that the emphasis on public-private partnerships might not be consistent with some of the other aims of the policy.

Having examined the empirical implications of the three identified attributes of the BV review process, the second part of the chapter then turned its attention to the regulatory mechanisms of BV and, in particular, to the response of the BV inspectorate to each of the reviews. In each case it was revealed how the degree of external independent

enquiry into the actions of the respective local authorities was far greater than that experienced under CCT, and thus supported claims that BV could indeed provide a better safeguard to the public against failing services. At the same time, however, a number of the potential limitations of the BV inspection process were also prevalent in the case study evidence.

Thus, for example, in terms of ontological limitations, doubts raised in the literature about the longevity of inspection scores appeared to be supported by the case study evidence particularly in terms of the timing of the inspection. Similarly, the leisure centres case study evidence also supported doubts regarding the depth and breadth of BV inspection criteria and whether it is able to capture all of the aspects of service performance deemed to be important to the local authority and its electorate. As for the issue of consistency, meanwhile, the concerns of the literature more forcefully materialised. Thus, for example, whilst respondents generally believed that inspectors could accurately judge the *current* performance of a service - in part, because of the nature of this particular aspect of performance evaluation - far less satisfactory findings were obtained in relation to how the inspectorate went about making likely future performance judgements. The explanation for this not only reflected the methodological issue that different services were being cross-examined but also that inspectors did not consistently draw upon the same range of information and arguments to make their cases. Consequently, it appeared to be the case, certainly for the likely future performance assessment, that inspectors both possessed and used the discretion afforded to them to reach their desired conclusions.

Finally, and perhaps of most significance, the case study evidence supported claims that the BV inspection process might, as a result of the scoring parameters of this aspect of

BV, reward highly local authorities that increase the use of external contractors in the delivery of local services. Thus, for example, although the authority in the leisure centres case had not explained how it would attain the upper quartile performance position in the way that the grounds maintenance and street cleansing review had, it still received the highest inspection score for likely future performance. In contrast, the BV inspection team in the grounds maintenance and street cleansing case remained focused upon the authority's failure to conduct a competitive tendering exercise. Indeed, perhaps the most consistent feature of both the Brighton and Southampton cases was the continued role and importance placed on the tool of competition. Thus, even though the authority in the refuse collection and street cleansing review had previously experimented rather unsatisfactorily with external contractors, the inspectorate still concluded that it should revert back to competition at some later date. Given these and other findings, therefore, it can be tentatively concluded that the severity of BV regulation subsidises in cases where external contractors take responsibility for service delivery under BV.

Chapter 10

Conclusion

This study has conducted a comparison of the policies of compulsory competitive tendering (CCT) and Best Value (BV) in local government. The research on which it was based had four objectives and it is the task of this final chapter to reach overall conclusions in relation to them. The chapter also considers the thesis' implications for more recent government policy in local government and identifies future research opportunities. The chapter is divided into three sections.

The first section begins by charting the findings obtained on the rationale and impact of CCT and the way in which it exerted a retrospective influence over the development of BV policy. It, then, turns its attention to a discussion of the rationale, composition and practical impact of the four attributes of BV selected in this study to reflect the claims made for it over CCT. Finally, an overall summary of the differences between BV and CCT in terms of process and impact is provided.

The second section, initially, reviews the nature of the post-BV policy of comprehensive performance assessment (CPA) before going on to consider what light the present study sheds on its likely future success. In the context of the present study's limitations, the third, then, identifies a number of areas where future research could usefully be undertaken.

CCT and BV

The thesis began in the context of CCT and revealed that the philosophical rationale for it resided in the speeches and publications of the 'new right'. Drawing upon the work of Hayek (1944) and public choice theory, it was explained that those associated with the 'new right' complained persistently about what they then saw as the prevailing ills of state monopolistic local authority provision of services and sought to eradicate these identified problems by imposing an obligatory cost-orientated tendering process on certain local government services. The success of this policy, however, proved to be mixed, with the levels of competition and external contractor involvement lower than had been expected (Local Government Management Board, 1997) and the extent of microeconomic cost savings below that achieved under voluntary competitive tendering (Local Government Chronicle, 1990; Walsh, 1991a; Walsh and Davis, 1993; Austin Mayfield, 1997). Moreover, other research evidence (Escott and Whitfield, 1995b) raised doubts about the broader cost-effectiveness of CCT, once account had been taken of job losses and increased social transfer payments.

Against this backdrop attention was turned to Labour's response to CCT. Here it was revealed how Labour initially expressed grave opposition to the aims and distributional outcomes of CCT but then increasingly, as part of its wider transformation into New Labour, centred its attention on the deleterious quality implications of the policy. The result of this was that during the build up to the 1997 general election, Labour had, as part of its longer-term response to CCT, indicated its intention to create a policy that would be devoted to the 'superior' policy objective of continuous service improvement. In doing this, Labour demonstrated that it now shared its predecessor's preoccupation with micro efficiency and appeared to pay far less interest, from a social justice

perspective, to how such continuous improvements were to be made.

Given this transformation in priorities, the thesis moved on to consider the issue of precisely how BV proposed to represent an advance on CCT. This question led to the identification of four attributes of BV that the Government considered to be at the heart of its solutions to the identified weaknesses of CCT. These were described under the headings of ‘public involvement’, ‘flexibility of means’, ‘public private partnerships’ and ‘inspection’ and represented this study’s unique approach to the examination of BV and one that particularly recognises the way in which the development and formulation of this policy is ultimately linked with the previous regime of CCT.

Having thus directed the study towards an examination of these four chosen attributes of BV, the thesis moved on to consider their likely impact in practice. This was achieved through a consideration of the claims made for the identified attributes and the degree to which they could be supported empirically. The main results obtained from this analysis in relation to each of the identified attributes are summarised below.

Public involvement

The first attribute of ‘public involvement’ was singled out for attention on the basis that BV not only places a duty on local authorities to consult with the public but also supports this duty by statutorily requiring local authorities to (a) publicly publish certain information on its service performance and (b) obtain via the use of standard indicators user satisfaction data.

These inter-related statutory duties are, it was noted, claimed by the government to facilitate the continuous improvement of service delivery by enabling authorities to focus resources on aspects of service provision 'which matter most'. However, it was further noted that whilst existing research evidence suggests that the emphasis on public consultation and involvement in BV is largely welcome amongst local authority councillors and officers (Martin, 1998; Improvement and Development Agency, 1999), it seemed likely that the placing of sole reliance on the *statutory techniques* of public involvement would lead to a rather limited depth of public engagement (Goss, 1999; Cook, 2002). It was further suggested that there were good reasons for believing that this potential limitation could be compounded by the fact that the information collected from, and circulated to, the public, was itself confusing as a result of problems with the accuracy of performance and user satisfaction indicators, as well as inconsistencies between them. In addition, and more generally, attention was drawn to the way in which the role played by such involvement was likely to be shaped by how far an authority seeks to undermine its authenticity in order to pursue other pre-determined ends.

