

POLITICAL PARTIES, ELECTIONS AND REFERENDUMS ACT 2000



THE SPEAKER'S COMMITTEE ON THE ELECTORAL COMMISSION

SECOND REPORT 2013

TITLE

This document is the property of the National Audit Office. The document has been prepared as the basis for an official Report to be presented to Parliament in due course. It is supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the provisional conclusions reached. It contains information which has been obtained by the National Audit Office under statutory powers solely to discharge statutory functions.

Neither the document nor any of its contents should be disclosed to any other person unless such disclosure is authorised by the National Audit Office. The document must be safeguarded at all times to prevent publication or other improper use of its contents. Unauthorised disclosure may result in legal proceedings.

POLITICAL PARTIES, ELECTIONS AND
REFERENDUMS ACT 2000



**THE SPEAKER'S COMMITTEE
ON THE ELECTORAL
COMMISSION**

SECOND REPORT 2013

Title

*Presented to the House of Commons in pursuance of
paragraph 1(1) of Schedule 2 of the Political Parties,
Elections and Referendums Act 2000*

*Ordered by The House of Commons
to be printed 14 July 2013*

HC XXX
Published on XXXXX
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Speaker's Committee

The Speaker's Committee is appointed in accordance with the provisions of section 2 of the Political Parties, Elections and Referendums Act 2000 to perform the functions conferred on it by that Act.

Current membership

Rt Hon John Bercow MP, *Speaker of the House of Commons* (Chairman)
Rt Hon Nick Clegg MP, *Lord President of the Council*
Mr Graham Allen MP, *Chairman of the Political and Constitutional Reform Committee*
Mark Prisk MP, *Minister of State for Housing and Local Government*
Rt Hon Sir Gerald Kaufman MP
Mrs Eleanor Laing MP
Naomi Long MP
Bridget Phillipson MP
Mr Gary Streeter MP

Previous Reports

First Report 2009 was published in April 2009 as HC 385 of Session 2008–09
Second Report 2009 was published in December 2009 as HC 137 of Session 2009–10
Third Report 2009 was published in January 2010 as HC 205 of Session 2009–10
First Report 2010 was published in July 2010 as HC 320 of Session 2010–11
Second Report 2010 was published in January 2011 as HC 724 of Session 2010–11
First Report 2011 was published in March 2011 as HC 916 of Session 2010–11
Second Report 2011 was published in September 2011 as HC 1478 of Session 2010–12
Third Report 2011 was published in October 2011 as HC 1509 of Session 2010–12
Fourth Report 2011 was published in December 2011 as HC 1701 of Session 2010–12
First Report 2012 was published in March 2012 as HC 1897 of Session 2010–12
Second Report 2012 was published in March 2012 as HC 1898 of Session 2010–12
Third Report 2012 was published in June 2012 as HC 201 of Session 2012–13
First Report 2013 was published in January 2013 as HC 937 of Session 2012–13

Contacts

The Secretary of the Speaker's Committee is Elizabeth Hunt. Correspondence should be addressed to:

The Secretary of the Speaker's Committee
Journal Office
House of Commons
London SW1A 0AA

Email: speakerscommittee@parliament.uk
Telephone inquiries: 020 7219 3351
Fax: 020 7219 2269

Contents

Report	<i>Page</i>
1 Introduction	3
Heading 2	3
<i>Heading 3</i>	<i>3</i>
Appendix 1	4

Speaker's Committee Second Report 2013

1 Introduction

1. Type text here.

Heading 2

Heading 3

Appendix 1: The Local Government Boundary Commission for England: the costing system

