Public Value Summary Background Paper

Prepared for the Local Government Business Excellence Network (LGBEN)

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Acknowledgements

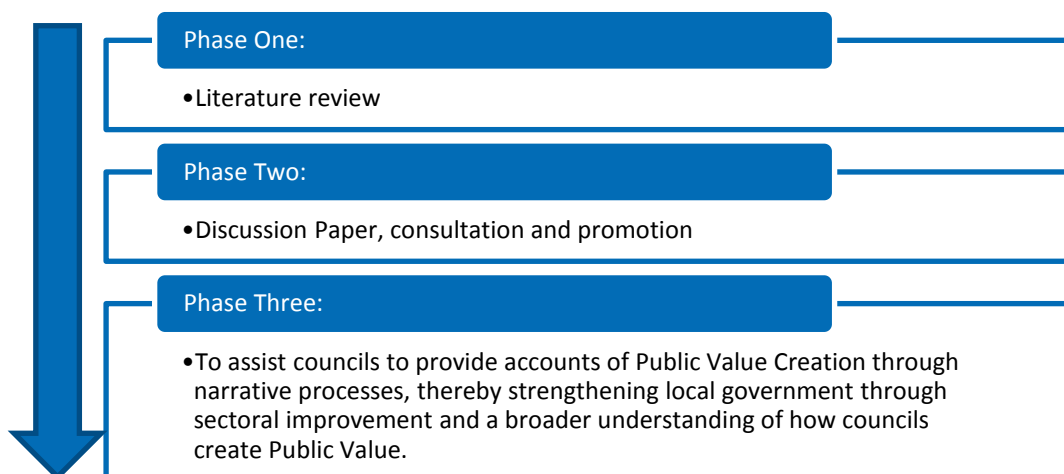## Table of Contents

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Executive summary

The Public Value project, led by the Local Government Business Excellence Network (LGBEN) with support from the Australian Centre of Excellence Local Government (ACELG), explores the current understanding of Public Value concepts.

The **aims** of the project are to develop an understanding of Public Value Creation, to provide examples of Public Value Creation from the Australian local government sector, to assist others in identifying examples of Public Value Creation from their own councils and to **provide accounts** of these examples to demonstrate how local government contributes to is communities and more broadly.

Intended **outcomes** include the development of a robust definition and understanding of Public Value Creation and assisting local governments to place themselves on a footing for continuous organisational improvement.

The project is divided into three phases:

Phase One:
•Literature review

Phase Two:
•Discussion Paper, consultation and promotion

Phase Three:
•To assist councils to provide accounts of Public Value Creation through narrative processes, thereby strengthening local government through sectoral improvement and a broader understanding of how councils create Public Value.

The purpose of this Summary Background Paper is to provide the basis for Phase Two of the project. It has been written by the authors in close collaboration with members of the LGBEN, who provided extensive feedback and suggestions on a draft of the document.

The paper undertakes three tasks:

- To provide a robust definition of and justification for Public Value and Public Value Creation in local government practice,
- To link this with current practice in Australian local government, and
- To provide examples of Public Value Creation and measurement by councils so that more councils can develop a range of accounts of their Public Value Creation activities.

The Summary Background Paper is divided into six parts:

- Part 1: Why Public Value? Identifying why Public Value Creation and *providing narratives* of Public Value Creation are important components of both Australian local government practice and the of the sector;

- Part 2: Introduction: The goals of the Summary Background Paper are specified;

- Part 3: Provides the definition of Public Value and Public Value Creation through an examination of the work of Mark Moore (1994; 2007; 2013). This includes:

  – A simple account of Public Value Creation;
  – A theoretical account of Public Value Creation;
  – A representation of the strategic triangle comprising the authorising environment, the task environment and an organisation's operating capabilities;
  – The idea of the Public Value Chain (Moore 2007) where value can be derived from improvements to links in the production cycle;
  – The argument that focusing on Public Value stems from adopting an approach that seeks continuous improvement at the individual and organisational levels.

- Part 4: Examines how Public Value can be measured as part of performance evaluation. This allows individuals and organisational units to be assessed for their original contributions to an organisation's strategic objectives. An example of individual performance evaluation is used for this task.

  – It is demonstrated that the measurement of Public Value Creation can be incorporated into standard types of individual and organisational performance evaluation.

- Part 5: The British Broadcasting Commission's (BBC) commenced the implementation of a Public Value framework as continuous organisational improvement from 2004. By way of illustrative example, this paper examines this in some detail, alongside examples of Public Value Creation in Australian local government.

  – We outline the Public Value Test's (PVT) two main components: First, the *process* of the PVT (inclusive of a Market Impact Assessment (MIA)); and second, the *methodology* of the Public Value Assessment (PVA). Finally, we examine the specific example of the Public Value test of BBC Alba and Education.

- Part 6: Derives the main points from this discussion and suggests how they may be used in Phase Three of this project and suggests questions for engagement.

1   Why Public Value and why narratives of Public Value Creation?

Local governments across Australia are continually engaged in Public Value Creation – defined **as the process of adding value to the public sector through the exercising of managerial authority** – all the time. However, managers cannot decide for themselves what Public Value is. Rather, they have to **seek the views of all in a complex authorising environment** comprised of elected officials and a range of stakeholders. As we shall see in the examples that follow, significant community engagement is required to assess and measure Public Value, as opposed to private value.

While the precise definition of what that Public Value is will vary from context to context, and the ways that Public Value is measured will also be 'situation-dependent', providing accounts of Public Value Creation *ought* to be used as a powerful tool for telling the 'good story' about local government; the story that so often is not told.

