



COST MANAGEMENT IN LOCAL GOVERNMENTS

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Abstract: Changes in the approach to public finance management have resulted in the implementation of the New Public Management (NPM). In order to introduce the assumptions of the NPM, it was necessary to introduce many changes to the public finance sector, including public finance accounting. The changes contributed to the development of financial reporting. Once again, as in the case of a profit and loss account, it resulted in changes to the register of operational costs. The costs are of critical importance to the functioning of the unit as they determine its economic efficiency.

The aim of this study is to present the issue of costs management in local governments. The study is based on a literature review and examination of documents. The object of this study is local governments and their operational costs. The article is divided into three parts. The first part describes costs by type and their importance in the operation of the unit. The second part presents function-based costing and the possibility of using it in unit management. The last part gives an example of using a preliminary cost analysis by type and benchmarking in unit management.

Keywords: costs by type, local governments, costs management, benchmarking

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Introduction

Each company, as well as local government, while operating in its specific conditions (place, equipment, technology, and employees' qualifications) uses resources in order to achieve specific benefits. Resources are economic factors, used in a company (local government) by means of the activities carried out. They may include human, physical, financial and information resources. The type of resources in a unit and the possibilities of using them depend on the operating aims of a specific organisation (Świdarska (red.) 2010, p. 31).

In the case of commercial companies, there is a clear relationship between the profits gained and costs incurred to obtain them. Thus, public finance units do not operate to maximise profits but to provide services to people. Most services are provided free of charge, and those that are usually paid do not cover the costs of providing them. M. Będzieszak carried out a detailed efficiency analysis of the services provided by local governments (Będzieszak 2014, p. 252-267).

However, it does not exempt local governments from controlling incurred costs and seeking for tools which facilitate cost rationalisation. The public finance sector has been for many years accused of being non-economical, with lots of bureaucracy and no efficiency. Introducing the New Public Management was supposed to be the cure for the accusations. The implementation of the New Public

Management doctrines changed the approach towards public finance management. Many countries carried out a variety of reforms aiming at the introduction of the New Public Management (NPM). The countries which enforced NPM include, among others, Portugal (Corte-Real 2008), Switzerland (Rieder, Lehmann 2015), Holland (Steijn, Leisink 2007), New Zealand (Chapman, Duncan 2007), Great Britain (Jarvis 2002), Australia (Zaman Mir, Rahaman 2007), (den Heyer 2011). The assumptions of the NPM include introducing tools used in private companies to manage the public sector. With reference to the incurred costs, it is suggested to control their amount, structures and possibilities of reduction (Hood 1991, p. 5).

The notion of costs is defined differently depending on the context. In general, a cost constitutes used (expended) resources (food and services) in order to gain the present and future benefits (Jaruga, Nowak, Szycha 2001, p. 84).

Costs seem to be the most important indicator of the economic efficiency of the company (unit). Own costs, to a huge extent, reflect the “quality of work” at almost all stages of business activities (Sierpińska, Jachna 2004, p. 236).

The examination and explanation of factors influencing costs are of great importance from the point of view of cost management and value creation. Thus, it is necessary to distinguish between the factors relevant for strategic management and operational management. Cost management signifies all the actions undertaken by the management of various levels and employees of an organisation to lead (plan and control) short- and long-term cost effects (Jaruga, Nowak, Szycha 2001, p. 89).

The ideas related to costs have evolved along with the growth and complexity of functions undertaken by the unit, among others, because of the relations with the environment and increasing information requirements. The concept of cost flow classification and grouping has a long tradition in continental Europe. It is based on cost flows by type during the input and next by function, place of origin and responsible centres (including mutual settlement of the internal services provided) in order to group costs by final products (ready goods and services). The following are the classical categories of costs:

- costs by type;
- costs by subject;
- costs by objects, i.e., the final objects (Jaruga, Kabalski, Szycha 2014, p. 75).

In terms of organisational units of public finance, it is possible to report costs by all the categories presented above. However, because the profit and loss account is prepared obligatorily using the comparative method, almost all units report costs by type.

