

Briefing 10/34 July 2010

# Improving public sector efficiency – good practice checklist

To: Chief Executives and all APSE contacts in Northern Ireland  
For info: Contacts in Wales, Scotland and England

## Key issues

Report from the Northern Ireland Audit Office.

Checklist for senior decision makers and leaders

Support to help identify and monitor efficiency improvements and challenge existing arrangements

## 1. Introduction

The Comptroller and Auditor General from the Northern Ireland Audit Office have prepared a document titled 'Improving public sector efficiency. Good practice checklist for public bodies'.

Northern Ireland Audit Office, Audit Scotland and the Wales Audit Office have drawn on their combined knowledge and experience to develop this good practice checklist. The intention is that it promotes improvement and facilitates detailed review reflection and self-assessment by audited bodies such as local government and that it will be a tool to help them assess their approach to efficiency during these challenging times.

The report can be found at:

<http://www.niauditoffice.gov.uk/pubs/2010/8533Publicsectofinal.pdf>

## 2. Context

The report begins by noting the scale of the recession and the falls in Government spending over the next few years. It then notes the need to meet these financial

challenges and the difficulties of doing so as well as consideration of workforce flexibility, rationalising the assets used and alternative ways of delivering services.

The report goes on to note that 2009/10 is likely to be the peak year for public spending for some time to come and that the drive for efficiency requires strong leadership and engagement from the very top of organisations. It states that the main audience for the checklist is elected members, senior managers and board members all of whom are concerned with identifying and monitoring efficiency improvements especially leaders and senior decision-makers.

The report sets out questions key decision-makers can use to assess the organisation's development and to challenge existing arrangements. The checklist is structured around three key elements that should be included within a fundamental approach:

- priority-based budgeting and spending
- improving information on productivity, efficiency and outcomes and
- better collaboration and joint working.

The report goes on to say that the overall aim is to help identify whether any action is needed to improve the delivery of efficiency and productivity improvements. It also states that it is intended to offer general support and does not replace organisation's internal financial guidance, or relevant guidance by the Northern Ireland Executive or other relevant authorities.

The key elements to securing greater efficiency and productivity table and the good practice checklist are replicated as Appendix 1 and 2 at the end of this document.

### **3. APSE Comment**

APSE welcomes the publication of this report as a further tool to help local authorities identify efficiencies and improve services.

The report is right to note the scale of the financial challenges facing all elements of the public sector. Developments since the publication of the report point to between 25% and 40% cuts in government spending impacting on local government, despite the fact that local rates make up a significant part of local authority funding in Northern Ireland. The pressure to identify ways of providing services within such a limited financial situation are severe and as such all support is welcome.

The report highlights 3 key elements to securing greater efficiency and productivity which are adopting a priority based approach to budgeting and spending, improving information on productivity, efficiency and outcomes and better collaboration and joint working. The detail provided in the text notes some of the issues which must be addressed to consider these elements and provides a context for the more specific questions in the checklist.

The checklist brings together a number of issues into an easy to series of prompts which can be altered to reflect the council in question and highlight local priorities and concerns.

The timing of this report is relevant bearing in mind the recent decision of Northern Ireland Executive that it will not be possible to create the new councils or transfer functions as planned in 2011. There remains pressure for councils to make savings which would potentially have emerged from local government reform as well as deal with cuts in funding as noted in the Budget. Benchmarking with other councils, learning from their experiences, working in partnership and putting in place new ways of working will be fundamental to the development of local government in Northern Ireland over the next few years.

The work which has so far gone into preparing the ground work for the new councils through the strategic leadership board, policy development panels, transition committees and transition management teams has highlighted the breadth of issue which should be considered such as shared services, performance management, procurement and estates/assets. The checklist is relevant to taking forward all of these issues in that it prompts action which should be taken when looking to make efficiencies in all of these areas whilst the same approach is appropriate for many other issues. As such this remains a valuable tool to develop the work which councils have already undertaken to develop their services.

The report identifies a number of specific issues such as rationalising the assets and outsourcing which should be considered. It is right to note them as potential alternatives but they can be perceived by the uninformed observer as panaceas when in reality they involve a range of hidden problems and costs which can be avoided.