In response to the question: 'What do I get from reading this paper?' we offer the following answers:

- An understanding of Public Value and Public Value Creation;

- Examples that assist you in identifying your own examples of Public Value Creation in your own work and organisational context;

- Examples of ways to *measure* Public Value Creation, and

- An invitation to provide accounts of you and your organisation's creation of Public Value to better position yourself in your community and more broadly.

The Local Government Business Excellence Network (LG BEN) together with its partner organisation ACELG firmly believe that a thorough understanding of Public Value Creation can assist not only the performance of local government and its people but the positioning of the sector in what are proving to be increasingly difficult circumstances.

WHY PUBLIC VALUE AND WHY NARRATIVES OF PUBLIC VALUE CREATION?

1

2 Introduction

Councils deliver value through planning, managing and delivering a wide range of services, programs/projects as well as being organisations with a spatial remit and democratic imperatives. Much of this includes creating Public Value in a broad sense – equivalent to the public interest or 'the common good'.

In contrast to these everyday understandings of the idea of Public Value, in his book *Creating Public Value: Strategic Management in Government* Mark Moore (1995) developed a theory of Public Value and Public Value Creation that broke from previous understandings of what the public sector ought to do. While this theory sparked wide interest in Public Value Creation globally, and Moore (2007; 2013) and others have gone on to refine the theory and practice of Public Value Creation, to date there has been no substantial application of the concept to Australian local government.

The LGBEN is undertaking this task with the assistance of the Australian Centre of Excellence for Local Government (ACELG). This Summary Background Paper comprises Phase Two of the project, which provides the basis for understanding Public Value Creation, consulting with and promoting the idea in the sector.

Since Moore's initial development of the theory in 1995, use of the term Public Value has increased significantly. While the Phase One Literature Review was comprehensive, this paper is more focussed, presenting the key discussions of Public Value theory and examining approaches of measuring Public Value.

3 Defining Public Value Creation

Local governments across Australia are continually engaged in Public Value Creation – defined **as the process of adding value to the public sector through the exercising of managerial authority** – all the time. However, managers cannot decide for themselves what Public Value is. Rather, they have to **seek the views of all in a complex authorising environment** comprised of elected officials and a range of stakeholders.

It is important to emphasise the unique nature of public goods. While public goods are often defined – particularly in economics – as goods and services that are non-excludable in that we all require them and in terms of their status as 'natural monopolies', once we recognise that we can 'add value' to these goods, in the same way that value can be added to private goods, the general, or sum quality of every individual community member increases. Further, this increase is Public Value is *qualitatively different* to merely the sum of all private goods, such that private goods are usually improved alongside an increase in Public Value.

For example, a well-maintained park in a neighbourhood can be assessed in terms of how much it costs to maintain against a measure of the value it maintains – the number of people using it regularly, for example. Yet recognising Public Value and Public Value Creation requires that we also take into account, and provide an account of, other benefits that accompany this – for example, the increased well-being of the individuals in the neighbourhood and the aesthetic dimension that the park provides, all of which will have a positive effect on property prices, for example.

At the same time it is important to recognise that Public Value is also a *philosophy* of public management – an idea of what we citizens should expect of public managers, the ethical responsibilities they assume in taking office, and what constitutes virtue in the execution of their offices. In essence, Public Value is a justification for public organisations seeking to create value for their communities in the way that businesses do, but at the same time retaining what is unique about public organisations.

3.1 Description of Public Value Creation

The original idea of Public Value was devised by Michael Moore in his book *Creating Public Value: Strategic Management in Government*, published in 1995. In order to explain his idea Moore (1995, pp. 13-20) presents us with a (hypothetical) city librarian who is faced with the problem of the library being used as a *de facto* child-minding facility for latch-key children. In the example, two different responses are envisioned to this perceived misuse of the library. First, the librarian can simply curtail the use of the library by the children and return the use of the library to its legislatively defined function.

Alternatively, she (Moore's librarian is gendered) can exercise her imagination, or what Moore (1995, 16) also refers to as her 'entrepreneurial spirit' and think of ways to combine the (then) traditional role of the library with the need for after-school care (by asking for increased resources, organising volunteers, or better using the resources available to her, for example). The second scenario raises the possibility of her 'adding value' to both her role and the role of the public resources she manages. In so doing, the librarian will be exercising and acting upon her

entreprenurial imagination and adding value for a public organisation, just as an individual would do for a private (for-profit) organisation.

3.2 Theoretical account of Public Value Creation

However, for Moore (1995, p. 29) this similarity between the public sector and the private sector has its limits. Public managers are not only assessed on the basis of the goods and services produced, 'they must also be able to show that the results obtained are worth the cost forgone in producing the desirable results'. Further, public assets are very different from private property, because everyone owns them. Nevertheless, in what he described as 'a modest challenge to the prevailing doctrine' Moore (1995, p. 18) argued that public managers ought to engage in a degree of 'entrepreneurial' decision-making because this is how value is created. Moreover, he argued that public organisations generally ought to adopt this operational footing in order to be of more value to citizens and that citizens' recognition of Public Value Creation is itself an important element of the process – in effect it forms an affirmation of a virtuous cycle of public sector activity.