The core issue of costs by type in local governments

The category of costs by type is, according to E. Nowak, mainly of reporting importance. However, it may also constitute a source of information for the management of the organisation. It enables grouping costs according to the economic content of production expenditures. Due to the above, familiarity with costs selected by type gives the possibility to control the value of particular production factors in relation to the production of specific goods or provision of

certain services. The category of costs by type facilitates the examination of the inner structure of costs and constitutes the basis for cost planning (Nowak 2011, p. 35).

Reporting costs by type provides information on the structure of costs. In terms of the decision making needs, this information is too restricted and does not give the possibility to indicate the persons responsible for generating costs (Czubakowska, Gabrusewicz, Nowak 2009, p. 131).

Settlement of costs by type aims at showing all costs incurred in a specific period. Therefore, its goal is to credit the costs by type, in the most accurate manner, according to the principle of causality, to specific media costs. Construction of the structure of costs by type starts with selecting valuable costs defined by the percentage in costs in general. It leads to creating the team of four synthetics of accounting, important in the decision-making process. Another step involves distinguishing costs by importance, according to the basic criteria of how fast they influence the economic situation of the unit (Nesterak 2003, p. 152).

Reporting costs by type requires the organisation to gather information about the costs of basic activities by cost type. This system groups together simple costs, which cannot be further divided into smaller components. The costs reflect the type of resources used, without the necessity to indicate their reasons or aims (Karmańska (red.) 2006, p. 518).

It is worth emphasising that for many years local governments and their organisational units have reported costs by type only on one account. As a result, the obtained information is useless for analytical needs. In terms of analytical usefulness, the changes introduced to the accounts of local governments are of crucial importance. Thanks to the above, it was possible to develop the accounts of costs by type. The table below presents changes to costs by type in local governments throughout the years.

Table 1. Reporting costs by type between 2001-2017 in the organisational units of local governments

| | |
|---|--|
| <i>Regulation of the Minister of Finance as of December 18, 2001 on detailed accounting principles and plans of accounts for the state budget, budgets of local governments and some units of the public finance sector</i> | |
| Group 4 “Costs by type and their settlement” aim to report costs by type and provide their settlements | The accounts of group 4 also include costs financed with special funds. Accounting group 4 accounts does not include the costs financed, according to separate regulations, with specific aim-based funds and other cost, investment costs, other operational costs, financial operations costs and extraordinary loss. |
| Account 400 | <p>“Costs by type” aim to report simple costs by type. In terms of the item “Debit” account 400 includes the incurred costs and in terms of the item “Credit” – they are reduced.</p> <p>A detailed report shall be carried out according to the financial plan item and by sections adapted to planning, analysis and reporting.</p> <p>Account 400 may indicate the “Debit” balance during the financial year reflected by the amount of incurred costs. The balance from account 400 is taken over, at the end of the financial year, to account 860 (“Extraordinary profit and loss and the financial outcome”).</p> |

| | |
|--|--|
| Account 401 | “Depreciation” aims to report on the costs of depreciation of fixed assets and intangible assets, where the depreciation is regularly calculated according to depreciation rates. |
| <i>Regulation by the Minister of Finance as of 28 July 2006 on detailed accounting principles and plans of accounts for the state budget, budgets of local governments and some units of the public finance section</i> | |
| Group 4 – “Costs by type and their settlements” aim to report costs by type and provide their settlement. | The account of group 4 also includes financial costs from own revenues of budgetary units. It does not include, according to separate provisions, aim-based funds and others, investment costs, other operational costs and extraordinary loss. |
| Account 400 | Account 400 aims to report simple costs by type. A detailed report shall be carried out according to the financial plan item and by sections adapted to planning, analysis and reporting. |
| Account 401 | Account 401 aims to report the depreciation of fixed assets and intangible assets, where the depreciation is regularly calculated according to depreciation rates. |
| <i>Regulation of the Minister of Finance as of 5 July 2010 on detailed accounting principles and plans of accounts for the state budget, local government budgets, budgetary units, budgetary units of local governments, target-oriented funds and state budgetary units based outside the Republic of Poland. Regulation by the Minister of Finance as of 13 September 2017 does not provide any changes to costs by type.</i> | |
| Group 4 “costs by type and their settlement” aim to report costs by type and provide their settlement | Incurring costs are taken into account in accounting books when they arise, regardless of the payment time. The previously accounted costs can be reduced on the basis of correcting documents (e.g., correcting invoice). Accounting on the accounts of group 4 does not include the costs financed, according to separate regulations, with specific aim-based funds and other costs and investment costs, other operational costs, financial operations costs and extraordinary loss. A detailed report for group 4 shall be carried out according to the sections of financial plan classification and in sections adapted to planning, analysis and in a manner providing for the preparation of financial statements, budgetary statements or other statements specified in the separate regulations that the unit must comply with. |
| Depreciation | Aims to report on the depreciation costs of fixed assets and intangible assets, where the depreciation is regularly calculated according to depreciation rates. |
| Use of materials and energy | Reports on the costs of materials and energy used for basic activities, additional activities, and general management. |
| Other services | Reports on the costs of foreign services provided within the unit’s basic activities. |
| Taxes and fees | It reports especially costs for excise tax, real estate tax and transportation tax, tax on civil law transactions and tax-related fees, and also notarial fees, revenue stamp and administration fees, international organisation contributions and payments. |

