



Delivering Efficiency: Understanding the Cost of Local Government Services



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Foreword

Re-designing local services to meet the needs of local people is a constant challenge. It is a challenge which can only be met by strong leadership and good partnership working at local level. Central Government can help by creating the right framework for local partnership and supporting the development of new tools and techniques.

This report is an important step forward in helping local authorities to identify the costs of providing services, allowing comparisons and supporting work to achieve greater value for money. The report draws on the work already undertaken on Validated Service Delivery Costs¹ by the North-West e-Government Group (NWEKG), and links to outputs from the National Process Improvement Project (NPIP). Making clear connections between costs and service outputs reveals the true potential for 'value for money' savings, particularly in relation to back office business process improvement and in recognising the cost of delivering service transactions through different access channels.

In November, we published our new business improvement guide,² containing practical advice and examples of redesigning services to increase overall performance and cost effectiveness. The publication of this new report by NWEKG/IPF should be seen as a companion piece to the business improvement guide. The outputs presented here include a common costs allocation framework for calculating the costs of business processes and a standard definition of what constitutes a local government transaction.

Across the public sector, citizens increasingly and rightly expect good value for money. In Local Authorities, this goes beyond satisfying central government or getting that tick from the Audit Commission. Rather, it is about managing service delivery costs more effectively to provide resources for the front line and to keep council tax pressures down. I recommend this report to you on this basis.

John Healey MP
Minister for Local Government

¹ See <http://bip.rcoe.gov.uk/rce/aio/38658>

² See <http://bip.rcoe.gov.uk/rce/core/page.do?pageld=42675>

Executive summary

Key recommendations and follow-on actions

As a consequence of this work a number of recommendations arise:

- That the principles on cost allocation in process costing espoused in this report are published in the context of helping to promote a structured and consistent approach to allocating costs during business process improvement or reengineering activities. This will greatly facilitate the ability of councils to compare service costs.
- That local authorities consider the common cost architecture approach when setting out to ascertain their costs as this will again help councils compare service costs by clarifying the start and end points of a particular process.
- Such an approach should have regard not only to an authority's own aims and objectives (and those of its partners) in setting out to understand their costs, but also to the benefits of sharing and benchmarking their cost data with other local authorities.
- That the proposed 'lists' arising out of the Costs Architecture work, including Functions, Units of Work and Activities³ be handed to esd-toolkit⁴ with a recommendation that they be formally adopted as controlled, standards lists for councils to use.
- That the lists be registered with the Local e-Government Standards Body and custodians agreed who will maintain them in the future.
- That consideration is given by esd-toolkit to build the functionality that will enable costs to be held at a 'unit of work'/process level – together with requisite dynamic reporting tools – to enable data analysis at local, regional and national levels.

Background

This report is produced in response to demand from local authority practitioners for guidance and tools for identifying the cost of serving their customers. It addresses a gap in the sector in the ability to produce consistent data on costs of public services, with the added ability to benchmark with each other with a degree of confidence. The report builds on the NWeGG/IPF Report of 2006 on Validating the Cost to Serve⁵ and explores the current state of the art in relation to information held by local authorities in terms of detailed costings and process maps.

³ See Section 4 for a full discussion of these concepts

⁴ www.esd.org.uk/standards

⁵ <http://www.nwegg.org.uk/docstore/118.pdf>

Overall the report supports the drive for improvement and efficiencies through business transformation. It provides advice and guidance on the costing of work activities, as commonly required as part of process improvement and channel migration initiatives. The primary audience for the report are process analysts and improvement managers, but it is considered equally important that anyone tasked with improving services and/or seeking and evidencing efficiency will benefit from reading this document.

The outputs of this work are:

- a common costs allocation framework;
- a standard definition of what constitutes a local government transaction.

This will help authorities to improve their understanding of the principles and techniques of cost allocation, as well as to support a consistent approach across projects and organisations and so allow for cost comparisons and benchmarking.

To take account of different levels of progress authorities have made to date and different drivers behind cost modelling that authorities will face, the report provides flexible recommendations – based on a simple maturity model – for the appropriate approach that should be taken when allocating costs (see the end of this Executive Summary). Supporting information around the composition of costs included, together with data quality/confidence ratings, will allow for more consistent comparisons to be made between organisations using different costing systems.

This work complements the synthesis report from the National Process Improvement Programme (NPIP) which provides high level guidance on how to undertake activity base costing activities. The NPIP report can be found here: <http://bip.rcoe.gov.uk/rce/aio/43080>

Report framework

The report recommends an approach to measurement actions and considers how to apportion representative costs to these activities. This Cost Allocation Framework is set out in Section 1. Issues that should be considered in relation to benchmarking between authorities are exemplified and a cost architecture emerges in Section 2 in the form of a cost architecture framework.

The report is made up of these two main parts:

- a **Cost Allocation Framework/Model** – this explains which cost elements to include in a costs model, how and when to allocate these and how to identify these – such as through Activity Based Costing (ABC)⁶ – and defines these elements based upon good accounting practice;

⁶ While there is not a full consensus across the sector in support of ABC, the research behind this report showed that where it has been appropriately used and targeted, the value of the data collected far exceeded the cost of collection.

How to use this report

To help navigate this report, sections of special interest are highlighted in **bold**.

Sections 1 to 3 provide a methodology for the consistent allocation of costs, and guidance on how to use this with the costs architecture model.

Section 1 deals with how costing has been used in Business Improvement.

See **1.4** for a basic description of Activity Based Costing (ABC).

Section 2 sets out the four costing options of increasing complexity and accuracy.

See 2 for a summary of options, **2.2** for an explanation of how the model can be put into practice and **2.4** for recommendations on costing options.

Section 3 discusses which costing approach should be used dependent on circumstances.

See **3.3** for best practice advice in applying the model and **3.4** for external sources and advice.

Section 4 sets out the hierarchical cost architecture model for the calculation of local government process costs. This shows in detail how to identify functions, services or processes, and how to apply costs to these.

See **4.4** for a detailed worked example breaking a service down into processes and activities to which cost modelling can be applied.

Annexes to the report run through supporting information, such as accountancy definitional details, organisations contracted as part of the research, workshop outputs.

See **Annex 4** for a summary of the benefits of an ABC approach in terms of: benefits to local authority management, benefits to local authority members and benefits to central government and other agencies.

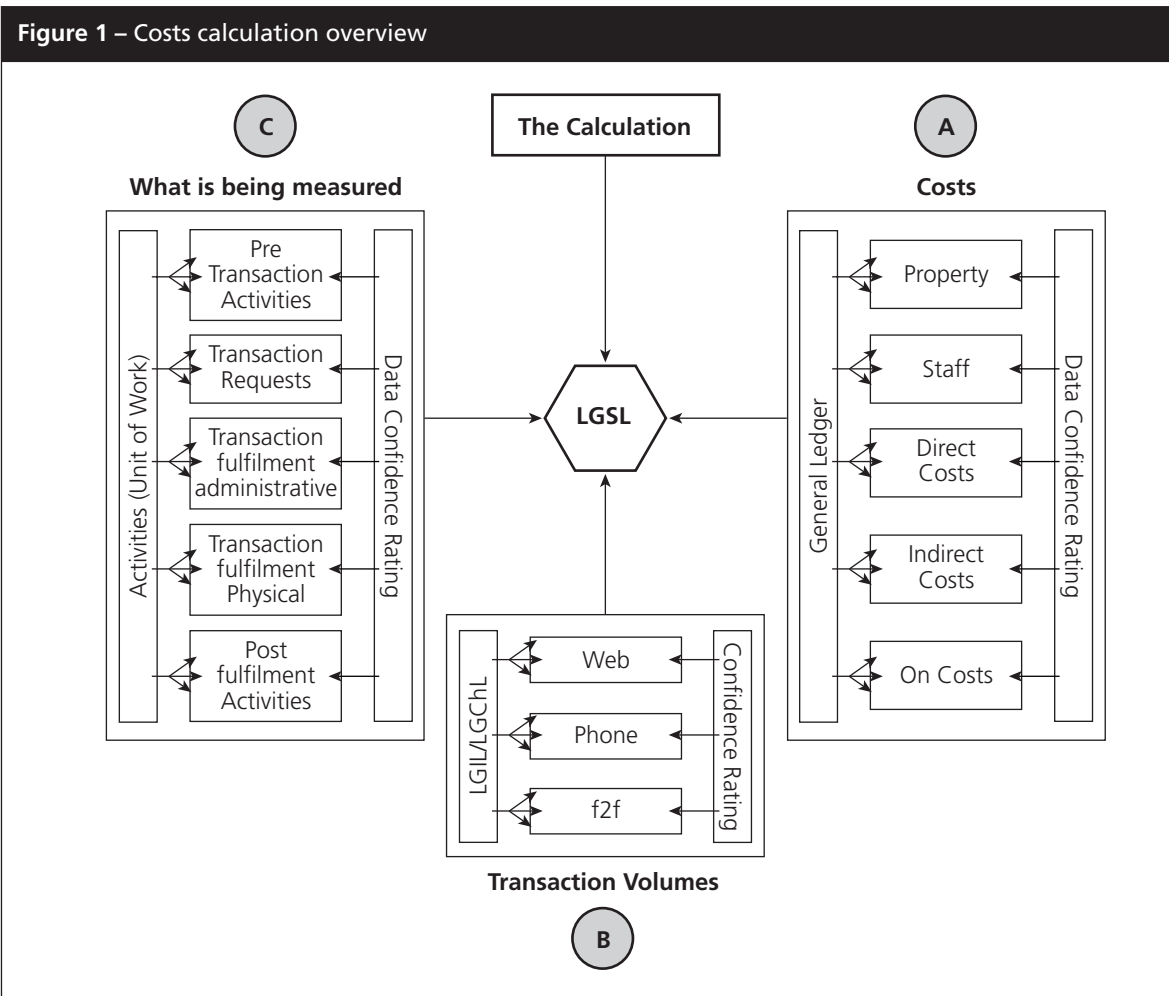
See Annex 5 for a standardised list of processes that comprise a transaction in local government services.

1 Costs allocation framework

This section of the report introduces the methodology used to research how costing approaches have been utilised by local authorities to calculate costs for processes. It goes on to discuss why accurate costings are needed and explains the mechanisms by which Activity Based Costing can be used as a framework to allocate these costs and target efficiencies.

Figure 1 below shows the relationship between costs allocation, processes and the Local Government Services and Channels.

Section A of the diagram shows the **COSTS** elements commonly found in the General Ledger as budget headings. Section B shows the **VOLUMES** by channel of what is being measured. It should be noted that volumes are a key input into understanding costs. Section C gives an overview of **WHAT** is being measured, which may be the whole process end to end or any part thereof.



1.1 Research methodology – costing of processes

The first step in this research was to engage with a number of individual local authorities and Communities and Local Government funded projects that have been working in the process/transaction costing area. This was used to gain a consensus of what may need to be included as core cost elements within a 'Local Government Common Cost Architecture Model.'

The purpose was to identify the different ways in which costs are currently collected and how different naming conventions associated with cost elements are currently being used. These were then examined to identify areas of commonality. Using the experience of the individual authorities and projects, the research then considered how a framework can be assembled to help councils compare 'apples with apples' when judging their services and processes against those of other authorities. One outcome of such knowledge would be to enable councils to have a clearer understanding of the real opportunities presented by effective channel management, particularly in cost terms.

A general request for information was sent to a selection of local authorities, regional centres of excellence and other stakeholders to ascertain views and experiences in relation to the collection and calculation of unit costs and in particular **Activity Based Costing (ABC)** and any lessons learnt from the experience. A full listing of authorities contacted and organisations responding can be found in annexes to this report.

From feedback received from local authorities by email and more in-depth interviews, the story emerging from discussions was that accounting for costs has been used on a number of levels.

It was clear from discussions with Regional Centres of Excellence that local authorities who have started to use ABC are in a minority. However, there is a strong interest in the idea of addressing the business improvement agenda and the part that ABC can play in this. A number of Regional Centres of Excellence are supporting the implementation of this by funding the take-up of courses and workshops relating to ABC. The Centres of Excellence themselves provide a directional role and do not have in depth knowledge of individual authorities' progress or experiences in implementing these processes.

Given feedback received from local authorities – both by email and more in-depth interviews – it emerged that costs were being accounted for at a number of levels. Further feedback was sought during a workshop with authorities. This produced the following findings:

- 12 out of 14 respondents considered the costing of services within their authority to be 'very important' or 'quite important'
- The two main drivers quoted (for having a better understanding of costs) are 'business improvement' and 'better use of resources'.
- 12 out of 13 responders would like a 'formal process-driven cost model'; the preferred option would be a framework that provides 'detailed' guidance and a 'standards-based approach'.

- There was also support for a 'controlled list' of processes and activities.
- All responders considered that back office costs should be included in cost calculations and only 4 out of 13 authorities were interested in costings relating to staffing alone.
- The majority of respondents were interested in measuring the cost of service provision in relation to transaction fulfilment.

Full responses to of this feedback can be found in Annex 3.

1.1.1 Current approaches to costing

There are currently two main approaches to calculating costs: the '**top-down**' approach and different forms of **activity based costing**.

The **top-down approach** starts with the cost data as found in a council's accounts ledger. Attempts are then made to apportion these to individual services and areas of activity in order to derive a cost per 'unit' (such as how much it costs to process a benefits claim). **ABC**, on the other hand, looks to build from the 'bottom up', starting with the activities themselves (e.g. processing a benefits claim) and calculating the resources consumed by them. Costs are then attributed to these activities, which in turn can be summed to calculate a cost to serve for an end-to-end process.

The top-down approach

In traditional financial systems, costs are collected by areas of responsibility or 'business cost centres', to provide data to meet financial reporting requirements. However, it usually takes contributions from many different parts of an organisation to provide a service to the customer, and knowing how much is being spent in each cost centre does not, in itself, tell us the specific cost of delivering a particular service to the customer. This traditional way of collecting and reporting costs does not reflect the connections that exist between processes, services, products and customers and makes it difficult to identify any inefficiencies or where any improvement effort should be focused.