As regards to the empirical findings obtained, these suggested that BV had led local authorities to involve the public and other stakeholders in decisions about future service delivery in ways that were not previously considered necessary or adopted under CCT. At Southampton, for example, it was noted how, as part of the BV review process, the views of the public were gathered via self-completion questionnaires and open meetings. These meetings, held either as part of an away-day process or via a forum of open debate, were furthermore found to have been engaging and therefore as being examples of how local authorities can go beyond the statutory elements of BV consultation. More generally, the impression gained from many respondents was that local authority consultation and dialogue with the public was a good thing.

Upon closer examination, however, the authenticity of the actual public involvement conducted, despite traversing beyond the minimum, was, nonetheless, found to have been fairly limited in terms of influence. This was particularly true with respect to the processes of public consultation conducted in Brighton and Southampton. Thus, in both of these cases, it was found that the public consultation processes were carefully guided by the respective review teams, either by keeping issues off the agenda, such as in Brighton's choice of contract provider, or by forcing issues onto the agenda, such as Southampton seeking public endorsement for its desired performance targets. Moreover, as the Southampton case revealed, there seemed, at the same time, a risk that the *duty* to consult in BV could lead to wasteful and uninformative consultation being conducted, particularly in situations where much information about the public is already known, such as via the day-to-day interaction between staff and users.

As for the statutory measures of public involvement, the case study findings support arguments that performance and user satisfaction indicators are subject to both flaws and unintended consequences (Neely, 1998; Kelly and Swindell, 2002). For example, the cases studies revealed differences in perception amongst various members of the public about the success or failure of local services and related divergencies of interest amongst those consulted (Curtis, 2002; Martin, 1998). They also indicated that these differences of viewpoint and interest were difficult to meaningfully resolve, through a process of public consultation characterised by a fairly individualised and narrow approach to the concept of involvement.

Flexibility of means

The second attribute identified - 'flexibility of means' - was seen to stem from the government's attempt to use BV to address several perceived inflexibilities associated with CCT. In particular, it was noted to potentially provide a means whereby local authorities could seek to improve services without recourse to competitive tendering and also utilise such tendering more flexibly, by, for example, packaging services in a way that was not possible under CCT and utilise criteria, other than cost, as a basis for selecting contractors.

The initial analysis of this attribute made clear, however, that the flexibility so provided is potentially very constrained. Thus, attention was drawn to the fact that it does not put an end to the once negatively perceived threat posed to local government service delivery by competitive tendering. Instead, it supplements this 'tool' with a far greater range of service delivery options, only one of which offers retained in-house provision - and this depends on local authorities' demonstrating competitiveness. As a result, the analysis raised doubts about the extent to which local authorities really would be free to improve in-house services without recourse to competitive tendering and, in doing so, questioned, more specifically, whether the obligation under BV to demonstrate competitiveness would act to obstruct the pursuit of continuous improvement. In addition, while acknowledging that BV does effectively allow local authorities to increase the quality component of their tendering evaluation, it also noted that their ability, in practice, to do so might be curtailed by political and financial limitations.

In practice, the case study evidence certainly found evidence that the three authorities had all completed their BV reviews in far more varied ways than would have been the

case under CCT. Thus, it was found that all three of the case authorities made telling changes to the way the reviewed services were packed in order to reduce the contract preparation and tendering costs formerly associated with competitive tendering and to remove duplicated functions - the knowledge about which had, somewhat ironically, been unearthed by the organisational and managerial demands introduced by CCT. Indeed, in Southampton, the flexibility provided by BV even led it to disband the client-contractor distinction and move back to a traditional hierarchical management approach.

Whilst all of these approaches to BV were, therefore, distinct from those employed for the purposes of CCT, the ramifications of the continued role of competition and, in particular, competitive tendering remained uncertain. This was particularly found to be the case in Southampton, and to a certain extent also in Brighton, where the issue of competitive tendering remained firmly at the forefront of the inspectors' minds. What was striking about these two cases, however, was that the inspectors' insistence on the importance of competition was formed in recognition of the earlier negative experiences of CCT. What these findings suggest, therefore, is that the BV inspectorate remains committed to the principles of the market, even where this is possibly to the detriment of pursuit of practical measures to improve performance/quality. They further illustrate how BV policy has retained competitive tendering as a disciplining tool of local government, albeit one that is not necessarily enacted during the review process, but rather as an outcome of the Audit Commission's assessment of the reviewed service's 'current' and 'likely future' performance. Moreover, the thesis' analysis of the BV policy literature also suggests that, very much as was the case with CCT, it is the demonstration of competition for in-house service delivery rather than externally provided service delivery that is important.

Finally, while notably in the Brighton and Southampton cases, the flexibility of BV was used to increase the quality component of the contract evaluation, there were clear signs that the scope to increase the weight accorded to this factor was limited. Thus, for example, Brighton's ability to raise the quality of its refuse collection and street cleansing services to a satisfactory standard of service necessitated a targeted and ring-fenced increase in council tax and this proved to be both politically and financially difficult. Similarly, the increase in resources given to the grounds maintenance and street cleansing services in the Southampton case was still found to be insufficient, for financial reasons, to compensate for the levels of losses incurred during the period of CCT.

Public-private partnership

Aligned to the issue of competition is the encouragement that BV policy gives to public-private partnerships. The rationale behind this is that it provides local authorities with the opportunity to move away from the hostile nature of the contracts they negotiated under CCT and to reap gains through synergy, shared expertise and shared ambition.

Despite these aspirations, initial analysis questioned the principle of whether the underpinning foundations necessary to ensure mutually beneficial collaborative arrangements were likely to exist in the BV context (Arblaster, Conway, Foreman and Hatwin, 1996; Grimshaw, Vincent and Willmott, 2002). For example, as the straightforward indicator of profit does not exist for public organisations, it might be difficult for both parties to achieve a common focus in relation to desired service objectives. It was further observed that the surrounding institutional context within which the establishment of public-private partnerships might take place could create

problems of joint integration, particularly given the demands that BV places on continuous improvement and the achievement of centrally defined performance targets - demands which might, therefore, obstruct the achievement of obligational contracting arrangements characterised, for example, by the deployment of 'loose' performance measures. In addition, in noting that the differing priorities, goals and responsibilities of public and private sector organisations often exist alongside differences in power and resources between them, the analysis pointed out that it might, in practice, be difficult for even-handed relationships to materialise because of the ability of the private sector partner to gain at the other's expense.

The primary evidence collected in the study tended to support these doubts, with evidence from Southampton demonstrating how even miniscule attempts at public-private partnership working, such as the completion of data benchmarking exercises, failed to materialise owing to the commercial sensitivity of such collaboration. These barriers to effective partnership working were further exacerbated by the fact that the local authority and potential external contractors continued to view themselves as competitors for local services, feelings not helped by the retained emphasis BV gives to competition. Similarly, it was owing to a lack of shared interests and aspirations that Brighton chose not to lessen its grip on the control of the service in favour of a fully blown public-private partnership but instead ensured that it wrote into its contract specification clauses that would divert resulting blame for service performance failures exclusively onto the contractor.

