

Accounts commission report “Using cost information to improve performance – are you getting it right?”

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales for information)

Key issues

- The Accounts Commission in partnership with APSE, CIPFA and the Scottish Local Government Improvement Service have issued a report titled “Using Cost Information to Improve Performance: Are You Getting it Right?”
- The report identifies some of the guidance which is available to Councils together with a range of cost measures including those utilised by the APSE performance network service.
- The report provides case studies to illustrate how Councils and Councillors are currently using cost information to improve services.
- The report provides Councils with some key messages including:-
 - The need for good cost information to support Councillors in making policy decisions and scrutinising performance
 - Officers need good quality cost information to help them manage services effectively, assess performance and demonstrate value for money.
 - A Councils approach to using cost information should be informed by its priorities and objectives with a focus on outcomes for service users and communities.
 - Tightening public sector budgets and increasing service demands require more effective use of cost information to inform policy decisions.
 - Councils can do more to share good practice and learning and could make more effective use of existing cost measures and guidance available.

1.0 Background

1.1 In partnership with Audit Scotland, APSE together with the Scottish Local Government Improvement Service (IS) and the Chartered Institute of Public Finance and Accountancy (CIPFA) developed a report entitled “Using Cost Information to Improve Performance: Are You Getting it Right?”.

1.2 The Accounts Commission in May 2012 as part of its policy of encouraging improvement, supporting developments in best value and resource management produced a series of reports as part of their “How Councils Work Programme”. This report highlights the importance of Councils having good quality cost information to inform policy decisions and scrutinise performance. The report identifies some of the guidance available to Councils together with a range of cost measures that are currently in use including the APSE performance network model and associated

services. As a subject matter expert in this area through its performance networks service, APSE was invited to partner Audit Scotland on its study group.

- 1.3 The report provides some case studies to illustrate how Councils and Councillors are currently using cost information. A full copy of the report is available by clicking on this [link](#).

2.0 Context

- 2.1 Recent Audit Reports produced by Audit Scotland suggest that Councils could make improvements in their use of cost information. Such information can help Councils and Councillors make well informed policy discussions and assess the efficiency and effectiveness of services. The report suggests that this is even more pressing given the fiscal outlook facing the local government sector which will see public expenditure fall significantly.
- 2.2 The report refers to the statutory duty for Councils to provide Best Value as per the Local Government Act 2003. Best Value requires Councils to manage their performance and resources effectively and having a sound understanding of costs is considered to be central.

3.0 Key messages

3.1 The report highlights a number of key messages:

- Councillors need good cost information if they are to make well informed policy decisions and scrutinise performance effectively.
- Cost information needs to be presented in an open and accessible way along with policy options to assist Councillors perform their role and unique duties.
- Officers need good quality cost information to help them manage services efficiently, assess performance and demonstrate value for money.
- A Councils approach to using cost information should be driven by its priorities and objectives together with increasing focus on outcomes for service users and communities.
- Tightening public sector budgets and increasing service demands requires more effective use of cost information. Being open about costs can help keep communities engaged in the difficult decisions that lie ahead for Councillors and Councils.
- The effective use of cost information can lead to improved corporate and partnership working.
- Councils can do more to share good practice and learning and could make more effective use of the existing cost measures and guidance available which includes the APSE performance network services and associated measures for frontline services, including Refuse Collection, Catering, Highways and Fleet Services.

4.0 Councils need to use cost information more effectively

- 4.1 The report suggests that in order to fulfil their respective roles and duties effectively, Councillors and Officers need good quality information to: -
- Inform policy decisions and set strategic direction.
 - Help them implement policy decisions and manage service performance.

- Scrutinise performance, hold Officers to account and assure themselves and the public that the Council is delivering its commitments and offering value for money.
 - Inform decisions about where improvement is needed.
- 4.2 The report is consistent with APSE's advice on managing performance effectively. In doing so a Council needs to set clear objectives and then use a combination of measures to track not only progress but increasingly impact. Councils therefore need good quality information on:-
- Inputs
 - Processes
 - Outputs
 - Outcomes
- 4.3 Through its Performance Network Service APSE provides measures of performance on the areas identified within the Audit Scotland Report.
- 4.4 The Audit Scotland Report quotes APSE policy by stating *"The need for high quality performance information on value for money has never been greater. Local government is facing difficult and turbulent times with the prospect of ongoing financial constraints. The need for services to demonstrate their competitiveness, efficiency and cost effectiveness has never been greater"*.

Source: - Performance networks prospectus, Benchmarking for success, APSE

5.0 **Councils should use cost measures and share good practice more effectively**

- 5.1 As mentioned the report draws specific attention to some of the existing guidance frameworks and performance indicators that have already been established including the APSE performance networks.
- 5.2 The report suggests that such frameworks and indicators could be incorporated into Councils existing performance management arrangements as this provides a more effective use of existing resources. Performance measures from the following organisations are highlighted.
- Accounts Commission Statutory Performance Indicators
 - APSE Performance Networks – Indicators for specific services.
 - SOLACE – (Society of Local Authority Chief Executives in Scotland) and Scottish Local Government Improvement Service Performance Indicators in relation to outcomes.
 - UK public sector audit bodies performance indicators for corporate services.
- 5.3 The report recognises that a Council's performance management framework will evolve by its very nature. Increasingly this needs to extend to outcomes; this is a relatively new area for public sector organisations and has been given added impetus through the introduction of Single Outcome Agreements in Scotland.
- 5.4 The advent of Single Outcome Agreements will require Councils to adjust their respective frameworks to accommodate outcomes which measure and assess the impact of services being delivered and whether they are achieving the agreed

objectives. An outcome-focused approach needs to be supported by a sound understanding of costs; how resources link to outcomes.

- 5.5 APSE fully recognises this change and is working to modify its performance network services to accommodate the different types of performance measures, particularly in relation to outcomes.

6.0 Key points for action

- 6.1 The report concludes by highlighting the characteristics of a 'Cost aware Council'.

Key points for an effective 'Cost aware Council' include:-

- Knowing how much it costs to deliver core services
- Using information to inform decisions about what services to provide and how best to provide them
- Ensure self-assessment and performance management frameworks include information on costs and assess whether the council is providing value for money.
- Ensuring budget arrangements consider the costs of different policy options and do not rely on incremental budgeting
- Considering benchmarking performance and costs with other Councils in order to make value for money judgements.
- Seek out examples of good practice in the council and share this information across council departments.

7.0 Conclusion

- 7.1 The report concludes that a fully effective local authority will ensure that:-

- Officers provide meaningful information to Councillors to help ensure that the scrutiny of a Councils activities and service provision includes the consideration of costs
- Decision making arrangements are supported by good- quality information on costs which is provided to Councillors in a way that is clear and unambiguous.
- Options appraisals exercises have robust costing information to support decision making.
- Councillors have agreed what cost information they need to support their decision making
- Councillors are provided with the appropriate training on how to understand and use cost information effectively

- 7.2 Should member Councils require further information on APSE performance networks please contact Debbie Johns on 0161 772 1810 or visit www.apse.org.uk

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