| | |
|--|--|
| Remuneration | This account includes costs of remuneration for employees and other persons hired on a full-time basis, under a commission contract, contract for a specific task, agency agreement and other agreements according to separate provisions. |
| Social insurance and other provisions | This account reports the costs of basic activities related to various types of employee benefits, natural persons employed full time, on the basis of a contract for a specific task and other agreements that are included in the remuneration. |
| Other costs by type | It includes the costs of basic activities that cannot be classified in accounts 400-405. This account covers in particular refunds for using employees' private cars for business purposes, costs of national and international business trips, costs of assets and personal insurance, payments due for work-related accidents and other costs not classified as costs of financial operations and other operational costs. |

Source: Own elaboration based on the regulation by the Minister of Finance on the detailed rules of accounting (...): Polish Journal of Laws, no. 153 item 1752 dated 2001, Polish Journal of Laws no. 142 item 1020 dated 2006, Polish Journal of Laws no. 128 item 861 dated 2010, Polish Journal of Laws item 1911 dated 2017 (Rozporządzenie Ministra Finansów I Rozwoju z dnia 13 września 2017 r. ..., Rozporządzenie Ministra Finansów z dnia 18 grudnia 2001 r. ..., Rozporządzenie Ministra Finansów z dnia 28 lipca 2006 r. ..., Rozporządzenie Ministra Finansów z dnia 5 lipca 2010 r. ...)

It follows from the data presented in *Table 1* that cost records by type changed in the analysed period of time. At first, costs by type and depreciation were reported collectively on one account. In 2006 a requirement was introduced stating that public finance organisational units were obliged to prepare the profit and loss account in the comparative version, in which operational costs were grouped by type. It is worth underlying that in terms of account plans for budgetary units and local government budgetary establishments, the concept of costs by type divided into seven main components was introduced in 2010.

Costs by type are divided into separate, similar groups of simple costs of ordinary operational activities. Records and reporting in the case of costs by type constitute the basis for calculating cost by type, which serves for statistical and analytical purposes. The second aim is particularly important as a management component facilitating the control over costs of basic activities. In terms of costs by type the problem may lay in two items of the profit and loss account in the comparative version for local governments:

- other services financed with the budget – services for natural persons other than employees,
- other liabilities – financial statements of the unit resulting in financial liabilities.

However, they are not reported in the plan of accounts that constitute the attachment to the resolution by the Minister of Finance on accounting and plans of accounts for the state budget, budgets of local governments, budgetary units, and budgetary establishments of local governments, aim-based state funds and state budgetary units having their headquarters outside the Republic of Poland. Elimination of the discrepancy between the chart of account plans and the profit and loss account requires introducing two additional accounts of costs by type (Rup 2015, p. 1).

The costs by function and possibilities of using them in the management of local governments

Organisational units of local governments report costs mainly by type because of the requirement of preparing the profit and loss account in the comparative version. However, taking into account the use of costs by type in management, it provides little information. Thus, some relevant information for decision-making purposes in a unit can be found in the system that groups costs by origin. The basis for the functional and calculating system is the classification into direct and indirect costs. The same system of costs can be used by local government units. The relevant provisions can be found in the resolution by the Minister of Finance. It is recommended when:

- the nature and scope of activities or the organisation of the unit require that the costs of specific types incurred by the categories of activities be also settled by place of origin,
- the unit produces goods, the costs of which are to be calculated.