Moreover, in the case of Newham, which did embark upon a 'partnership' relationship, the case study findings suggested that the Council had relinquished some of its control over the service, particularly with respect to social programming. This finding thus

lends support to Grimshaw and Hebson's (2005) argument that the establishment of public-private partnerships are rarely conducted amongst equally powerful parties. Finally, the case study evidence suggests that the forced introduction of public-private partnerships might actually serve to lower performance/quality, particularly if staff feel that such endeavours conflict with the means-neutral 'what matters is what works' philosophy, a suggestion that received particularly strong support from the Newham study where following the Council's decision to transfer the service, it was found that morale dropped and performance levels deteriorated. Indeed, in this context, it was observed, more generally, that BV can be seen to provide a more hostile regime for staff and unions than CCT since at least under the latter the grounds for externalisation – cost - was transparent and it was possible for staff to concede terms and conditions of employment in order to retain their employment.

Inspection

The fourth attribute discussed in the thesis was BV inspection, the foremost responsibility for which resides with the Audit Commission. The objective of BV inspection is to decide formally whether the 'current' and 'likely future' performance of a reviewed local service is satisfactory or not and to recommend any necessary remedial actions. The role of the Audit Commission in protecting the public from 'failing' services in this way can thus be seen to provide a more robust means of ensuring that local authorities are delivering services to the highest possible standard, whilst also addressing some of the limitations identified with BV audit. Despite the claims made for the BV inspection process, however, the literature-based analysis argued that it is likely to be tarnished by fairly well established concerns with ontology, consistency and impartiality.

The case study findings on inspection revealed that both Brighton and Southampton received a verdict of 'fair' for current performance and 'promising prospects' for future performance. Newham, meanwhile, received the judgement of 'fair' for current performance and 'excellent prospects' for future performance. What is interesting to note about these scores, however, is that not only were they created in the context of highly turbulent service activity, in part a function of the demands placed upon the local authorities to conduct the process of BV, but that the assessment of 'likely future performance', and by implication the quality of the review conducted, was also highly unstable and subject to inconsistencies.

In particular, the case study findings suggest that because local authority services are subject to much change and flux the timing of the inspection visit influences greatly the resulting verdict reached. Thus, for example, had the Brighton inspection team visited a few months earlier, during the downfall of the externally provided service, it is likely that a 'poor' rather than a 'fair' inspection verdict would have been given. By implication, such flux and transformation in service activity also raises question marks about the longevity and validity of the inspection scores received in the sense that they can only be relied upon as a snapshot of an activity's performance across time. More recent evidence, furthermore, (Higgins, 2005a) suggests that it is not only local authorities that are subject to change and flux but the very regulatory processes and guidance used to assess them.

Meanwhile, in terms of the issue of consistency, it was found that whereas the Southampton inspection team expressed a particularly strong concern at the lack of a strategic framework in the respective authority's performance plan, the other two

inspection teams did not even raise this issue. While it is to be expected, given the dissimilar contexts within which the reviews were conducted, that different issues would materialise from each of the inspections, it was still noticeable that in relation to the one crucial issue of continuous service improvement, the whole *raison d'être* of BV, the case study findings lean support to Rikowski's (2002) claim that the BV inspection process is not impartial in relation to the issue of service ownership and tends to favour external contractor delivery. This conclusion can be illustrated by comparing the inspectorate's positive response to Newham's decision to transfer its reviewed service to an external contractor, with its negative response to Southampton's decision to retain its reviewed services.

Thus, in Newham, the inspection team, despite accepting that the externally recruited contractor would not propel the service into the upper quartile position, still decided that the service had 'excellent' prospects for improvement. In contrast, Southampton, the only authority to make an explicit commitment to reach the upper quartile position and to detail precisely how it proposed to do so, received the most damning inspection verdict of the three authorities and was even provided with the recommendation to undertake a competitive tendering exercise.

To conclude, therefore, it seems to be the case that whilst the inspection process does have a potentially useful function, in terms of providing an independent check of reviewed activity and pointing out flaws in aspects of service delivery that might otherwise go unnoticed, less useful, it seems, is the associated process of 'scoring' the service. This is particularly so given that one key purpose of the BV inspection process is to provide recommendations detailing how they think local authorities can improve services. Indeed, if the inspector's recommendations are to be valued, no local authority

should, logically, be branded as ‘unlikely to improve in the future’ since, by virtue of the recommendations received, it should have sufficient knowledge about how to rectify any identified problems and improve performance.

Summary

Having reached conclusions on the four identified attributes of BV, this section ends by providing a final verdict on whether the changes brought about by BV actually differ to CCT and, relatedly, to what extent they represent an advance the former policy’s shortcomings.

To begin with, it should be reiterated that the policy of CCT had created problems in all three of the case authorities. In Brighton, for example, the reviewed services had never under CCT been performed to an adequate standard, with staff-management tensions a constant feature of the service ever since the first round of competition. Likewise, in Southampton, the impact of CCT had been to remove too many needed resources from the grounds maintenance and street cleansing service with quality revealed as having suffered and the client-contractor separation as having led to a disjointed service approach. Finally, in Newham the impact of CCT, though less obvious than in the other two cases, was, nonetheless, masking underlying tensions in terms of demanding a higher take-up of the service and efforts to complete the process of CCT diverting officers’ attention from issues relating to real service delivery.

It was not surprising to find, therefore, that in all three case studies there was genuine enthusiasm for BV, a discovery most obviously evidenced by the fact that all three case authorities chose to bid to pilot the policy. Nevertheless, the overriding conclusion to

emerge from the empirical findings was that whilst the four distinguishing attributes of BV had, in one way or another, gone some way to improve upon the unsatisfactory situations left by CCT, each had problems associated with them, with the result that care needs to be taken not to overstate the extent to which they really do herald major changes in the regulatory framework relating to local authorities.

In the case of consultation, for example, whilst BV certainly offers more opportunity for public involvement in matters relating to service delivery than was possible under CCT, the depth of engagement undertaken in the case studies was found to have been rather superficial and limited in terms of actual influence (Halvorsen, 2003, Harrison, 1999). In addition, it was further noted that, insofar as meaningful consultation does take place, financial constraints, as well as the structure of the policy itself, renders the generation of mutually satisfactory outcomes highly problematic.

Meanwhile, although the policy of BV undoubtedly provides a more flexible regulatory regime, as evidenced by the diverse way in which the three case studies structured and conducted their respective reviews, it does still appear to share its predecessor's suspicion of monopolised public services and, as a result, still appears, both in terms of its structure and the way it is operationalised by inspectors, to embody a preference for both competition and externalisation; a preference that itself sits uncomfortably with the emphasis placed on public consultation and suggests that, given its universal coverage of local authority services BV may provide a mechanism for increased, rather than reduced, levels of external contractor involvement. Furthermore, while provision is made for greater weight to be attached to quality consideration in awarding contracts, it would seem that, in practice, the scope for doing this is inevitably likely to be limited by financial considerations and constraints.

