

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 4 APRIL 2013

AUDIT SCOTLAND REPORT – USING COST INFORMATION TO IMPROVE PERFORMANCE

JOINT REPORT BY THE CHIEF EXECUTIVE AND HEAD OF FINANCE

ABSTRACT

This report highlights the key messages from Audit Scotland's Report on Using Cost Information to Improve Performance and assesses how current arrangements in Angus Council measure up to the best practice identified in Audit Scotland's Report.

1 RECOMMENDATIONS

1.1 The Committee is recommended to:-

- a) note the contents of Audit Scotland's report;
- b) note the contents of this Committee report including the main implications for Angus Council and the actions and suggested next steps set out in the report; and
- c) make any further comments considered appropriate at this time

2 BACKGROUND

- 2.1 Among the tasks listed within the remit of the Committee is that it "consider reports by external agencies insofar as they contribute to the overall assessment of governance, risk and internal control". Recent practice has been to submit to the former Scrutiny & Audit Sub Committee (for its information and comment) those national reports published by Audit Scotland which have relevance to local authorities. Audit Scotland reports considered to be of specific importance for the Council or where specific action is required are accompanied by a report from Council officers.
- 2.2 Audit Scotland has in recent years published a number of reports under the banner of "*How Councils work: an improvement series for councillors and officers*". These reports cover a range of topics and are specifically designed as improvement tools which councils can use to self assess their existing practice and determine where they could or should try to improve. It is important to appreciate that these Audit Scotland reports set out best practice which councils should consider adopting but their adoption is not mandatory. This gives councils the freedom to choose how far toward best practice they wish to go which in itself may be influenced by competing demands for officer and member time and financial resources. A copy of the Audit Scotland Report "*Using Cost Information to Improve Performance*" is submitted along with this Committee report for Members' consideration.
- 2.3 The purpose of this report is therefore to consider Audit Scotland's report and its implications for Angus Council in more detail. Members will note that the Audit Scotland report was originally published in May last year. The report hasn't been submitted until now partly due to the elections and formation of the new Committee and partly because consideration has had to be given to how the Council should address the best practice identified in the report in the context of the senior management restructure, our future approach to budget setting and where unit costing fits into the wider Transforming Angus agenda.

3 MAIN MESSAGES FROM THE AUDIT SCOTLAND REPORT

3.1 The Report is split into 3 parts being:-

1. Council's need to use cost information more effectively
2. Councils should use cost measures and share good practice more effectively
3. Key points for action, including a tool for checking progress

3.2 Members of the Committee will have their own views on the more significant issues raised in Audit Scotland's Report but this covering report focuses on the Key Messages and a self assessment of where we are against best practice and what we need to do to improve.

3.3 The Key Messages and a commentary against them is given below to aid the Committee's consideration of this report.

Key Message	Commentary
1. Councillors need good cost information if they are to make well-informed policy decisions and scrutinise performance effectively	Members receive a wide range of financial information on budgets, accounting and financial monitoring and also receive information through performance indicators on the unit costs of some services but availability of good cost information is more patchy.
2. Cost information needs to be presented in an open and accessible way along with policy options and performance information to help councillors carry out their role	Members are routinely advised on the financial implications of recommendations including where policy choices are available.
3. Officers need good-quality cost information to help them manage services efficiently, assess performance and demonstrate value for money	As with point 1 above information is available but can be patchy.
4. A council's approach to using cost information should be driven by its priorities and objectives, with a focus on outcomes for service users and communities	The Council's use of unit cost information is under-developed at present and this means such information does not currently feature strongly in helping to shape priorities.
5. Tightening public sector budgets and increasing service demands require more effective use of cost information. Being open about costs can help keep communities engaged in the difficult decisions that lie ahead for councillors	The Council needs to become more "business-like" in its approach to, its understanding of and its use of unit cost information.
6. The effective use of cost information can lead to improved corporate and partnership working	As with all organisations good data and intelligence is key. Unit cost information is however only one part of a complex jigsaw of information needed to make informed decisions.
7. Councils can do more to share good practice and learning and could make more effective use of the existing cost measures and guidance available	Work is underway nationally led by SOLACE and the Improvement Services to develop a suite of indicators which should act as a catalyst for sharing good practice, etc. Good practice sharing could be better developed.

3.4 Members will be aware that although the Council has good corporate governance and strong financial management arrangements there is a need to go further and strengthen and improve. The current financial climate makes it more essential than ever that we understand our costs and what drives them and how output and quality fit into this equation.

4 SELF ASSESSMENT AND AREAS FOR DEVELOPMENT

- 4.1 [Appendix 1](#) (pages 25 & 26) of the Auditor's Report gives a checklist of questions for members and officers to consider. To assist members of the Committee in their consideration of the "Questions for Councillors" a commentary on what's currently in place has been provided in Annex A to this report. Members of the Committee are invited to consider the questions raised and commentary in the context of the next steps set out in Section 5 below. On the "Questions for Officers" an assessment of the Council's compliance with the best practice has been undertaken and this is also part of [Annex A](#). This assessment has also helped inform the proposed next steps.
- 4.2 Although the Audit Scotland Report is very helpful members can be reassured that the need to improve our arrangements in relation to costing had already been identified by officers who concluded that these improvements should form part of a wider programme of change under Transforming Angus.

5 NEXT STEPS

- 5.1 The self assessment shown at Annex A to this report identifies a few areas where the Council could improve its arrangements and from this the actions listed in [Annex B](#) have been identified for consideration.
- 5.2 It is important that the proposed actions in Annex B and the use of unit cost information more generally is not seen in isolation so it is proposed that these actions become part of the Transforming Angus work programme to ensure they can be prioritised and suitably joined up to the broader improvement activity of the Council. Any additional actions identified by the Committee from consideration of the "Questions for Councillors" can be added to those listed in Annex B.

6 FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications arising from the recommendations in this report but it will be necessary to invest staff time to take the actions forward.

7 CONSULTATION

- 7.1 The Assistant Chief Executive, the Director of Corporate Services and the Head of Law and Administration have been consulted in the preparation of this report.

8 HUMAN RIGHTS IMPLICATIONS

- 8.1 There are no Human Rights implications arising from the recommendations made in this report.

9 EQUALITIES IMPLICATIONS

- 9.1 The issues contained in this Report fall within an approved category that has been confirmed as exempt from an equalities perspective.

10 CONCLUSION

- 10.1 Audit Scotland's Report on Using Cost Information to Improve Performance is particularly pertinent as we move into a period of unprecedented constraint and difficulty in the funding of public services.

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