

TITLE OF REPORT: COST OF DEMOCRACY**REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT****1. SUMMARY**

- 1.1 The purpose of this report is to respond to the resolution of the Finance, Audit & Risk Committee regarding the costs allocated to 'Costs of Democracy' as outlined in 2.1 below.

2. BACKGROUND

- 2.1 At the Finance, Audit & Risk Committee meeting on 19th September 2011, it was resolved "That the Head of Finance, Performance and Asset Management be requested to present a report to the next meeting of this Committee on 8 December 2011 that would :

Examine in detail all identified costs allocated to 'Costs of Democracy' including:

- Comparisons with other local authorities,
- costs of committee meetings,
- Members allowances,
- costs of elections (NHDC),
- were savings achieved following changes four years ago?
- and could savings be made in Cost of Democracy?"

- 2.2 Initial investigations have established that not all of the above elements can be definitively assessed. It has, however, been established that the following aspects should be included to give a meaningful assessment:

- Costs of Committee meetings to also include accommodation (i.e. the rooms, the caretakers hours, lighting etc, alternative venues) and Officer time in preparing papers, attending briefings, attending Committee meetings.
- Chairman of the Council and Vice Chairman of the Council's functions and related costs (although ceasing the annual chairman's reception is a current savings proposal)

3. ISSUES

- 3.1 CIPFA have a definition for 'Democratic Representation and Management' which forms part of Corporate & Democratic Core. This definition is as follows:
- (a) All members allowances and expenses
 - (b) The costs associated with officer time spent on appropriate advice and support - this includes the preparation of specific reports for members (but not reports which are produced for management and then go on to Members)
 - (c) Subscriptions to local authority associations and provincial councils
- 3.2 Within NHDC, when calculating internal cost allocations, the following definition is applied which is consistent with point b) above.

Cost of Democracy includes officer attendance at meetings and preparation for those meetings. This includes the writing of reports and any work that was undertaken that would not have been needed otherwise for management reasons. In other words it is any work undertaken specifically for Members. That could be a special request by Members or it could be the time taken on preparing routine reports for Members (but not the background work). For example, the cost of processing a planning application, site visits and other work is a service cost because it is work to fulfil the statutory obligation. The preparation of the planning report for Members to seek Member approval is a cost of democracy.

Cost of democracy should include the functions of the monitoring officer and should also include any advice or support by officers to members

- 3.3 A CIPFA Value for Money review was carried out last year and showed us to be high cost against comparators. Table 1 below shows the findings of the Audit Commission VFM study.

Table 1: Percentage of net spend on cost of democracy

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 % est
NHDC	9.11	7.72	6.86	6.95	6.03	6.13	
Nearest neighbour average	7.58	7.16	6.81	6.4	5.55	Not yet available	Not yet available
Geographical neighbour average	8.15	8.61	5.47	6.82	5.84	Not yet available	Not yet available

(source: Audit Commission VFM study findings)

- 3.4 These figures also show that NHDC's cost of democracy is above average when compared to both the nearest neighbour group (by about 0.5% in past two years) and slightly above average compared to the geographical neighbour group (by about 0.15% in past two years). However, the figures in the table above also demonstrate an obvious downward trend in percentage spend in this area at NHDC over the past five years, especially when considered against a background of an overall reduction in budgets. This helps to illustrate that considerable progress on savings has been made.

- 3.5 Appendix A shows the financial Costs of Democracy, which are summarised in table 2 below. Officer time is calculated by applying the split of the time identified by each officer (based on a standard 37 hour week) to the total pay costs. This equated to 20,067 hours in total in 2010/11 and slight reduction to 19,894 hours in 2011/12. The largest single element of the “Chairman’s costs” in the table below relates to the salary cost of the part-time Chairman’s secretary. The most significant elements in the “Direct Costs” in table 2 are for printing and distribution

Table 2: Costs charged to “Cost of Democracy” code

	2011/12 (est) £	2010/11 actual £	2009/10 actual £	2008/09 actual £
Direct costs	104,040	99,036	106,533	97,717
Members Allowances	322,630	270,000	254,001	247,829
Officer time	937,970	1,047,564	1,056,391	1,181,042
Chairman’s costs	54,840	52,565	44,480	58,174
Total	1,419,480	1,469,165	1,461,405	1,584,763

