

**TITLE OF REPORT: COST OF DEMOCRACY**

**REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT**

**1. SUMMARY**

- 1.1 This report follows on from the report presented to the Finance, Audit & Risk Committee on 8<sup>th</sup> December 2011.

**2. BACKGROUND**

- 2.1 At the Finance, Audit & Risk Committee meeting on 8th December 2011, it was resolved:

“That the Head of Finance be requested to make the appropriate enquiries to ascertain if our nearest neighbours and geographical neighbours were members of the CIPFA Democratic Services benchmarking ‘club’ and if they were to make arrangements to purchase from CIPFA the Democratic Services benchmarking club data, which would allow a more in – depth comparative analysis of relative costs and services.

That the Head of Finance be requested to present a further report on the Costs of Democracy using the CIPFA report and a more detailed analysis of the direct costs and officer time allocated to Costs of Democracy at the next meeting of the Finance, Audit and Risk Committee to be held on 1 March 2012”.

**3. ISSUES**

- 3.1 Within NHDC, when calculating internal cost allocations, the following definition is applied.

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.

**Table 1: 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
<b>Total</b>	<b>1,419,480</b>	<b>1,469,165</b>	<b>1,461,405</b>	<b>1,584,763</b>

- 3.2 So in summary, the annual costs charged to Cost of Democracy for NHDC are of the order of £1.5 million. For this report, FAR Committee have requested a more detailed analysis of the direct costs and officer time allocated to Costs of Democracy.
- 3.3 On an annual basis all managers are required to provide a breakdown of their time across the range of Council activities, based on a self assessment of their overall workloads. It is noticeable that the officer time recharge is reducing and there will, of course, be a link to the fact that there has been a significant reduction in staffing numbers in recent years, down from 385.99 ftes in 2008/09 to a projected 331.8 ftes for 2012/13 coupled with a change to Committee structures and greater use of delegated decisions. Appendix A summarises the information received from officers and is based on a standard 37 hour week, even though many officers work more than this to discharge their varied responsibilities. As can be seen, there is considerable variation in the percentages applied and also variations for individual officers between years in some instances which will reflect the particular work being done.
- 3.4 The highest percentage allocations arise in Committee Services (45-100%), which is to be expected considering the nature of their roles. (In fact, this service area accounts for 30% of the total officer time attributed to Costs of Democracy). This is followed by Community Development (35-50%) and Customer Services (33%). Each year around sixty officers charge some proportion of their time to this area, equating to over 3,000 days.
- 3.5 The staff recharge figure itself (shown as Officer time) comprises a proportion of the non-pay budget for the officer’s section, not just their salary and allowances. For example this includes additions for office space, IT provision, building running costs etc using the same percentage as for the pay allocation shown in Appendix A. So for 2010/11 this amounted to £1,047,564.
- 3.6 In terms of the costs charged directly to Cost of Democracy, these are shown in Appendix B and it can be seen that the most significant costs are printing (approximately £50k), postage (the Member courier service, £13k) and Member car allowances (approximately £11k).
- 3.7 The largest single element of the “Chairman’s costs” in table 1 above relates to the salary cost of the part-time Chairman’s secretary, a role largely carried out as part of

the role of one of the Democratic Services team and supported by colleagues as necessary. Appendix C shows that this was £21,400 in 2010/11 (Question 2).

- 3.8 The CIPFA Benchmarking Club for Democratic Services had only two of our “nearest neighbours” and two Hertfordshire Districts participating for 2010/11 data. Any comparisons would therefore be difficult to achieve and would be out of date. If we joined the Club for 2011/12, the information from the Club would not be available until September 2012. It should also be noted that the benchmarking questions used by the Club do not include the time charged by Officers to the cost of democracy, which the Committee was particularly keen to benchmark. Following agreement with the Chairman of the Committee, Officers prepared a questionnaire for distribution directly to these authorities. The questionnaire we have completed for NHDC is attached as Appendix C for information. Only one partial response has been received (from Dacorum Borough Council) in respect of section 4 (officer time apportionment to cost of democracy) and is given in the table below.

**Table 2: Cost of Democracy – comparison to another local authority**

Local Authority description – recharge to:	NHDC 2010/11 £ (note 2)	Dacorum BC 2010/11 £ (note 2)
Cost of democracy (note 1)	898,993	
Democratic representation & management		1,031,260
Staff fte	7.08	8.45

Note1 – the figures in table 2 do not include Democratic/Member Services.

Note2 – This recharge includes the salary costs of the individuals who allocate time to cost of democracy and also all other costs for those teams, including other recharges.

- 3.9 Appendix C gives the full NHDC response to the Questionnaire. Some of the key points from this are:
- In 2010/11 a total of 98 Committee meetings were facilitated, of which 81 were held in the evening.
  - In excess of 330,000 agenda pages were printed at a cost of over £53,000, which equates to nearly 3,400 pages per Committee or £540 per Committee or £0.16 per page
  - On the face of it, this seems a surprising number of pages, however it includes copies of agendas and reports which have to be available to the public at meetings and the fact that some committees, e.g. full Council require a large number of sets of papers; draft agenda items are also included in this figure, as are “green” papers.

#### **4. LEGAL IMPLICATIONS**

- 4.1 The cost of democracy includes 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.
- 4.2 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. FINANCIAL AND RISK IMPLICATIONS**

- 5.1 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. Key savings may be more likely to arise from reducing the number of decisions to be made at Committee meetings, thus reducing the number of reports required as this is what drives a significant proportion of the officer recharge costs. This could be achieved through greater use of delegations to officers.

#### **6. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS**

- 6.1 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.
- 6.2 Equalities Impact Assessments may also be necessary if this was the case.

#### **7. EQUALITIES IMPLICATIONS**

- 7.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 7.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 7.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 7.3 If there are any options that impact on staff then Equalities Impact Assessments would be undertaken.

## **8. RECOMMENDATIONS**

- 81 That the Committee notes the contents of this report, which is provided as requested by this Committee on 8<sup>th</sup> December 2011 and considers any recommendations it may wish to make to Cabinet.

## **9. APPENDICES**

- 9.1 Appendix A – Percentage of Officer time recharged to Cost of Democracy
- 9.2 Appendix B – Direct Costs
- 9.3 Appendix C – Questionnaire results

## **10. CONTACT OFFICERS**

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## **11. BACKGROUND PAPERS**

Cost of Democracy Report to Finance, Audit & Risk Committee on 13<sup>th</sup> December 2011

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

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