Finally, the case study findings also suggest that in many cases it is unlikely that the pre-conditions necessary for the establishment of collaborative, partnership-based relationships between local authorities and external service providers exist. In doing so, they therefore cast doubt on the extent to which BV is, in practice, serving to encourage their development and suggest that much of the externalisation taking place is often likely to differ little in terms of its nature from that which occurred under CCT.

Implications of study for the post-BV reform of local government

This section of the chapter considers the implications of the study for the post-BV reform of local Government. It begins by summarising the key elements of the Labour Government's comprehensive performance assessment (CPA) scheme which has, in many respects, been used to supplement certain elements of the BV process. It then moves on to consider how some of the findings of this study, particularly those relating to inspection, have implications for the direction taken by this more recent policy initiative.

Comprehensive Performance Assessment in Local Government

Since the introduction of BV in 1999, Labour's reform of local government has moved on at a rapid pace and in 2002 the tangential policy of CPA was introduced. This more recent policy initiative involves auditors and inspectors assessing local authorities' entire performance rather than, as in BV, the performance of individual services or packages of services (Andrews, 2004). As a result of this, local authorities no longer conduct five-yearly reviews of all their services but can instead focus their reviews on

priority areas (ODPM, 2003). In particular, local authorities have been encouraged to take a 'proportionate' approach to reviews, to conduct them where costs are above average or performance levels are low and hence where most improvement can materialise (ODPM, 2003).

The means by which the CPA process produces assessments of local authorities' 'overall performance' is based on the compilation of quantitative performance assessments in the domains of education, social care, adults, children, environment, libraries and leisure, and use of resources (DTLR, 2001b). These include inspection scores from various inspectorates, including BV, auditor judgements and performance indicator data (Rashman and Radnor, 2005). This information is then combined with an assessment by the Audit Commission of the corporate capacity of individual councils to plan, deliver and continuously improve local services, coupled with a 'self-assessment' process (DTLR, 2001b). Each of the CPA sub-elements can then, so the policy literature suggests, be combined to form a 'data model' collated in what is referred to as '*an objective and rigorous yet transparent way*'.

From this assessment, each council is awarded an overall judgement, based on a combination of current performance and ability to improve, of 'poor', 'weak', 'fair', 'good' or 'excellent' (Audit Commission, 2002c). These five 'performance' categories themselves having been arrived at following the rejection of four alternative categories of 'high performing', 'striving', 'coasting' and 'poor performing' - on the basis that such terms as 'coasting' and 'striving' were considered to be ambiguous. The ramifications for 'failing' services under this regime are potentially even more draconian than those of CCT and BV and could entail prohibitions being placed on not only the right of locally elected authorities to provide services directly but also on their

right to retain strategic, and by implication, democratic control. For ‘excellent’ performing authorities, meanwhile, CPA promises a three-year inspection holiday for most activity, whilst ‘good’ ones can expect to receive a reduction of at least twenty-five per cent in required inspection activity (DTLR, 2001b).

Implications of this study for CPA

In considering the implications of this study’s findings on the direction taken by CPA, attention can be directed towards the findings on the BV inspection process since it is this element of BV that shares a number of the properties associated with attempts to assess local authorities’ entire performance. Moreover, each CPA score provided depends in part on the compilation of scores received for each individual BV inspection. Consequently, BV inspection is both an integral element of, and a foundation for, CPA. Based as it is, therefore, on a similar premise to CPA, it seems appropriate to extrapolate the research evidence gathered from BV inspection to the CPA process.

Lessons from inspection

The first potentially problematic feature of CPA in the light of the knowledge gained about BV relates to the scale of the judgements made in terms of the extent of activity captured. For example, whereas the BV review process resulted in judgements being made about the current and likely future performance of individual services or small packages of services, the CPA process results in a single judgement being made about the performance of local authorities’ *entire* performance. Thus, in contrast to the fairly specific and targeted approach of BV, the large-scale nature of the CPA score is likely to make it more difficult to attribute performance to anything particular about the local

authority. Consequently, one would expect the public to be more in agreement with the inspection scores given to individually reviewed services, as in the case of BV, on the basis that these allow for the more clear identification of highly performing and lowly performing services, than to a single score concerned with the performance of an entire authority.

Moreover, given that an overall CPA score of 'excellent' might be given to an authority that has received some relatively poor BV inspection ratings in respect of individual services, it would be unsurprising if members of the public were somewhat suspicious of its validity and confused as to its meaning. Consequently, given the concerns expressed in this study about the robustness of verdicts reached for the three BV reviewed services, particularly in terms of 'likely future' performance, there seems no reason for assuming that the adding together of data collected from a number of inaccurate, inconsistent and unreliable regulatory mechanisms is going to build a more accurate picture of performance. In fact, this process would seem at least as likely provide an even less reliable assessment of performance.

It is not only the scale of the judgements that are being made under CPA that warrant concern but also their legitimacy on democratic grounds given their potential to misleadingly and inaccurately criticise the performance of local authorities, which are merely putting into practice the wishes of their electorate. This was a problem identified also with BV in terms of the potential divergence of views between inspectors' and the multifaceted public. However, by increasing the range of activity that is being assessed uniformly, the introduction of CPA might only serve to exacerbate this problem. Arguably, in what is claimed to be a social democratic society, it is citizens who should have the ultimate say in whether or not they believe that their council is doing a good

job. Thus, it is further revealing, in this regard, that research on public satisfaction scores in Canadian municipalities (Rouban, 1995 in Bouckaert and Van de Walle, 2003) found that while there was a negative public perception of government, in general, ratings of specific services were, nevertheless, positive. The alignment of the regulatory framework to the whole of local government rather than to specific services might, therefore, serve to further act against the public provision of local services as calls to redress failures are exemplified.

Related to the issue of the legitimacy of the CPA judgements, the evidence from this study has also provided good grounds to question the Audit Commission's (2002c) assertion that the sub-elements of the CPA scheme can be combined in an *objective* way to score an entire local authorities' performance. Whilst, the aforementioned 'CPA data model' certainly entails the compilation of a number of operationalised components, which go some way to ensuring consistency between different authorities, the choice and composition of them remains ultimately a subjective exercise. Consequently, the notion that the CPA process is an objective and, by implication, value-free one, fails to acknowledge that decisions have to be made concerning the various components of the data model and that these decisions reflect pre-conceived normative ideas. To illustrate the value-laden nature of the CPA scoring process, one only need consider the policy decision to move from four scoring categories to five scoring categories. Somewhat surprisingly, as the following quote suggests, even the Audit Commission (2002c: 68) appears to recognise the value-laden nature of its scoring criteria:

"We will use the scores for the key questions to help us reach an overall score for the top-level question. We need to consider what weightings we may need to apply to certain questions".

