

# POLITICAL PARTIES, ELECTIONS AND REFERENDUMS ACT 2000



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## THE SPEAKER'S COMMITTEE

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### SECOND REPORT 2012

Reports by the Comptroller and Auditor General



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**Reports by the Comptroller and Auditor General**

*Presented to the House of Commons in accordance with  
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Elections and Referendums Act 2000*

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## 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* (Chair)  
Rt Hon Nick Clegg MP, *Lord President of the Council*  
Mr Graham Allen MP, *Chair of the Political and Constitutional Reform Committee*  
Rt Hon Grant Shapps MP, *Minister of State for Housing and Local Government*  
Rt Hon Sir Gerald Kaufman MP  
Mr Sam Gyimah MP  
Naomi Long MP  
Bridget Phillipson MP  
Mr Gary Streeter MP

### Previous Reports

First Report 2008 was published in July 2008 as House of Commons Paper No. 961 of Session 2007–08

Second Report 2008 was published in December 2008 as House of Commons Paper No. 109 of Session 2008–09

First Report 2009 was published in April 2009 as House of Commons Paper No. 385 of Session 2008–09

Second Report 2009 was published in December 2009 as House of Commons Paper No. 137 of Session 2009–10

Third Report 2009 was published in January 2010 as House of Commons Paper No. 205 of Session 2009–10

First Report 2010 was published in July 2010 as House of Commons Paper No. 320 of Session 2010–11

Second Report 2010 was published in January 2011 as House of Commons Paper No. 724 of Session 2010–11

First Report 2011 was published in March 2011 as House of Commons Paper No. 916 of Session 2010–11

Second Report 2011 was published in September 2011 as House of Commons Paper No. 1478 of Session 2010–12

Third Report 2011 was published in October 2011 as House of Commons Paper No. 1509 of Session 2010–12

Fourth Report 2011 was published in December 2011 as House of Commons Paper No. 1701 of Session 2010–12

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## Speaker's Committee Second Report 2012

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1. We have received under statute<sup>1</sup> the reports of the Comptroller and Auditor General on his examinations into the economy, efficiency and effectiveness with which the Electoral Commission and the Local Government Boundary Commission for England have used their resources. The Committee has a statutory obligation<sup>2</sup> to have regard to the most recent such reports when considering the proposed Estimates and Corporate Plans of the two organisations. The reports, which we considered during our meeting on 7 March 2012 in the context of our examination of the draft Estimates for 2012/13 and draft Corporate Plans for 2012/13 to 2016/17, are reproduced in the Appendices.

2. The report on the Electoral Commission reviews the Commission's cost reduction work. The report on the Local Government Boundary Commission for England examines the organisation's progress against the 2011/12 to 2015/16 corporate plan. We are grateful to the Comptroller and Auditor General and his staff for producing these reports. We welcome the recognition given to key achievements of both organisations. We have noted those areas in which the Comptroller and Auditor General recommends further action, and will keep the recommendations under review.

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<sup>1</sup> Paragraph 16(1) of Schedule 1 of the Political Parties, Elections and Referendums Act 2000 (PPERA) and paragraph 13(1) of Schedule 1 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA)

<sup>2</sup> Paragraph 15(3) and (5) of Schedule 1 of the PERA and paragraph 12(3)(a) of Schedule 1 of the LDEDCA.

# Appendix 1: A Review of the Electoral Commission's Cost Reduction Work

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## Summary

1. Like most public bodies, the Electoral Commission (the Commission) is committed to reducing its costs over the next few years. In its 2011–12 Corporate Plan it stated that its core costs would reduce by 30 per cent in real terms by 2014–15. It is also planning on being substantially more efficient in event-related spending, which varies depending on the number of elections and other events in any given year.

2. This year, our annual value for money report examines the Commission's efforts at cost reduction, recognising that it is one of the most important challenges the body faces. For core spending alone, the 30 per cent reduction being targeted is equivalent to cumulative savings of £18.6 million over five years. These savings are from a budget which, in 2010–11, was just £14 million. This is comparable with reductions being made in many parts of government over the four years of the spending review. The Commission has acknowledged since the start that, to succeed, it will have to make changes to many areas of its business.

3. We have already undertaken similar studies on a number of government departments, including the Department for Work and Pensions and HM Revenue & Customs. We applied the same methodology, but adapted it significantly to reflect the Commission's smaller size and its relatively restricted set of statutory requirements.

4. We carried out our fieldwork during November and December 2011. This included interviewing Commission staff, financial analyses of Commission data and reviewing core documents. Our report is divided into four parts:

- The scale of the challenge the Commission is facing (Part One)
- How the Commission is planning its cost reductions (Part Two)
- Case studies of cost reductions already under way (Part Three)
- Risks and opportunities for the future (Part Four)

## Key Findings

5. **In 2010–11, the Commission quickly recognised that it had to reduce costs and brought forward plans, before being asked to, that compared well with those being implemented by government departments.** The Commission's core budget is to fall by 30 per cent in real terms by 2014–15 and, on a like-for-like basis, its event-related spending will be 24 per cent less in the current five-year period than the last.