Moore (1995, p. 24) emphasised that public managers operate in contexts defined by three features: First, the actions of managers are determined by the organisational setting in which they find themselves. Second, public officials must listen and respond to a variety of stakeholders – politicians, citizens, industry groups, etc. – when making decisions. Third, despite these constraints, it is nevertheless *up to the manager* to search for value-making opportunities within this context. This series of relationships Moore (1995) described as 'The Strategic Triangle':

The fact that Moore's (1995) example of a library, with its gendered librarian and thought of as a quiet place where people go to read and borrow books, is so dated demonstrates how much the role of libraries, and of local government generally, has evolved since the writing of *Creating Public Value*. Libraries now provide a range of diverse services to their communities, often inclusive of a childcare function, as comically depicted in the ABC series *The Librarians*. It would be highly inaccurate to assume that all of these innovations have resulted from the directives of local politicians. On the contrary: the employees of local government, especially the managers of particular services, are at least partially responsible for innovation to the services they are responsible for, thus rendering them more 'valuable' to their communities. The essence of Moore's (1994) argument about Public Value Creation is still relevant. Also relevant is the idea that libraries provide much more than their *individual* services for their individual clients: Yes, there might be what economists refer to as 'positive externalities' of libraries – a warm place in winter; a way for people without a personal computer to access online resources – but taken together these services are greater than the sum of their parts; having a well-educated and well-informed community is a higher-order good; it embodies the idea of public value. As well, the *value* of libraries is broadly and deeply recognised. During recent research conducted by ACELG for State Libraries of NSW, participants have unanimously recognised that this is the case, saying things like: 'Libraries provide a space where anyone is able to go no matter what their background' and: 'When supermarkets were selling i-pads/tablets

Figure 1: Moore's 'Strategic Triangle'
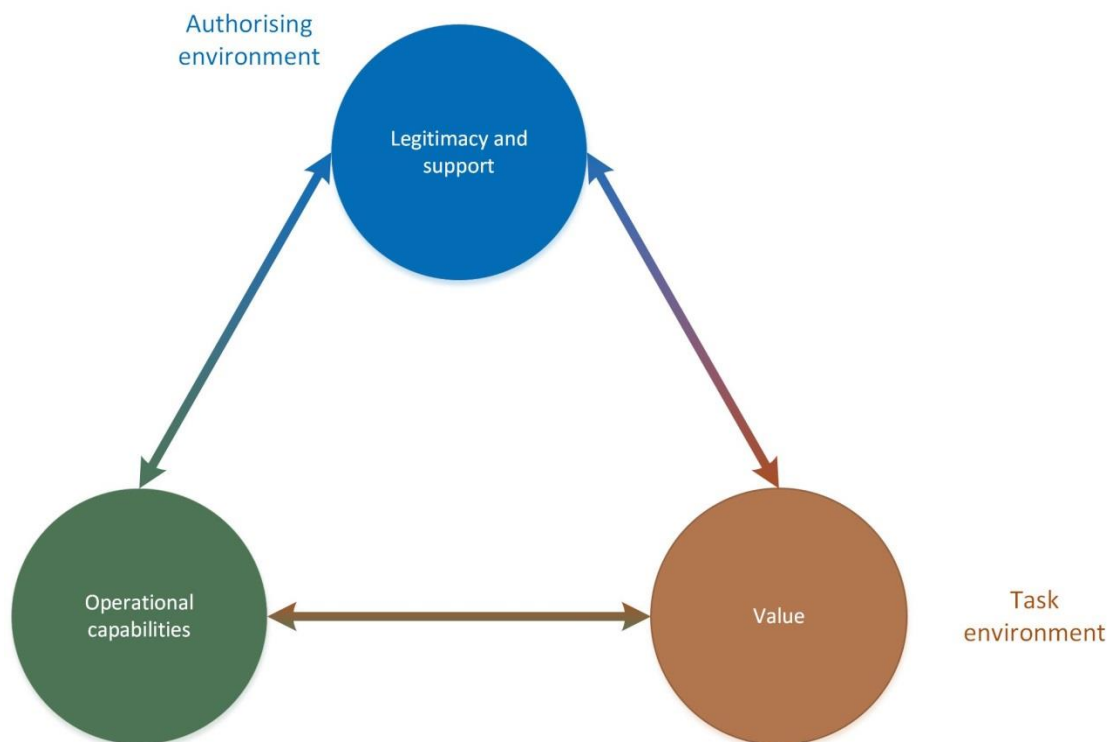
Source: Adapted from Alford and O'Flynn, 2009: 173

The basic elements of this model include [i] the *operational capabilities* (the organisation itself) and [ii] the *authorising environment* (the complex political realm, including elected politicians, higher tiers of government, community groups, etc. all of which have a range of interests). Both of these interact with [iii] the day-to-day *task environment* of public managers, where managers are in a position to *create* Public Value as we have discussed it here.

The relationships built in the strategic triangle can also be referred to as the Public Value chain. The Public Value chain is a map of organisational production, including inputs, activities or projects, partners, outputs, client satisfaction, and outcomes. By measuring Public Value Creation at different points in the process, blockages, ineffective systems or unproductive steps can be identified and Public Value linked with organisational improvement.
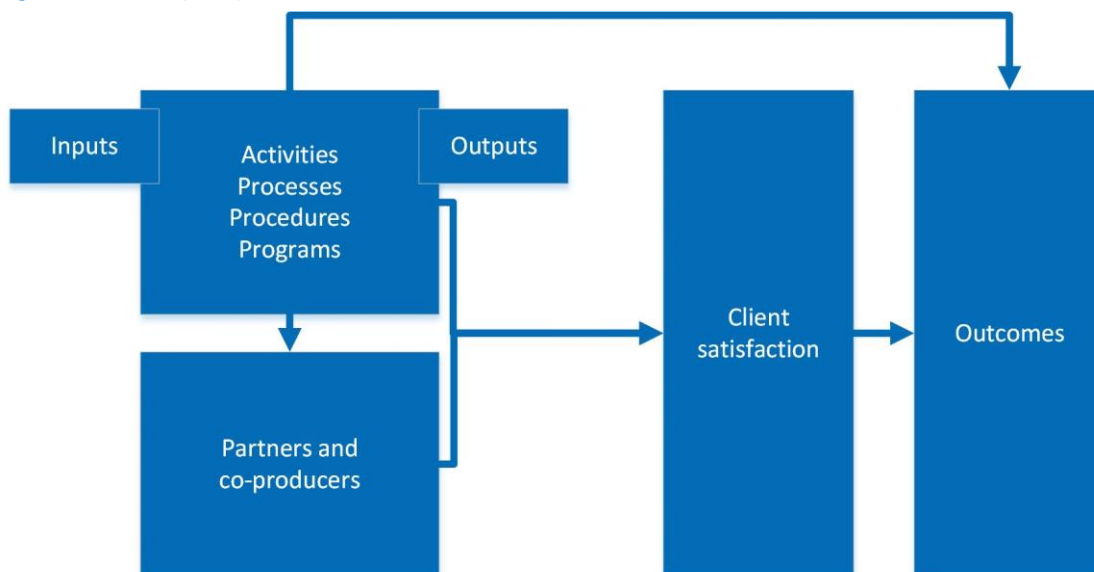
Source: Adapted from Moore (2007)