A final, more general implication of this study's findings for the direction since taken by CPA relates to the noted way in which the development and experience of BV has been marked by changing definitions of performance indicators (Boyne, 2002a), revised approaches to the carrying out of reviews (DETR, 1999; ODPM, 2003) and contradictory findings and suggestions between auditors and inspectors (Audit Commission, 1999a; 2001c). These features not only serve to reinforce concerns that the CPA system has not been built on stable foundations – a point further reinforced in the light of a Treasury report examining regulation in the public sector (Byatt and Lyons, 2001) which concluded that there is no evidence to show that the results of inspections and audits can be relied upon as a predictor of performance – but with the onset of CPA suggest that these episodes have merely been added to. Whilst a changing policy/regulatory framework might be considered necessary to reduce costs, improve processes and to take account of changes and new information and insights (DETR, 1999; ODPM, 2003), it does beg the question of whether any inspected entity should be 'named and shamed' according to a framework that has yet to arrive at something that is comfortable with itself and which is still effectively going through a process of experimentation.

Limitations of current study and suggestions for future research

The thesis has been largely exploratory in orientation, and began at a time when BV policy was in the process of development. This made it possible, however, to present both a unique and grounded overview of the transition from CCT to BV and to yield much valuable information on the implementation of BV amongst former CCT activities. The depth of research conducted also made it possible to examine critically

the underlying rationale for BV in terms of how it claims to represent an advance on CCT.

Inevitably, case study work, such as that conducted here, is vulnerable to well established concerns about generalisability and, in particular, doubts about the extent to which its findings can be applied to other settings. However, whilst the author accepts that the research reported here cannot be considered to be generalisable in the statistical sense of the term, he does consider it to have theoretical generalisability or ‘fittingness’ (Lincoln and Guba, 1985) and, therefore, believes that the problems identified with the four attributes of BV identified in this study are likely to exist in local authorities throughout England and Wales. This is particularly so given, as explained in the fifth chapter, that the study did not select cases on the basis of being typical, but rather on the basis that they would have expected better than average experience of BV because they were self-selecting pilots.

That said, the study was devoted solely to services formerly encapsulated by CCT on the grounds that BV originated out of a critique of CCT and that this approach enabled one to compare the two policies at the operational level. As a result, one obvious way to elaborate upon the findings of this study would be to consider the impact of BV on services not formerly exposed to CCT. Another would be to examine the impact of the policy in Conservative controlled and Liberal Democratic controlled authorities – an option that was not available here due to the case selection criteria used and the priority given to type of service activity, BV pilot status and level of DSO retention¹.

Thus, in making recommendations for future research one suggestion would be to opt for a research strategy that captured the experiences of BV on a far wider scale than that

achieved here. This is precisely what the author, along with two co-researchers, has since done via the distribution of a postal questionnaire sent to ‘the Best Value Lead Officer’ for every named service on the Audit Commission’s database of all BV audited services in England and Wales as of July 2002. Many of the questions asked in the questionnaire derived from the findings gathered from this study and focused, for example, on the role of competition in BV and how it differs to CCT (Higgins, James, Roper, 2005b); the outcomes of BV in terms of a number of proxies for service quality (Higgins, James, Roper, 2004b); the level of external contractor provision under BV and its relationship with BV inspection verdicts (Higgins, James and Roper, 2004a); the interplay between the performance comparison and consultation processes of BV (Higgins, James, Roper, 2005a) and the correspondence between data collected from performance indicators and data collected from user satisfaction indicators (Higgins, 2005b). More recently, a longer-term project devised to examine the impact of the Audit Commission’s regulatory role on the bargaining agenda of trade unions in British local government has been initiated.

One final suggestion for future research to emerge out of the findings obtained from this study relates to the examination of how well local authorities *actually* perform in comparison to their predicted ‘likely future’ performance score. The explanation behind suggesting this research issue is that the unearthing of a lack of correlation between predicted and actual service performance would raise grave question marks against the underlying robustness of the entire regulatory regime of BV and CPA. Currently, the evidence from this and another more wide-scale study (Higgins, James, Roper, 2004a) suggests that inspectors tended to favour the assumed gains of external contractors’ ‘likely future’ performance over the ‘current’ level of local authority performance and thus to examine whether these verdicts were justified comparisons could be made

between the actual and predicted performance of internally and externally provided services. Such a study would, however, have to proceed carefully because much depends on the definition of improvement used and one concern of this study has been that that under contemporary public management reforms the concept of quality or service improvement has been hijacked by simplified representations of reality, via performance indicators, that do not capture all that there is about even the 'simplest' of public sector activity.

Consequently, and more generally, in the context of all this and other on-going research (Rashman and Radnor, 2005; Entwistle and Martin, 2005; Wilson, 2005), what does appear to be certain is that, with both major British political parties now locked into providing largely instrumental solutions to the alleged failings of local government, as detailed throughout the late 1970's and early 1980's, a minefield of research opportunities will remain available to researchers for the considerable future.

Notes

¹ Moreover, subsequent survey work by Higgins, James and Roper (2005a) has identified no party differences with respect to local authorities' utilisation of the competition and external contractors in the BV process.

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APPENDIX 1

Summary of voluntary competitive tendering research

| Author, date, services | Method | Findings |
|---|--|--|
| Audit Commission 1984 Refuse collection, housing maintenance and vehicle maintenance | Analysed 340 local authorities in UK. | Overall cost savings of 20%, with contracted out among the lowest 25% of council refuse service expenditure. Most aggregate council inefficiency attributed to a minority of under-performing authorities. Further research into vehicle maintenance and housing maintenance revealed that costs were higher if services were not subject to competition. |
| Domberger, Meadowcroft and Thompson 1986 Refuse Collection | Employed regression techniques to test was whether contracts awarded to the private sector were cheaper than those retained in-house following a competitive tender; and how they both compared to non-tendering authorities. 305 local authorities studied, 19 had private contractors and 10 subject to CCT and retained in-house. | 20% savings overall. Local authorities which had contracted out refuse collection had costs 22% lower. Local authorities which held a competitive tender and then awarded the contract to existing in-house workforce had lower costs of 17%. The difference between these two figures not statistically significant. But it was significant compared with non-tendering authorities. |
| Cubbin, Domberger and Meadowcroft 1987 Refuse Collection | Used much of Domberger, Meadowcroft and Thompson 1986 data but examined source of reported cost savings such as such as physical productivity and input utilisation. 317 councils researched. 17 of these were awarded to private contractors and 9 were awarded in-house. | Large element of savings identified by Domberger, Meadowcroft and Thompson 1986 found to have been due to improvements in physical productivity of men and vehicles rather than lower wages and fringe benefits. A revised labour-vehicle mix and reductions in overheads was responsible for better productivity. |
| Szymanski and Wilkins 1993 Refuse Collection | Dataset for 403 local authorities between 1981-1988. 91 questions from CIPFA used. Only LAs that had contracted out 10% of service were included. | In authorities which held a competitive tender total costs were on average 20% lower for each year in the sample. Between 1984-86 LAs which held a CT and contracted out had costs around 20% lower than those that did not hold a tender this was significant at the 5% level. Savings rose throughout the life of the contract but tended to be reversed at the time of renegotiation. A contention that costs may rise as contracts are re-tendered. Productivity improvements accounted for most of the cost savings, rather than pay reductions, but an increase in productivity may have resulted in a fall in the effective hourly wage rate. |

