



Briefing 07/46 July 2007

Value for money in public sector corporate services

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

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

A joint project by the UK Public sector Audit Agencies

Key issues

The UK public sector audit agencies have worked together to develop indicator sets for measuring the value of money

Indicators designed for use by senior managers across the public sector

The indicators are to ensure that all those who choose to gather the data will be able to assess their own value for money performance as well as a comparison against other public sector organisations

1. Introduction

A key strategic role for our agencies is to support value for money in government. The use of good quality information for making decisions, managing performance and demonstrating good value for money for the taxpayer is a vital part of the work of public sector organisations. The purpose of these results is to help public organisations across the public sector to understand, compare and demonstrate the value for money performance of their corporate services- without adding to information burden already placed by regulatory bodies on public sector organisations.

Those involved in the publication from the Audit Agencies included central government departments, local service providers across England, Scotland, Northern Ireland and Wales, and their representative associations. This has ensured that the indicator set will be genuinely valuable for managing and understanding the performance and value for money of their Human Resources, Finance, Information and Communications Technology, Procurement and Estates functions. Some of those involved in the project are already using the indicators.

What the report hopes to achieve is to encourage local authority bodies to make appropriate use of the indicators available with a view to benchmarking services and further develop the indicator sets, increasing their value to the organisations using them. APSE would welcome these changes if they are of benefit to local public organisations, assist in identifying and disseminating best practice and are a tool to aid continuous improvement. The purpose of the indicators has been described as:

- ❖ Indicator sets to measure the value for money performance in five core functions: finance, human resources, information and communication technology, estates management and procurement
- ❖ Designed to be used by senior managers across the public sector to help monitor and improve the value for money performance. The Government sees this as a priority area for securing efficiency improvements and releasing resources for use in front line services
- ❖ Focus on value for money rather than efficiency which reflects the effectiveness of professionalism of corporate services and their efficiency
- ❖ Use of indicator sets to be voluntary
- ❖ Scope of the indicator sets is not comprehensive but focuses instead on those aspects that are believed to be key for value for money performance in the five corporate services functions

- ❖ Indicators designed to ensure that those who choose to gather the data will be able to assess their own value for money performance not only as a stand alone, but also against other public sector organisations elsewhere in the UK

The UK public sector audit agencies share the Government view that there is potential for significant efficiency savings in the provision of corporate services across the public sector. Organisations across the public sector are now seeking to make significant efficiency improvements in their corporate and support functions, for example, in Scotland current projects anticipate efficiencies in corporate services. Better procurement across the Scottish public sector is expected to generate recurring savings of £153 million in 2006/07 and £213 million in 2007/08.

The discussions between the audit agencies identified that better measurement systems are needed for monitoring and demonstrating the efficiency and effectiveness of corporate services in the public sector. Public service providers are expected to prove to their communities that they are delivering better value for money addressing not only efficiency but effectiveness in delivery. The purpose of the joint venture is viewed as a way ahead in the development of benchmarking the value for money performance of public service providers.

2. Developing the indicators

It was agreed that there would be a number of factors to be taken into account at the outset and after consultation with stakeholders from across the public sector, it was decided:

- ❖ Indicators should be kept simple and easy to measure
- ❖ The indicators should not aim to cover all aspects of performance but used to motivate changes in behaviour and support improvement
- ❖ Indicators should aim to complement any existing performance management frameworks and benchmarking initiatives

The audit agencies were clear that they wanted to develop an indicator set that captured key aspects of effectiveness as well as efficiency. Given current limitations in research and evidence on measuring the effectiveness of corporate services it was decided to use three separate facets of effectiveness that could potentially be measured:

- ❖ Impact, in terms of how the output from each of the corporate services functions contributes to or influences corporate performance as a whole
- ❖ Satisfaction of users and senior managers, looking at how each of the corporate services functions are regarded by staff who use these services and also by the senior management who commission them

- ❖ Modernisation, to consider the extent to which an organisation has adopted management practices regarded as being innovative and forward looking

The indicators have been designed to be assessed and interpreted as a set. Interpreting each indicator in isolation greatly reduces the potential value that the set can offer in understanding the organisation's performance. It is thought best to interpret the result from one indicator together with other related indicators, e.g. when looking at how the organisation has achieved both effectiveness and efficiency.