A detailed characteristics of group 5 accounts in the organisational units of local governments is presented in *Table 2*.

A functional and calculating cost system makes it easier to assess cost changes. It covers the main classification of costs into direct and indirect product costs. The former are characterized by variable costs (reflecting the change in the volume of production), and therefore the latter are fixed costs (Bednarski 2007, p. 140).

Table 2. Costs by functions (according to the activity type) in the organisational units of local governments

| Name of the account | Characteristics |
|---------------------------------------|--|
| <i>Costs of basic activities</i> | The account aims to report the costs of basic activities. |
| <i>Costs of additional activities</i> | It includes the costs of activities undertaken by sections of the unit, which aim mainly at: <ul style="list-style-type: none"> – providing in particular transportation, equipment, and renovation services, for sections of the unit, including sections performing basic activities, – producing energy and materials for the unit's own needs, – own investments, Providing other additional functions (canteens, housing estate, social premises). |
| <i>Management costs</i> | The account aims to report the specified costs related to the management of the unit as one entity (general administration costs) and general costs considering the specific unit as one entity (in particular maintenance of the area, industrial guard, and firefighting). |

Source: (Kowalczyk 2013, p. 38 after regulation by the Minister of Finance as of 5 July 2010 on the detailed accounting rules (...), Polish Journal of Laws item 1911 dated 2017)

At present more and more attention is devoted in research to the use of the chart of accounts, the calculation of costs incurred for the execution of tasks set out in the target-based budget of local governments. However, the use of the chart of accounts may be equally important for the specific organisational units of local governments. Changes in public finance indicate the change in the approach to the management rules – the so-called managerialism. The idea of grouping costs in a functional and calculating system facilitates the introduction of managerial accounting tools which allow for controlling and reducing costs. Several authors suggest the introduction of costs record in the functional system of local governments.

According to A. Kożuch and M. Wakula, reporting costs by type is satisfactory for the reporting needs, but in terms of taking the right managerial decisions inside the local government, they are too aggregated. It increases the risk of making mistakes while budgeting costs and decreases the efficiency of the information providing system. In view of the above, it is generally proposed to reject reporting costs by type in favour of systems that will better serve the management process. One of them may be a cost reporting system (Kożuch, Wakula 2012, p. 103-104).

M. Wakula suggests that one of the steps increasing the usefulness of information originating in budgetary accounting is the development of cost reporting systems. It is an expensive process, and it may encounter lots of restrictions in the local government resulting from the nature of its financing. A solution to this problem may be the analytical structure of costs by type which would include the development of costs by type in order to provide a better source of information in the decision-making process. However, the introduction of the cost reporting system and the reporting solutions used within it may contribute to gaining the detailed information necessary for making proper managerial decisions (Wakula 2013, p. 361).

According to A. Kożuch the application of ABC cost account and its supplementation by solutions used in the target cost account, in particular in terms of ensuring a high level of stakeholder needs' satisfaction, constitutes a component that significantly facilitates the process of budgeting and as a result facilitates the organisation of the local government subsector (Kożuch 2013, p. 100). Nevertheless, implementing the concept of cost accounts is related to reporting costs by function.

Possibilities of using the information provided by the cost-by-type system in the management of local governments

The question that needs to be asked after analysing the cost-by-type and by-function systems in local governments is as follows: *Is the information on costs by type included in the profit and loss account useful for the management of local governments and to what extent?*

An initial analysis of operational costs provides lots of information on the changes to operational costs. It is commonly known, even in commercial entities, that the initial analysis of costs uses the cost-by-type system to a broad extent due to its general nature. According to W. Gabrusewicz, even though the analysis of costs in

a system is of lesser analytical importance and of greater reporting importance, it is the thorough observation that helps to set future directions of analytical research. The items of costs by type which are significant in terms of the entire cost structure and which demonstrate the largest changes within the described period of time shall undergo detailed research (Gabrusewicz 2014, p. 232).