- 3.5.1 So in summary, the annual costs charged to Cost of Democracy for NHDC are of the order of £1.5 million. This does not include attendance allowances payable to Officers at grade 12 or below (£22.99 per Committee), nor does it include the costs of “time off in lieu” (TOIL) that officers above this grade accrue. The costs and impacts of these fall directly to Service budgets. If the number of Committee meetings and report requirements could be reduced then the amount of officer time would also be reduced.
- 3.6 An exercise has been carried out to 'cost' officer time at an average rate for a committee meeting with a six report agenda from setting the agenda, through member briefings, report writing, clerking etc to the meeting, minutes etc and this amounts to around £3,600 as shown in Appendix B. This figure is indicative only and the actual cost will depend on the complexity of report and seniority of the staff involved.
- 3.7 The figures in Appendix B are an estimated average as some reports take considerably longer to prepare. Two examples of this are:
- The recent work by the Head of Finance, with regard to the September FAR Committee, to produce a report on Consultants costs, which was broadly costed at almost £2,400.
 - The total input by the Accountancy Manager to the September cycle of committees was broadly costed at nearly £1,800
- 3.8 A calculation of the staff costs for the teenagers scrutiny task and finish group is given below. This was the largest and most time consuming review held for some time. This covered the time for the scrutiny officers to organise, attend and write up the meeting, other officers to prepare briefing, attend meetings and undertake visits, Scrutiny Officer and Policy Officer to draft the final report and take it to the scrutiny committee.
- 3.8.1 The total cost of staff time for this scrutiny exercise was approximately £2,300 (119 hours), for which the majority of officer time related to the Scrutiny Officer and the Community Development Officer
- 3.8.2 In contrast, the new one day arrangements impose lower overall burdens on attending officers (although this did involve a higher proportion of time from more senior officers),

estimated at £1,400 (54 hours) to complete the process and this helps to illustrate the relative merits of the new process versus the old one.

- 3.9 The total expenditure on Members allowances in 2010/11 was £270,000 or an average of £5,510 per Member. This is shown in Appendix C, which also reveals that when compared with other Hertfordshire authorities, NHDC have the second lowest total spend on member allowances, the fourth highest number of members and the lowest average allowances spend per member. For 2011/12 the estimated expenditure for Members allowances is £322,630 (Appendix A), which reflects the uplift (and £325,230 for 2012/13). A new comparison to other Authorities is not available at present.
- 3.10 Other costs which need to be considered are those of accommodation (the rooms, the caretakers hours, lighting etc) of the DCO being open in the evening and, of equal importance, how much is paid to use alternative venues. In addition to the accommodation for formal meetings, councillors' surgeries require accommodation and represent another cost.
- 3.10.1 The direct costs of keeping the DCO open for an evening has previously been estimated as around £250 per evening including heating, lighting, caretaking costs. The costs of councillors' surgeries are regarded as minimal in terms of costs specifically attributable to cost of democracy. This is because, although some officer time (such as Community Development officers) is required to support these events this is largely regarded as achieving a requirement of their role in interacting with the public.
- 3.10.2 As shown in Appendix A, the hire charges for other venues have cost between £1,384 (in 2010/11) and £3,351 (in 2009/10) and the budget for the current year is £2,300. A short breakdown of venue costs for each Area Committee and Hitchin Town Talk is given in the table below.

Table 3: Area Committee/Hitchin Town Talk costs for 2010/11

Area Committee	Venue costs £	Advertising £	Microphone equipment £
Letchworth	0 (DCO)	0	
Southern Rural	0 (DCO)	0	
Royston	0 (RTH)	0	
Hitchin	325	0	1,100
Baldock	360	0	
Hitchin Town Talk	75	483	
Total	685	483	1,100

- 3.10.3 Appendix A also shows that advertising costs to inform the public of when and where events are being held have varied between £700 and £1,400 in recent years and a budget of £3,250 is earmarked for 2011/12. There are no advertising costs for Area Committees.
- 3.10.4 The majority of the budget provision is provided by Cost of Democracy. The exceptions are the refreshments for the Hitchin Town talk and the staff costs of the Community Development Officer for area committees and town talk, which are both funded from the Community Development budget. No costs are charged to the Area Committee grants budget, except for grants paid to voluntary groups which are approved at each Area Committee.

3.10.5 Another area identified in 3.1 (c) was the cost of subscriptions to local authority associations. The main corporate subscriptions paid by NHDC are for membership of the Local Government Association and the East of England Local Government Association. Combined these cost £20,000 annually. The LGA is a lobbying organisation acting on behalf of the local government sector. The benefits of membership include regular briefing notes, representation in consultations with Government, access to online forums and discussion groups and also advice on specific topics, such as improvement and efficiency measures. Both of these subscriptions are paid from corporate budgets, not Cost of Democracy.

4. POTENTIAL AREAS FOR EFFICIENCIES

The following options have previously been put forward as potential efficiencies:

4.1 Ceasing the Annual Chairman's reception

The reception carries an administrative responsibility similar to that of a "society wedding". Hertfordshire County Council now hold a Civic Reception only once in two years, although it should be noted that the Chairman also serves a two-year term.

The potential impact of this measure is that there could be an effect on how the civic role of the council is perceived. The saving is the venue and catering costs for the event and represents the budget allowed in the estimates rather than the actual spend.