It highlights some of the main topics which APSE has been promoting for a number of years. These include the need for councils to have a "systematic approach to innovation and learning?" (points 5 – 6). As a networking organisation APSE has always promoted the idea that elected members and council officers can find good ideas, new initiatives and service innovations from other councils who are likely to have faced similar problems. APSE events regularly focus on new ways of delivering services and it is the officers who put new ideas into practice who come along and explain them. The checklist also mentions "forming networks outside the organisation, to share information and learn from others" and showing responsiveness to outside ideas and opinions, including seeking to learn from service users, front-line staff and suppliers of services". These points are vital if councils are to be receptive to the knowledge which is available in the wider local government family and to benefit from that knowledge by putting changes in place which have been successful elsewhere.

The checklist also identifies issues around information on productivity, service quality and performance and specifically points to "using benchmarking to identify potential efficiencies" (points 41 – 44). The text notes the need for a strategy for benchmarking, the type of information required and potential benefits of benchmarking, the need to benchmark all front-line services and any barriers it may find. This is another area which APSE has been active in for many years. We understand the benefits of benchmarking and have experience of putting it into practice for 12 years. APSE runs the largest public sector benchmarking scheme in the UK with over 700 performance indicators across 15 service areas.

There are established procedures in place to capture, analyse and report on service related data for local councils which is the first step in the benchmarking process. Of course APSE's approach is not just about collecting data and the thrust of the NIAO report highlights that. There are a range of actions to be taken for successful benchmarking which include

- the collection, analysis and reporting of data so enabling comparison between similar organisations to be undertaken.
- investigation of the processes (process benchmarking) which lead to the performance figures is the next step which involves bringing different organisations together a group of providers to compare the practical steps each takes to deliver services on a day to day basis.
- changes have then to be made to existing arrangements to put in place new ideas identified from within or from other providers, changes which may be minor or significant and support is often needed to ensure success with such changes.
- review of performance information on a regular basis is needed to track performance and maintain the learning cycle
- remaining aware of developments in the service area by attending training courses, events and seminars

The report also notes that councils should "know its own areas of good practice and share this across its sector, and wider, as appropriate" (point 36). Once again APSE welcomes this point as a prompt for councils to promote themselves positively better than they have in the past. It is often the case that the only news about councils is bad news and it is up to councils themselves to let local people know the successes, new initiatives and daily benefits that local authorities bring to the community.

Although many of the items noted in this report can be taken forward by elected members and officers within councils, there may be a need for external support to undertake significant changes or put new arrangements in place. BVC (APSE's Best Value Consultancy) can support councils with a range of projects including many of the items noted in the report such as managing resources, taking strategic approach to efficiency and improvement, regularly reviewing services, engaging with staff and service users, workforce planning and looking ahead. The BVC is especially skilled in support with understanding the costs of providing services and the level of quality delivered.

APSE is happy to talk to any member in Northern Ireland to take these issues forward.

**Phil Brennan**  
**Principal Advisor**

Appendix 1 - Key elements to securing greater efficiency and productivity table.

<p><b>Key elements to securing greater efficiency and productivity</b></p>
<p><b>Adopting a priority-based approach to budgeting and spending</b></p> <p>The public sector is facing difficult decisions in the current economic climate. It needs to adopt a priority-based approach to budgeting and spending, consider competing priorities and decide where to target the limited funds available. Leaders need to promote systematic innovation and learning to support improvement. More work needs to be done to demonstrate a clear link between priorities, budgets and the performance of services. A priority-based approach to budgeting means that leaders in public sector organisations should:</p> <ul style="list-style-type: none"> <li>• identify the money available;</li> <li>• clearly demonstrate how services contribute to national and local objectives and outcomes; and</li> <li>• review each policy and service and decide if they deliver value for money.</li> </ul> <p>In considering whether policies and services deliver value for money, leaders should consider which ones:</p> <ul style="list-style-type: none"> <li>• are absolutely essential to delivering agreed outcomes and are already being delivered as efficiently and effectively as possible;</li> <li>• should continue but need to be redesigned or reshaped to deliver them more efficiently and effectively; and</li> <li>• could stop without significantly affecting public services and outcomes.</li> </ul> <p>Strong leadership is needed across the public sector to respond to these challenges effectively.</p>
<p><b>Improving information on productivity, service quality and performance</b></p> <p>Making good decisions and being clear about priorities requires good information. In particular, the public sector needs to understand better the relationship between the costs, volume and quality of services to get improvements in productivity and reductions in cost. Public bodies also need to be able to demonstrate that efficiency savings have not resulted in a cut in services delivered (either the level or quality), or if cut, cut following a rational analysis of priorities. To do this, public bodies need to have good information on costs, activity, productivity and quality of services and demonstrate how these are linked. Public bodies should also assess the scope to improve and streamline their business processes to remove unnecessary activity.</p>
<p><b>Improving collaboration and joint working to deliver efficient and user-focussed services</b></p> <p>A step change in public sector efficiency will require more effective joint working and the elimination of duplication between services. This requires strong leadership across the public sector, increased flexibility, identifying innovative approaches to how services are provided, and breaking down any traditional barriers to making this work effectively. Good quality information is essential to inform collaborative decision-making. Collaboration and joint working can take a number of different forms, including contracting with alternative providers, shared support services and integrated approaches to delivering front line services.</p>