If we apply these ideas to the entire activities of the public sector, we can see that the way that we set about deciding what is publically valuable, then measuring this value, is a very different exercise to merely buying and selling goods and services, wherein value is determined solely by what they can be exchanged for. If we think about this difference in terms of the 'Public Value Chain' depicted in Figure 2, the difference is of that between *outputs*, which can be assessed at one level, and *outcomes*, which have to be assessed in a qualitatively different manner.

Moore's (2007) 'Public Value Chain' can be applied to all kinds of processes that form part of councils' everyday operation. For example, at one PVBEN council a new manager for the Customer Centre noticed that visitors to the Centre would wait for service for prolonged periods and that service was not being provided in a comfortable orderly fashion. The Manager transposed the Centre's activities into Moore's 'Public Value Chain' like this:

Figure 3: Application of Moore's (2007) 'Public Value Chain' to a council'
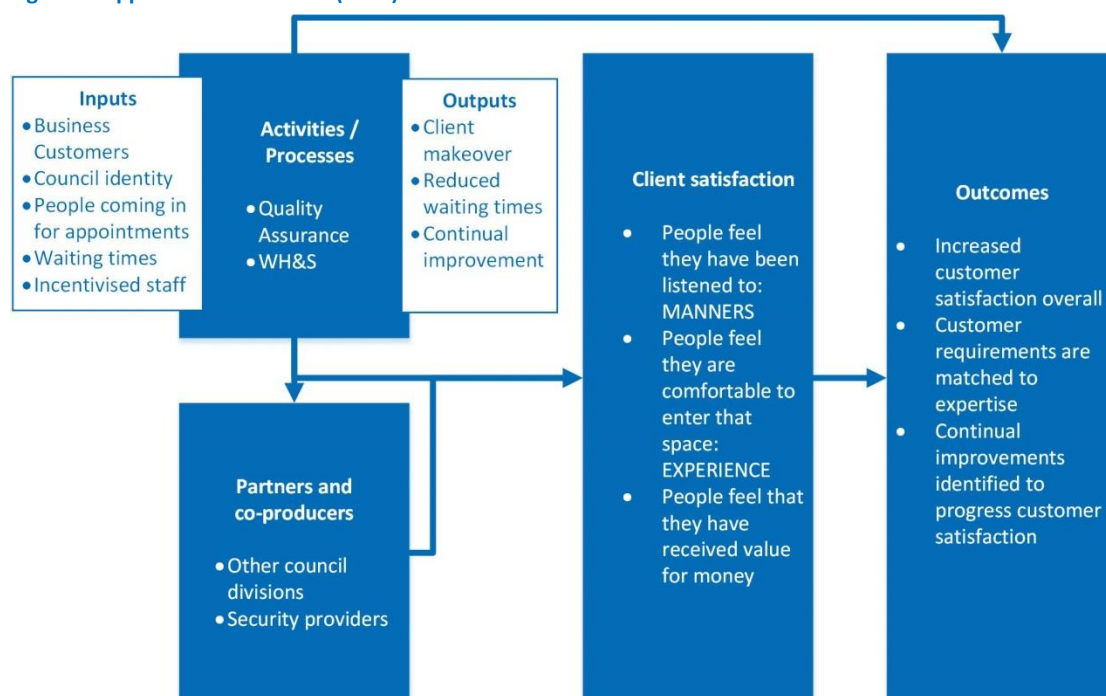
Examining Figure 3 we can see that individual elements of what was a relatively routine procedure have been analysed and qualitatively demarcated to identify points along the chain where value can be created, a necessary element of which is that ways of measuring this value are devised. As we will see in the examples that follow, Public Value Creation does involve some work, as does the telling of the Public Value story.

3.3 Public Value as the basis for continual organisational improvement

Before moving to examine Public Value measurement, we contextualise our understanding of Public Value by comparing it to previous approaches, namely traditional public administration and New Public Management (NPM).