Total potential saving £6,500

4.2 Secretariat for Council & Committee meetings.

The size of the Committee Services team is directly proportionate to the number of council and committee meetings that have to be supported. Presently, approximately 3 to 3.5 staff are engaged in servicing council and committee meetings. This resource is broadly proportionate to the number of decisions. Thus a significant (e.g.50%) reduction in the number of Member decisions would equate to less (or shorter) meetings and a significant reduction in staff. A greater use of delegations to Chief Officers and/or Portfolio Holders would assist in achieving this change in approach if approved. The Council would need to decide which debates/decisions could cease or be delegated to allow the number of committees to be reduced.

Total potential savings (estimate) £5,000 to £30,000 (at the 50% reduction level), although this figure does not include any estimate for any changes to the format of Area committees.

A change to the role of Area Committees from that of decision making bodies to an area forum would remove the requirement for a clerk to attend, as Officer support could be provided by Community Development.

However, Officers would not recommend a significant reduction in secretarial support as the team is already of minimal size, is critical to the successful delivery of elections and there is potential for negative reputational issues.

4.3 Charging external bodies for Committee agendas

Challenge Board requested that options for charging for papers that are despatched to third parties are explored. At the moment Committee Services will send out copies of Committee papers to various groups and organisations free of charge

Total potential saving (est) £2,000 - £3,000

4.4 Courier Service for Members

This option would be to reduce the Courier service to once per week and is currently under consideration as a savings measure for 2012/13 following discussions at the budget workshops. Committee agendas are the largest, the most regular and the most time sensitive items although they are also accessible on the web. Taking those as the key dispatch item the best day would be Friday. Follow on reports, not dispatched with the agenda, would have to be accessed by Members via the web to guarantee sight before a meeting or alternatively be posted. It should be noted that many agendas, not destined for decision makers, are also sent out in this manner for information. For example, hard copy of each Cabinet agenda is despatched to approx. 30 Members.

(alternatively, and not proposed before, a “two-tier” system could be considered, so that Cabinet members and Group Leaders would continue to receive twice-weekly dispatches, whereas all other Members receive one dispatch per week).

Total potential saving (est) £4,000 to £6,000

4.5 Personal development & training for Members

This budget was reduced in 2009/10 from £19,330 to £14,330.

Over the past five financial years this budget has spent, on average £10,900 which would suggest a further immediate saving of £3,000 could be made with no direct impact on the current level of activity.

Allocation of this budget is by recommendation from Group Leaders. Each group is allocated an amount in proportion to the number of Members in each group. Were Members minded to achieve a 50% reduction, some attendance at professional conferences would need to be curtailed. As yet, no further detail of a reduction of this magnitude has been modelled.

Total potential saving £3,000

4.6 Drinks after Council Meetings

The provision of these has an estimated annual cost of £300

4.7 Secretarial services for the Chairman & Vice Chairman

a) Reducing the staff support whilst maintaining the function (half a post)

This duty currently undertakes a range of activities such as dealing with correspondence, arranging ad hoc events, liaising with other members/officers, maintaining the civic diary, ensuring protocols are met.

Without secretarial support, it would be necessary for the Chairman to carry out the functions personally. On average, recent Chairmen have attended 2.5 events per week and in excess of 200 invitations are received each year.

Total potential saving (est) £12,000

b) Reducing the secretarial function incrementally, leading to reductions in the following:

Chauffeuring £2,000; Civic reception £6,500 (already included above); catering/expenses/maintenance/gifts/print/Christmas cards etc. £5,500

Total potential saving (estimated) £1,000 to 7,500

c) Discontinuing the service

The role of the chairman would be confined to chairing the current six, scheduled council meetings. This would save £7,500 (not including the civic reception, which is covered in 4.1) plus a half post (£12,000).

These options covered under 4.7 are summarised in table 4 below:

Table 4: Secretarial Services for the Chairman & Vice Chairman

Saving option	Saving measure	Maximum Saving estimate £
Reducing the staff support whilst maintaining the function	Reduce team by half a post	12,000
Reducing the secretarial function	chauffeuring	2,000
	Misc costs	5,500
Discontinuing the secretarial function (i.e. the total of the above)		19,500

4.8 Four yearly Elections

4.8.1 Following a consultation exercise, the Electoral Commission had recommended that each local authority in England should hold whole Council elections with all Councillors elected simultaneously, once every four years. (Report on the Cycle of Local Government Elections in England – published January 2004).