The top-down approach seeks to overcome these problems by building a model for cost allocation that attributes costs from the general ledger to the service in question, based on resources consumed. Such a model has been successfully developed as part of the 'Customer Profiling Project' – see www.esd.org.uk/profiling. Models in such cases explain how cost items (e.g. staff, national insurance, equipment etc) are broken down and apportioned to given activities within a process.

Activity based costing

Activity based costing approaches the issue from a different aspect. Starting with the end product, ABC highlights the activities that are required to deliver this service and then calculates the resources that are used by those activities. The cost of these resources is then totalled to estimate the total cost of providing the service.

As over half of local authorities' costs relate to staff, the main cost attributed to activities is likely to be staffing. The two best ways of estimating staff time spent on different activities are through 'direct sampling' and 'estimation'. The former uses a timesheet to measure the amount of time spent on different processes by staff members over a period of time; the latter instead simply 'estimates' time taken. The former is more exact, whereas the latter will be less time consuming and hence cheaper to carry out.

Having understood the issue of staff time, additional costs – including other direct costs and overheads – then need to be apportioned using either a proxy⁷, or assumed ratio. This is explored later in this report.

1.1.2 How has ABC been used to date?

In the authorities studied, costs have been estimated or collected in relation to **staff time**. The **cost** of that staffing has then been apportioned to the **overall cost** of providing that particular service. However, what is included or not included in the definition of 'staff costs' is not always consistent across authorities, making it difficult to make confident comparisons between cases. For example, whereas some might include training days and HR related costs, others do not.

In conducting ABC, it is possible to classify activities according to whether they **add value** to the end product, **sustain** the service or process (i.e. they are needed but do not of themselves produce value for the customer) or are **non value adding** (they simply waste resource). Once resources are apportioned to these activities, we can then classify costs under the headings of 'value adding', 'sustaining' and 'non value adding'. This is a good simple tool to highlight activities where more in depth study could highlight possible efficiencies without affecting the quality of service delivery.

Some authorities have employed consultants to assist them with their ABC. Where this is the case different levels of detail have been used, depending on the internal situation and aim of the exercise. In some cases individual costs on the sales ledger have been attributed to particular activities. However, there has been no attempt to produce common guidance.

Two authorities we interviewed have considered a full range of costs, including overheads and premises costs, to attempt to give a wider view of costing and hence the 'cost to serve'. Examples can be found in Section 3 of this report.

1.2 Why activity based costing?

Quite simply, if a local authority doesn't know what the unit cost of service delivery is, then it is not in a good position to make CSR07 Value for Money⁸ efficiency savings. It will certainly not be in a good position to evidence service improvements at the same time as achieving efficiencies.

⁷ A proxy is an indirect measure that provides approximation in the absence of a direct quantification.

⁸ <http://www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney>

The National Process Improvement Project (NPIP) has promoted the use of Business Process Improvement by the commissioning of 8 pathfinder projects to use BPI tools and techniques 'in earnest', and to test approaches to costing current and future processes. A synthesis of these projects by RSE Consulting highlighted considerable success in gaining efficiencies in through the usage of BPI tools, including Activity Based Costing.⁹

The Home Office, when introducing Activity Based Costing into policing,¹⁰ identified a number of key benefits:

- enables organisations to make better use of their resources;
- enables organisations to identify how resources are being used and to make efficiency improvements, where necessary;
- empowers organisations to justify additional resources by presenting their current resource usage accurately and transparently;
- increases accountability and identifies gaps between resource usage and priorities – thus allowing better comparison between organisations.

These benefits apply equally to the wide public sector, and the evidence that emerged from the NPIP pilot work supports the value obtained from realising these benefits. The benefits of ABC in a local government context are articulated in Annex 4.

1.3 Costing options in relation to activity based costing

When considering how to cost a particular exercise, there are a number of issues that need to be considered. The level of detail required will be influenced by the scope of the exercise and the possible gains involved. If the exercise is small and wins are likely to be minor, then it may not be beneficial to consider a full ABC exercise – greater detail will not in itself make the technique more useful. The chosen approach should be fit for purpose and proportionate to the needs of the exercise. This will be dependent on the 'cost driver' being investigated, e.g. is the focus on the whole service, one (or more) of the processes, or just one (or more) of the activities?

⁹ <http://bip.rcoe.gov.uk/rce/aio/44870>

¹⁰ http://police.homeoffice.gov.uk/news-and-publications/publication/finance-and-business-planning/ABC_Manual_of_Guidance_v2_21.pdf

Example:

Do I want to understand the cost of the whole Public Health Waste collection function?

Do I want to understand the cost of collecting commercial, domestic, clinical or special trade waste?

Do I want to understand the cost of logging service requests and/or fulfilment associated with requests/complaints for missed bins to be collected?

Do I want to understand the mileage and associated fuel costs, vehicle costs and premises costs for collection or just the staffing costs of collection of missed bins or any combination of these?

Similarly, it will not be possible to enter the exercise at a high level of detail without the building blocks first being in place. The following guidance follows a 'maturity model' and represents progress in the exercise of identifying and apportioning costs to activities and processes at levels of a growing complexity.

1.4 Activity based costing – basic methodology

1.4.1 Rationale

The main purpose of ABC is to understand how and why money is being spent. This is achieved by:

1. **activity dictionaries** showing the activities that are required to deliver services to the customer;
2. calculating the **cost of activities**;
3. identifying what each **activity adds** to the process.

In local government terms, the starting points for much ABC work are the functions that the legislature empowers local government with. These are designed and delivered as services received by the customer. Thus ABC fits in with the Local Government Business Architecture developed by Blackburn with Darwen (BwD) and refined earlier this year by Chorley (see box below).

At the end of 2005 BwD, as an NWeGG project, produced 'A 'Common Language' and Approach for Improving Local Public Service Delivery'. The project developed 260 high level process maps and pointed towards a generic 'process architecture' of local government. Part of this work identified 'a Common Process Groups matrix illustrating where common activities occur across the organisation, indicating potential for shared services both internally and with other organisations' (user guide page 6).

The Chorley refinement to this work identified all processes that are carried out by a district council. This has been supplemented by work undertaken with Cumbria County Council and replaces the BwD project's 'common process group'. By evolving a common language for all processes in local government, councils will be able to map their activity to a common model and then understand not only where there is common activity across organisational boundaries but provide a framework on to which to map the costs and other associated data. These duplication and cost elements will provide opportunities for reengineering for efficiency and shared services.

As a basic principle, the Business Architecture seeks to identify a standard vocabulary for the functions of local government, the different 'units of work' (processes) that underlie these, and the activities that are performed so that these units can be executed and a service delivered to the customer. Costs are then attached to these activities with reference to the general ledger. By identifying the resource involved in delivering these units of work and activities, it is possible to build up costings for activities, units of work and, finally, the cost to serve the customer – from service request through to service delivery.

By far the largest cost to local authorities is **staffing**. Therefore, possibly the most important cost allocation to be made is around staff resource, or time, that is used carrying out an activity. There are three elements here:

1. Staff **time** on an activity is estimated, based on percentage time analysis (the proportion of someone's time) or through the usage of timesheets (direct measurement);
2. Other **resources** used by staff on this activity are recorded. These will be either directly consumed, such as materials used in filling a hole in the road, or indirectly, such as support costs;
3. **Costs** associated with these resources are allocated to the activities in question, by direct measurement or some form of proxy apportionment (for example, according to the number of staff members involved, or the proportion of a staff member's time).

It is acknowledged that cost is not the only facet of service delivery. For example, a tenant reporting damage to property is more interested in the speed and quality of service delivery than the cost of service delivery for the authority. Therefore, the authority will need cost information on cost and quality of different service delivery

packages to deliver the service that they believe best meets their customer and taxpayers needs.

1.4.2 Targeting efficiencies

To ascertain the best parts of processes to target to improve business practices, activities are often grouped into categories, for example:

- By service;
- Whether they are 'frontline' or in the 'back office';
- Whether they are a statutory or non-statutory requirement;
- By asking if they are 'replaceable' (can be provided or outsourced by another provider?).

A development of this idea is 'value added analysis'. Activities are classified into these simple categories below:

- Value adding – the activity adds value to the customer and is essential to the service;
- Sustaining – the activity adds no value to the customer, but is necessary to support the delivery of the service;
- Non-value adding – the activity does not add value to the customer, or sustain the service.

It is clear that reducing or removing non-value adding activities will have less impact on service quality than those that are considered value adding.

The principle to follow is to identify the 'mountains' or areas where the scope for savings is the highest; these may be high volume/high cost non-value adding processes. These costs should be explored in detail before reaching conclusions and considering any process redesign.

In addition to the quality issue, care needs to be taken as it is difficult to cost the benefits of preventative action and investment in future systems of service delivery. A starting point for considering quality would be looking at the proportion of work that is in fact 'failure demand'.

2 Using costing methods

Section 2 looks in detail at a cost architecture framework consisting of four costing options of increasing complexity. The table below gives a simple summary of the pros and cons of the four options which are explained in more detail later in this chapter, starting with the 'Top down approach', which evolved as part of the Customer Profiling Project, through Activity Based Costing models, simple, rough-cut and full-cost models.

Figure 2 – Summary of costing options

Method	Advantages	Disadvantages
Top down approach	<p>Simplicity, information is readily available.</p> <p>Provides a quick economical estimation of costs, from which cost to serve calculations can be made.</p>	<p>Ledger apportionments will need to be based on arbitrary estimates.</p> <p>Accuracy of results will be dependent on the validity of the assumptions used in breaking down the ledger.</p>
ABC staffing costs	<p>Relatively simple to calculate, focuses on the main costs and identifies quick wins.</p> <p>Deals with direct costs over which an authority has control.</p> <p>Good first point to identify areas for more detailed study.</p>	<p>Benchmarking between authorities is only possible if authorities are including the same types of costs and also definitions of costs.</p> <p>The focus purely on staff costs will lead to resource decisions based purely on staff costs; other costs could be important in terms of actual costs to deliver services.</p>
ABC with additional overhead costs	<p>Based on activity times, therefore not much more resource intensive than 'rough cut' ABC.</p> <p>The inclusion of overheads provides costs that bear more relation to the total costs of providing a service.</p> <p>'Rough-cut' ABC allows overhead costs to be apportioned individually, however the use of standardised definitions will enable more internal and external benchmarking.</p>	<p>If overheads are apportioned by FTE, this may not exactly relate to the proportion of resources used. For example, some service may be overhead reliant than others, e.g. those with considerable technological investment.</p>
ABC more full apportionment of costs	<p>Overheads will be apportioned by usage. This will enable informed decisions on charging and procurement to be made.</p> <p>Costs will relate more specifically to the total cost to produce the service. This is especially important where competition is taking place between council service, shared services or the private sector.</p>	<p>The calculation of costs to this level will be more resource intensive and time consuming.</p>

2.1 Issues and choices

In the following section we describe a variety of methodologies of increasing rigour for apportioning costs to processes. The framework is based on a 'maturity model':

- there is a direction of travel from Option 1 to Option 4;
- these methods have an increasing level of complexity and rigour;
- it would be difficult for an authority which has not performed some aspect of cost analysis before to embark on a full activity based costing exercise, as envisaged in Option 4.

A higher level of complexity does not automatically imply that the method is superior. A more complex system will yield more accurate results; however a more granular approach may be more suitable. The argument between accuracy and complexity is explored in Section 1.5 of this report.

When considering these issues it should be borne in mind at all times that **the approach adopted must be manageable, not over-complicated and fit for purpose**. You should know what you are trying to achieve and match the approach to those goals.

2.1.1 Option 1 – Top down approach

The top-down approach allocates costs to the delivery of individual services to the consumer, by the breaking down of the general ledger. Here, the general ledger will be interrogated to arrive at an estimated transaction cost for each service to be measured, as defined by the Local Government Service List, based on transaction volumes for each access channel.

'Units of work' categorising what is being measured can be used here to facilitate benchmarking, by allowing Local Authorities to see whether they are measuring like-with-like. This will form a cost to be divided by the number of transactions.

The **advantages** of this system are:

- simplicity – information is readily available;
- it provides a quick, economical estimation of costs, from which cost to serve calculations can be made.

The **disadvantages** of this system are:

- ledger apportionments will need to be based on arbitrary estimates;
- accuracy of results will be dependent on the validity of the assumptions used in breaking down the ledger.

More detail can be found in the publication Customer Profiling Project – Cost to Serve guidance, produced by esd-toolkit⁹.

¹¹ www.esd.org.uk/profiling

2.1.2 Option 2 – ABC based on staffing costs

Authorities are recommended to work from the standard form of accounts, initially making estimates of staff time to fit in with services delivered, units of work and, finally, activities. Costs should then be apportioned to these classifications using agreed standardised definitions. Having done this, a comparison against the number of transactions will give a cost per service. This builds upon the principles of 'rough cut ABC'.

Our standard definition in relation to what is included in staff costs is the following:

- **direct employee expenses** – salaries, employer's National Insurance contribution, employer's retirement benefit cost, agency staff and employee expenses.
- **indirect employee expenses** – relocation, interview, training, recruitment advertising, severance payments and employee-related schemes.

Staff time should take account of actual days worked; for example, working days need to be adjusted for leave, sickness, training and working hours.

Activity costs can then be calculated and a cost to serve computed by dividing the cost by the activities undertaken.

The **advantages** of this approach are:

- relatively simple to calculate, focuses on the main costs and identifies quick wins;
- deals with direct costs over which an authority has control;
- a good first point to identify areas for more detailed study.

The **disadvantages** are:

- benchmarking between authorities is only possible if authorities are including the same types of costs and also definitions of costs;
- the focus purely on staff costs will lead to resource decisions based purely on staff costs; other costs could be important in terms of actual costs to deliver services.

2.1.3 Option 3 – Additional costs or overheads

Although the majority of costs relating to the provision of local authority services are in relation to staffing, there are other costs which comprise total authority spend. These are defined consistently across authorities using the CIPFA Statement of Recommended Practices and Best Value Accounting Codes of Practice.