6. **The Commission has identified how it will make approximately 98 per cent of the £18.6 million of cost reductions it needs to, by 2014–15.** Many of these savings come from pragmatic changes that the Commission is making to its structure, workload and



working environment. It has sensibly set aside contingency funding for each of the financial years up to 2013–14. The Commission is aiming to make more savings than it needs to, in these years, to increase the chance of meeting its overall target. It has recently decided to earmark a small amount of contingency funding for 2014–15 as well.

**7. The Commission has done a good job in making cost reductions to date.** It met its target to save £2.7 million in 2010–11 and is on track to save £3.4 million in 2011–12. There is evidence that senior management takes a close personal interest in ensuring savings are delivered, and the major relocation of its London office was handled well.

**8. The Commission decided, in 2009–10, to separate core costs from event-related costs, which has been good for transparency. This enabled the Speaker's Committee and others to hold the Commission to account more robustly for the money it spends.** It is essential that the Commission sticks to its 2010–11 definitions of core and event-related costs, at least until the end of 2014–15, so cost reductions can be effectively monitored against baselines.

**9. The Commission recently began work to identify the remaining savings it has to make; it is rightly taking a strategic approach and looking for ways to transform its business.** Around £500,000 of savings remain to be found for 2014–15, and given the large percentage of the Commission's costs that are pay-related, this is likely to involve further reductions in posts. The Commission would find it easier to secure these savings in a value for money way if it had more information about how staff spend their time and better information about key outputs, including the extent to which key stakeholders value the work it does. The Commission and the Speaker's Committee must decide, on a case-by-case basis, whether to adopt further cost reduction measures that the Treasury imposes on government departments. This includes the two-year 1 per cent pay cap announced in November 2011.

**10. On event-related spending, there is evidence that the Commission has been managing to live within its reduced budgets. However, it needs to do more work to understand how far this is because of increased cost-effectiveness, rather than just doing less work.**

### ***Conclusion on value for money***

**11.** To date, we assess the Commission has delivered good value for money in its structured cost reduction work. It was proactive in approaching the Speaker's Committee with targets for cost reduction, which, if delivered, will provide a substantial, real-terms saving to the taxpayer. It has been rigorous in its planning and implementing of cost reduction projects to date. The Commission has already identified the majority of savings to be made, but it is right to be concerned to identify the remainder as soon as possible. The greater the extent to which these remaining reductions can be focused on lower priority or less valuable work, the better it will be in terms of cost-effectiveness and long-term value for money. If the Commission works now, to improve its detailed understanding of how staff resources are deployed, it will be in a better position to continue sustainably reducing costs in future, if required.

## **Recommendations**

**12. The Commission has done much towards meeting its cost reduction targets by 2014–15, but inevitably risks still remain. The following recommendations are intended to help it and the Speaker's Committee manage some of those risks:**

- The Commission should publish a detailed definition of the criteria it used to decide whether spending is core- or event-related, in 2010–11. It should confirm annually to the Speaker's Committee that this definition has not changed.
- The Commission should consider consulting its key stakeholders soon to understand what they do and do not value in its current outputs. This should be carried out alongside further work to gather information about the key outputs the Commission achieves. It should then use this information to re-prioritise its workload, while continuing to meet statutory requirements, as it seeks additional savings.
- The Speaker's Committee and the Commission should quickly agree whether the latter will have to meet the two-year 1 per cent pay cap imposed on Government in November 2011. The Speaker's Committee should also clarify whether it expects the Commission to deliver this as an additional saving to the ones already targeted.
- The Commission should examine new ways of measuring and reporting the cost reductions it is achieving in event-related spending. The reporting should distinguish between where the Commission is simply doing less and where it is operating more efficiently.
- As soon as it has finalised its cost reduction plans for 2014–15, the Commission should reassess whether it needs to set aside more contingency for that year. This will depend on how confident it is about making all of the savings it identifies. If savings are significantly high risk, more contingency should be set aside from within existing budgets and additional savings identified accordingly.

## **Part One: The challenge to reduce costs**

1. The Electoral Commission is an independent body, established by Parliament under the Political Parties, Elections and Referendums Act 2000. It has summarised its responsibilities in two broad objectives: transparency in party and election finance, with a high level of compliance; and well-run elections, referendums and electoral registration.

2. The Commission is a publicly funded organisation, accountable to Parliament, but entirely independent from Government. Because of this, its budget is set not by the Treasury, but by the Speaker's Committee. It was, therefore, not within the purview of the 2010 spending review or the other earlier announcements on spending that the Chancellor made following the 2010 general election. It had instead to make its own proposals about the size of its budget and put these to the Speaker's Committee for review and approval.