APPENDIX 2

Summary of compulsory competitive tendering research

| Author, services | date, | Method | Findings |
|--|-------|--|--|
| SCAT/CPS 1989 Small range | | 448 -789 contracts 1st round 18 months in. Survey requests | 7% savings involving to annual reduction in the costs of 488 contracts, equivalent to £94.0m. However, additional costs of £55.4m in 789 contracts also identified. 11,780 job losses identified excluding those workers re-employed by contractors. |
| Local Government Chronicle 1990 Small range | | 231 authorities 476 contracts worth £1.6 billion | Average cost savings of 5.6%. Refuse collection (40.4%) and building cleaning (15%) had greatest levels of cost savings. Total net saving was £74.4m |
| Walsh 1991 Small range | | 40 local authorities, study paid attention to client-side administration costs including negotiation and monitoring costs. | Average cost savings of 5.7% (-48.9% to +25.9%) Building cleaning (17.1%), and vehicle maintenance (11.9%) recorded greatest cost savings. Only street cleaning registered an average increase in service costs and this was due to increased service standard requirements. Preparation costs estimated as 10.7% of annual contract value (2.5% of the total cost). |
| Painter 1991 All 1988 defined activities | | 299 local authorities 438 services | Most intense competition in refuse collection, street cleaning and building cleaning, bulk of contracting out in Conservative-dominated shires in England and Wales. Three-quarters of all contracts retained in-house. |
| Walsh and Davis 1993 All 1988 defined activities | | 40 Local authorities 1st round, years 1-3 213 service areas | 6.5% savings (-62.4% to +49.7%) Job losses 16% for building cleaning, 5% for education catering 16% for refuse collection, 5% for sports and leisure management |
| Szymanski 1996 Refuse Collection | | Dataset for 365 local authorities between 1984-1994. Regression analysis employed. | Total cost reduction of 19.5%. = £6 per household (1995 prices). Includes all client side costs. Pattern of eroding benefits identified, however, with DSO's only making significant savings in years 1 and 2. The introduction of CCT was correlated with the reduction of DSO costs by around 10% and a reduction in private contractors' costs of around 20% compared with previous figures. 'Ownership' matters. |
| Austin Mayfield 1997 All 1988 defined activities | | Second round. 32 of 38 studied authorities were involved in Walsh and Davis 1993 study (373 individual contracts) covered. | Estimated annual cost savings under the second round of CCT of 9%, though about one-third of contracts had an increase in costs. Largest cost reductions in schools and welfare catering; smallest cost reductions (loss of 2.4%) in vehicle maintenance. 85% contracts awarded to the lowest bidder. External provision produced savings about twice as large as in-house provision. |

APPENDIX 3

Findings from independent analysis of pilot authority's approaches to Best Value

| Local Authority/ Political control | No. and type of services included | Approach |
|---------------------------------------|---|---|
| 1 Birmingham C C Labour | 4 Housing Services; Benefits; Services for the elderly, Catering | Client - Tenants, claimants, older people and consumers |
| 2 Bradford MDC: Labour | 10 Home Care & Domiciliary Service; Youth Justice; Youth and Community; Exclusions; School Security; Transportation Planning & Design Services; Tenancy development; Tenacy Enforcement; Community Mediation; and Safe at Home. | Issue - Fighting crime |
| 3 Braintree DC Labour | All Services | Whole authority |
| 4 Brent LB NOC | 21 Street cleaning; refuse collection; temporary accommodation; women's refuge ; homeless day centre; Security services; renewal initiatives; highways enforcement; HMO registrations; (Housing-benefits; cleaning, grounds, management services, redevelopment, repairs, resources; sheltered) M&E contracts; property; leasehold management; tenants initiatives. | Issue - living in Kilburn |
| 5 Brighton & Hove BC Labour | All services | Whole authority |
| 6 Bristol C C Labour | 4 Corporate Framework; City Centre Strategy, IT in the Community; Transport Provision. | Individual services |
| 7 Camden LB Labour | All services | Whole authority |
| 8 Carrick DC NOC | 7 Orientated around Housing Services: management; homelessness; advice; grants; private sector; lifeline; enabling and housing needs. | Client - housing tenants |
| 9 Cumbria C C Labour | 6 Residential Facilities; Supported Housing; Day Care; Home Care; Sheltered Employment; Education | Client - Disability and mental health |
| 10 Exeter C C Labour | 20 Housing: estate management; allocations; housing rents; Neighbour Disputes; housing partnership; home aid; private sector housing; repairs; homelessness housing benefits; private sector housing Environment issues: Public Health Energy Efficiency; Cleansing; car parking;; Highways Maintenance; street lighting. Social issues: Community Care; health promotion; Safety; Facilities | Geographical: 6 of 18 wards |
| 11 Gosport BC Lib dem | 3 Building Control; Food Safety; Housing Services and peripheral activities | Individual services |
| 12 Great Yarmouth BC Labour | 15 Splint into 6 groups: Treasurers: benefits, local taxation, debtors; welfare rights; Housing: management, needs, policy, technical . Planning: land; access; reclamation; statistics; Environment: all aspects. Development: economic development; engineering and leisure. | Issue: Social Strategy |
| 13 Greenwich LB Labour | 8 Advice & Benefits Service; Domiciliary Care; Early Years Services; Education Inspectorate & Advisory Services; Housing Repairs; Libraries; Property Management; and Transport. | Individual |
| 14 Harrow NOC | 4 broad areas: Domiciliary care; Special needs transport; LEA administration; Financial services | Individual |
| 15 Ipswich BC Labour | 14 initially Benefits; Museums; internal audit; development control; Building & Design Services; Town Centre Management; Theatre; Corporate Directors Team; Environment policy; Town Hall & Corn Exchange; Community Safety; local tax; Transportation; human resources. | Whole authority |
| 16 Leeds C C Labour | 11 Advice & Benefits; Community Sport; Refuse Collection; Social Services; libraries; training; street cleansing; street lighting; highways maintenance; grounds maintenance; housing. | Geographical -2 wards |
| 17 Lewisham LB Labour | 17 Raising LEA Standards; Housing Benefits; Community Safety; Telephone response; Catering PFI; Passenger transport services; Leisure centres; housing provision; revenues; construction; school buildings; Children's services; communications; External resources; libraries waste management; social services and corporate buildings. | Individual |
| 18 Lincolnshire C C Cons | 9 in year 1 Waste; Children in care; Highways; Student & School Services; Home Care; Community Services; Finance & Resources; fire brigade training; fire maintenance. | Whole authority |
| 19 Manchester C C Labour | 3 Physical appearance; education and family support; vandalism and crime. | Geographical - 3 areas |
| 20 Newark and Sherwood DC Labour | 8 Revenues, Benefits, Legal, Housing- client and contractor; Environmental Services, DSO and IT. | Individual |
| 21 Newcastle C C Lab | 2 Integrated Environmental Services (defined area, many services) Council Tax Service(whole city) | Geographical - 12.5% |
| 22 Newham LB Labour | All of the Authority's services will be reviewed in 3 stages | Whole authority |
| 23 Northamptonshire C C Labour | 4 Highways & Transportation; Residential Care for Elderly; Waste Management; and Youth | Individual. |
| 24 Oldham MBC Labour | 14 Rent collection; caretaking; housing rehabilitation; housing repairs; highway repairs; allocations and lettings; tenancy management; crime prevention; graffiti removal; street lighting; grounds maintenance; refuse collection; street cleaning; voids management. | Geographical -2 areas |
| 25 Portsmouth C C Labour | 8 Behaviour support; parks; residential care; Economic Development; voluntary sector; asset Management; young people; learning difficulties | Individual |
| 26 Reading BC Labour | All services | Whole authority |
| 27 Redcar & Cleveland BC Labour | 5 initially: Training & Development initiative; Local Estates Service Initiative; Occupational Therapy; Council Tax Collection; and Housing/Council Tax Benefit Joint Service Delivery Initiative. | Whole authority |
| 28 Southampton CC Lab | 3 Crisis Prevention & Support; Night Watch Scheme; and the Home Safety Scheme | Client - elders |
| 29 South Norfolk DC Lib Dem | 21 Welfare Advice; Council Tax, NNDR; Sundry income; Benefit Admin; LETS; Village shops employment promotion; rural transport; housing (advice; enabling; management); safety; homelessness; contact care; adaptations; leisure; grants; play development; countryside access. | Issue - Social Justice |
| 30 Sunderland BC Lab | 6 Geographically - Youth Justice; After Care; Housing; Leisure; Adult Education; Youth service | Client - 16-18 year olds in 1 area of city |
| 31 Surrey C C Cons | 3 Libraries, Adult Education; and Youth Services. | Geographical 1 area related to 'community' |
| 32 Warwickshire CC NOC | All services. | Whole authority |
| 33 Watford BC Labour | 7 Keeping the Town Clean; Recycling; Traffic Congestion; Regulatory services; Improving the quality of life in a local area; Housing & Council Tax Benefits; Services for young people | Individual |
| 34 York C C Labour | 8 Street Lighting, School Meals, Commercial Waste, Libraries, Personnel & Payroll, Independent Living, Transport Procurement, and Leisure Services. | Individual |