4.8.2 This option was therefore considered by Council in September 2006 and ultimately the decision was taken to stay with the current approach. At that time the following points were noted:

- There is no right or wrong method of holding elections
- Research had shown that bigger ballot papers did not result in a higher percentage of mistakes
- 70% of shires and some neighbouring authorities hold four yearly elections
- Election fatigue was a real issue for voters

4.8.3 Taken from a report produced at that time, the total NHDC budget provision in the event of an all out election in May 2007 was £108,000. It was estimated that the average price of an election for a third of the Council at 2007 prices would have been around £65,000. Using these figures, the potential saving over a 4 year period of running one set of all out elections, compared to 3 elections of thirds is £87,000 (3 x £65,000 - £108,000). This is equivalent to approximately £22,000 per year over four

years. However, In addition, there would potentially be other costs, such as a higher number of by-elections. By-elections also have variable costs but £1,000 - £1,500 is a broad estimate.

4.8.4 Given this additional variable, a saving of £17,000 to £22,000 per year is estimated. This all relates to purchases of goods and services and not to any staffing costs.

4.9 A summary of the estimated savings outlined in section 4.8 is given in table 5:

Table 5: Summary of Potential Areas for Efficiencies

Efficiency	Minimum annual Saving est £	Maximum annual saving est £
Ceasing annual chairman's reception	6,500	6,500
Secretariat for Council and committee meetings	5,000	30,000
Charging external bodies for committee agendas	2,000	3,000
Courier Service for Members	4,000	6,000
Personal development and training for Members	3,000	3,000
Drinks after Council meetings	300	300
Secretarial services for the Chairman and vice Chairman	1,000	19,500
Four yearly elections	17,000	22,000
Total	38,800	90,300

4.10 Areas for Inclusion in Subsequent Report

4.10.1 It is proposed to give further consideration to the following areas in the follow-up report:

- Further clarity on Area Committee budgets
- updated officer recharge information

5. LEGAL IMPLICATIONS

5.1 The cost of democracy include the functions of the Monitoring Officer. The Council is required by Section 5 of the Local Government and Housing Act 1989 to designate one of their officers as the "Monitoring Officer." It is important to note that appointing an officer to this post is a duty rather than a power.

5.2 A Council's Monitoring Officer has a broad role in ensuring the lawfulness and fairness of Council decision-making, ensuring compliance with Codes and Protocols, promoting good governance and high ethical standards within the authority.

5.3 Estimated savings may have employment issues and this is referred to in 7.1.

6. FINANCIAL AND RISK IMPLICATIONS

- 6.1 The Council incurs significant costs in the course of its operation and the costs of Democracy represent a key component of these in supporting a democratically elected body of Councillors. As table 3 shows, there is some potential to make savings if a number of the measures identified were applied. There may also be other options that Members and Officers could propose. Key savings may be more likely to arise from reducing the frequency of Committee meetings and report requirements as this is what drives a significant proportion of the officer recharge costs.
- 6.2 There are opportunities and risks associated with each of the efficiency proposals above. Some examples of these are listed below and these would need to be considered in more detail before approving any of the potential areas for efficiency:
- **Reducing the Secretariat for Council & Committee meetings** – This function provides key support for Member meetings and also plays a crucial role in the preparation for and successful delivery of elections.
 - **Reducing the courier service to one collection a week** – This supports the current Green issues priority as well as making a financial saving. The risk of Members not receiving “to follow” reports on time is managed by the ability to view these via the Council’s website and additionally, where requested by Members hard copies could be posted out using the normal postal service (although this would negate some of the potential savings).
 - **Four yearly elections** – There is an opportunity that by having elections every 4 years as opposed to every year that there would be more time to implement the policy manifesto of the party with the overall majority.
 - **Personal development and training for Members** – The Council remains committed to developing both Members and Officers. There is a risk in reducing the budget that Members would not be able to access training and this would have a detrimental impact on Members meeting the demands of the role.

7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS

- 7.1 Consultation with staff and Trade Unions would need to be undertaken should any options that impact on staff be considered for progression. This would be in line with the Council’s Policies on Staff and Trade Union Consultation.
- 7.2 Equalities Impact Assessments may also be necessary if this was the case.

8. RECOMMENDATIONS

- 8.1 That the Committee notes the contents of this report, which is provided as requested by this Committee on 19th September 2011.
- 8.2 That the Committee considers the potential areas for efficiencies (section 4), with due regard to Table 3.

- 8.3 That the Committee confirms whether a further report is required for the January 2012 Committee.

9. APPENDICES

- 9.1 Appendix A – financial costs of democracy
- 9.2 Appendix B – Example of Officer time contribution to a Committee
- 9.3 Appendix C - Member Allowances 2010/11 for all Hertfordshire Districts/Boroughs

10. CONTACT OFFICERS

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11. BACKGROUND PAPERS

Budget papers and financial reports from the Accounting system

Savings/Efficiencies proposals

CIPFA VFM Review 2010, Corporate and Democratic Core costs

Audit Commission value for money toolkit