Introduction

1. The Local Government Boundary Commission for England (the Commission) was established on 1 April 2010. The main work of the Commission centres upon completing electoral reviews to ensure that the internal ward boundaries of English local authorities provide for “electoral equality, effective and convenient local government, and reflect community identities and interests”. The Commission also undertakes principal area boundary reviews, which look at authorities’ boundaries with one another.
2. The NAO is required by statute to report annually to the Speakers Committee on an aspect of the value for money achieved by the Commission. Given the Commission’s small size and the risks of disproportionate inspection, we have agreed with the Committee that we will meet the statutory requirement with shorter reports in some years and longer reports in others. The 2012-13 report is a short report focused on the Commission’s costing systems.
3. Understanding costs is critical to enable the Commission to use its resources optimally. The Commission took the initiative from its establishment to develop systems to understand its costs better and has made substantial progress with them. Our first two reports¹ noted this progress. Further work will help the Commission to find the best ways to do more with less and face the challenges ahead.
4. This report is based on a review of the Commission’s costing data and reports, interviews with key staff and commissioners, and attendance at a Commission budget performance meeting. It focuses on two key questions.
 - Is the Commission’s costing system useful?
 - Is the Commission’s costing system reliable?

The costing system is proving useful

5. **The costing system has helped the Commission monitor the costs of reviews more closely.** Monitoring takes place mainly in review managers’ monthly budget performance meetings. These meetings focus on cash spending, providing an effective check. They also consider staff time, currently in less detail.
6. **This increased attention has led to a better understanding of costs throughout the Commission.** Staff and commissioners report greater awareness of the importance of controlling costs. There have been focused discussions, involving commissioners and staff, on how to do more with less. The Commission used its costing system in 2012-13 to calculate the unit cost of reviews it initiated, no longer distorted by the costs of larger inherited reviews. It has

¹ Speaker’s Committee Second Report 2012, HC1898, Appendix 2: The Local Government Boundary Commission for England: progress against the 2011-12 to 2015-16 corporate plan; pp. 22-35; and Speaker’s Committee First Report 2011, HC 916, Appendix 2 The Local Government Boundary Commission for England: 2011-12 to 2015-16 corporate plan; pp. 37-61

developed comparator costs for different types of review and used them to identify and investigate outliers. Quarterly finance reports to Commission meetings have become increasingly sophisticated, particularly since July 2012, in analysing review costs by type and stage.

7. Increased cost awareness is helping the Commission make its processes more efficient. The Commission used its costing information in 2012-13 to reconsider the relative value and cost of its different processes. It is revising the reports required at different review stages, has changed its mapping requirements, and has developed a consultation portal on its website. The costing system has had less benefit so far in re-designing corporate activity because the Commission's data are less detailed. Efficiency work is continuing, with staff and commissioners discussing short-term and long-term savings. Commissioners and staff consider that the costing system will help them face the challenges ahead in identifying new areas for savings.

8. Better understanding has helped the Commission to spend below budget by identifying key areas of cost and causes of additional cost. The Commission is developing an emerging record of spending less than budget. In the first six months of 2012-13, the Commission has saved £73,000 on its budget of £2.6 million, building on previous under-spending in 2011-12. It has achieved this in mapping costs and commissioner fees, as well as in spending on recruitment and training. The Commission considers that the savings relate partly to more accurate budgeting as a result of growing understanding and partly to other effects such as staff vacancies. Beyond this, the Commission faces a challenging future, where it is required to make further savings of £190,000 from its budget by 2015-16.

9. The Commission has an increasing understanding of the risks and sources of cost in its relationships with local authorities. It has identified the impact of review slippage and the risks posed by difficult relationships with local authorities. The costing information has helped inform how the Commission manages its clients and allowed it to identify the cost implications of different council capabilities and levels of cooperation. It is trying, through its own actions, to provide incentives for local authorities to behave in ways that are cost-effective for the Commission. For instance, actions include undertaking initial briefings for local authority council leaders, holding workshops with council officers and establishing memoranda of understanding with authorities.

10. The Commission is not yet setting detailed budgets for individual reviews but is beginning to have sufficient information to consider doing this. Setting shadow budgets, and monitoring against them, would further embed a cost-aware culture, including for staff costs, and continue to build understanding of review costs.

The Commission is filling gaps in the costing system

11. The Commission has developed a good understanding of costs in the areas that have been its initial focus. These are the costs most directly associated with reviews, comprising review staff time recorded against specific reviews and non-staff costs like mapping and travel and subsistence. Staff members record their time in half-hour intervals and update their records at least weekly.