The aim of the cost-by-type analysis is to determine the mutual proportions between the costs of different types and to indicate changes in this respect compared to the data from previous periods. It provides information on the level of technical equipment and its changes, scope of cooperative relations, intensity of labour, level of consumption of materials and energy of the activities carried out (Jerzemowska (red.) 2004, p. 261).

Indicators of the cost-by-type structure inform about the mutual proportions between the various types of costs and the material and non-material costs (Kurtys (red.) 1998, p. 149).

Such a preliminary cost-by-type analysis constitutes a basis for the comparison of costs by type of the examined unit with the costs of other units. This method is called benchmarking and is used more and more often while increasing the efficiency of units also by means of cost management (Macuda, Łuczak 2014, p. 53).

The benchmarking analysis may cover almost every process and function of a specific organisation or entire organisation. It may involve comparing both the procedures and processes, as well as costs, strategies of actions, products, and services (Lanert 2014, p. 510).

Benchmarking is a management tool that promotes process improvement. By comparing service units across all local government, best practices can be identified and used to enhance less efficient and effective operations (Rivenbark, Carter 2000, p. 125).

Competitive comparisons have become popular in the public sector and were initiated by neoliberal thinking, which was refined by the New Public Management movement. As a result, benchmarking has become an important instrument of local government reforms. Local services are usually measured against some generic model of excellence or compared to those provided by local authorities within a similar context (Rondo-Brovetto, Saliterer 2007, p. 2).

Benchmarking was recognised as an important tool in the Government's programme of reform to modernise all public services. The White Paper emphasised the need to spread best practice and encourage others to follow the example of the best. The government established a Public Sector Benchmarking Service to encourage the use of benchmarking to help with:

- identifying examples of good practice from organisations in public and private sectors in the UK and internationally;
- monitoring progress in making improvements against leaders in the field;
- reviewing services to identify best suppliers;
- bringing about continuous improvements in central government policy making and service delivery (Browerman, Ball, Francis 2001, p. 322).

“Both economic and institutional reasoning view benchmarking as a mechanism for economic legitimacy. The latter, however, also pays attention to its impact on

the social legitimacy of organizations. The two theoretical angles also diverge in another important respect. Whereas economic reasoning exclusively focuses on the ultimate outcomes of benchmarking, in terms of changes in performance, institutional reasoning also deals with the motivations and processes that underlie benchmarking” (Helden, Tillema 2005, p. 337).

The main objective of benchmarking exercises is to support better political and managerial decision-making, leading to improved outcomes for the community, and also to meet external accountability requirements (Rondo-Brovetto, Saliterer 2007, p. 18).

Benchmarking is a management accounting innovation that can be used for performance measurement and improvement in both private and public sectors. It can be used to compare performance (e.g., costs, productivity or results) and processes (Siverbo 2014, p. 121).

An example of applying a preliminary cost-by-type analysis in local governments for management purposes

This section presents the possibilities of applying the cost-by-type system for management purposes. It required comparing operational costs incurred by two communes (*gmina*), on the basis of accrual profit and loss account.

The analysis of costs by absolute values indicates that operational costs in 20X3 in comparison to 20X2 in commune X decreased, and in commune Y increased. The main reason of the decrease in operational costs in commune X was the decrease in the value of foreign services. Thus, in terms of commune Y, the increase in the value of operational costs was caused by the depreciation costs and, to a lower extent, by remuneration, consumption of materials and energy, and foreign services.

On the basis of the data included in *Table 3*, we prepared an initial analysis of the costs of the operational activities in 20X2 and 20X3. The results are presented in *Table 4*.

Table 3. Value of operational costs 20X2 – 20X3 in commune X and Y

| Data: | Commune X | | | Commune Y | | |
|------------------------------------|----------------|----------------|----------------------|----------------|----------------|----------------------|
| | Year | | | Year | | |
| | 20X2 | 20X3 | 20X3 - X2 variations | 20X2 | 20X3 | 20X3 - X2 variations |
| | (value in PLN) | | | | | |
| Operating expenses | 140 918 478.83 | 134 328 530.64 | -6 589 948.19 | 101 306 656.71 | 106 555 937.71 | 5 249 281.00 |
| Amortisation and depreciation | 5 735 844.34 | 5 975 118.18 | 239 273.84 | 10 424 821.04 | 12 834 613.34 | 2 409 792.30 |
| Consumption of materials and goods | 12 092 245.35 | 13 049 142.08 | 956 896.73 | 7 564 683.84 | 8 156 830.40 | 592 146.56 |

| | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|-------------|
| External services | 42 059 458.47 | 31 807 754.73 | 10 251 703.74 | 15 794 167.19 | 16 325 692.57 | 531 525.38 |
| Taxes and charges | 610 358.59 | 645 034.49 | 34 675.90 | 797 181.00 | 669 015.16 | -128 165.84 |
| Payroll | 48 608 465.90 | 49 872 715.08 | 1 264 249.18 | 35 759 396.93 | 36 641 953.18 | 882 556.25 |
| Social security and other benefits | 10 940 191.20 | 12 040 116.07 | 1 099 924.87 | 9 139 272.67 | 9 698 253.25 | 558 980.58 |
| Other costs by type | 755 036.89 | 753 171.44 | -1 865.45 | 1 546 775.26 | 1 600 006.93 | 53 231.67 |
| Value of goods and materials sold | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other benefits financed from the budget | 20 116 878.09 | 20 185 478.57 | 68 600.48 | 20 198 019.89 | 20 547 095.70 | 349 075.81 |
| Other loads | 0.00 | 0.00 | 0.00 | 82 338.89 | 82 477.18 | 138.29 |

Source: Own elaboration based on aggregated profit and loss statement of commune X and Y

Table 4. The structure of operating costs in commune X and Y

| Data | Commune X | | Commune Y | |
|---|-------------|--------|-------------|--------|
| | Year | | Year | |
| | 20X2 | 20X3 | 20X2 | 20X3 |
| | structure % | | structure % | |
| Operating expenses: | 100.00 | 100.00 | 100.00 | 100.00 |
| Amortisation and depreciation | 4.07 | 4.45 | 10.29 | 12.04 |
| Consumption of materials and goods | 8.58 | 9.71 | 7.47 | 7.65 |
| External services | 29.85 | 23.68 | 15.59 | 15.32 |
| Taxes and charges | 0.43 | 0.48 | 0.79 | 0.63 |
| Payroll | 34.49 | 37.13 | 35.30 | 34.39 |
| Social security and other benefits | 7.76 | 8.96 | 9.02 | 9.10 |
| Other costs by type | 0.54 | 0.56 | 1.53 | 1.50 |
| Value of goods and materials sold | 0.00 | 0.00 | 0.00 | 0.00 |
| Other benefits financed from the budget | 14.28 | 15.03 | 19.94 | 19.28 |
| Other loads | 0.00 | 0.00 | 0.08 | 0.08 |

Source: Own elaboration based on data from *Table 3*

Taking into account commune X, remuneration costs had the largest share in the researched period, which is 34.49% in 20X2 and increased to 37.13% in 20X3. The second group included foreign services, that is 23.68% in 20X3 and in comparison to 20X2 their share decreased by 6.17%. The high level of shares could also be noted in the case of financial services from the budget; within the examined period it was equal to 14.28% and in 20X3 increased to 15.03%.

In the case of commune Y, the highest share of costs could be observed in terms of remuneration, that is 35% in that period. The second largest items are the costs of other financial services from the budget; their share remained on a similar level of almost 20% in the period. Foreign services thus took the third position in terms of size; their share both in 20X2 and 20X3 amounted to the similar level of over 15%. The costs of depreciation were also high in that period; in 20X3 it amounted to 12.04% of operational activities costs and in comparison to 20X2 increased by 1.75%.

The analysis shows that:

- remuneration both in commune X and Y constituted the biggest share of operational costs. This situation is normal in the case of units which provide services.
- taking into account the share of foreign services, in commune X it was higher in comparison to commune Y in the examined period of time, by 14.26% in 20X2 and in the subsequent year by 8.36%. It signifies that commune X took on more services provided by external entities than commune Y.
- A higher share of depreciation costs in commune Y, by 7.59% in comparison to commune X in 20X3, may signify investments in new components of fixed assets and intangible assets. Higher depreciation rates prove that the commune Y is developing rapidly.