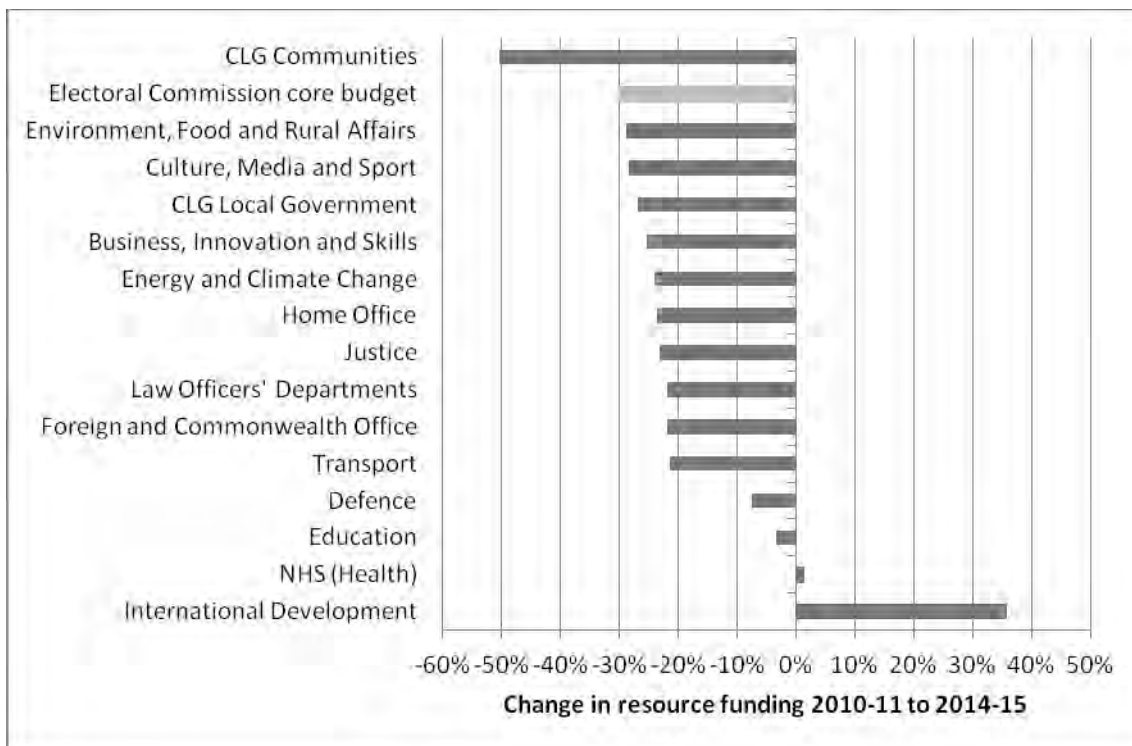
### Reductions in the Commission's core budget

3. In the event, the Commission decided to act in line with Treasury spending controls, as far as they applied to it. After June 2010, it adopted many controls as had been mandated for central government, for instance on recruitment and consultancy spending, as well as quickly starting several other, more wide-ranging cost-reduction projects. In autumn 2010, the Commission brought forward its own proposals for further cutting core costs over the coming years. These proposals were endorsed by the Speaker's Committee, in early 2011.

4. The way the Commission makes plans differs from government, so the Commission's cost-reduction plans do not directly compare with those of departments. For example, the Commission's spending cycle is legally mandated to run over five years and not four. Also, the organisation has significant event-related costs, in addition to its core budget, which vary annually depending on elections and other events taking place.

5. In core budget alone, however, the cuts the Commission is making between 2010–11 and 2014–15 are proportionally comparable with those faced by most Government departments. The cuts are equivalent to 30 per cent in real terms over five years against an average in government of 20 to 30 per cent over four (Figure 1).

**Figure 1: Change in budgets in government departments and the Commission by 2014–15**



SOURCE: National Audit Office analysis.

**Notes:**

1. All reductions shown are in real terms, measured against the baseline and to be achieved by 2014–15.
2. For government departments, the baseline is the financial outturn for 2010–11. For the Commission, it is the original, approved budget for that year. Thus, departments are making the cuts shown over four years and the Commission over five.

6. The scale of the cost reduction means that it is one of the most important things the Commission currently has to do. In monetary terms, it must deliver cumulative savings on its core spending of £18.6 million over five years against a starting budget of £14.1 million (Figure 2). It has, therefore, tried to 'frontload' its cost-cutting measures as far as possible (see Part Two), and has also built some contingency into its plans for 2011–12, 2012–13 and 2013–14. It is worth noting that if the Commission can avoid spending any of this contingency, the total cumulative savings could rise as high as £20.7 million, the equivalent of achieving the 30 per cent reduction three years early.

**Figure 2: Cumulating savings to be delivered in the Commission's core budget**

	2010–11	2011–12	2012–13	2013–14	2014–15
2010–11 budget uprated by inflation <sup>1</sup> (£000's)	14,100	14,400	14,700	15,100	15,500
Nominal budget <sup>2</sup> (£000's)	11,400	11,000	11,000	11,000	10,800
Savings required on baseline to meet yearly budget (£000's)	2,700	3,400	3,700	4,100	4,700
Cumulative savings required to meet yearly budgets (£000's)	2,700	6,100	9,800	13,900	18,600

SOURCE: National Audit Office analysis

Notes:

1. The GDP deflator forecast used by the Treasury in the spending review.
2. Actual outturn for 2010–11.

### ***Reductions in the Commission's event-related budget***

7. The Commission's plans for its event-related budget are shown in Figure 3. The Commission says that, to meet these plans, it is developing more efficient ways of carrying out its public awareness work, and that it also intends to reduce the amount of activity undertaken wherever possible.