Table 1: Stoker (2006): 'Paradigms' of Public Management

	Traditional Public Administration	New Public Management (NPM)	Public Value
Key objectives	Politically provided inputs; service monitored through bureaucratic oversight	Managing inputs and outputs in a way that ensures economy and responsiveness to consumers	Achieving Public Value, which involves effectiveness in *tackling what the public most cares about*; from service delivery to system maintenance
Role of managers	To ensure rules and procedures are followed	To help define and meet performance targets	*To play an active role in steering networks of deliberation and delivery* and maintain overall capacity of the system
Definition of public interest	By politicians or experts; little in the way of public input	Aggregation of individual preferences, in practice captured by senior managers supported by evidence about the consumer	*Individual and public preferences captured through a complex process of interaction that involves deliberative reflection* over inputs of opportunity costs
Approach to public service ethos	Public sector has a monopoly on service ethos and all public bodies have it	Sceptical of public sector ethos; favours customer service	No one sector has a monopoly on public sector ethos; maintaining relationships through shared values is essential

Table 1 demonstrates the changing conceptions of public of management and the differing justifications for managerial authority. The Public Value column indicates an important role for community engagement in decision-making. However Public Value is not defined only by what citizens' value: Their expectations have to be managed in light of organisational capacities and other elements of the authorising environment.

Some elements of previous types of public administration remain important parts of the Public Value paradigm. For example, our definitions of Public Value are still informed by the views of both politicians and experts (consistent with the traditional public administration paradigm). Similarly, the increased customer focus introduced with NPM still comprises an element of organisations placed on a Public Value footing.

However, enabling local governments to embrace Public Value Creation to a point where it can be *measured* requires demonstrating that this can be done.

4 Measuring individual Public Value Creation

Since the publication of Moore's (1995) *Creating Public Value* a lot of attention has focussed on Public Value Creation at an organisational or program level. While the importance of this is unquestionable and will be examined directly here in the next section, our example of the librarian has also suggested that Public Value Creation can also be examined at the level of an individual or a particular organisational unit. In considering how Public Value can be created we consider this first, before turning to the organisational level.

One of the simplest forms of individual performance assessment is the graphic rating scale, as represented in Figure 4.

Examining Figure 4, Rating factors 1 and 2 (quantity and quality of work) although essential, need not equate to Public Value Creation. Rating Factors 3, 4 and 5, job knowledge, cooperation and dependability are all essential. Again, however, achieving a high rating for any or all of these need not necessarily equate to Public Value Creation. Rating Factor 6, Enthusiasm, in particular initiative in offering ideas and seeking increased responsibilities might *feel like* Public Value Creation because it can be roughly equated with entrepreneurial activity. However, the results of this type of activity *cannot* be merely quantitatively defined. Rather, it must be qualitatively measured.

Figure 4: Graphic rating for performance appraisal

Name	Leslie Whiteson
Job title	Financial Analyst
Supervisor	Anthony Chang
Date	1 July
Rating Factors	Rating
1. Quantity of work	3
2. Quality of work	2
3. Job knowledge	3
4. Cooperation	1
5. Dependability	2
6. Enthusiasm	2
Ratings: 3 = Outstanding 2 = Satisfactory 1 = Unsatisfactory	
Source: Schermerhorn et al (2011, p. 300).	

This does not necessarily mean that *all* employees *ought* to be encouraged to pursue Public Value Creation *all the time*. On the contrary, there are many instances where an entrepreneurial frame of mind may be *dysfunctional* in public organisations as well as in private enterprise.

Understanding at the individual level how/when and why individuals might be in a position to create Public Value is an important step. However this is dependent on context of that person/unit and must be linked to the strategic objectives of the organisation. It is to an example of this that we now turn.

5 Public Value as basis of continuous organisational improvement

During the course of this Public Value project, members of the Working Group from LGBEN alongside researchers from ACELG looked for examples of Public Value Creation undertaken by LGBEN members and in Australian local government more broadly. There were many instances of Public Value Creation evident in these councils (see textboxes as examples). However, the case study of the BBC is used in this context due to the extent to which that particular organisation has implemented Public Value as the basis for continual organisational improvement. It also provides a model for a Public Value test and Public Value assessment which are useful for the purposes of discussion.

Public Value Creation in Australia: Is free public Wi-Fi Public Value Creation? The provision of free wireless internet connection in civic spaces by a local government is often justified on the basis that it is 'essential' to offer this service in order to encourage business activity in the area. Yet after examining the business case for this, one council in Sydney decided that providing free Wi-Fi on the grounds that it would increase business activity was too speculative and not justified. In particular, after surveying local businesses it deemed that they all had excellent internet access for a marginal cost.

However, armed with the information about how much providing the service would cost, the council decided to proceed on the basis that the rate of internet connectivity in private dwellings in the area was extremely low; a reflection of socio-economic disadvantage. It was decided that providing free Wi-Fi addressed the strategic goals of the council in contributing to the democratic, cultural and educational fabric of the area, generating Public Value.

5.1 Renewing the BBC for a digital world

In 2004 the BBC commenced a major process of renewal focussed on the introduction of digital technology and applied Public Value to its overall strategic framework. Much of this work involved the thinking through and specification of the strategic mission of the organisation. In 'Building Public Value: Renewing the BBC for a Digital World' it identified 'five main ways' Public Value is created by the organisation.

1. Democratic value:
The BBC supports civic life and national debate by providing trusted and impartial news and information that helps citizens make sense of the world and encourages them to engage with it.

2. Cultural and creative value:
The BBC enriches the UK's cultural life by bringing talent and audiences together to break new ground, to celebrate our cultural heritage, to broaden the national conversation.

3. Educational value:
By offering audiences of every age a world of formal and informal educational opportunity in every medium, the BBC helps build a society strong in knowledge and skills.

4. Social and community value:
By enabling the UK's many communities to see what they hold in common and how they differ; the BBC seeks to build social cohesion and tolerance through greater understanding.