APPENDIX 4

BV survey evidence, key findings

Use of Market-based activities during BV Reviews and Impact of BV Reviews

| Use made of market-based activities during BV Reviews | % of respondents* |
|---|-------------------|
| Agree to some extent that analysis of the market formed part of the BV Review | 63 |
| Opportunities for partnership tested during BV Review | 43 |
| Market testing through competition to some extent used in BV Review | 61 |
| BV Review used to develop market to enhance alternative providers | 20 |
| Agree to some extent that recommendations of BV Review will lead to more externalisation | 35 |
| Agree to some extent that recommendations of BV Review will lead to significant service improvement | 87 |

*Percentages based on responses from service officers' responses.

Source: Enticott, G., Walker, R., Boyne, G., Martin, S. and Ashworth, R. (2002)

Views on Audits and Inspections

| Views on Audits and Inspections | % of respondents* |
|---|-------------------|
| 'Fairly' or 'very' satisfied with 2001/02 audit (Mori) | 64 |
| Most recent inspection report was 'fairly' or 'very' informative (Mori) | 59 |
| Agreed/tend to agree with most recent inspection report's judgement on current performance (Mori) | 61 |
| Agree/tend to agree with most recent inspection report's judgement of likely future performance (Mori) | 50 |
| Agree/tend to agree that inspections support the management of change (Mori) | 57 |
| Agree/tend to agree that inspections challenge attitudes and performance (Mori) | 75 |
| Agree to some extent that inspections will lead to significant service improvement (Cardiff) | 36 |
| Agree to some extent that the benefits of inspections outweigh their costs (Cardiff) | 26 |
| Agree to some extent that inspectors have 'appropriate expertise' (Cardiff) | 26 |
| Agree to some extent that inspections lead to an undue focus on the concerns of BV to the exclusion of service delivery (Cardiff) | 67 |

* Mori percentages based on responses from BV officers and chief executives. Cardiff ones based on responses from corporate and services officers

Sources: Audit Commission (2001) pages 10-12; Enticott, G., Walker, R., Boyne, G., Martin, S. and Ashworth, R. (2002), page 19

APPENDIX 5

Coverage of CCT services within BV pilots

| Activity | No. of bids |
|------------------------|-------------|
| Housing | 39 |
| Leisure | 25 |
| Refuse | 22 |
| Street Cleansing | 15 |
| Highways | 15 |
| Ground Maintenance | 13 |
| Information technology | 12 |
| Property services | 11 |
| Personnel | 8 |
| Catering | 7 |
| Legal | 7 |
| Building maintenance | 6 |
| Building Cleaning | 5 |
| Parking | 5 |
| Architecture | 3 |
| Engineering | 3 |

APPENDIX 6

Best Value pilots' experience of CCT

| Authority | Type | Contracts (#) | Value | DSO% | Pol Control |
|----------------------|---------|---------------|-----------|--------|-------------|
| Portsmouth | Non-met | 20 | 5848897 | - | Lab |
| Brighton & Hove | Unitary | 19 | 11320178 | | Lab |
| Carrick | Non-met | 8 | 1870036 | 7.47 | NOC |
| Brent | LBC | 48 | 42913526 | 20.98 | NOC |
| Camden | LBC | 40 | 26161663 | 22.75 | Lab |
| Northamptonshire | County | 8 | 1488335 | 34.59 | Lab |
| Bristol | Unitary | 9 | 5000000 | 39.61 | Lab |
| Exeter | Non-met | 3 | 3899535 | 40.00 | Lab |
| Gosport | Non-met | 11 | 2260382 | 54.79 | Lib Dem |
| Redcar and Cleveland | Unitary | 3 | 590077 | 56.29 | Lab |
| Lincolnshire | County | 14 | 1227660 | 62.30 | Cons |
| Bradford | met | 16 | 28078576 | 67.65 | Lab |
| Oldham | met | 13 | 20972218 | 74.94 | Lab |
| South Norfolk | non-met | 6 | 1512182 | 76.16 | Lib Dem |
| Greenwich | LBC | 28 | 21310820 | 77.61 | Lab |
| Birmingham | met | 69 | 129733865 | 80.45 | Lab |
| Harrow | LBC | 15 | 11179020 | 82.89 | NOC |
| Southampton | Unitary | 44 | 7936223 | 84.16 | Lab |
| Great Yarmouth | Non-met | 7 | 3624014 | 89.34 | Lab |
| Ipswich | Non-met | 12 | 3037478 | 89.70 | Lab |
| Surrey | County | 17 | 17015325 | 92.73 | Cons |
| Reading | Non-met | 7 | 4932215 | 93.33 | Lab |
| Newark & Sherwood | Non-met | 6 | 883843 | 94.16 | Lab |
| Watford | Non-met | 12 | 3444460 | 95.10 | Lab |
| Sunderland | met | 29 | 26214007 | 95.35 | Lab |
| Cumbria | County | 28 | 8409436 | 96.41 | Lab |
| Braintree | Non-met | 10 | 3039805 | 96.94 | Lab |
| Lewisham | LBC | 31 | 20405879 | 96.95 | Lab |
| Leeds | met | 21 | 41136417 | 99.67 | Lab |
| Manchester | met | 34 | 40270307 | 100.00 | Lab |
| Newcastle-upon-Tyne | met | 22 | 33260016 | 100.00 | Lab |
| Newham | LBC | 11 | 9188170 | 100.00 | Lab |
| Warwickshire | County | 10 | 6901463 | 100.00 | NOC |
| York | Unitary | 6 | 2178122 | 100.00 | Lab |

APPENDIX 7

Examples of interview schedules

Interview schedule for Brighton Officer

1) Background

How long have you been an officer at Brighton?
Which departments have you worked in?
Tell me a little bit about your role at Brighton?
How would you say Brighton has changed since you were first employed here?
How would you describe the politics of Brighton?