Figure 3: Event related costs for 2010–11 to 2014–15

Year	Event-related budget (£000's)	Elections
2010–11	7,196	<ul style="list-style-type: none"> <li>• UK parliamentary elections</li> <li>• Local elections in England</li> <li>• Welsh referendum</li> <li>• UK wide referendum</li> </ul>
2011–12	6,880	<ul style="list-style-type: none"> <li>• Scottish Parliament</li> <li>• National Assembly for Wales</li> <li>• Northern Ireland Assembly and local government</li> <li>• English local government elections</li> <li>• Referendum on the voting system for UK parliamentary elections</li> </ul>
2012–13	3,050	<ul style="list-style-type: none"> <li>• London Assembly and mayoral elections</li> <li>• English, Scottish and Welsh local government</li> <li>• Police and Crime Commissioner elections in England (except London) and Wales<sup>1</sup></li> </ul>
2013–14	1,820	<ul style="list-style-type: none"> <li>• English local government</li> <li>• Independent electoral registration</li> </ul>
2014–15	7,670 <sup>2</sup>	<ul style="list-style-type: none"> <li>• European Parliament and English local government</li> <li>• Independent electoral registration</li> </ul>

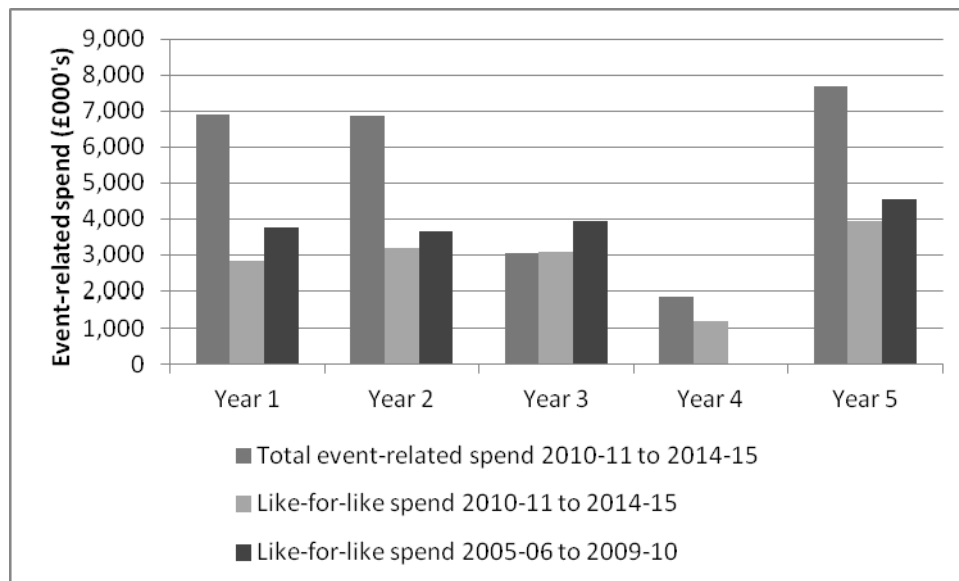
SOURCE: Electoral Commission

Notes:

1. Police and Crime Commissioner elections are not included in the budgeted costs, as their timing was unknown.
2. A large proportion of the money in 2014–15 is for work related to the 2015–16 UK parliamentary elections.

8. On a like-for-like basis, our analysis confirms that the Commission is requesting 24 per cent less between 2010–11 and 2014–15 than in the previous five-year period (Figure 4). However, this like-for-like comparison only accounts for 54 per cent of the total event-related resources the Commission will spend between April 2010 and March 2015. This is because of significant additional work, including referendums, Police and Crime Commissioner elections and the introduction of individual electoral registration.

**Figure 4: Like-for-like comparison of event-related spending for the periods 2005-06 to 2009-10 and 2010-11 to 2014-15**



*SOURCE: Electoral Commission*

9. Theoretically, the Commission could make all of its 24 per cent reduction in event-related spending simply by doing less work, as most event-related costs take the form of advertising and other public awareness work. It is however, seeking to realise as much as possible through greater efficiency and cost-effectiveness: for example, by using new channels to reach the widest possible number of voters, including digital and social media. It is working with its appointed advertising agencies to improve its evaluation of the effectiveness of such methods. As described in Part Three, we have seen some evidence that the Commission is succeeding in this, but it needs to do more to quantify exactly how much more efficient it is being.

