

Foreword

Why produce this publication now?

As the squeeze on the public finances bites, money must go further. Understanding and using costing information is fundamental to managing services well and to staying within financial limits.

The challenge is unchanged; that is, to create value for stakeholders. Without an understanding of the way resources are consumed and hence how costs are incurred, and how costs respond to changes and are balanced with revenues and risk, it is extremely unlikely that a clear and consistent route to optimising value will emerge. This is why costing is important to supporting managerial decisions and organisational performance.

Over the next few years organisational leaders will face hard decisions on where to take out costs; managers must increase the drive for greater efficiency and productivity; and finance professionals must be able to advise on what is relevant cost information for different decisions and know the appropriate tools and technique to apply. They also need to ensure that data sources and the costing process are robust and reliable.

Determining the nature and type of costs, how they change over time, and how they can be influenced and controlled, coupled with the application of judgment, is the key to making better decisions at all levels within the organisation. This document is a timely reminder of what costs are, how they behave, and what different costing techniques tell us. It looks at how finance professionals, managers and leaders can use costing information to control costs, improve performance and take sound decisions based on evidence and analysis.

This publication is the third in a series of cornerstone guidance for organisations.



Nigel Hiller
Chair, CIPFA Financial Management Panel