Table 5. The comparison of operating costs structure in commune X and Y in 20X3

| Data | Commune X | | Commune Y | |
|---|-----------|---------|-----------|---------|
| | 20X3 year | ranking | 20X3 year | ranking |
| Operating expenses | 100.00 | | 100.00 | |
| Amortisation and depreciation | 4.45 | 4 | 12.04 | 6 |
| Consumption of materials and goods | 9.71 | 6 | 7.65 | 4 |
| External services | 23.68 | 8 | 15.32 | 7 |
| Taxes and charges | 0.48 | 2 | 0.63 | 2 |
| Payroll | 37.13 | 9 | 34.39 | 9 |
| Social security and other benefits | 8.96 | 5 | 9.10 | 5 |
| Other costs by type | 0.56 | 3 | 1.50 | 3 |
| Value of goods and materials sold | 0.00 | - | 0.00 | - |
| Other benefits financed from the budget | 15.03 | 7 | 19.28 | 8 |
| Other loads | 0.00 | 1 | 0.08 | 1 |

Source: Own elaboration

Table 5 presents the comparison of structures of operational costs in the said communes. The aim of the comparison was to determine which items of operational costs are of the lowest and which are of the highest share. The shares in the specific communes were numbered from 1 to 9, 1 signifying the lowest share and 9 the highest share. The examination excluded the position of the value of sold materials and goods as their share amounted to 0.00%.

Taking into account the compared communes, the following positions of operational costs had the same share:

- remuneration,
- social insurance and other provisions,
- taxes and fees,
- other costs by type.

It results that out of 9 positions of operational costs analysed in this comparison, 4 positions scored the same.

Conclusions

The analysis of costs by type carried out in this study provides relevant information on the cost structure and changes. It shall constitute the basis for evaluation of the incurred operational costs for each unit, including public finance institutions. Any changes to the cost structure shall be analysed from the point of view of their influence on the operations of the unit. The comparison of benchmarking costs with other units may give significant information as to whether the structure of costs in the examined unit is far different from other units. If such differences are revealed on the basis of a preliminary analysis, it is necessary to examine their causes in every detail. Thanks to this, costs will be under constant control – changes in their value and structures will constantly be monitored.

The issue of operational costs management in local governments presented in this study does not describe the subject in every detail. It is a sign that the information on operational costs, provided in the profit and loss account prepared in the comparative version, is of significant importance for cost management in local governments. Further research should analyse costs of operational activities of other units, and thus facilitate the development of a model cost structure. Such a model would be the basis for benchmarking comparisons.

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ZARZĄDZANIE KOSZTAMI W JEDNOSTKACH SAMORZĄDU TERYTORIALNEGO

Streszczenie: Zmiany w podejściu do zarządzania sektorem finansów publicznych spowodowane są implementacją doktryn *New Public Management* (NPM). Wdrożenie założeń NPM wymagało przeprowadzenia wielu reform w sektorze finansów publicznych, w tym w rachunkowości sektora finansów publicznych. Wprowadzone zmiany doprowadziły do rozbudowania sprawozdawczości finansowej, co wymagało – tak jak w przypadku rachunku zysków i strat – wdrożenia zmian w ewidencji kosztów działalności operacyjnej. Koszty odgrywają podstawową rolę w funkcjonowaniu każdej jednostki, to one są miernikiem jej gospodarności.

Celem niniejszego artykułu jest przedstawienie istoty zarządzania kosztami w jednostkach organizacyjnych samorządu terytorialnego. W opracowaniu zastosowano metodę badań literaturowych i metodę badania dokumentów. Podmiotem rozprawy są jednostki samorządu terytorialnego, a przedmiotem – koszty działalności operacyjnej. Artykuł składa się z trzech części. W pierwszej omówiono koszty układu rodzajowego i ich rolę w funkcjonowaniu jednostki. W drugiej części przedstawiono koszty układu funkcjonalnego oraz możliwości wykorzystania w zarządzaniu jednostką. W ostatniej części pokazano, na przykładzie, możliwości wykorzystania analizy wstępnej kosztów układu rodzajowego i benchmarkingu dla potrzeb zarządzania jednostką.

Słowa kluczowe: koszty układu rodzajowego, jednostki samorządu terytorialnego, zarządzanie kosztami, benchmarking