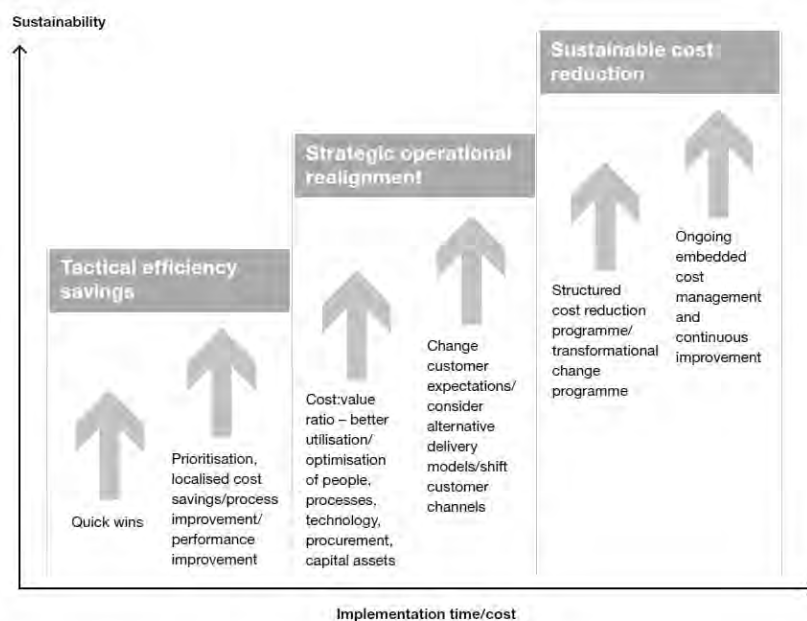
## Part Two: Planning cost reductions

10. The Commission was quick to develop an initial set of cost reduction measures to contribute to its targets. Some of the measures it adopted were as had been mandated by the Government for application by Government departments: the staff pay and recruitment freezes, for instance, and initial reductions in advertising and consultancy spend. Others came from the Commission itself, but had been planned for some time already, for instance the office move in London. Still others were based on new assessments of what could be done differently. To date, the Commission has succeeded in identifying the majority of savings it needs to make, to meet the 2014–15 target. However, there is still a little more for it to do, and it may yet be required to make additional savings by the Speaker's Committee. In this part of the report, we look at how the Commission has planned its cuts so far and how it intends to make future cuts.

### Stages in structured cost reduction

11. The National Audit Office has recently conducted several value-for-money studies and other work to understand how organisations can lower their costs sustainably. We have identified several stages of cost reduction through which organisations may need to go in order to hit a cost reduction target (Figure 5). It is both right and inevitable that bodies will cut where it is easiest to do so first, and if this delivers genuine efficiency it is to be encouraged. To make the reductions currently being sought across most of the public sector, however, many bodies are finding it necessary to rethink fundamentally the way they do their business.

Figure 5: Typical stages in cost reduction



SOURCE: National Audit Office.<sup>3</sup>

<sup>3</sup> National Audit Office, *A short guide to structured cost reduction*, June 2010, available at [www.nao.org.uk/publications/1011/structured\\_cost\\_reduction.aspx](http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx)



### *The Commission's cost reduction planning to date*

12. To date, the Commission has successfully identified the vast majority of the spending cuts it needs to make by 2014–15, some 98 per cent of the total. It did this by reviewing, from August 2010 onwards, its entire cost base and considering ways of reducing it. As we would expect in a small organisation, the Commission understands its cost base, even if its comprehension of the relationship between costs and specific outputs and outcomes is sometimes less developed.

13. As shown in Figure 6, savings are being made throughout the Commission. Our assessment is that while some fall into the category of tactical efficiency savings, others represent strategic operational realignment, and others still are what is termed in Figure 5 above sustainable cost reduction. All the identified savings are to be welcomed, and the Commission has assessed that they do not harm its ability to meet its statutory requirements. However, in the final analysis, this will be a judgement for the Speaker's Committee to make.

**Figure 6: The Commission's detailed cost reduction plans to date**

	2010–11 <sup>1</sup>	2011–12	2012–13	2013–14	2014–15
	£000s	£000s	£000s	£000s	£000s
<b>Totals to be found</b>	2,734	3,375	3,701	4,086	4,686
<b>Total savings identified (detailed below)</b>	2,734	3,426	4,010	4,103	4,205
Pay	600	732	1,270	1,308	1,347
Pay award	100	100	101	102	105
Consultancy	0	362	373	382	392
Recruitment and training	227	172	187	192	207
Travel and subsistence	257	74	71	72	74
Conferences and hospitality	210	155	147	140	133
Accommodation	0	690	685	703	720
Research, publications and distribution	460	246	261	257	260
Public awareness	815	844	865	887	910
Office and other costs	65	51	50	60	57
<b>Savings to be identified</b>	0	0	0	0	481
<b>Surplus savings</b>	0	51	309	17	0

SOURCE: National Audit Office analysis of Commission data.

1 – Figure given for 2010–11 is outturn



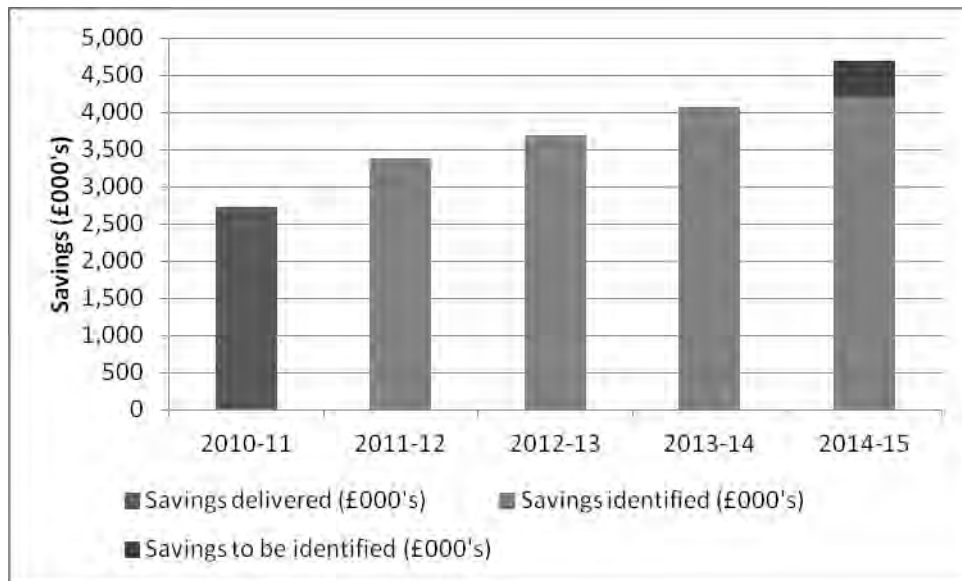
14. Among the most important changes the Commission has made, or is planning to make, are:

- freezing staff pay (a tactical efficiency saving), which has been adopted from the Government;
- moving offices in London and Edinburgh and being prepared to do so in other locations (a strategic operational realignment), which has encouraged the Commission to change its approach to meeting stakeholders and required it to accommodate its staff at a smaller number of desks (7 desks to every 10 staff as opposed to one for one in the past);
- reducing the amount of consultancy, research and public awareness work that it carries out to meet its statutory requirements (a strategic operational realignment); and
- moving as much of its communication with clients away from print media and face-to-face meetings as possible (a sustainable cost reduction).