There are 10 standard subjective cost groupings:

- employees;
- premises-related expenditure;
- transport-related expenditure;
- supplies and services;
- third party payments;
- transfer payments;
- support services;
- depreciation and impairment losses;
- income;
- capital financing costs (not included in the 'net cost of services').

Costs excluded from gross and net total cost:

Corporate and democratic core;
Non distributed costs.

For more detailed definitions, see Annex 1.

The theoretically perfect model would be to highlight these costs individually and apportion the amount of resource used by each service, unit of work and activity. We believe that this presents an unnecessary level of detail, a significant burden and would not represent good value for money.

We therefore recommend a more proportionate approach, which weighs up the benefits of accuracy, ability to extract the data and the cost of collecting the information. Also, not all of these costs are significant and the inclusion of other costs will distort the picture when making comparisons between authorities. For example, some authorities will have higher premises costs than others, simply due to the cost of office space, or special factors relating to their building stock.

As suggested, there are additional support costs incurred in addition to staffing to provide the service. When considering other overhead or central costs the ratio of usage of support resource will not be identical to that of the operational staff time spent fulfilling a service request. Therefore, unless authorities are willing to perform an activity analysis on each cost item, they will need to make common assumptions on the drivers for allocation of these costs.

To get round these problems, there are a number of proxies we could use instead in allocating additional costs:

- staff numbers (actual or FTE);
- floor area;
- ICT system details;
- LAN points;
- Total budget;
- non staff budget;
- activities processed;
- back office activities, such as printing usage.

There is scope for treating each individual overhead as a separate case, however in this simplified model, as we are already looking to measure staffing proportions **in relation to** activities performed, it is sensible to retain these ratios when apportioning these overhead costs.

Treatment of individual overheads – possible exclusion of costs

Treating individual overheads again depends on the context of use of ABC – i.e. the cost driver. Some fixed costs that may not be relevant to the particular process improvement exercise, for instance. In such cases, costs that may be considered for exclusion from the calculation are the following:

Premises costs could be excluded, as these are largely not determined by local authorities, and should rather be considered more in isolation when considering a local authorities premises mix.

Consultancy costs in relation to *legal advice* are highly variable and unpredictable. Are these sufficiently large and significant to be excluded?

The **outsourcing of service delivery** to contractors should be shown separately and apportioned directly to the outsourced activity. The inclusion of these costs would unnecessarily inflate in-house service provision.

Capital expenditure needs to be treated differently and treated as a central cost for which the total costs of the capital project is apportioned over the lifetime of the equipment. For example, £3 million capital expenditure, with a lifetime of 3 years, should be charged as a rate of £1 million per year. This would bring it in line with any capital equipment hire or PFI project.

The **advantages** of this approach are:

- it is based on activity times, therefore not much more resource intensive than Option 2;
- the inclusion of overheads provides costs that bear more relation to the total costs of providing a service;
- use of standardised definitions will enable more internal and external benchmarking.

The **disadvantages** of this system are:

- if overheads are be apportioned by FTE, this may not exactly relate to the proportion of resources used. For example, some service may be overhead reliant than others, e.g. those with considerable technological investment.

This is similar to the '**rough-cut**' ABC model, but looks to cover overhead costs in a more consistent manner to enable cost comparisons between authorities.

2.1.4 Option 4 – Transparent fully devolved cost responsibilities

An advanced example of apportioning overheads was provided by Salford.

Their 'Management of Business System' devolves costs to service areas under single managers, enabling managers to control and be accountable for their own costs (e.g. Development Control).

Costings must be accurate as the service is run on a private business model. Costs are therefore based on the utilisation or consumption of resource. The aim of the ABC approach here is to achieve transparency of costs, allocation of costs to service areas, therefore empowering managers to control their costs.

In adopting this approach, staff costings will follow the general methodology outlined above, apportioning staff costs with respect to time taken to complete the activity, taking account of sickness and how this impacts on cost to serve. Other direct costs are also apportioned to the services that they are used by.

Overheads and support services are treated differently, however. Each service will negotiate its own service level agreement matching cost to their resource needs. This gives a higher level of accuracy on overheads.

This is particularly important in the shared services context. Where several authorities use the service, it is imperative to know costs to enable the business to run in a sustainable way. Understanding costs enables the Partnership to bid competitively for work.

Having done this, the authority then is able to pass on an appropriate cost to the customer. If charges are overestimated, the service will be likely to be uncompetitive in relation to other service providers and risk losing business. If charges are underestimated then the local authority will be incurring losses.

The **advantages** of this system are:

- overheads will be apportioned by usage; this will enable informed decision-making on charging and procurement;
- costs will relate more specifically to the total cost to produce the service. This is especially important where competition is taking place between council service, shared services or the private sector.

The **disadvantages** of this system are:

- the calculation of costs to this level will be more resource intensive and time consuming.

2.2 Cost architecture model – basic principles

The following model takes the principles of cost allocation set out above and explains the process by which they can be applied in a given context. At a simple level the model would work in the following way:

1. Identify processes used via the Cost Architecture

- Identify how the authority's processes link in with those in the cost architecture work;
- Once the processes and activities to be measured are defined, numbers of transactions need to be counted and costs can be calculated using the guidance below.

More detail on how to apply the Local Government Business Architecture can be found in the work done by Chorley for the National Process Improvement Project¹²

2. Identify staff costs

- Identify number of staff members in each staff group to be mapped;
- Calculate cost per staff group member per annum;
- Identify sickness and other non-productive staff time per staff member, rank or grade.

One issue to address here is where staff groupings have staff costs but no staff numbers

3. Staff time is calculated for each service, unit of work and activity.

- Identify staff time spent on services, units of work and activities, to link in with the standardised process architecture work;
- Calculate staff time to fulfil services, units of work and activities.

The issue of unproductive time will need to be addressed here. One option is to calculate non-productive or unallocated time, based on the activity estimates, establish a proportion of staff time for unproductive abstractions for

¹² Insert link to published Chorley Report on BIP site

future recording under Operational Support (e.g. 30%). Finally calculate the average and total unproductive costs per staff grouping and average and total productive costs including against per staff grouping.

Direct Productive Staff Costs are now ready to be allocated to Activity Units. Direct Unproductive costs could be allocated as part of overheads costs.

To feed back into the idea of rough cut activity based accounting, the activities can be classified as value adding, sustaining and not value adding.

4. Overhead costs

Overheads are then added to the staffing costs, excluding costs which users agree should be excluded. These costs are then apportioned as per staff time, e.g. 10% staff time on one activity will lead to 10% of overhead costs being applied to this activity. The unit cost is calculated by dividing this figure by the number of transactions.

An authority, needs to keep a record of assumptions made, how the figure was calculated and be aware of the perceived accuracy of any assumptions they have made.

2.3 Benchmarking – issues to consider when using the costs architecture model

In order to perform benchmarking, both internally and externally, the most important principle is to ensure that comparable figures are being used. Parties performing benchmarking should ensure that clear records are kept as to what costs are and are not included in their calculations.

It is recommended that users keep a spreadsheet showing costs that are included thus enabling the addition and/or exclusion of these costs for benchmarking with other organisations. Alongside this authorities/partners should use a common list of the processes/activities to be costed as per the Costs Architecture Model and ensure that costs are apportioned/map onto the relevant processes/activities.

For example (see over page):

Figure 3 – Example of ensuring comparability of costs

Service Request		
Cost	Included Y/N	Proportion included
Premises	Y	100%
Staff	Y	100%
3 rd Party Costs	N	0
Transport	N	0
Support Services	Y	30%
Supplies	Y	22%

Fulfilment		
Cost	Included Y/N	Proportion included
Premises	Y	100%
Staff	Y	100%
3 rd Party Costs	Y	100%
Transport	Y	100%
Support Services	Y	100%
Supplies	Y	100%

This is a high level example. In a detailed costs architecture model the authority may wish to record against processes or even activities associated with 'Service Request' or 'Fulfilment'

When comparing costs, internally or externally, this will give a view as to whether similar costings have been used.

This is an extension of the quality principle in the Customer Profiling Project, where all costing information is given a data quality rating. We would recommend that authorities should also give the cost information a data quality/confidence rating from 1 to 5 as specified in the Customer Profiling Project, to give a feel for how robust their information is.

2.4 Summary

In summary, of the four options discussed we recommend the following:

- The top down approach is adopted as the best starting point where detailed costings have not been attempted before (with regard either to specific calculations or in mapping costs to the delivery of services or individual processes).

- If undertaking an activity based costing exercise, unless staffing costs are the only focus of the exercise it is **not** recommended that activity based costing should only include staff costs.
- If undertaking an activity based costing exercise, other service and overhead costs should be **estimated**. The level of rigour in making these estimates will depend on the magnitude of the costs and their likely impact on the outcome of the exercise. It is also recommended that for benchmarking purposes costs that are included should be **recorded**.
- There will be cases when an accurate **full allocation of overheads** will be needed; this will be the case when services are meeting external or internal competition.

Progress between the above stages follows a 'maturity model', reflecting the general development of cost accounting and process mapping within the organisation. It is easiest to progress through the recommended stages one step at a time.

3 What to consider when choosing a costing methodology

3.1 Which option to use?

There will be a trade off between accuracy and cost of collection of the information, which can be demonstrated in the table below – from a simple ‘guesstimate’, to more process mapping and complex activity based costing.

Figure 4 – Costs option model

		Ease of Operation			
		Simple		Complex	
Data Quality/Robustness	High				Full ABC
				ABC with overheads (Rough Cut)	
	Low				
			Top down ledger approach	ABC staff only	
		Guess			

Before embarking on an exercise, we need to consider how important accuracy is against the ease of operation. Ideally we want the operation to be as simple as possible, with the maximum accuracy.

The table shows that there the more complex systems generally give more accurate information; however the correlation is not exact.

When the methodology has been decided upon, it is important to ensure staff are signed up to the process.

3.2 Ensuring staff buy-in

Before beginning the ABC process it is imperative to ensure that you have support of staff on a number of levels.

Whilst guidance on how to mobilise this support is beyond the scope of this report, further information around how this can be achieved can be found at the following address www.communities.gov.uk/bip and www.esd.org.uk/esdtoolkit/takeup.

It is important to get high-level buy-in at a chief executive or director of finance level. This will give greater leverage when requesting information. Authorities have also found that if they involve their chief financial officer in the early stages, they will get more accurate and timely data.

Staff should be fully consulted on the rationale and method for the exercise, otherwise they may feel threatened and resent having to record how they spend their time in such detail.

The organisation as a whole needs to recognise the need and benefit of the exercise before attempting to implementation.

Specific comments from local authorities – Sources of data

Data collected via interviews should involve officer involved in the process (Fareham).

Unless you physically observe the officer performing the job, you can only gain an estimate on the amount of time spent on specific activities and we found this to be sufficient when identifying efficiency savings. We recommend that you get the officers involved in the process and explain why you are seeking the information, so as to ensure that they do not feel uncomfortable and threatened.

3.3 Some issues to consider in applying the cost architecture model

The usage of the process architecture around standard definitions will give a robust framework for activities.

The system for accounting staff time and apportioning staff costs should be as automated as possible. It may be that existing Workflow systems can be used and common spreadsheet software. esd-toolkit are working with major CRM vendors to enable automated reporting of transaction volumes as a precursor to wider integration of the common vocabularies within local government IT systems.

The accuracy of the staff time information is paramount; therefore all staff need to be comfortable with its usage and where estimates are made these need to be recorded and must be robust.

Local flexibility

In the first project in which we used 'Rough Cut Activity Based Costing' approach we stuck fairly rigidly to the model. However, we recognize the importance of tailoring the approach to deliver the outcomes required of the project – hence our latest project is about understanding costs by process route as we want to use these to influence corporate policy in addition to using the information to inform business cases for future investment/direction.

Re-charges can be a challenge because they reflect the wider council costs but not necessarily the true costs of a particular process. (e.g. new investment in a building/contact centre). (Stockport)

It is good practice to run a small scale, or pilot version of the ABC first. If the model does not seem to be working properly the assumptions, methodology and software used can be adjusted to suit the authority.

The calculations do not need to be exact, the model must be fit for purpose and approximate accuracy is more important than exact figures.

Time vs benefit/limitations

As a small authority, the costs of the process may not outweigh the benefits of such a labour intensive study. Again it would be useful to have automated systems that can almost produce this information automatically. There was consistency in measurement, hence although costs would not link back to the cost of the service, the comparison between the 'before and after' costs were illuminating and gave an indication of potential savings (Sedgefield)

It is fine for working out local authority costs, i.e. average costs per client, however due to variable client needs, it is impossible to estimate accurately what an individual client's costs will be without detailed case notes.

It is useful for prioritising areas for savings. If LA is looking to change service provision, there would be a need to be more robust. Customers who oppose the change would be likely to challenge, therefore more corporate business modelling would be needed.

Costings can be a red herring. Sometimes you need to invest to save as not doing some investment will inevitably impact on the improvement journey. (North Yorkshire)

There were many process maps, particularly as a process will have a number of potential ends, therefore hundreds of average costs were calculated.

This did mean the project was very time consuming, they would wish if doing in the future that it was more automatic. Would be better if Workflow was in use.

It would be useful for this to be standardised.

3.4 External sources and advice

There is help at hand from a variety of sources. Many of the Regional Centres of Excellence are assisting authorities in the provision of training on ABC. There has also been success from individual authorities and groups of authorities in designing their own ABC style systems.

