

Improving public sector efficiency

Report supplement: Good practice
checklist for public bodies



Prepared for the Auditor General for Scotland and the Accounts Commission
February 2010

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for ensuring propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except councils and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

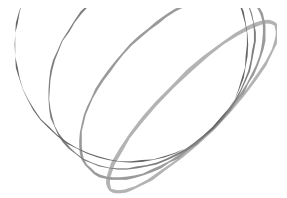
The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 44 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.



Improving public sector efficiency

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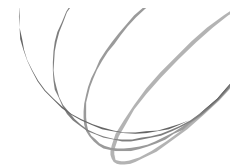
Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on our combined knowledge and experience to develop this good practice checklist. We intend for the checklist to promote improvement and facilitate detailed review, reflection and self-assessment by audited bodies. We hope that by setting out the key principles that apply to public bodies in all of the devolved administrations, there will be a consistent tool to help you assess your own approach to efficiency during these challenging times.





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Part 1. Introduction

The need to review public services

1. From mid-2008 until the end of 2009, the UK's economy was in recession.¹ The long-term implications of the recession for the public finances and the pressures on service delivery are not yet known but it is clear there will be significant reductions in resources for the public sector, at the same time as needs and demands continue to increase.²
2. In December 2009 the Chancellor delivered his pre-budget statement setting out the UK Government's tax and spending plans.³ Using information contained within this statement the Institute for Fiscal Studies estimates that by 2013/14 there will be a real term fall in UK Government spending averaging 3.2 per cent a year. This is a reduction of £35.7 billion over the three years from 2011/12 – 2013/14.⁴ It is very unlikely that this scenario, or something very like it, can be avoided.
3. While there is recognition across the public sector that there are serious financial challenges ahead, making the required savings through efficiency will become increasingly difficult. Public sector bodies need to be considering workforce flexibility, rationalising the assets used and considering alternative ways of delivering services. Without considering such issues, public bodies have limited discretion to reduce their costs while maintaining the levels and quality of front line services.

What is required?

4. To meet the challenges presented by the current economic climate public bodies need to take stock and consider how they will secure greater efficiency and improvement. This is urgent because financial year 2009/10 is likely to be the peak year for public spending for some time to come.
5. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It also requires strong leadership and engagement from the very top of organisations. This checklist is to help board members, elected members and senior

¹ A recession is a period during which economic output declines, usually only being termed a recession after two or more quarters of negative growth. However, sustained below trend growth is often also viewed as recessionary. Although the UK economy is now officially out of recession, forecasts predict a slow recovery in 2010, with only modest growth likely.

² *Scotland's public finances: preparing for the future* (Audit Scotland, November 2009) highlights that Scotland's public sector is under the greatest financial pressure in the ten years since devolution http://www.audit-scotland.gov.uk/utilities/search_report.php?id=1146

³ *Pre-Budget Report 2009: Securing the recovery: growth and opportunity*, HM. Treasury, December 2009.

⁴ *Public spending*, Institute of Fiscal Studies presentation, December 2009.



managers to give this leadership and to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The main audience for this checklist includes everyone concerned with identifying and monitoring efficiency improvements, but in particular leaders and senior decision-makers.

6. The checklist sets out questions key decision-makers can use to assess the organisation's development and to challenge existing arrangements. The checklist is structured around the 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 (Exhibit 1).

About the checklist

7. A key role for UK audit agencies is that they work to support the achievement of value for money in the public sector. This is reflected in recent reviews and work undertaken by audit agencies, including:
 - Audit Scotland's report on the Scottish Government's efficiency programme ⁵
 - The National Audit Office's review of reported cash releasing savings ⁶
 - The Northern Ireland Audit Office's work on efficiency related issues, such as managing sickness absence ⁷
 - The Wales Audit Office's work on efficiency, including a range of efficiency-focused topics on its Good Practice Exchange website ⁸
 - A joint report by all UK audit agencies into the value for money of public sector corporate services. ⁹
8. Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on our combined experience to develop the detailed good practice checklist in Part 2. It is in the form of a series of questions about good practice, organised under the three key elements in Exhibit 1. It is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.

⁵ *Improving public sector efficiency*, Audit Scotland, February 2010 (<http://www.audit-scotland.gov.uk>)

⁶ *Independent Reviews of reported CSR07 Value for Money savings*, National Audit Office, December 2009.

⁷ *Managing Sickness Absence in the Northern Ireland Civil Service*, Northern Ireland Audit Office, May 2008.

⁸ For example sickness absence, fleet management, buildings management and smarter ways of working, see <http://www.wao.gov.uk/goodpracticeexchange.asp>

⁹ *Value for money in public sector corporate services*, Public Audit Forum, June 2007.