15. So far the Commission's plans are proving to be achievable, which is in itself an indication of its good understanding of costs. As shown in Figure 6, the organisation reduced its costs by £2.7 million, or 19 per cent, in 2010–11, and is currently on target to save a further £3.4 million in 2011–12. Further information about how the Commission has been implementing the cuts to date is in Part 3.

### ***Finding the remaining savings***

16. The Commission has only a small amount of its overall savings left to identify: some £500,000 in total, all falling in 2014–15 (Figure 7). Towards the end of 2011, it began the process of finding these savings. At a recent executive team meeting, it determined that it would take a strategic approach, focusing as much as possible on making changes that would transform how it does its business. This is sensible because 65 per cent of the Commission's costs go on pay, therefore a great deal of its remaining savings are likely to have to come from reducing staffing costs.

**Figure 7: The value of cost reductions identified to date and those still to be found**

SOURCE: National Audit Office analysis of Commission data.

17. To date, the Commission has been assessing, on a case-by-case basis, whether newly vacated staff posts are business critical or not. It intends to use process mapping, further evaluation of the outputs achieved, and consultation with stakeholders to reprioritise its work and thus identify outputs it might stop producing altogether. This is important, because a large percentage of the Commission's spending is pay-related, and the Commission may decide that additional reductions in posts are needed to achieve the remaining savings, which amount to around 6 per cent of the total pay budget for 2014–15.

18. As the Commission takes forward its strategic approach, we consider it needs to focus on establishing what its main outputs cost, in terms both of staff and other costs. The Commission should set this information alongside feedback from stakeholders, including the Speaker's Committee, about how valuable these outputs are. While continuing to meet statutory requirements, the Commission ought to quickly reduce the amount of time staff are spending on less valuable outputs.

## Part Three: Implementing cost reduction

19. This part of our report focuses on three elements of the Commission's cost reduction work in greater depth to understand how well it has been implementing them. In each case, we looked for evidence of strong leadership and project and risk management and for an awareness of how cost reductions were impacting on performance. The three elements we decided to focus on were the Commission's accommodation strategy, its new approach to public awareness work and its reductions in staffing costs. Together they represent £12.4 million, or 67 per cent, of the total savings the Commission is trying to make, and encompass a range of frontline and back-office functions.

### Accommodation

20. The Commission has seven offices in the UK, all of which it leases. Four are located close to national parliaments and assemblies in London, Belfast, Cardiff and Edinburgh, by far the largest of which is the Commission's office in London. A further three, in Coventry, Exeter and York, are bases for staff who liaise with stakeholders in the English regions. The total annual cost of occupying these properties at the start of 2010–11, including rates and service charges, was £1.62 million, equivalent to 11 per cent of the Commission's core budget.

21. The Commission was already thinking about moving its London office before the requirement to make substantial cost reductions arose in 2010–11. Its old property in Trevelyan House was no longer suitable to its needs, and it was considering embracing new working practices, including team based desk sharing, to allow it to rent smaller, more modern premises. During 2010–11, the Commission decided to accelerate its plans for London and to look as well at its office needs in Edinburgh. It assessed in both cases that moving would be the value for money thing to do, even after one-off capital and resource costs were considered.

22. In moving its London office to Bunhill Row in the City, the Commission incurred capital costs of £980,000. These were paid for using £350,000 of capital funding the Commission had already been allocated for the year and £630,000 transferred from its core resource budget. The £2.7 million of savings cited for its core resource budget in 2010–11 are net of these costs, and the annual rent on the new properties in the two capitals are some £564,000 cheaper per annum than at the previous locations: £921,000 a year instead of £1.485 million.

23. We looked in detail at the way the Commission planned for and executed the London move. We found that it had done so effectively, in particular by:

- completing the move in a very short space of time, so that it was in the new accommodation and paying a reduced rent by December 2010;
- selecting the cheapest of three sites that met its core needs and, in so doing, showing a willingness to move away from the City of Westminster; and
- preparing staff carefully for the move to team-based desk sharing. There is now a ratio of ten members of staff for every seven desks, where previously everyone had their own.

24. In the coming years, the Commission will have the opportunity to review office requirements for its remaining five locations. Currently, it is spending some £166,000 annually on them. Originally all these premises were intended to be used for face-to-face meetings with local stakeholders. As the Commission is moving to an operating model where these meetings take place at client sites, it is possible that it will be able to move to much smaller premises in each case. It may even be that the Commission can close some offices permanently. Figure 8 shows when each of the five leases expires and what the current level of rent is. In Exeter and York, where the leases have recently expired, the Commission negotiated short term extensions, until the outcome of its review of office requirements is complete, which is expected by the end of March 2012.