Appendix 2 – Good practice checklist

Good practice areas	Key points to consider	Considered (Y/N)	Comments to support or explain your assessment	Required actions
<b>Adopting a priority-based approach to budgeting and spending</b>				
Managing resources in a tight financial climate	1. Does the organisation have a clear purpose and objectives setting out, for each main service, the desired outcomes, quality and level of services to be provided for users?			
	2. What are the most important external factors affecting each service? How has the organisation engaged with users, local communities, partners and other stakeholders to ensure it understands these properly?			
	3. Do the organisations service priorities take full account of predicted levels of funding and future financial pressures - and help to manage them successfully?			
	4. For the most important services that the organisation provides, does the strategy explicitly reflect: <ul style="list-style-type: none"> <li>• A clear analysis and understanding of current spending?</li> <li>• A cost benefit review of the service to determine strategic priorities for investment and disinvestment?</li> <li>• A clear understanding of current and future demand for key services from the citizen's perspective?</li> <li>• How services users' needs may change?</li> </ul>			
Supporting innovation and learning	5 Does the organisation have a systematic approach to learning innovation and learning?			
	6. Do the organisation's leaders support effective learning and innovation by <ul style="list-style-type: none"> <li>• Encouraging transparency, openness and a constructive approach about performance, without covering up or ignoring failures?</li> <li>• Forming networks outside the organisation, to share information and learn from others?</li> <li>• Showing responsiveness to outside ideas and opinions, including seeking to learn from service users, front-line staff and suppliers of services?</li> </ul>			

Taking a strategic approach to efficiency and improvement	7. Does the organisation have a clearly articulated strategic approach to delivering efficiency, innovation and improvement, with plans that: <ul style="list-style-type: none"> <li>• Are closely linked to its wider objectives for service improvement and organisational development?</li> <li>• Aim for long term gains and service improvement, alongside short term savings?</li> <li>• Consider key elements of efficiency within the organisation and across partnerships, such as staff costs, procurement, asset management, ICT and business process redesign?</li> </ul>			
	8. Does the organisation have a clear idea of the efficiency and productivity outcomes that it wishes to achieve and how it could engage with partner agencies (including the independent and third sectors) to achieve these?			
Ensuring ownership of the efficiency	9. Have the organisation's leaders helped shape the strategy efficiency, innovation and improvement strategy and how will they ensure it works: <ul style="list-style-type: none"> <li>• Has the strategy been approved at board or council level or equivalent?</li> <li>• Has responsibility for promoting and monitoring efficiency and improvement, including reporting progress, been allocated to a specific individual(s)?</li> <li>• How often is performance against the strategy reviewed?</li> </ul>			
	10. Do the services and individuals who must deliver the efficiency plans know what is required of them and by when?			
Regularly reviewing services	11. Does the organisation require all services to regularly undertake a review of service delivery and performance?			
	12. Do service reviews report on how services are structured, delivering against key priorities, legislative requirements and the cost and quality of service delivered?			
	13. Do the reviews seek to identify opportunities to improve core business processes by improving the flow of service for users and by removing unnecessary activity?			
	14. Do the reviews consider alternative methods for delivering services, such as outsourcing or joint working arrangements?			

	15. Are those who carry out service reviews sufficiently objective e.g. independent from those who deliver the service?			
	16. Is there systematic follow-up to make sure the findings of service reviews are addressed and, where appropriate, actioned?			
Engaging with staff and workforce planning	17. Does the organisation have a workforce strategy, which sets out plans to ensure staff are deployed according to its strategic priorities?			
	18. How does the organisation involve staff in identifying potential areas for efficiency savings? • Are front-line staff involved in reviewing services? • Are there wider incentives (such as internal award events or recognition in staff communications) to encourage staff to propose efficiency ideas and suggestions for innovative approaches to service delivery/improvement?			
	19. Do directorate business plans and individual staff objectives specifically include objectives linked to the efficiency, innovation and improvement strategy?			
	20. Does the organisation have a sufficiently flexible approach to its workforce costs to reduce overall expenditure on salaries? Do all business plans have a linked workforce plan which sets out associated costs and timescales? Is the organisation consulting with workforce representatives to agree arrangements for more flexible use of its people?			
Engaging with service users	21. Has the organisation communicated its efficiency, innovation and improvement strategy to service users? How do you know users understand and support it?			
	22. How does the organisation involve service users and customer feedback and suggestions in identifying potential areas for redesigning services and delivering efficiencies? Does it do this with its partners to maximise efficiency?			
	23. Can you demonstrate that feedback and suggestions from users and customers have been taken into account in pursuing efficiency and productivity improvements?			
Looking ahead	24. Are there areas where spending is needed now to deliver significant recurrent savings in the longer term? Has the organisation considered how can this be funded?			