2 CCT in general

How much involvement did you have with CCT in Brighton?
What do you think the Conservatives objectives for CCT were?
Before outsourcing arrangement was CCT readily accepted and embraced by this authority as a whole?
In this authority, was the policy officer or member led?
Was there a strong commitment to retain services in-house, in the face of CCT?
In general, what would you say the most positive benefits of CCT?
and for Brighton?
In general, what would you say the most negative benefits of CCT?
and for Brighton?
What impact generally did CCT have on the quality of services?
What impact generally did CCT have on the cost of services?
Is there anything else you'd like to say about CCT?

3 Best Value

What do you think the Labour government's underlying objectives for BV are?
How would you say BV differs to the Conservative's wider objectives for local government? (probe CCT, enabling authority, citizen charter's indicators)
Why did your authority decide to pilot BV?
How 'free' is the authority to pursue its desired service delivery objectives under BV?
Do you think BV's embracement of all services is a positive step forward from the sectoral approach to CCT?

Can BV be seen as a means for protecting in-house service provision from the rigours of CCT or as a tougher means by which authorities must prove the worth of their in-house services provision?
Which services do you think most savings will emerge?

What in your opinion are the best aspects of BV?
What in your opinion are the worst aspects of BV?

Which in your opinion is better BV or CCT and why?

BV review

In your own words how would you describe the overall approach to BV in Brighton?
In piloting BV, I understand that Brighton was exempt from CCT requirements, is this correct?

Can you tell me a little about the organisation of the review?
(probe who leads it, councillor officer led, link to corporate approach, link to legislation)

What do you think has been the hardest part of BV?
How have you challenged?
How have you compared?
How have you consulted?
How have you competed?

Would something like the four C's been utilised had not BV come about?
Which of the four C's were being utilised before advent of BV?

Is the review process more robust than CCT tendering process?
Do you think your authority could attain continuous improvement without the actual requirements of BV?

Contractual arrangements

What year did the Contractor take over the integrated waste management contract?
How many companies expressed an interest in the BV contract?
What criteria did you use (see documents)?
Under CCT there were certain anti-competitive tendering rules, do you think that under BV you have more control over the criteria by which contractors can be evaluated?

Which tests of competitiveness have you found most useful?

Is the review process more robust than CCT tendering process in terms of selecting an effective service provider?

Can you tell me about the unions' involvement with this contract?
Can you tell me about the officers/councillors' involvement with this contract?
Can you tell me about the users' involvement with this contract?

What other services does it provide the authority?
What impact generally did this arrangement have on the quality of services?
What impact generally did it have on the cost of services?
What other successes and difficulties did the contractor face?

Performance

Obviously BV places much stress on performance management?

Do you think the number of BVPI is satisfactory?
Why?
What do you think the public's perception of PIs are?
Do you compare yourself with the private and voluntary sectors, If so, in what ways, what about other local authorities?

Do you think benchmarking can be seen as a way of proving 'competitiveness'?

How do you account for the differences in performance amongst Brighton's comparator groups?
Are the comparator groups - self selected or suggested by government?
How useful are they?

BV Outcomes

Do you think that the BV process is bringing anything new to the delivery of service?
Is this a much if a different outcome to that of CCT?
To what extent does the BV review process deal with the shortcomings of CCT?
What else has changed since the introduction of BV?

How much staff time do you estimate will be required to undertake BV reviews?
How much do you estimate the costs of review to cost?
What have been the key emerging issues from BV?

Interview schedule with Brighton councillor

1 Background

How long have you been a councillor at Brighton?

Which committees were you on?

How would you say Brighton council has changed over the years you have been here?

How would you describe the politics of Brighton Unitary council?

2) CCT in general

What do you think the Conservatives objectives for CCT were?

How much involvement did you have with CCT in Brighton?

Who led the policy of CCT - councillors or officers?

Was CCT readily accepted and embraced by this authority as a whole?

I understand that a large outsourcing arrangement was undertaken in 1996 - how did this come about?

How did the initial contractor perform?

and for street cleansing and refuse?

In terms of renegotiating the contract which X took over, how much consultation with the public was there?

What happened to the funding of the service following the re-negotiation of the contract? Eg. reduced costs, increased costs

What impact generally did CCT have on the quality of services?

What impact generally did CCT have on the cost of services?

What impact generally did CCT have on employment?

Is there anything else you'd like to say about CCT?

3 Best Value in general

What do you think the Labour government's underlying objectives for BV really are?

How in your view does BV differ to the conservative's wider policies for local government?

Can BV be seen as a means of protecting in-house service provision from the rigours of CCT?

Can BV be seen as a tougher means by which authorities must prove the worth of their in-house services provision?

What in your opinion are the best aspects of BV?

What in your opinion are the worst aspects of BV?

Which in your opinion is better BV or CCT and why?

4 Political structure

Tell me about the changing political structure from a committee to cabinet structure. - please sum up the main experiences of it?

Has the introduction of a cabinet structure interfered with the decision making processes associated with BV?

5 Best Value review

In your own words how would you describe the overall approach to BV in Brighton?

What is the relationship between councillors and officers in context of BV - I understand that it is a member led approach and that almost every councillor was directly involved in the BV review process - is this true?

What do you think has been the hardest part of the implementation of the BV review?
How have you challenged?
How have you compared?
How have you consulted?
How have you competed?

Would something like the four C's been utilised had not BV come about?
Which of the four C's were being utilised before advent of BV?

What in your view are the public perceptions of BV?
Has consultation influenced service selection and PIs in the BVPP?

Is there a process to ensure that the outcomes of consultation are considered as part of decision making?

Do you think that BV will lead to services currently being provided externally being returned in-house?

Following CCT, has BV in your view given local government more power over the requirements of external contractors?

BV Outcomes

Do you think that the BV process is bringing anything new to the delivery of service?
Is this a much if a different outcome to that of CCT?
To what extent does the BV review process deal with the shortcomings of CCT?
What else has changed since the introduction of BV?
Do you think the electorate is aware of BV?

How much staff time do you estimate will be required to undertake BV reviews?
How much do you estimate the costs of review to cost?
What have been the key emerging issues from BV?

What do you think the nature of local government will be in 10 years time?

Final points and clarification