**Figure 8: Costs and lease expiry dates for the Commission's offices outside London and Edinburgh**

Office location	Lease expiry date	Annual accommodation cost (£)
Belfast	February 2013	41,500
Cardiff	September 2012	23,200
Coventry	At will	16,200
Exeter	At will	39,300
York	Rolling annual agreement	45,400

SOURCE: Electoral Commission

### **Public awareness**

25. The Commission is required to carry out public awareness work under its founding Act of Parliament. The Act does not specify how much public awareness work the Commission should do or of what kind. In the years before 2010–11, however, the Commission had typically engaged in a wide range of activities. The Commission saw it as its duty to raise awareness about voting, voter registration and other electoral issues for all British citizens and among hard-to-reach groups in particular. The amount it spent on this work varied from year to year, depending on the number of electoral events taking place. In 2009–10, the Commission spent about £4.54 million on public awareness activities to support the elections taking place in that year.

26. During 2010–11, the Commission decided that it would spend less money on public awareness work in future, both through its core and event-related budgets. It planned to do this by:

- stopping campaigns aimed at some specific demographics that would be covered in national campaigns anyway (e.g. new homeowners and students) and thus reducing duplication of effort;
- seeking more efficient media to run public awareness campaigns in future, including by doing more online and less through print, and seeking to get better deals from its providers more generally; and

- trying to combine campaigns as much as possible, so that one media event could serve more than one purpose (e.g. an advert containing information about both voter registration and a new voting system).

27. The Commission judged that if it implemented these changes, it would cut some £840,000 from its core public awareness spending in each of the next five years. It would also be able to make further savings from staff reductions and on event-related budgets. A further check on the Commission's public awareness spending is provided by the Speaker's Committee, which it now consults about costs before starting new advertising campaigns.

28. We looked at how well the Commission had implemented these changes. We found that it had succeeded in reducing its core spending by the targeted amount in 2010–11, and had sustained that reduction in 2011–12. It had stayed within its budgets for event-related activity in both years, which is primarily public awareness spending, but the precise amount of the reductions achieved has not yet been quantified. We saw clear evidence that campaigns targeted at hard-to-reach groups had been stopped, with the exception of the Armed Forces, where the Commission had identified a critical and enduring public service need. The Commission has not yet assessed whether stopping targeted campaigns has had an impact on the level of engagement it sees from these groups. Such assessments are difficult to make, but will be an important aspect of understanding this part of the cost reduction effort.

29. We also saw clear evidence that some advertising campaigns had been combined and some reused. What was less clear was whether the Commission was procuring its public awareness work more efficiently than in the past. We recognise that this can be hard to demonstrate, as one campaign is not directly comparable with another. However, we are recommending that the Commission attempt to quantify the efficiency gains it is making for each future campaign.

30. We also think that the Commission could do more to assess the cost-effectiveness of its remaining public awareness work. After each election, the Commission produces an internal report on the effectiveness of its campaigns. These reports do not contain much reference to cost or cost-effectiveness. However, if they did, the Commission could use this to target its resources better in future or reduce further the amount it is spending.

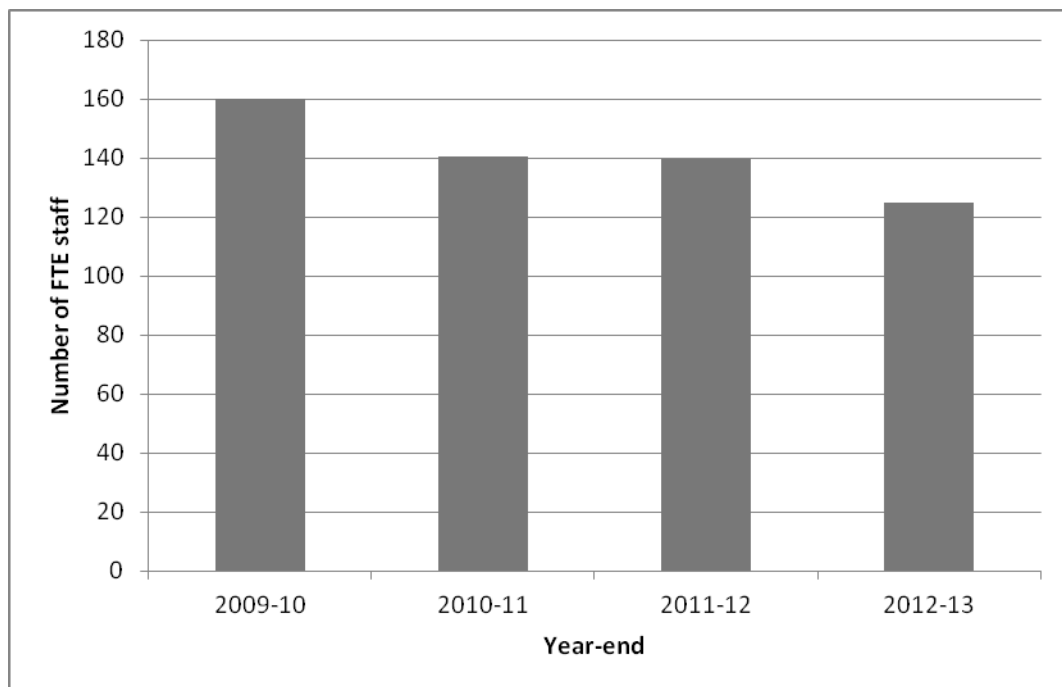
### ***Reductions in staffing costs***

31. Staff costs make up the greater proportion of the Commission's core budget. In 2010–11, pay, training and recruitment amounted to 65 per cent of core spending. Consequently, it was inevitable that the Commission would have to reduce its workforce to reach its cost reduction target.