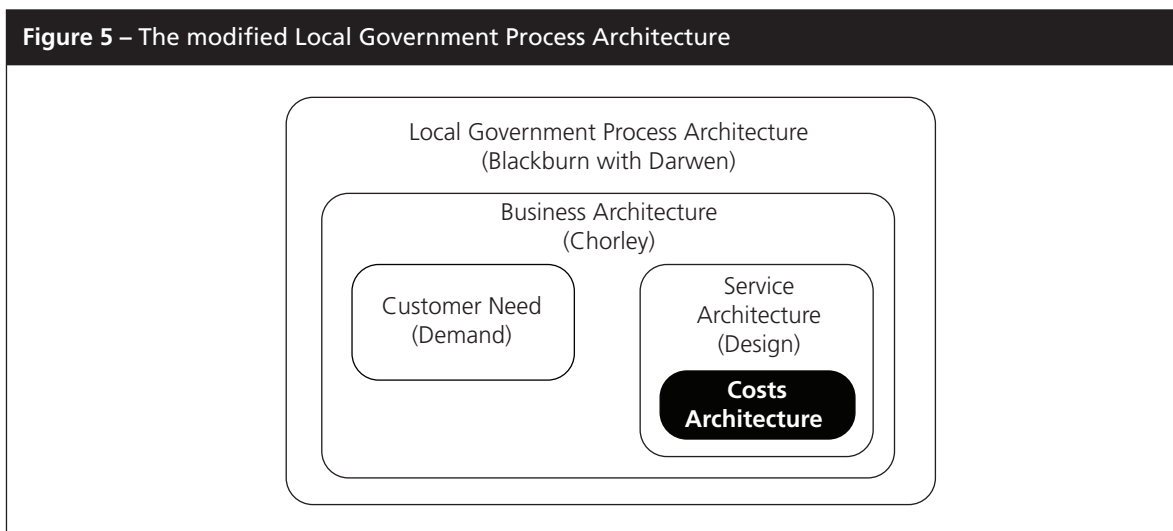
Particular examples are: Chorley, Stockport, Salford, Sedgefield and Worcestershire.

Local authorities had worked with external consultants, such as **Value-Adding** and **CAPITA**. There are also written sources such as, *Time driven activity based costing*, written by Robert Kaplan and Steven Anderson.

4 The costs architecture model

The context of a Costs Architecture model has already been set out in the preceding chapters on Costs Allocation (section 2.2 above). It utilises the work started by Blackburn with Darwen and Chorley to identify common components to describe the work of a local authority. The model provides a structured approach to mapping the costs of a service (or any element of that service) to the Business Architecture of local government (described in Section 1.4 above). How this all fits together is shown in the diagram below:

Figure 5 – The modified Local Government Process Architecture



The benefit of this is that it provides a framework which Local Authorities can use to share process information, including costs, with each other and with partner organisations. At present no such framework exists.

The architecture consists of two related elements:

- Customer Need (the demand element) and
- Service Provision (the design element)

The Costs Architecture is applied in the service provision element and will enable an organisation to understand the cost to serve a particular customer type

The approach builds on the work of esd-toolkit community in terms of the Local Government Service List and also work undertaken under the National Process Improvement Project to revise the Local Government Process Architecture.

Recognition is due to Chorley Borough Council and Cumbria County Council for their help in compiling the 'functions list' element of the architecture. The strategic work undertaken by Chorley also provides the basis for the underlying architecture.

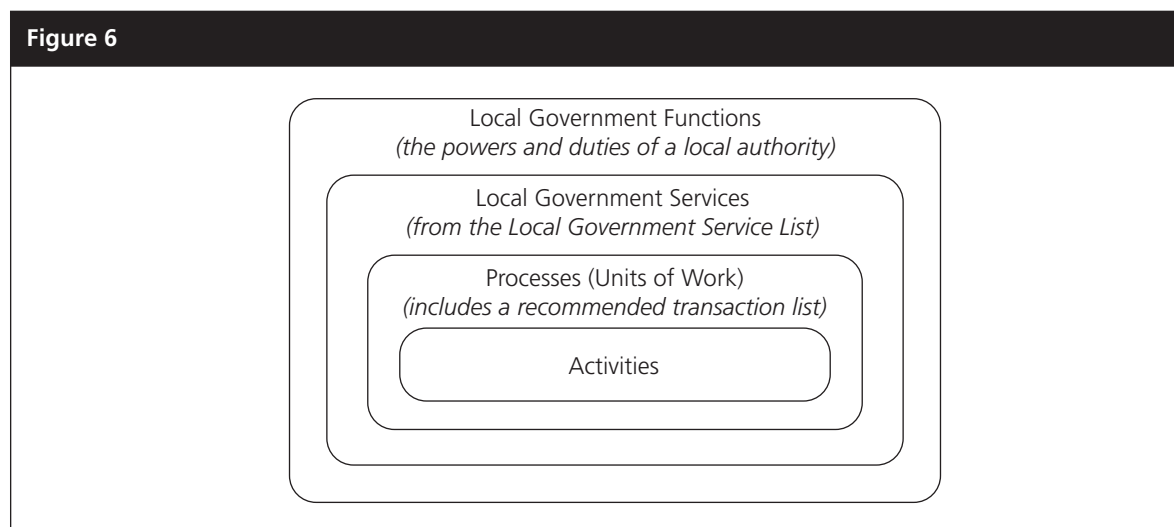
4.1 What does the cost architecture comprise

The Business Architecture model focuses on the essential things that the organisation has to do leaving the design of how they are done as a local decision which will provide a local instance of the model. This generic architecture approach provides a management tool that will enable a holistic view of the organisation, the work it undertakes, the roles that undertake it and provides a framework against which to consistently apply the cost to serve for any given service.

The cost architecture subset of the model comprises four key elements (which are not unique to costs):

- A list of local authority functions, including their statutory derivation;
- The Local Government Services List;¹³
- A list of defined common processes, a subset of which are considered to be transactional i.e. those against which local authorities are recommended to measure costs against when wanting to understand the cost to serve;
- A list of suggested activities for undertaking Activity Based Costing.

The diagram below sets out the relationships between these elements:



Each of these is discussed in turn in the following sections.

4.1.1 A list of LA functions (inc. the statutory duties and powers)

This list provides a structure that forms the basic *raison d'être* of local government in England. Local Government is empowered by parliament via legislation to undertake various powers and duties. Some of these powers are quite wide ranging 'general powers' whilst others are very specific and include significant constraints. Some of the things a local authority does, it has no choice over as they are deemed to be duties and must be undertaken.

¹³ www.esd.org.uk/standards/lgs/

Figure 7 – Examples of powers and duties

Power/Duty type	Legislation	Narrative
Duty	Education Act 1996 – Section 512	Duty to provide school meals
Power	Local Government Act 1972 (ss144 and 145)	Encouragement of visitors and provision of conference etc facilities and entertainments
General Power	Local Government Act 2000 – Section 8	<p>Power to do anything which it considers is likely to achieve any one of more of the following:</p> <ul style="list-style-type: none"> • the promotion or improvement of the economic well being of their area • the promotion or improvement of the social well being of their area • the promotion or improvement of the environmental well being of their area

Everything a local authority does can be mapped back to its empowering primary legislation. The new list provides the basis for codifying those powers and duties into a structured format such that they can form the basis of a business architecture of local government. In the context of service improvement these powers and duties can help inform an authority as to which functions it has discretion over providing at all and which ones it must ensure are delivered.

Thanks go to Chorley and Cumbria Councils for their work in assisting with the development of this list.

4.1.2 The local government service list

Whilst the functions of a local authority remain as prescribed by statute how those functions are resourced, managed and delivered as services is enshrined in designed services and each service comprises a number of processes.

In order to quantify, measure success and decide by whom and how a service is delivered it is necessary to list those individual instances of contact with the public in a standard format, which can be used and recognised by all partners. This type of listing already exists for the services that Local Government provides in the form of the Local Government Services List. Work is underway within the esd-toolkit community to enhance this to include services delivered in partnership. This will eventually allow the Local Government Services List to become a Public Sector Services List.

4.1.3 Processes (units of work)

The core business discipline processes carried out by a local authority are represented in the model as 'Units of Work'.

These have been identified as being only 64 in number. That is that there are only 64 'some things' that a council deals with.

Each of these 'some things' has some sort of 'lifetime' of interest to a council. For instance, a business in the area has a 'lifetime', perhaps from the moment it is started

to the moment it is closed. During that 'lifetime', the Council must deal with that business, collecting appropriate charges for instance.

This list of Units of Work provides

- Units of work within a hierarchical structure. Each Unit of Work is defined.
- A draft 'Transaction List' – a subset of the Units of Work against which it is recommended that LAs 'pigeon hole' their costs in relation to service requests and fulfilment and that these should be mapped back to the LGSL service(s) or function that the process relates to. This subset provides a means of enabling local authorities to benchmark their true cost to serve by showing which processes within the service have been costed.

4.1.4 A 'starter for 10' list of activities

One of the major problems that authorities who have undertaken ABC exercises have faced is their inability to benchmark with peers either within the organisation or wider. The primary cause of this is the lack of a common dictionary of activities used in the ABC exercise.

It is not considered that a comprehensive national list of activities is essential (or feasible) at this stage provided that the activities can be grouped (costs wise) to a Unit of Work. This is an essential consideration for any ABC work in the future. If LAs wish to benchmark on individual activities then this embryonic list will provide a good starting point. This list of activities put forward is by no means exhaustive and should evolve in a controlled way over time.

4.2 Why is this approach useful?

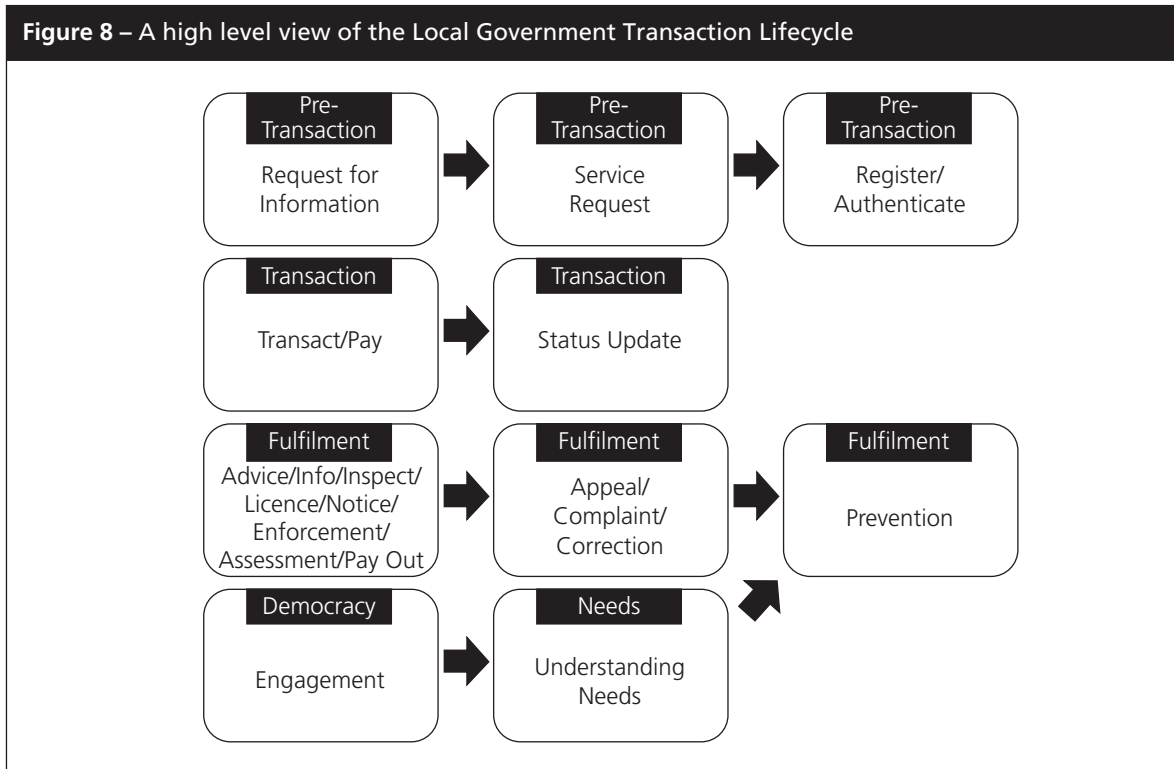
The approach provided by the Costs Architecture Model provides a cause and effect linkage between activities (via LGSL) to the legislation that empowers the activity to happen. This gives a common framework against which to add all sorts of additional data (not just costs) and builds upon the existing capability and principles of the Local Government Information Architecture managed by esd-toolkit and in use widely across local government already for such matters as website and CRM navigation, records management and Direct Gov indices as well as channels and volumes.

As a direct consequence of using a common framework which segments the transaction authorities are able to benchmark across the whole transaction lifecycle or any part of it.

4.3 What does the transaction look like?

It is recommended that authorities are able to differentiate between the cost of serving the customer (e.g handling a housing benefits claim) and the costs of back office (or peer to peer) processes (e.g. procuring new IT for a benefits officer) The problem was how to slice up what local government does in such a way that it is possible to make this distinction. The architected solution is the Local Government

Transaction List. This is a subset of the Units of Work List that makes up a transaction lifecycle is set out in a high level diagram in Figure 8 below.



This shows the principal levels of the business architecture which apply to transactions and example processes (or Units of Work) that take place in that element of the transaction lifecycle.

Pre-Transaction – those things which take place prior to the real transaction commencing;

Transaction – the undertaking of the transaction itself;

Fulfilment – what the organisation does to meet the customers needs eg the business as usual processes;

Democracy and Needs – what the organisation does to engage with its customers including the cost of democracy.

The complete Local Government Transaction List with definitions is included at Annex 5.

4.4 Worked example

This section sets out a worked example of how the hierarchical model works. It takes an example function of Environmental health – Health and Safety and breaks this down through the Local Government Services List to show the services that deliver that function and subsequently through appropriate Units of Work

4.4.1 Functions

The starting point for the journey is to understand the power which authorises something to happen eg the legislation. The Functions List enables the practitioner to do this without the need for constant referral to the legal department and provides a consistent model. The list comprises:

- A term known as a function;
- A description of the powers or duties associated with that function;
- The legislation itself;
- Whether it is a power or a duty;
- Which local authority types the function applies to – there is a rebuttable presumption that metropolitan/unitary councils do everything (apart from port/coastal functions).