12. The costing system has greatly improved the Commission's understanding of staff time, but this understanding remains incomplete. (Figure 1)

- **Staff members who are not on review teams were only exceptionally recording their time.** This limits the opportunity to use the costing system to reinforce a culture of cost-consciousness across the whole of the Commission.
- **Review team members are not required to record all their time.** This means there is no control to prevent under-recording on reviews. Review staff recorded 60 per cent of their time on average for the first half of 2012-13. This is a slight increase on 45 per cent in 2011-12 and 43 per cent in 2010-11.
- **Review team members record a large amount of time to indirect codes not linked to specific reviews or other outputs.** The proportion of the time recorded by review staff time that was recorded against indirect codes was 31 per cent for the first half of 2012-13. While an improvement on 44 per cent recorded in August 2011, this suggests the Commission may not be capturing all time spent on its value-adding activities.

Figure 1

Variations in proportion of staff time booked to the time recording system

<i>Proportion of time booked (April - September 2012)</i>						
Month	April	May	June	July	August	September
Average hours booked by review staff	55%	56%	62%	66%	55%	66%
Proportion of review staff recording less than 50% of their time	32%	42%	26%	21%	16%	18%
Proportion of review staff recording more than 70% of their time	32%	42%	32%	42%	32%	47%
Proportion of total hours booked that are recorded against indirect codes	39%	34%	28%	38%	33%	15%

Source: Local Government Boundary Commission for England

13. These areas of incompleteness mean the Commission has to allocate costs that are not directly booked to reviews, reducing overall accuracy and understanding. These allocated costs are substantial, amounting to 60 per cent of all costs.

14. The basis for estimating unassigned costs limits the Commission's understanding. The Commission allocates time not booked by review staff time in proportion to their direct bookings. However, it uses a flat rate for corporate costs, which account for 35 per cent of all costs. This approach fails to recognise that reviews that take more staff time are likely to absorb more of the Commission's other costs.

15. The Commission is now broadening its understanding of how it uses staff and commissioner time. This is vital because staff and commissioners comprise the main part of the Commission's costs. Staff salaries and commissioners' fees are 53 per cent of all costs, with at least a further 28 per cent directly linked to staff numbers in areas such as rent, recruitment and training. Since we started our work, the Commission has extended its staff time recording

by adding codes for further activities. This will help the Commission to address some of the remaining gaps noted above. It will also help staff be conscious of the cost of all their time and will provide incentive to behave in cost-effective ways.

16. We noted other more detailed points about the costing system.

- **The system records time at sufficiently detailed intervals.** Staff members record their time in half-hour intervals and update their records at least weekly, which is proportionate to their variety of activity.
- **The system requires significant manual input by the business and finance teams.** This brings increased cost and risk of error.
- **Management accounts may contain more information than is useful.** The Commission agrees and is reviewing its integrated project management and financial management information needs.
- **There is a new Finance Director to take the work forward.** The former Finance Director, who developed the costing system, retired in 2012. The appointment of a replacement means there should be no loss of momentum.

Conclusion and Recommendations

Conclusion

17. The Commission has continued to make good progress in 2012-13 in understanding its costs. The costing system is useful and is changing how the Commission does business. It is supporting process improvements to embed cost effective practices amongst staff and clients, and it is informing decisions. The Commission is sensibly building the reliability of its understanding of staff time costs. It needs to extend its work in this area to ensure costing information is complete and to improve its understanding of corporate activities.

Recommendations

18. The Commission should enhance its controls on cost data to ensure accuracy and completeness of information used in decision making. The key elements are to:

- a. require all staff book all their time;
- b. provide direct codes for all work leading to identifiable outputs; and
- c. assess the reasonableness of the level of time booked to indirect codes.

19. The Commission should review its management information to reduce the cost of producing it. The aim should be to identify and remove less useful parts.

20. The Commission should consider setting shadow budgets for individual reviews during 2013-14. Budgets would include the full cost of staff time, with overheads and indirect costs absorbed in proportion to staff time.