Public Value in Australia: Changing roles for Community Rangers: Traditionally council rangers have undertaken a role as policing agents municipalities, where the measurement of a 'job well done' has been an increase in the penalties awarded. However, many councils in Australia have reorientated the activities of these employees. For example, when a new resident is settling into an area the council ranger will introduce themselves, discuss the various services offered by council, and inquire if the new household has any pets, noting the schedule for garbage and recycling services and so on, encouraging the new residents to come forward with ideas for service improvement. Conducting these types of activities, the measurement of success becomes the *decrease* in fines for not complying with municipal ordinances. Additionally, providing services in this way encourages new residents to view councils as contributing to the provision of public goods and services measured not just in sum but as contributing to Public Value.
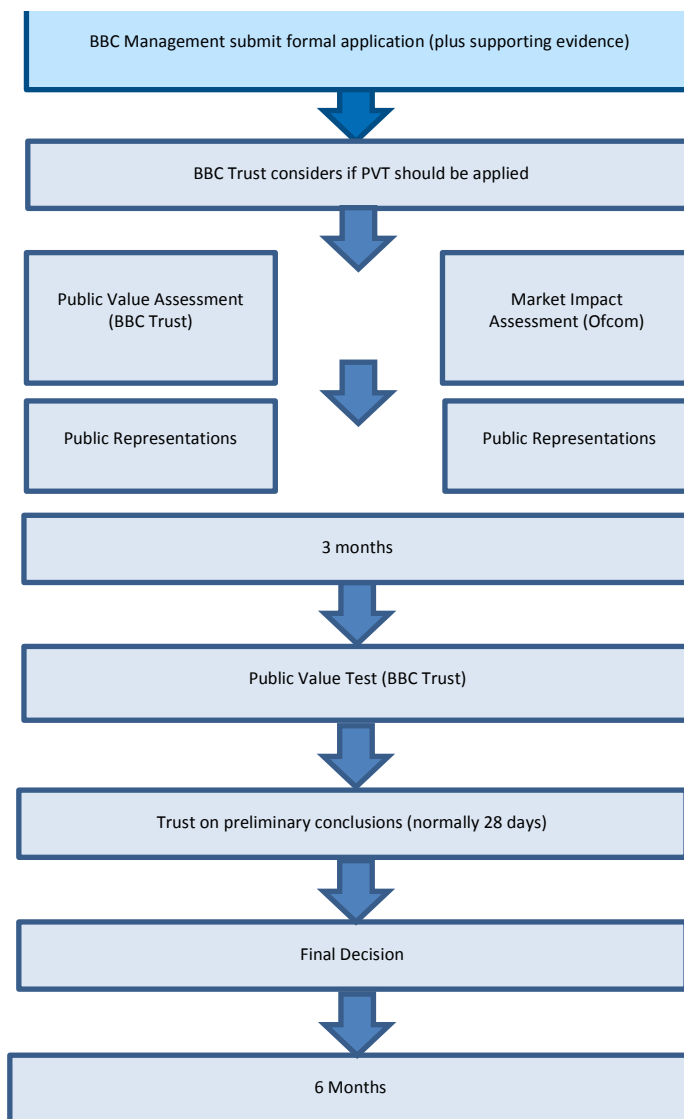
5. Global value:

The BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience (BBC 2004, p.8).

We can see that points 1-4 are the type of broad-based strategic framework of any public sector organisation and are of relevance in that individuals within the organisation ought to have a 'line of sight' to these objectives. While it is easy to be dismissive of these types of broad organisational goals, as we shall see the explicit statement of these objectives means that they can be referred back to when assessing directions for organisational change.

The BBC also reconfigured its reporting and accountability structures around Public Value, specifying four measures for demonstrating Public Value. First, it determined that the Board of Governors would subject all major proposed developments to a 'Public Value Process' (Figure 5) inclusive of an independent evaluation of likely market impacts. Second, it specified the parameters of all of its services by granting a 'service licence' to all its activities. Third, it determined that every three to five years an independent Public Value survey of 10,000 licence payers would be commissioned and published. Fourth, a 'Public Value performance measurement framework' would be adopted and applied to each of its services, the principal criteria for which would be 'Reach, Quality Impact, and Value for Money (RQICV).

In terms of executive governance, it also reinforced the distinction between the BBC Trust, the body overseeing the operation and mission of the organisation, and the Executive, the operational head of the organisation.

Figure 5: Summary of the PVT process

BBC Management submit formal application (plus supporting evidence)

BBC Trust considers if PVT should be applied

Public Value Assessment (BBC Trust)

Market Impact Assessment (Ofcom)

Public Representations

Public Representations

3 months

Public Value Test (BBC Trust)

Trust on preliminary conclusions (normally 28 days)

Final Decision

6 Months

5.2 Process of Public Value Test (PVT)

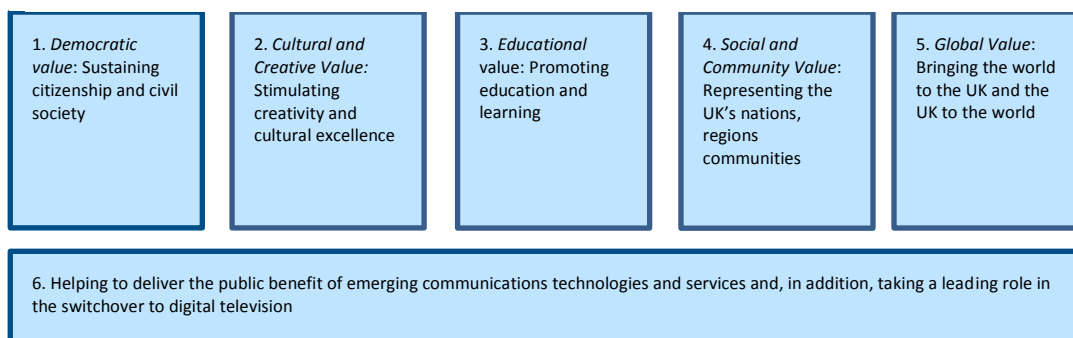The BBC then specified the process of a Public Value Test. To cite at length from the text:

1. The BBC Executive must apply to the Trust for approval to make any potentially significant change to the BBC's UK Public Services.
2. The Trust will determine whether the proposals represent a significant change to the UK Public Services and whether the PVT should be applied.
3. If a PVT is required, the process involves two elements:

- A Public Value Assessment ("**PVA**"), which assesses the likely Public Value of the proposal, will be conducted This is conducted by the Trust; and
- A Market Impact Assessment ("MIA"), which assesses the extent of any likely impact on markets relevant to the proposed change, will be completed. This is conducted by Ofcom[1].