Exhibit 1

Key elements to securing greater efficiency and productivity

Adopting a priority-based approach to budgeting and spending

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:

- identify the money available;*
- clearly demonstrate how services contribute to national and local objectives and outcomes; and*
- review each policy and service and decide if they deliver value for money.*

In considering whether policies and services deliver value for money, leaders should consider which ones:

- are absolutely essential to delivering agreed outcomes and are already being delivered as efficiently and effectively as possible;*
- should continue but need to be redesigned or reshaped to deliver them more efficiently and effectively; and*
- could stop without significantly affecting public services and outcomes.*

Strong leadership is needed across the public sector to respond to these challenges effectively.

Improving information on productivity, service quality and performance

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.

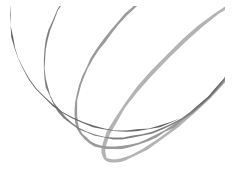
Improving collaboration and joint working to deliver efficient and user-focussed services

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.



9. We suggest you record the results of your assessment to show separately
 - whether you have considered each question for your organisation;
 - comments to support or explain your assessment; and
 - required actions.

10. The overall aim is to help identify whether any action is needed to improve the delivery of efficiency and productivity improvements for your organisation.

11. Please note that this checklist is intended to offer only general support to public bodies. It does not replace your own organisation's financial guidance or relevant guidance produced by the UK, Scottish or Welsh Assembly Governments, the Northern Ireland Executive or other relevant authorities.



Part 2. Good practice checklist for public bodies

Good practice area	Key points to consider	Considered (Yes/ No?)	Comments to support or explain your assessment	Required actions
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Adopting a priority-based approach to budgeting and spending

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"> • A clear analysis and understanding of current spending? • A cost benefit review of the service to determine strategic priorities for investment and disinvestment? • A clear understanding of current and future demand for key services from the citizen's perspective? • How services users' needs may change? 			
Supporting innovation and learning	5. Does the organisation have a systematic approach to innovation and learning?			
	6. Do the organisation's leaders support effective learning and innovation by <ul style="list-style-type: none"> • Encouraging transparency, openness and a constructive approach about performance, without covering up or ignoring failures? • Forming networks outside the organisation, to share information and learn from others? • Showing responsiveness to outside ideas and opinions, including seeking to learn from service users, front-line staff and suppliers of services? 			



Improving public sector efficiency - Good practice checklist for public bodies

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Taking a strategic approach to efficiency and improvement	<p>7. Does the organisation have a clearly articulated strategic approach to delivering efficiency, innovation and improvement, with plans that:</p> <ul style="list-style-type: none"> • Are closely linked to its wider objectives for service improvement and organisational development • Aim for long term gains and service improvement, alongside short term savings • Consider key elements of efficiency within the organisation and across partnerships, such as staff costs, procurement, asset management, ICT and business process redesign 			
	<p>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?</p>			
Ensuring ownership of the efficiency strategy	<p>9. Have the organisation's leaders helped shape the efficiency, innovation and improvement strategy and how will they ensure it works:</p> <ul style="list-style-type: none"> • Has the strategy been approved at board or council level or equivalent? • Has responsibility for promoting and monitoring efficiency and improvement, including reporting progress, been allocated to a specific individual(s)? • How often is performance against the strategy reviewed? 			
	<p>10. Do the services and individuals who must deliver the efficiency plans know what is required of them and by when?</p>			
Regularly reviewing services	<p>11. Does the organisation require all services to regularly undertake a review of service delivery and performance?</p>			
	<p>12. Do service reviews report on how services are structured, delivering against key priorities, legislative requirements and the cost and quality of service delivered?</p>			
	<p>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?</p>			
	<p>14. Do the reviews consider alternative methods for delivering services, such as outsourcing or joint working arrangements?</p>			
	<p>15. Are those who carry out service reviews sufficiently objective e.g. independent from those who deliver the service?</p>			
	<p>16. Is there systematic follow-up to make sure the findings of service reviews are addressed and, where appropriate, actioned?</p>			



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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? <ul style="list-style-type: none"> • 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 re-designing 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 an 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?			



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Improving information on productivity, service quality and performance

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"> • Is there trend information and an indication of cost pressures? • Does the organisation have a clear understanding of how costs change in response to changing levels of activity? • Can the organisation report what are the unit costs of delivering the service and how this is changing? 			
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"> • Is there clear information on the level of service provided in respect of purpose and outcomes? • Does the organisation provide reports on the quality of service delivered? • Can the organisation report how quality and levels of service have changed over time? • Can the organisation demonstrate the links between cost, activity and quality? Do performance monitoring reports show these links? 			
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"> • Report on a consistent basis over time and between projects? • Use tools to measure gains that are consistent and reliable? • Make like-for-like comparisons with baseline data? • Show how efficiency savings are affecting its baselines for cost, quality and level of service, to show the full impact of changes? 			
	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?			



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Improving collaboration and joint working to deliver efficient and user-focussed services				
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 benchmarking 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: <ul style="list-style-type: none"> • 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 benchmarking 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.

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