Environmental Health – Food Safety and Hygiene	Duty to enforce and execute the provisions of the Food Safety Act 1990	Food Safety Act 1990	Duty	All
Environmental Health – Food Safety and Hygiene	Duty to determine applications for entry onto and to maintain a register of food premises and to make this available for public inspection	Food Premises (Registration) Regulations 1991	Duty	District
Environmental Health – Food Safety and Hygiene	Duty to maintain a register of dairy premises	Dairy Products (Food Hygiene) Regulations 1995	Duty	District
Environmental Health – Food Safety and Hygiene	Duty to determine applications for entry onto and to maintain a register of knackers yard premises	Slaughterhouses Act 1974	Duty	District
Environmental Health – Food Safety and Hygiene	Duty to enforce Part II of the Welfare of Animals (Slaughter or Killing) Regulations 1995	Welfare of Animals (Slaughter or Killing) Regulations 1995	Duty	District

4.4.2 Associated services from LGSL

Taking one of those functions identified in the previous section we can then map on the services associated with that function from the Local government Services List.

In this case we have identified the services which are duties (i.e. must be done) for Environmental Health – Food Safety and Hygiene.

LGSL ID	Label	Service Description
406	Business – Food Safety – inspections	The local authority carries out regular checks on all food premises to ensure the public is protected and that high standards are maintained. Inspections take place on a frequency determined by the perceived risk in each premises and ensure that risks have been identified, staff are adequately trained and the condition and cleanliness of the premises meets required standards.
407	Business – food safety – regulations	The Food Safety Act 1990 and regulations made under it make it an offence for anyone to sell or process food for sale which is harmful to health. They also place an obligation on businesses to ensure that their activities are carried out in a hygienic way. The council is responsible for ensuring that local businesses comply with these regulations.
408	Business – food safety – infectious disease investigation	This service investigates food poisoning and certain other food borne illnesses to prevent the spread of illness within the community and to try and establish possible causes.
410	Business – Food Safety – Risk Assessment	Risk assessments are a legal requirement for all food businesses. The local authority require a risk assessment to be carried out prior to registration of a food business.
845	Business – Food Retailing – Advice	The local authority provides advice and information to food businesses in the local area to ensure that all food supplied is wholesome and produced in a clean, hygienic manner
390	Licences – Food Businesses	Food businesses must be registered with the local authority 28 days prior to commencement of business. Failure to register is an automatic offence under The Food Premises (Registration) Regulations 1991. Butcher shops and premises selling raw and cooked meats are subject to separate legislation..
710	Trading Standards – food production – hygiene	Ensuring standards are maintained in all aspect of food production and distribution, animal health and agriculture. This may involve inspections, investigation of complaints and enforcement.
791	Trading Standards – food labelling	A local authority trading standards department will provide information on general labelling of pre-packed food. They will ensure that any legislation on food labelling is complied with by manufacturers and suppliers.

4.4.3 Typical processes

Having identified the function and the services designed to fulfil it attention then turns to how that service is actually designed. What does it comprise? What does it look like? What is the process?

The architecture helps to do this consistently by providing a common vocabulary to describe processes. In this example four processes are identified as being applicable to the service of Business – Food Safety Inspections The model recommends a subset of the processes (or Units of Work) as being those that should be costed to identify the 'cost to serve'. These are the Local Government Transaction List. It is equally valid to cost against other units of work for back office processes.

Environmental Health – Food Safety/Business – Food Safety Inspections/**Inspection**:

- *Service Request*
- **Inspection**
- *Notices/Orders*
- *Enforcement*

Authority 1 may have included only the Inspection process in its costs while Authority 2 may have included all of the above processes. By enabling the service to be split into standardised processes the authorities can still benchmark where there is commonality of costs/process data.

4.4.4 Typical activities

Finally, attention can turn to identifying the activities that people undertake in processes. These are the things that people do against which time (a common measure) can be identified in order to calculate a cost.

The example continues with a look at the activities associated with the Inspection Process.

It is quite likely that this process might be replicated across many areas of an authority but with significantly differing costs. The challenge is to understand why that is the case.

Environmental Health – Food Safety/Business – Food Safety Inspections/
Inspections/**Activities**

Associated activities for ABC exercise

- Scheduling and preparation (inc. research);
- Site Visit;
- Travelling;
- Updating records;
- Creating records;
- Post inspection advice;
- Status Update;
- Printing.

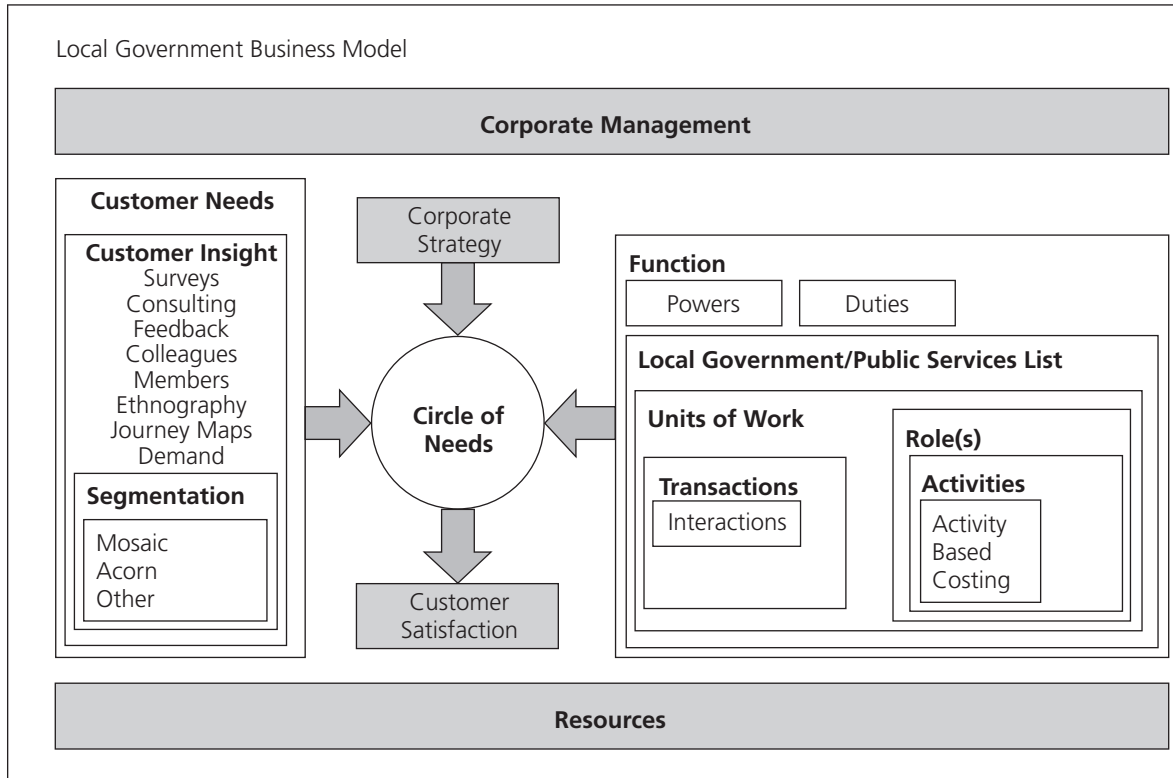
By accounting for time and on costs against standard activities more detailed benchmarking can take place to establish the reasons for any possible significant variance in Process Costs.

- a **Costs-Process Architecture** – this provides a common language and set of concepts to describe the ‘architecture’ of processes and service transactions, and sets out a subset of processes which constitute a Local Government Transaction.

Taken together, the two sections provide for:

- (a) a common way of describing local authority functions, the services that have been designed to fulfil those powers and duties, and the processes that make up the way in which those services are delivered, and
- (b) a set of techniques that can be consistently applied across organisations in apportioning costs to those processes and the activities they contain.

This is all brought together in the following diagram which illustrates the local government business model architecture bringing together service provision (the designed element) with Customer Needs (the demand element):



Conclusions

Chapter 7 of the Local Government White Paper *Strong and Prosperous Communities* highlighted a number of ways in which local authorities could achieve greater efficiency and service improvement through the use of business process improvement (BPI) techniques. Critical to achieving these benefits is an understanding of the costs of processes. Feedback has suggested that work be undertaken to promote a more robust and consistent approach to the measurement of service delivery costs, within an overall BPI framework, to enable local government to approach costs in a consistent way.

In this report, we have highlighted the main principles to underpin a consistent approach to cost measurement, and issues and choices that need to be made in relation to this. The framework espoused in this report should enable:

- Good quality benchmarking between authorities;
- Evidenced-based information on which to build business cases for service improvement;
- A greater potential to realise the wider benefits set out in Annex 4.

Annex 1: Accountancy definitional details

Structure of the subjective analysis

This guidance is recommended to all Best Value authorities. It is generally followed but not mandatory guidance.

There are 10 standard subjective groupings:

- employees;
- premises-related expenditure;
- transport-related expenditure;
- supplies and services;
- third party payments;
- transfer payments;
- support services;
- depreciation and impairment losses;
- income;
- capital financing costs (not included in the 'net cost of services').

Employees

Should include the following costs:

Direct employee expenses – salaries, employer's National Insurance contribution, employer's retirement benefit cost, agency staff and employee expenses.

Indirect employee expenses – relocation, interview, training, advertising, severance payments and employee-related schemes.

Contributions to employee-related provisions.

Premises

Should include the following costs:

Repairs, alterations and maintenance of buildings (includes relevant materials and consumables, payments to contractors and internal trading operations), energy costs, rents, rates, water services (all payments to water undertakings/authorities), fixtures and fittings (only those physically attached to buildings. Equipment, loose furniture and materials used in the operation of a service should be included under the Supplies and Services standard grouping), apportionment of expenses of operational

buildings, cleaning and domestic supplies, grounds maintenance costs, premises insurance, contributions to premises-related provisions.

Transport-related expenditure

Should include the following costs:

Direct transport costs (repairs and maintenance, running costs and contributions to provisions), recharges for vehicles hired from a central pool, contract hire and operating leases, public transport (staff travelling expenses), transport insurance, car allowances (payments made in relation to travel expenses [not payments made for staff retention unrelated to travel on the authority's business]) and contributions to transport-related provisions.

Supplies and services

Should include the following costs:

Equipment, furniture and materials (all items used in the operation or administration of the service, unless specifically contained in another subgroup [eg communications and computing], catering, clothes, uniform and laundry, printing, stationery and general office expenses, services (expenditure on services not otherwise distinguished in the standard classification), communications and computing (includes postage, telephones, radio and computer costs. Operational leases and charges for central computing facilities), expenses, grants and subscriptions, Private Finance Initiative and Public Private Partnership schemes (include payments for supplies and services under these schemes), contributions to provisions, and miscellaneous expenses.

Third party payments

A third party payment is a payment to an external provider or an internal service delivery unit defined as a trading operation which is operating independently, in return for the provision of a service or a subdivision of service provided by the authority.

Where a service being paid relates to the type of expenditure, for example building repairs, cleaning or catering for clients, then the payment should be recorded under the appropriate standard grouping for that type of expenditure. For example, Premises-Related Expenditure (repairs or cleaning) or Supplies and Services (catering).

Should include the following costs:

Independent units within the council; joint authorities, other local authorities, health authorities, Government departments, voluntary associations, other establishments, private contractors and other agencies.

Transfer payments

This includes the cost of payments to individuals for which no goods or services are received in return by the local authorities.

Should include the following costs:

Schoolchildren and students (mandatory awards, discretionary awards and other), Social Services clients (direct payments – note there is already a subdivision of service within each division of service in the Social Services Standard Expenditure Analysis), housing benefits (rent allowances, rent and rate rebates).

Support services

Charges for services that support the provision of services to the public. The charges should be apportioned or allocated to the service divisions which they support on the basis of the seven principles of apportionment; complete recharging of overheads, correct recipients, transparency, flexibility, reality, predictability/stability and materiality.

Such charges are traditionally defined on the basis of service. The following table provides a list of functions to demonstrate what could be defined as support services, this list is not meant to be prescriptive or exhaustive. Alternatively, authorities may wish to group similar activities together under general headings, e.g. professional services, office services.

(Support services should be distinguished from those independent trading operations defined as third party payments and categorised as trading operations.

Finance, IT, human resources, property management/office accommodation, legal services (not included in the definition of Corporate and Democratic Core), procurement services, corporate services (not included in the definition of Corporate and Democratic Core), transport functions.

Depreciation and impairment losses

This provides the subjective analysis that will record the revenue impact of capital items in the service revenue accounts of the authority.

Depreciation, loss on impairment of assets (the SORP requires that General or County Fund

service revenue accounts, should be charged with a depreciation and where required, any related impairment loss (due to clear consumption of economic benefits) for all fixed assets in the provision of service), amortisation of intangible fixed assets and amortisation of deferred charges.

Income

This group includes all income received by the service from external users or by way of charges or recharges to internal users.

Government grants (specific and special government grants), other grants reimbursements and contributions, customer and client receipts, interest and recharges.

Guidance relating to the recharging of overheads to services as part of Best Value Accounting Code of Practice (BVACOP)

The general principle to follow is that all overheads, support service and service management costs should be fully recharged to the service expenditure headings defined previously. Also, the costs of CDC and NDC should be allocated to separate objective heads and not allocated to any other head.

Recharging arrangements should result in a distribution of actual costs that has a basis in fact. For apportionments, such a link clearly cannot be direct, or the apportionment would actually be an allocation. However, since the purpose of total cost is to reflect real cost levels, a main aim of the apportionment process must be to support that.

Two features define apportionable overheads. One is that they end up charged, allocated or apportioned to direct services, rather than having a final service expenditure heading of their own (as is the case with Corporate and Democratic Core). The second is that they are 'overhead' in nature. In other words, they include service management, support services and certain other costs, such as insurance premiums, but they do not include costs such as grounds maintenance or other direct costs which, for convenience, are initially accounted for within a holding or trading account.

Some overhead costs are service specific, e.g. force command within the police service, others are of a more general, administrative nature, e.g. finance or legal. These latter can arise either in service departments or in central departments.

In some authorities, there may be a support activity which relates only to one service. For example, committee administration may support only Democratic Representation and Management. However, this is still an overhead, albeit 100% allocated to DRM. In other authorities, the committee administration section may support officer-only groups and a more complex apportionment process may be required.