4. The Trust then consider the outcome of the PVA and MIA, both of which will be published, and reach provisional conclusions;

5. The Trust will then consult on its provisional conclusions before reaching a final conclusion on the proposed change. The Trust must be satisfied that any likely adverse impact on the market is justified by the likely Public Value of the change before concluding that the proposed change should be made.

6. The PVT process must be completed within six months of the date on which the Trust determines that it is to be applied. Where justified by the circumstances, the Trust, in its discretion, may allow a longer period for completion of the PVT (BBC 2007, p. 5)

The methodology for the PVA is specified as 'considering the value which the proposed change would deliver through its contribution to the BBC's public purposes'. These purposes are represented in Figure 6:

Figure 6: The BBC's Public Purposes

1. *Democratic value*: Sustaining citizenship and civil society	2. *Cultural and Creative Value:* Stimulating creativity and cultural excellence	3. *Educational value*: Promoting education and learning	4. *Social and Community Value*: Representing the UK's nations, regions communities	5. *Global Value*: Bringing the world to the UK and the UK to the world

6. Helping to deliver the public benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television

Source: BBC 2007, p. 13.

Again, the elements to the BBC's 'public purposes' are tailor-made for that organisation and thought-through rather than being off-the-shelf in nature. Further, it is clear as well that specific propositions have to be put forward to be tested.

The four drivers of Public Value namely the Reach, Quality, Impact, Cost & Value for Money (*RQIC*) are represented in Table 2:

Table 2: Drivers of Public Value

| Broad description of drivers of Public Value			
Reach	*Quality*	*Impact*	*Cost & Value for Money*
How far will the proposal extend the BBC's reach and usage?	Is the proposal of high quality and distinctive?	Will the proposal create consumer and citizen benefit (i.e. for individuals and/or society as a whole)?	How much will the proposal cost to deliver and will it provide value for money?

Source: BBC 2007, p. 14.

Again, the Reach/Quality/Impact/Cost and Value for Money (RQIV) framework has been devised specifically for the BBC. Nevertheless, several of these qualitative markers are generic and can be thoughtfully applied to the local government context.

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[1] Ofcom is the regulator of UK communications industries.

5.3 Conclusion of the PVT

The Conclusion of the PVT is depicted in Figure 7. Examining Figure 7, three observations can be made. First, many of the steps taken – for example Cost and Value for Money – are standard instruments of program evaluation. Second, we ought not to underestimate the amount of deliberative work that is required to undertake these tasks. Third, at various points in this framework stakeholders are engaged, in a variety of ways. These points become clear when we examine an example of the application of the model.

Figure 7: PVT considerations
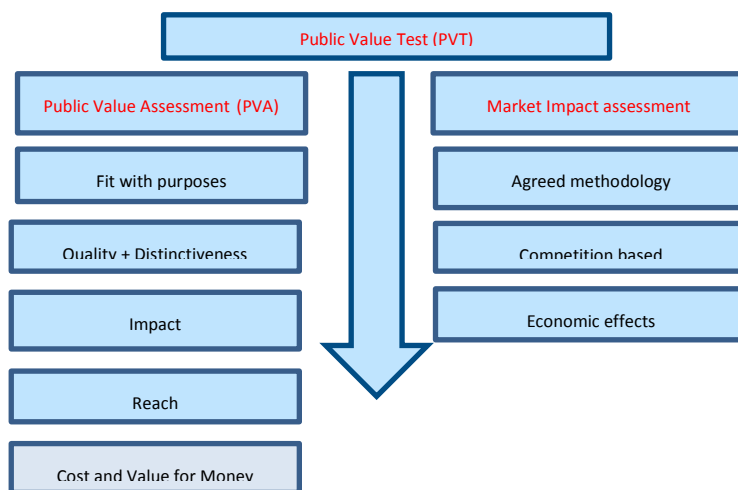
5.4 Example: BBC Alba and Education

BBC Management proposed to run BBC Alba, a digital television channel in the Gaelic language in Scotland in partnership with the Gaelic Media Service (a publicly funded body in Scotland) (BBC 2009, 83).

While it might be desirable to provide a service such as this to a particular group, the provision of such a service involves both running costs and opportunity costs for any organisation. As such, the BBC Trust decided to submit the proposal to the Public Value test. This process was outlined in the document 'Gaelic Digital Service: Public Value Test final conclusions', released in January 2008 after the 'Provisional Conclusions' were published in November 2007.

5.4.1 Search for an Evidence Base

The 2008 'Final Conclusions' document first set out a summary of the Public Value Assessment. Text Box 3 demonstrates that the PVT for BBC Alba commenced by framing the service within the six public purposes of the BBC and the four key drivers of Public Value.