The primary indicators for each function include a basic cost indicator, a commissioner and user satisfaction index and a management practices index. This index has been developed to enable organisations to assess whether their corporate services are well run and modernised. This innovative approach based on best practice across the private sector as well as within the public sector, has already been well received according to the report. Organisations have found it a valuable way of capturing the softer, difficult to measure, elements of effectiveness as well as providing useful summary guidance on the direction of travel for improving those functions.

Corporate services are central to the efficient and effective running of public services. The indicators are viewed to be a useful tool for supporting improvement.

3. Key Principles

The indicators being looked at fall broadly into five different areas and include:

- ❖ Human Resources- allows organisations to look at a range of cost functions within HR from cost of HR as a percentage of organisation running costs and working days lost due to sickness absence. These fall into the primary indicators whereas the secondary indicators look at cost of agency staff to the total pay-bill and posts in leadership which are filled by people not in a permanent position and those still in post after 12 months etc.
- ❖ Finance- looks broadly at efficiency and effectiveness, ranging from looking at for example whether the costs of running the finance department are in proportion to the resources that are being managed and how long it takes the finance department to produce management information and so identifies the extent to which budget managers can take timely financial decisions based on up to date financial information.
- ❖ Information and Communication Technology (ICT)-most of the indicators used in this area are the same or similar to those used by the Society of Information Technology Management (SOCITM)
- ❖ Procurement- looks at the cost effectiveness of the procurement function of the organisation and reflects upon how procurement spend is managed by professionals either working in a central procurement function or who work in business units. It looks at the effectiveness of procurement in achieving savings

and focuses on efficiencies that can be achieved in back office activities with the aim of redirecting resources.

- ❖ Estates- looks at property costs, both operational and management per square metre as in many circumstances organisations would aim to reduce their property costs relative to those paid by their peers over time. It addresses whether organisations use their buildings efficiently.

Overall the report contains the suggestions as to the indicators to be used and should be looked at to obtain a full insight into what is suggested by the Audit Agencies.

The report can be viewed in full at:

www.public-audit-forum.gov.uk/performanceindicators.pdf

4. Conclusion

The prominence being given to these performance indicators can be evidenced from the national drive to improve the efficiency of back office functions and to redirect resources to front line services. However, the collaboration between the UK public sector audit agencies to agree common measures is particularly welcomed, as this allows for best practice to disseminate on a UK-wide basis.

The Audit Commission is keen to see local service providers using benchmarking information to help understand, demonstrate and improve their value for money performance. The indicators have significant potential to help organisations improve the efficiency and effectiveness of their corporate service functions. The importance of benchmarking cannot be underestimated and is reflected in the key lines of enquiry that is used in the resources assessment programmes, including Comprehensive Performance Assessment in local government and Auditor's Local Evaluation in the NHS.

There are currently no plans by the audit agencies to develop benchmarking databases in-house. This reflects the desire to ensure that use of the indicators is not assumed to be mandatory by the bodies that the agencies audit and inspect. It is important that these indicators are voluntary so that differences in local performance measures and what's important to different councils is being taken into account. Any planned changes to measures to assess a council's performance must take account of local issues and what is deemed appropriate to provide best value.

APSE welcomes factors which would improve efficiency and effectiveness if the overall outcome results in providing excellent front line services. In addition, APSE welcomes the variety of indicators being used and that the focus is on effectiveness as well as efficiency. Council's will no doubt agree that indicators should complement current local performance measures and build on existing benchmarking rather than reinventing the wheel. Local authorities have vastly improved their performance measurement arrangements since the introduction of best value and this work shouldn't be ignored.

The focus on direction of travel as well as current performance is also important. This will enable local authorities to not only view current performance but to identify trends.

APSE currently uses benchmarking as a tool and most local authorities use APSE's performance networks to provide comparisons with others in front-line services. These new indicators can be used in conjunction with performance networks to create an overall picture of performance for both the corporate centre and services. Any reinvestment in front-line services from efficiency gains in corporate services will be evidenced in the performance networks future trends.

APSE would welcome feedback from authorities who would be interested in benchmarking these indicators for corporate services with other authorities, possibly through performance networks. Please email Debbie Johns at the APSE office if you are interested in this (email: djohns@apse.org.uk) APSE would also welcome any comments on the issues raised in this briefing which should be sent to ptaggart@apse.org.uk

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