Recharging arrangements should result in a distribution of actual costs that has a basis in fact. For apportionments, such a link clearly cannot be direct, or the apportionment would actually be an allocation. However, since the purpose of total cost is to reflect real cost levels, a main aim of the apportionment process must be to support that.

Capital financing costs (not included in the net cost of services)

This group includes the corporate capital financing costs of the authority and is comprised of interest payments and debt management expenses.

Costs that should be excluded

The majority of central support services such as finance, internal audit, personnel, IT, legal services, procurement etc should be charged, allocated or apportioned to the service divisions defined in the Service Expenditure Analysis. However, BVACOP specifically excludes certain costs and overheads it defines as Non Distributed Costs.

Non Distributed Costs is defined as comprising:

Past service costs (if any), settlements (if any), curtailments (if any), the costs associated with unused shares of IT facilities and the costs of shares of other long-term unused but unrealisable assets.

(The definition of Non Distributed Costs is strictly limited to the above five elements.)

Costs relating to the Corporate Democratic Core should also be excluded.

Democratic representation and management and corporate management.

Annex 2: Organisations contacted as part of research

The following organisations provided content to the research:

Local authorities	Other organisations
Blackpool	South West Centre of Excellence
Bolton	East Midlands Centre of Excellence
Chorley	West Midlands Centre of Excellence
Fareham	South East Centre of Excellence
Lewisham	North East Regional Centre of Excellence
Lincolnshire	RSE Consulting
Manchester	Value Adding
North Yorkshire	NPIP
Oldham	ESD-Toolkit
Salford	Citizen Profiling
Sedgefield	
Stockport	
Worcestershire	

Other local authorities known to have done some work on understanding costs to serve

Barnsley	Dorset	Mendip	South Ribble
Barrow	Dover	Mendip	South Somerset
Basingstoke	Ealing	Norfolk	Staffordshire
Bedfordshire	East Northants	North East Derbyshire	Stockport
Birmingham	Ellesmere Port & Neston	North Yorkshire	Sunderland
Birmingham	Enfield	Nottingham City	Tameside
Blackburn	Fareham	Nuneaton	Tendring
Blackpool	Fenland	Oldham	Test Valley
Bolton	Halton	Oxfordshire	Trafford
Bolton	Havering	Peterborough	Walsall
Breckland	Hertsmere	Plymouth	Waltham Forest
Brent	Islington	Redbridge	West Lancashire
Bridgnorth	Lambeth	Richmondshire	West Sussex
Bristol	Lancashire	Rochdale	Wigan
Bury	Lancaster	Salford	Wiltshire
Cambridgeshire	Leeds	Sandwell	Wokingham
Cherwell	Leicestershire	Scarborough	Worcestershire
Chester	Lewisham	Sedgefield	Wycombe
Chorley	Lincolnshire	Selby	Wyre
Coventry	Luton	Shropshire	
Devon	Malvern Hills	South Northamptonshire	
Doncaster	Manchester City	South Oxon	

Annex 3: Questions from workshop

The following questionnaire was circulated at a workshop on the 10 October 2007, to all attendees.

Costs Architecture Workshop Insight Analysis – Birmingham October 2007

Questions To Be Answered?

1.	How importantly is costing of services seen in your LA?								
	Very Important		Quite Important		No view		Not that important		Not on our radar

2.	What is the driver that requires you to have a better understanding of your costs?			
	Local VFM Study		Other (please specify)	
	Business Improvement			
	Better use of resources			
	Service based reviews			
	Shared Services Business Case			

3.	Do you actually want a formal process driven costs model?				
	Yes		No		

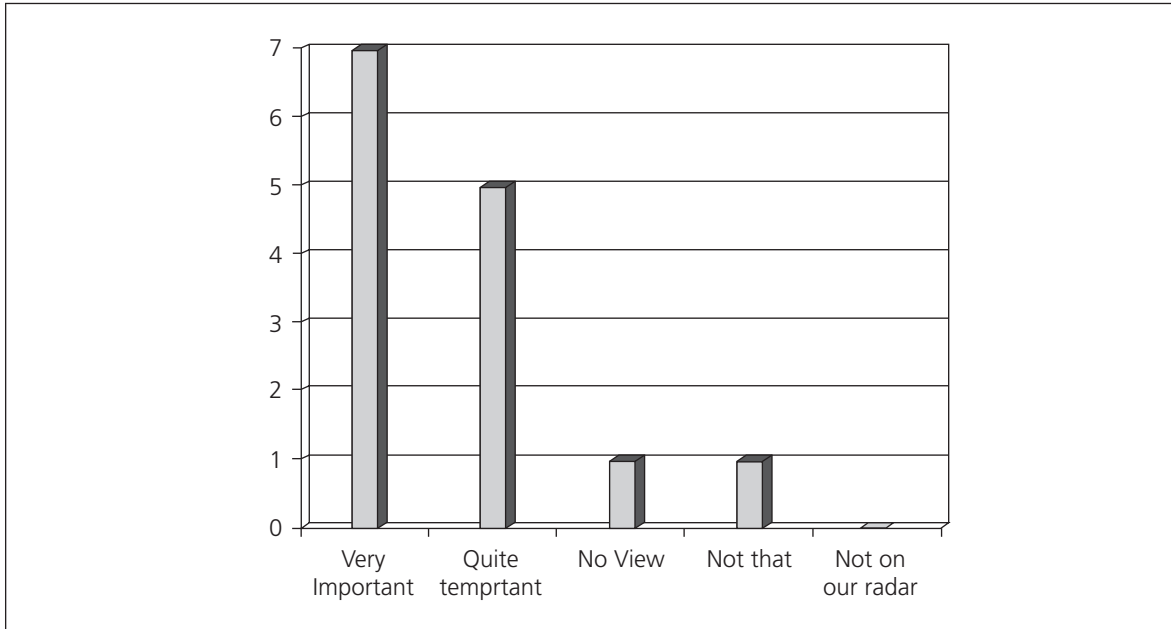
4.	If yes, how constraining should a process driven costs model be?	
	Rigid to ensure consistent and accurate benchmarking	
	A framework that provides detailed guidance and a standards based approach	
	A 'Good Practice' Note allowing maximum local flexibility	
	Some case studies so I can copy what someone else has done	

5.	Is benchmarking of costs important to your authority?								
	Yes – very important		Yes – quite important		Possibly – if we can convince the right people		No – our costs data is too sensitive to share		No – no interest in benchmarking

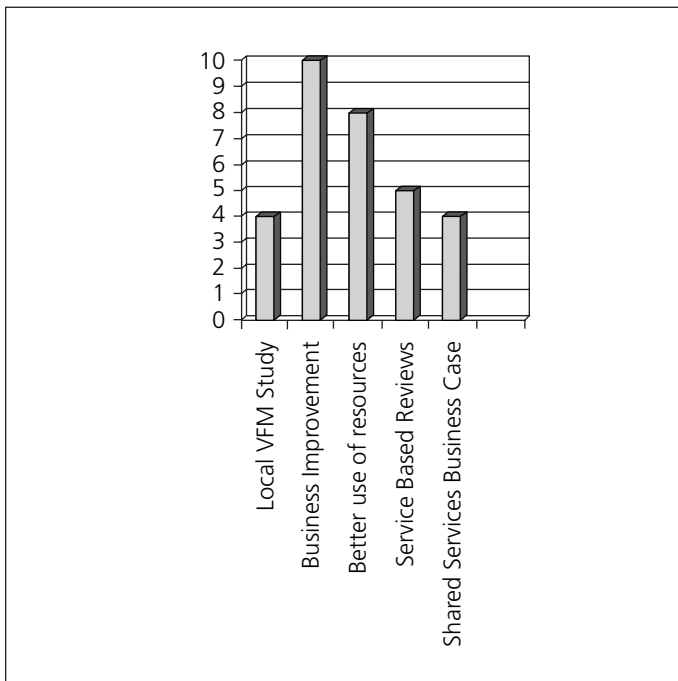
6.	If you answered 'yes' or 'possibly' to Q5, why and what costs do you want to benchmark?		
		Yes/No	Comment on 'Why?'
	Costs – of what?		
	Quality		
	VFM		
	Internally		
	Externally		
	Shared Services business case?		

A summary of the results collected

1. How importantly is costing of services seen in your LA?



2. What is the driver that requires you to have a better understanding of your costs?



Other

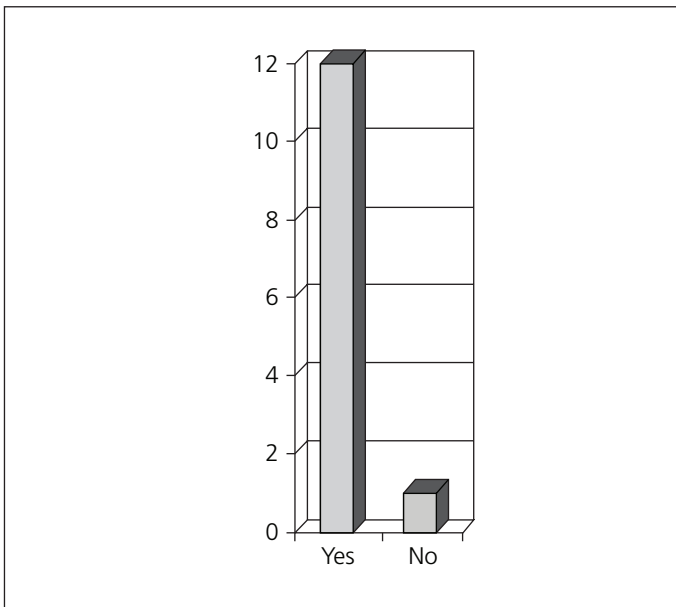
T – Gov Agenda

Transformation from a service centric view of services to a customer centric view of delivery

Within customer access – to maintain an effective recharge model

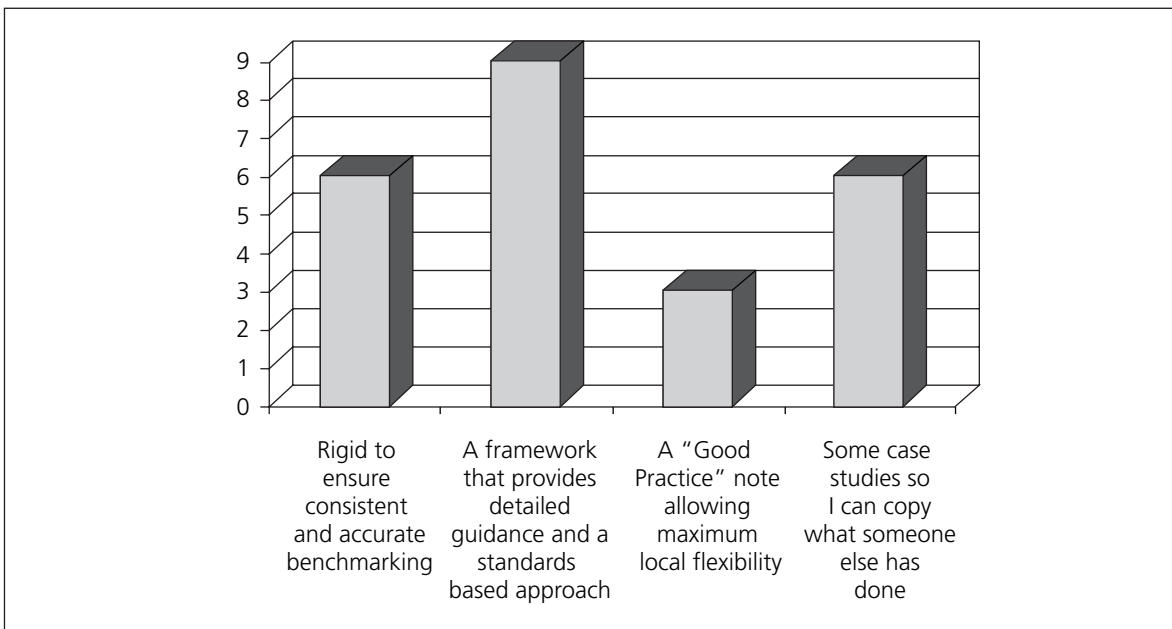
The ability to demonstrate savings & turn them cashable