	25. What are implications of on ageing workforce for the staffing of your front-line services? How does the efficiency strategy reflect this factor?			
	26. Is the current capital investment programme sustainable in the current economic climate? How has the organisation set investment priorities against the likelihood of future capital spending reductions?			
<b>Improving information on productivity, service quality and performance</b>				
Understanding the costs of providing services	27. Does the organisation identify and analyse the input costs for all major services? For each service: <ul style="list-style-type: none"> <li>• Is there trend information and an indication of cost pressures?</li> <li>• Does the organisation have a clear understanding of how costs change in response to changing levels of activity?</li> <li>• Can the organisation report what are the unit costs of delivering the service and how this is changing?</li> </ul>			
Understanding the quality and level of services provided	28. Does the organisation identify and analyse the level and quality of all major services in terms of outcomes for citizens?			
	29. For each service: <ul style="list-style-type: none"> <li>• Is there clear information on the level of service provided in respect of purpose and outcomes?</li> <li>• Does the organisation provide reports on the quality of service delivered?</li> <li>• Can the organisation report how quality and levels of service have changed over time?</li> <li>• Can the organisation demonstrate the links between cost, activity and quality? Do performance monitoring reports show these links?</li> </ul>			
Reporting efficiency savings	30. Are there robust measures of success for efficiency that reflect purpose and outcomes?			
	31. Has the organisation set baselines for the cost, quality and level of service of each main service? Are the baselines robust?			

	32. In reporting efficiency savings, does the organisation: <ul style="list-style-type: none"> <li>• Report on a consistent basis over time and between projects?</li> <li>• Use tools to measure gains that are consistent and reliable?</li> <li>• Make like-for-like comparisons with baseline data?</li> <li>• Show how efficiency savings are affecting its baselines for cost, quality and level of service, to show the full impact of changes?</li> </ul>			
	33. Does the organisation regularly report progress against its efficiency approach to staff; those charged with governance; partners; service users; and other stakeholders?			
	34. Is the organisation able to demonstrate what efficiency gains have been achieved from individual projects and how these gains have improved the services delivered?			
<b>Improving collaboration and joint working to deliver efficient and user-focussed services</b>				
Making best use of collaboration and joint working arrangements	35. Has the organisation assessed opportunities for efficiencies and better outcomes through better collaborative working as part of its strategic approach to efficiencies? For example, pooling of resources, removing duplication, shared services or radical redesign of service delivery?			
	36. Does the organisation know its own areas of good practice and share this across its sector, and wider, as appropriate?			
	37. Do all service reviews assess the potential for collaboration to deliver better services across the whole system in a more cost-effective way?			
	38. For each main service, has the organisation worked with key local partners to identify potential for better outcomes and efficiency through collaboration?			
	39. Is the work that goes into partnerships delivering clear improvements in the accessibility, quality and efficiency of public services? How can this be demonstrated?			
	40. Has the organisation faced any difficulties or resistance in establishing partnership working arrangements? Do partnerships need additional support to make any necessary changes? What role should leaders play in providing this support?			

Using bench marking to identify potential efficiencies	41. Does the organisation have a clear strategy for benchmarking each of its main services?			
	42. For each main service is the organisation clear about: • The type of benchmark information required? (10) • The potential benefits from sharing benchmark information?			
	43. Is the organisation able to monitor and benchmark all front-line services?			
	44. Is the organisation finding any barriers in providing and obtaining bench marking information? What will it do to overcome any barriers?			
Using continuous improvement methods	45. Has the organisation adopted continuous improvement methods to review systems and practices for delivering services? What scope is there for extending this review work?			
	46. Does the organisation know what models of continuous improvement are being used in other similar public sector bodies? How can it learn from this activity?			

(10) - Benchmarking of a service can involve: comparisons of policies, outputs and outcomes; comparisons of organisational structures and processes; and comparisons of costs and activity levels.