Second, the BBC provided an account of the consultation process:

The Trust received 156 responses to the Public Value assessment representations phase; members of the Trust met a range of stakeholders – visiting Inverness, Edinburgh and Glasgow during this process; audience consultation in connection with the Public

Summary of the Public Value Assessment

The PVA, as an initial stage of analysis, considered whether the proposal fits with the BBC's public purposes. It is a prerequisite of any approval that a proposed service should further the public purposes in some way. The public purposes are:

- sustaining citizenship and civil society;
- promoting education and learning;
- stimulating creativity and cultural excellence;
- reflecting the UK's nations, regions and communities;
- bringing the UK to the world and the world to the UK; and
- in promoting the above purposes, delivering to the public the benefit of emerging communications technologies and services (the digital purpose).

As well as considering how the proposal promotes the public purposes, the PVA assessed the proposal in relation to four key drivers of Public Value:

- Reach
- Quality
- Impact
- Value for money

Value test was also carried out by the BBC Audience Council for Scotland; a focus group of Gaelic speakers was held in Glasgow, in Gaelic and a consultation event was held in the Gaelic heartland (Gàidhealtachd) with an invited audience at the Gaelic college at Sleat on the island of Skye (BBC (2009, pp. 84).Examining all of these steps it is clear that the process of engagement was extensive.

Third, the BBC also undertook a market impact analysis. It was concluded that the service would generate significant positive market impact within the (small) Gaelic media sector. However, the BBC Trust had to balance wider questions to ensure that investment of the licence fee delivered high Public Value. The underlying logic for the intervention was to help secure the future of the Gaelic language rather than simply reinforcing the quality of services provided to existing Gaelic speakers. As such the additional investment had to create value for more of Scotland's licence fee payers than were already served by existing Gaelic services. These points emphasise that the PVT focused not merely on the provision of the service, but also on adding Public Value.

Fourth, this focus on assessing the value-adding component of the introduction of BBC Alba and Education is further emphasised when the results of the community consultation and the market impact analysis were evaluated by the trust. The BBC (2009, p. 84) made several points in this regard, stating that it was not convinced that the proposal placed enough emphasis on attracting new speakers to the Gaelic language and that it had not seen sufficient evidence as to how the educational strategy (a key deliverable) would be evidenced.

At this point in the PVT the Trust challenged BBC management 'to provide additional information to demonstrate both the Gaelic Digital Service's educational benefits and how it would appeal to a wider audience'. It also stated: 'As the latter point was a key strategic aim, it is essential to document how the new service would support it' (BBC 2009, p. 85).

5.4.2   Decision to launch - but only just

Subsequently the provision of the service was approved and it launched with a later review to determine whether it should be continued. Nevertheless, the point is that the PVT was not merely a process of 'going through' the motions'.

As we stated previously, many of the elements of the example chosen above will resonate with some of the community engagement, performance reporting frameworks and decision-making procedures of many councils across Australia – as they did with the representatives of councils from the Business Excellence Network. Nevertheless, it the both the understanding of Public Value and Public Value Creation, and the *iteration* or telling of these accounts of Public Value Creation, that is equally important.

6 Conclusion

This Summary Background Paper examined the theory and practice of Public Value, Public Value Creation and the measurement of Public Value. As an element of Phase 2 of the Public Value Project being conducted by LGBEN in association with ACELG it undertook several tasks. The key components of this discussion to be taken to Phase Three of the project can be summarised as follows:

- The idea of Public Value itself or the process of its creation does not have an irreducible number of meanings. It is not 'all things for all people'. Rather, Public Value Creation is the process of adding value to public sector organisations through the exercising of increased managerial autonomy.

- This takes place in the context of each organisation's capacities and each organisation's authorising environment; i.e.: in a negotiated, political space.

- It is useful to think of Public Value Creation in two ways:
  - First as the result of managerial activity that takes place within the context of Moore's (1995) 'strategic triangle';
  - Second as the result of deriving more value from processes in Moore's (2007) Public Value Chain, where a quality distinction is made between outputs and outcomes.

- Organisations adopting the Public Value approach will be in a better position to achieve continuous organisational improvement; nevertheless, elements of previous approaches to public sector organisations (traditional public management and NPM) will also characterise Public Value organisations.

- Conceptualising Public Value Creation can be conducted in two ways:
  - First, while it is possible that Public Value Creation is identified as an individual performance target to be achieved, the specification of what that Public Value will be is necessarily *after the fact* in nature.
  - Second, at the organisational level. This type of Public Value assessment involves a careful reflection upon and articulation of an organisation's strategic objectives. It also involves the use of traditional tools of program and policy assessment and **extensive engagement with stakeholders** in the authorising environment. As we have seen in the examples discussed above, the type/s of stakeholder engagement are not 'out of the box' solutions: Rather, just as with other elements of assessing and measuring public value they have to be devised as 'situation-specific'.

- Finally, many local governments in Australian display elements of a Public Value approach. Further explicit recognition of the legitimacy and relevance of the approach will be overwhelmingly beneficial to the Australian local government sector. For this reason accounts of Public Value Creation ought to be provided to the communities of councils and more generally.

6.1 Points to promote discussion

Do you think most evaluations of individual staff performance include an element of assessing their Public Value Creation?

Do you think that *all* evaluations of individual staff performance ought to contain an element of assessing Public Value Creation?

Which of the examples of Public Value Creation provided in the text boxes in the discussion above resonate most strongly with you? Why?

Do you think that the idea of Public Value attempts to talk about the creation of 'higher order' value – that which is more difficult to measure?

What examples of Public Value Creation can you think of from your own organisation?

How, if at all, is this value measured?

Does your organisation provide 'outward looking' narratives about how you create Public Value?

Do you think that the Public Value Creation is measured by standard procedures reporting to those organisations responsible for the oversight and local governments – state government departments and other regulatory bodies?

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