3. Do you actually want a formal process driven costs model?

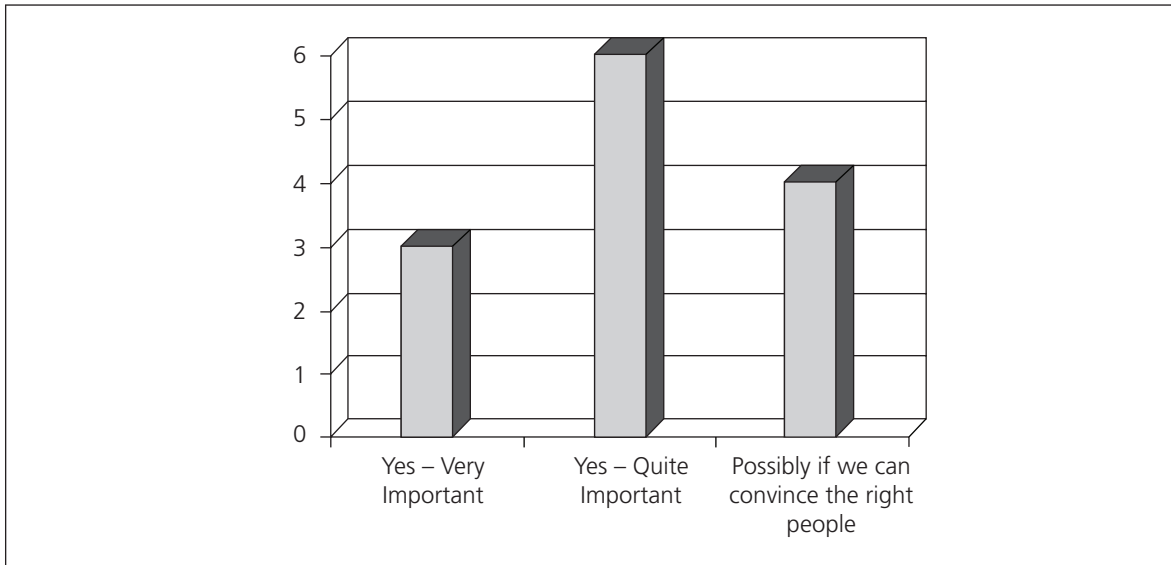


No – Programme of tools/ techniques to get to end result would be ideal

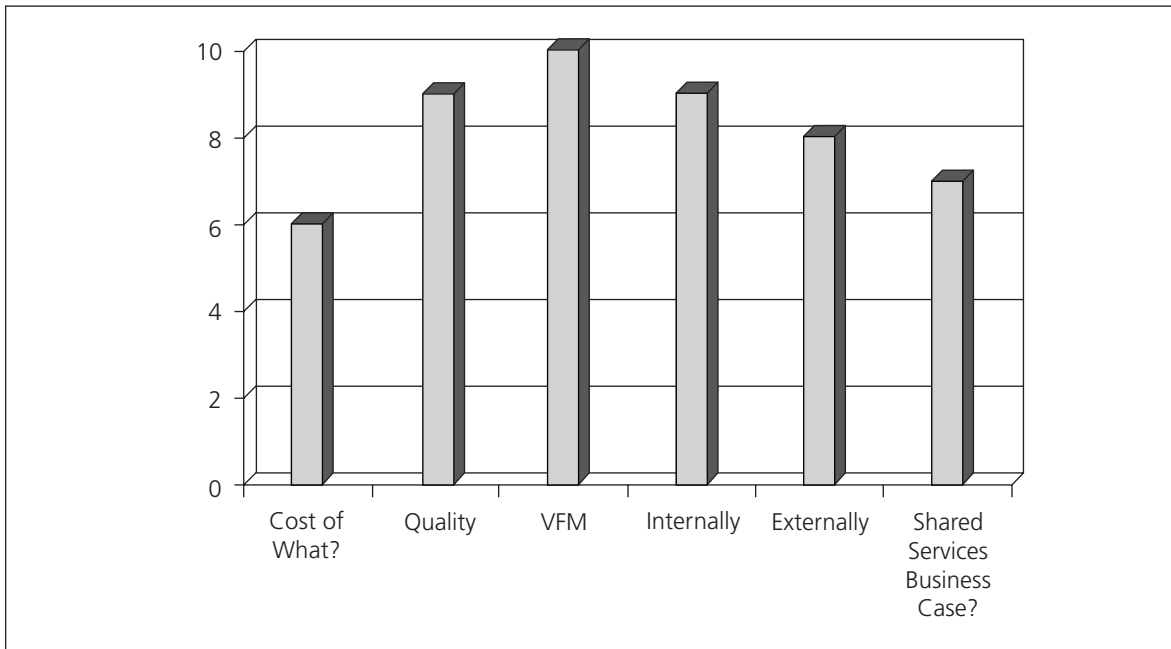
4. If yes, how constraining should a process driven costs model?



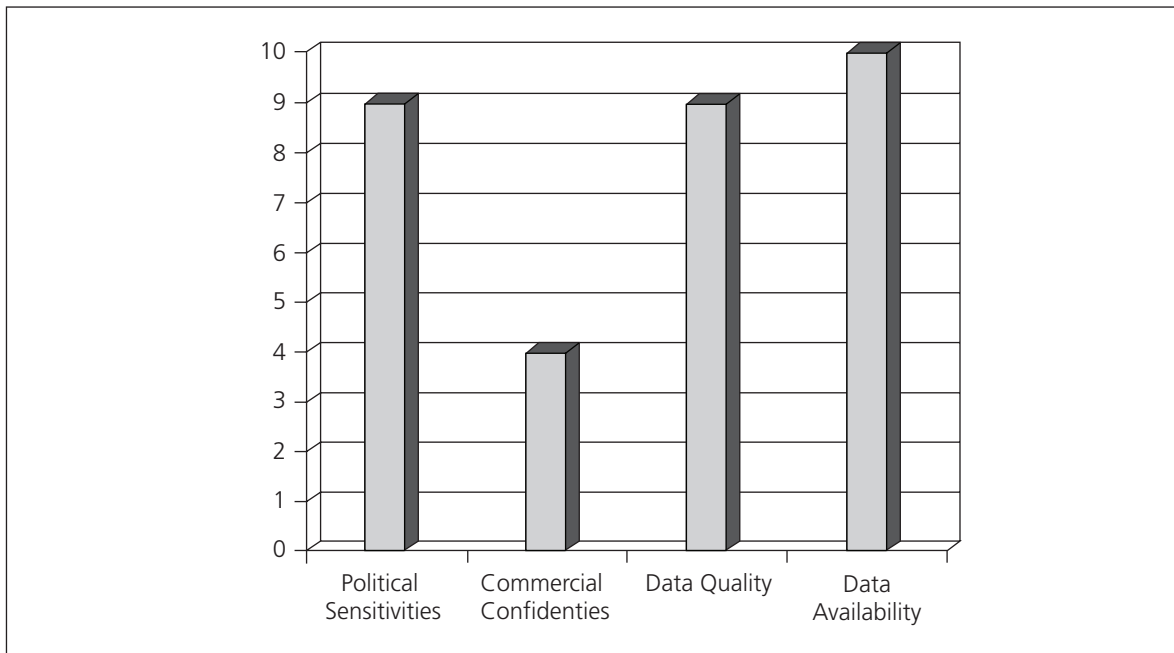
5. Is benchmarking of costs important to your authority?



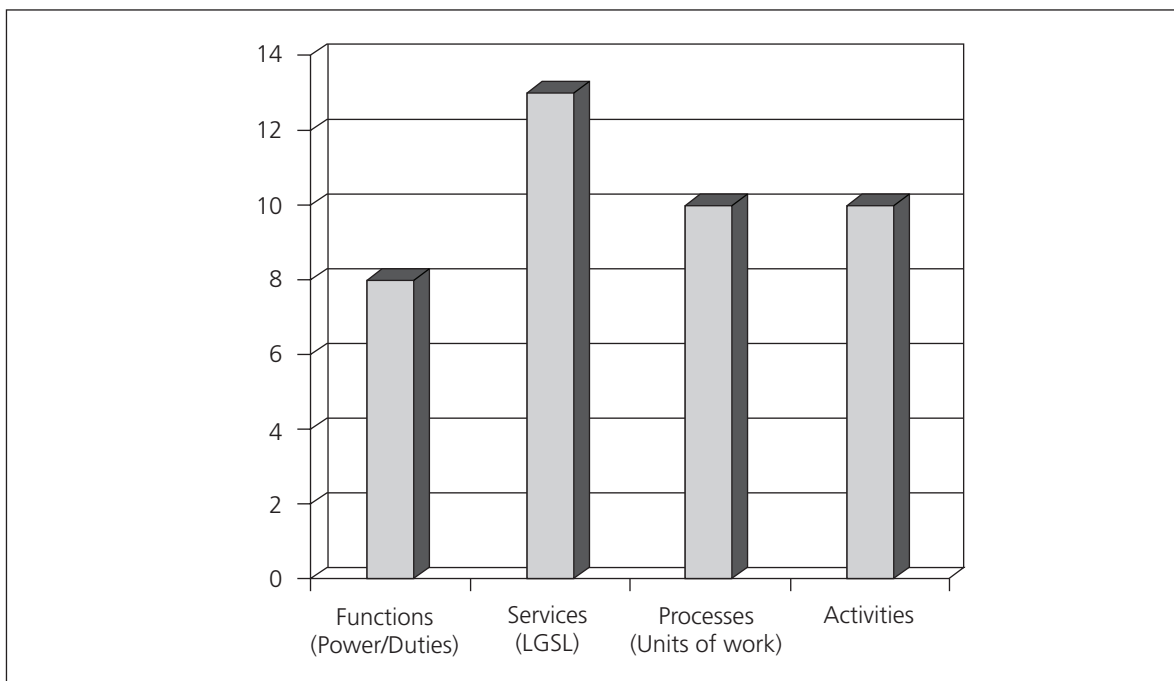
6. If you answered 'yes' or 'possibly' to Q5, why and what costs do you want to benchmark?



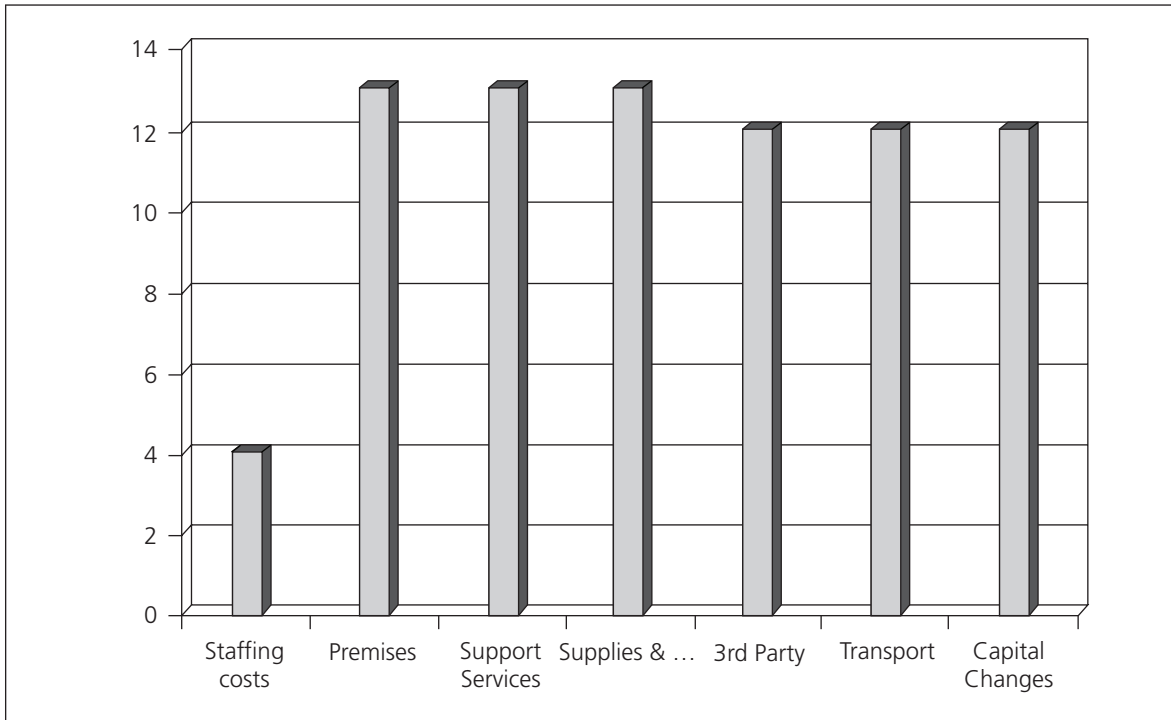
7. Are there any data sharing issues that need to be addressed?



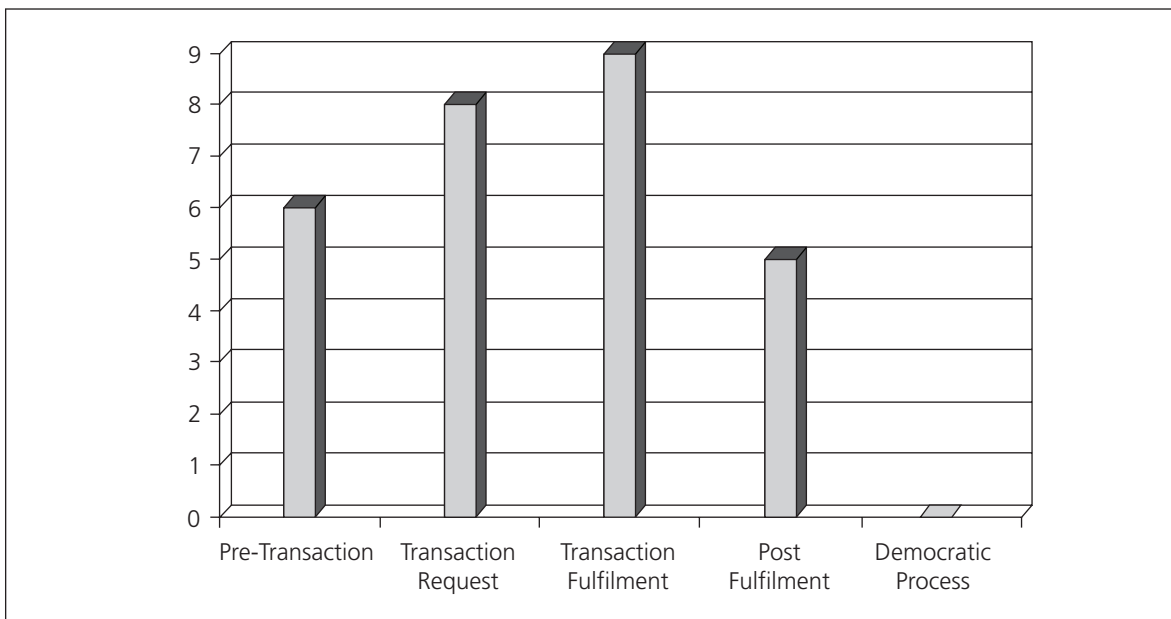
8. Do you want a 'controlled list' of processes and activities?



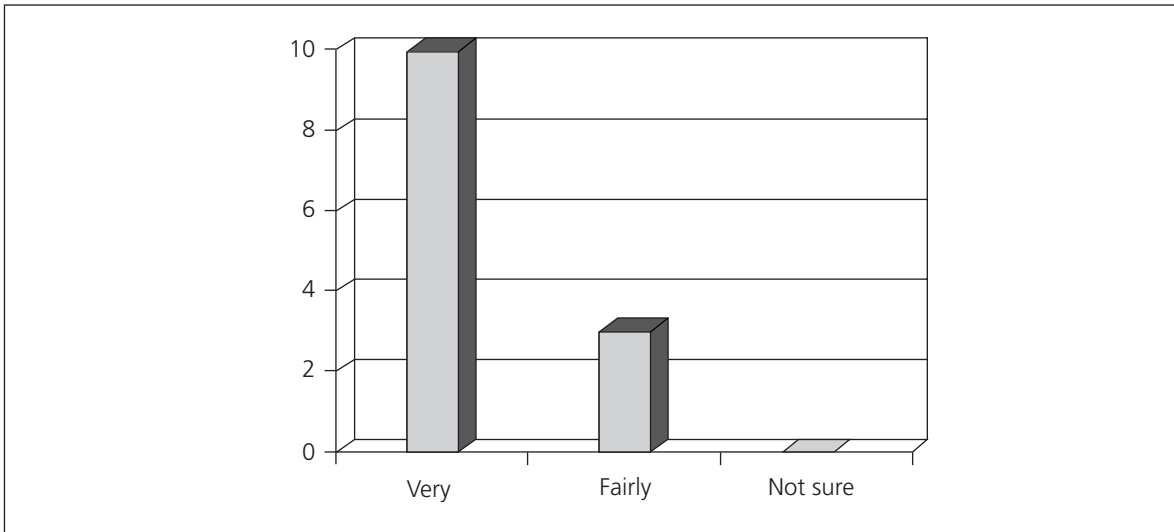
9. What costs should be addressed in the model?



10. Do you want to apportion the above cost categories across the transaction lifecycle or limit this to staff time? Eg apportion costs between:



11. Do you think it is desirable to apportion costs across access channels?



Annex 4: Benefits of an activity based costing approach¹⁴

ABC data in its own right holds only potential value; it is of little value at all on a local level unless it is used to clarify resourcing decisions and to maximise performance. A number of local authorities have already begun to do this. The question 'Who are the beneficiaries of ABC?' is addressed below:

Benefits to local authority management

Increased comparison of cost against performance within the organisation

– ABC can provide management with the ability to compare the costs incurred by different parts of the organisation. This can be used to identify improved ways of working or to encourage/reward good performance.

Year on year comparisons of the organisation and individual functions – these comparisons give Chief Officers the ability to see how the authority has changed, and to monitor the effect of strategic changes made during the year.

Increased comparison of cost and performance with other organisations

– ABC provides managers with the ability to compare the costs incurred by the organisation as a whole, and specific directorates/units/divisions/services/processes within the authority, with other authorities with the specific aim of identifying improved ways of working and improving local efficiency. This can provide useful information on relative efficiency, but also provide ideas on the level of resources dedicated to specific operational areas that might be replicated. Performance and cost can be combined to allow the relative return from investment to be assessed and to inform future policy.

More able to maintain control of how staff and other resources are used –

ABC can help managers by evidencing how resources are used. They can see whether resources are being used as intended, against current priorities. It also allows them to gather quantitative evidence of increased demand and resource pressure, and thus identify the need for additional resources.

Increasing ability to produce evidence based costed Business Plans – ABC provides the organisation, with the activities that will be undertaken in the following year. Currently, the Business Plan can reflect how resources are allocated rather than how they are used.

Efficiency – If it can be shown that a large amount of staff time is consumed on a specific task, effort can be directed to reduce the time taken on this task, through system or process improvement. ABC provides Finance Managers with the ability to

¹⁴ This Annex has been adopted from a Home Office Report on using ABC within the UK police force and the Crown Copyright is acknowledged in this work http://police.homeoffice.gov.uk/news-and-publications/publication/finance-and-business-planning/ABC_Manual_of_Guidance_v2_21.pdf

monitor the delivery of efficiency improvements promised by internal projects. It can therefore provide good evidence for future projects, but also for meeting annual efficiency targets. ABC provides managers with the ability to identify areas that should be subject to review. Following reviews, ABC can be used to monitor cost savings and process changes implemented as a result of the review

Costing operations – ABC provides Finance Managers with the ability to monitor the costs incurred by specific operations. This can be used as justification for recovering costs either from external bodies, where cost recovery is possible

More able to hold support services to account – Where budgets are devolved, ABC provides operational managers with the ability to compare the costs charged to the operation by other parts of the authority eg ICT, HR and Finance. This can be used to request additional support or to free-up resources for use in other areas. Furthermore, ABC could be linked to a Service Level Agreement with a support service or provide an evidence base for alternative service provision

Production of Service Level Agreements – ABC provides support services with the opportunity to compare the costs charged to other parts of the authority. This can be used to show where demands are placed upon them, where they are stretched and therefore where additional resources might be required. It can help to illustrate the value they provide.

Increased opportunity for identifying good practice – ABC provides Service Improvement Managers with the ability to identify good practices that can be used in other parts of the organisation.

Putting a cost on performance – ABC can be used to put a cost on performance. It provides an important context for comparison to take place.

Benefits to local authority members (policy and scrutiny)

ABC data will provide considerable benefits for members including:

Policy – Performance plan development – ABC data will help inform the production of the annual performance plan by enabling authorities to allocate resources more clearly to priorities and targets. It will also assist them to monitor the results arising from increases in funding.

Scrutiny – Performance monitoring – ABC data will enable authorities to link force performance to resource use and to hold the executive to account for performance and how resources are used. It will enable an authority to compare costs incurred by different parts of the authority or on different projects or initiatives. There will also be scope to compare costs between councils and partners and assess the scope for improvements.

Financial accountability – ABC will enable finance officers to provide authorities with clearer information about how resources are being used in practice and in a way, which is consistent with the agreed priorities and targets set.

Best value and efficiency plans – ABC will provide authorities with costed data to help inform best value reviews and possible options for change. ABC will also enable authorities to identify and monitor efficiency savings and process changes implemented as a result of best value reviews or other changes.

Public consultation – ABC provides a means of improving communication and consultation with local communities. Authorities will be able to use ABC data to show more clearly how resources are being used to deliver local priorities and engage in more informed debate with local people about their expectations and views on this.

Benefits to central government and other agencies

Monitoring and assessing performance – ABC could provide Communities and Local Government with the ability to compare the costs incurred by different authorities and services. ABC has a key place Value For Money in linking resources to outcomes.

Identifying good practice – ABC provides Communities and Local Government and other agencies (eg Regional Improvement Networks, IDeA, esd-toolkit) with the ability to compare the costs incurred by different local authorities and services. This can be used, through comparisons of how different authorities work and how resources are deployed, to identify the ways of working that lead to high performance. This evidence base does not currently exist within local government.

Annex 5: The local government transaction List

Below is a table showing the units of work (or processes) that comprise a transaction in local government. More detail of how this should be applied and for an understanding of the local government business architecture can be found in the work undertaken by Chorley Council for the National Process Improvement Project. Practitioners should note that this is a subset of the Business Architecture Units of Work List and as such the numbering is not sequential.

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Payments out	Credits, grants, rebates, discounts, benefits	1	Financial Asset Action	Providing Benefits or Grants Procurement	This covers all payments of money made by the organisation
Payments in	Sundry Debtors, Revenue, Rents, Invoicing, Billing	2	Financial Asset Action	Collecting Revenue, Paying for Goods or Services	This is made up of three types: <ul style="list-style-type: none"> • A one-off (eg non recurring) payment by a citizen or body for goods or services provided by a local authority. It is invariably associated with another transaction eg Application and/or a booking • The act of collecting revenue from a citizen or body – that is periodic income involving a regular payment into the authority. It does not include the recovery of debts/ arrears pertaining to that revenue – see Enforcement • Any other money received by the organisation
Procurement	Purchasing, Obtaining, Creating	13	Physical Asset Action	Procurement	The act of acquiring any asset be it physical, financial or intangible
Dispose of an asset	Sell, Discard, Donate, Delete, Demolish, Recycle	14	Physical Asset Action		The act of disposing of any non-consumable asset e.g. by sale, discard, demolition, donation or deletion. Would expect such an asset to be on an asset register.
Security of an asset		15	Physical Asset Action		The act of making any asset secure

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Repair/ Maintain an asset	Repair, Maintenance, Fix	16	Physical Asset Action	Application for service	The act of keeping something in working order or the act of putting something in working order again. In this context it also includes maintaining eg fixing any sort of mechanical or electrical device or plant should it get out of order or broken (repair) as well as performing the routine actions which keep the device in working order (maintenance) or prevent trouble from arising (preventive maintenance)
Incident concerning an asset		17	Physical Asset Action		Any event which is not part of the standard operation of an asset and which causes, or may cause, an interruption to the use of, or a reduction in, the quality of that asset
Risk Management		18	Physical Asset Action		The identification, evaluation and management of all the potential hazards and exposures to mitigate loss or damage (physical, reputational or financial etc)
Engagement (including consultation)	Consultation, Surveys, Focus Groups, Citizen Panels,	19	Democracy	Consultation	<p>The act of raising awareness of something to a wider audience in order to consider that audience's views. In a local authority context this may be asking citizens or other bodies for their opinions on the services that an authority currently provides or proposes to provide or stop providing or changes/improvements to services.</p> <p>It necessarily involves a two-way communication between local government and the citizen.</p> <p>Stronger than simple participation – it implies a fit and an aim of making things happen, a desired end result. Includes the fulfilment side of consultation – feeding back the results of other consultations and informing the public or staff what the authority proposes to do having considered the results of the survey. May also include marketing and publicity activities.</p>

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Change of circumstances	Change of address, change of name	20	Transaction Fulfilment	Application for service	A notification from a citizen or body or employee that the circumstances: <ul style="list-style-type: none"> • by which that citizen or body or employee are known to the authority and/or • of a case currently being processed by the authority and/or • of a licence or permit or the conditions thereof have changed in some material fact
Intervention		21	Transaction Fulfilment		any action or strategy to change a particular problem or outcome or accomplish a specific result. Often used in the field of child welfare or anti-social behaviour
Providing Information	web content, leaflet, A to Z, brochure, (blank) application form	22	Transaction Fulfilment	Providing Information	The fulfilment of a request for information
Prevention		23	Transaction Fulfilment	n/a	Ensuring outright avoidance of a customer need arising and may include the reduction or control of the causative factors of need
Assessment		24	Transaction Fulfilment	n/a	The appraisal or evaluation of a customer or asset. In social welfare terms this may include interviewing a client to obtain the sociological background, psychological makeup, educational and work history, family and marriage difficulties and medical issues to better assess a client's need for assistance or intervention. In asset terms this may be a valuation or judgement on condition
External agency	Third Party	25	Transaction Fulfilment	n/a	An agency of a type listed in the Local Government Agency Type List
Issuing a Notice/Order (of a decision)	Stop Notice, Prohibition Notice, Statutory Notice, Decision Notice, Road Traffic Order, Public Notice	26	Transaction Fulfilment		The act of issuing/publishing a regulatory or statutory notice or order The act or process of communicating a decision related to the issuing of a licence, permit or certificate. This is distinct from 'Decision' which is the point at which the decision is made

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Granting of a Licence/ Permission/ Authorisation	Licence conditions, permit, planning permission, Building Control Approval	27	Transaction Fulfilment	Regulation	The act of conferring authority upon someone or somebody (ie a customer) to do something. To positively approve or permit someone or somebody to do something.
Inspection	Site visit, inspection of documents,	28	Transaction Fulfilment	Application for service	The act of carefully examining or looking over <ul style="list-style-type: none"> • property (including plant and other fixed assets), • accounts • people or • documents This may (but need not always) include a visit in an official or professional capacity
Room/facility booking	booking, reservation, room booking	29	Transaction Fulfilment		The actual booking of a room or other facility resource – NOT the request for booking
Enforcement	legal action, proceedings, court case	30	Transaction Fulfilment	Regulation	The act of requiring compliance with rules, regulations, laws and decisions of the Council
Providing Advice		31	Transaction Fulfilment	Providing Information	Guidance and/or recommendation to customers on an appropriate course of action
Compliment/ Complaint (about quality)		32	Post Fulfilment	Application for service	An expression of praise from a customer(or their advocate) about a service received OR The act of complaining to a local authority about the actions or inactions of the authority in a particular matter. It pertains specifically to the number of formal complaints received by the authority. It does not include what would be classified as 'business as usual' requests for service e.g. a complaint about a broken street light or pothole or a noise nuisance
Appeal against a Decision		33	Post Fulfilment	Application for service	A request for a review or re-determination of a decision made by a local authority. This transaction is the request for, rather than the hearing of, an appeal
Request for Information		38	Pre-Transaction	Requesting Information	The act of requesting information of a non-personal, non case related type.

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Authentication		39	Pre-Transaction		The process of registering and verifying a customers identity
Entitlement/ Authorisation		40	Pre-Transaction		The act of establishing a customer's right to a service for which they are trying to enrol
Service Request	Application, report, complaint (not about service quality), book, reserve,	41	Transaction Request	Application for service	<p>A request from a citizen or body for a need to be met. May be by way of:</p> <p>A report by a citizen or body of something which that citizen or body wish the local authority to investigate and/or deal with</p> <p>A demand for benefit assistance or grant-aided funding</p> <p>A demand for money (or equal worth) by way of compensation</p> <p>A request by a citizen or body or by the local authority to the citizen or body to:</p> <ul style="list-style-type: none"> • meet an officer face to face (either on site, in the home or at an office) or • discuss with an officer over the telephone/video conference • book/reserve a place on a course or event being run or managed or facilitated by the local authority • book/reserve a physical resource (excluding a venue or facility) • book/reserve a venue or facility owned or managed by or on behalf of a local authority
Status Update	Status Request, update on progress, progress report	42	Transaction Request		An enquiry by a citizen or body into the current state of an account, dataset or case at any given point. Includes a status check, generally the response to a status request, is the act of checking with the citizen or body on the current state. Also includes a status report eg reporting back to the enquirer with this information
Business	Company, partnership, sole trader	43			Identifying and understanding the needs of a sole trader, partnership or company
Citizen	Individual, member of the public, resident, tourist, visitor, commuter	44			An individual member of the public (not necessarily a resident from within the authority's administrative boundary)

Units of Work	Non-preferred terms	Uow_ID	Transaction Type	LGIL L1 Mapping	Scope
Public Interest Group	charity, campaign group	45			A group of citizens acting collectively eg a campaign group or charitable trust
Neighbourhood/Place	estate, suburb, ward, village, town centre, street, road, park, garden	46			The physical place that has needs