32. The Commission has not run a general voluntary or compulsory redundancy scheme to date, and hopes not to have to in future. For the most part, therefore, its staffing reductions are coming about as a result of other cost reduction initiatives. So, for instance, cutting public awareness spending and relying less on hard-copy publications have allowed the Commission to reduce the number of staff in its Communications Team. In the Chief Executive's office, senior personnel are managing with less secretarial support.

33. The Commission is also adopting a recruitment freeze, similar to that in Government, and thus only filling posts that it deems to be business critical. Between April 2010 and March 2011, the number of full-time equivalent posts at the Commission fell from 160 to 140, a substantial drop of 12.5 per cent. By the end of 2012–13, it is planned that numbers will have dropped to around 125 (Figure 9), meaning a total reduction of 22 per cent. In 2011–12 alone, the Commission is saving £0.9 million from reducing staffing costs, which include pay, recruitment and training. As described in Part 2, further cuts, additional to those already planned, may yet prove necessary for the Commission to meet its overall cost reduction target.

**Figure 9: Planned staff numbers, 2009–10 to 2012–13**



SOURCE: Electoral Commission

34. We looked at how effectively the Commission had managed its staff reductions to date. We found that overall it had done well. In particular, it has been proactive in moving remaining staff around its business to prevent skills gaps arising and remove the need for redundancies. Where necessary it has provided on-the-job training. At present there are eleven staff on internal secondments. It has also identified in advance the areas of its business where skills gaps could be particularly damaging, for instance in the Party Election and Finance directorate, and is managing these risks. Staff morale is monitored through a regular staff survey.

## Part Four: Future risks and opportunities

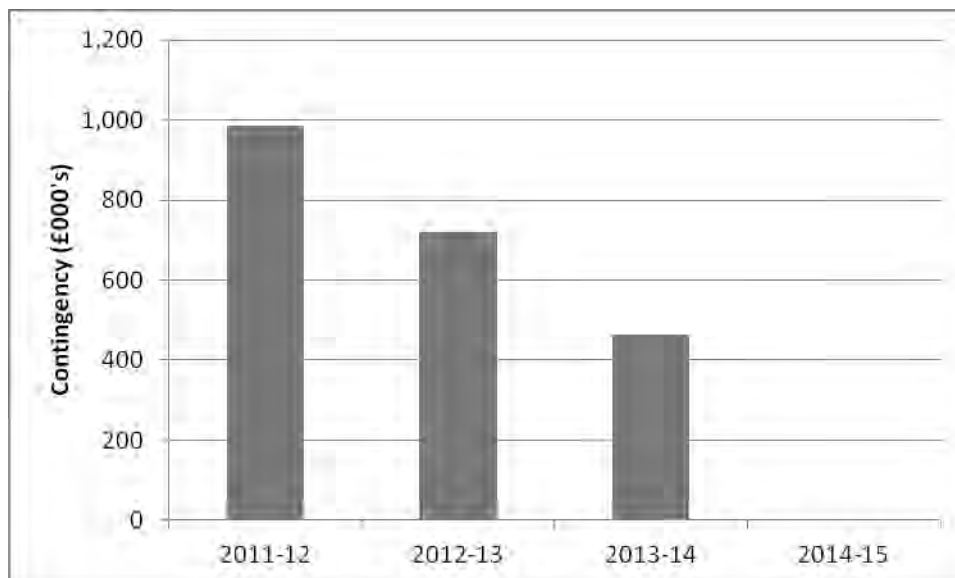
35. There are still three full financial years before the Commission has to reach its 30 per cent reduction target for core costs. As described in Part Two, over that period it still has to identify where a small number of its cost reductions will come from. In addition, it will have to manage many other risks related to the on-going delivery of savings and to the wider political and economic context. This Part of the report considers some of these risks, and also some issues that we believe the Speaker's Committee may want to consider as it holds the Commission to account in future.

### Risks facing the Commission

#### Contingency

36. In general, organisations find that they achieve considerably less than the cost reductions they plan, with significant savings failing to materialise through a combination of optimism bias, altered circumstances and other factors.<sup>4</sup> While the Commission is a small organisation and might therefore expect to have more direct control over its running costs, there is a residual risk that it will not meet its targets. The Commission demonstrated good financial control in 2010–11, but the remaining risks come from a variety of factors, not all of which are under the Commission's control. This is why it is good that it has set aside contingency funding for 2011–12 and the following two financial years (Figure 10), and is accordingly targeting a higher level of savings in these years than it needs.

Figure 10: The Commission's contingency funding, 2011–12 to 2014–15



SOURCE: National Audit Office analysis of Commission data

37. In its 2010–11 corporate plan, the Commission did not set aside any contingency funds for 2014–15, even though this was the year for which its cost reduction plans were least certain. Now, the Commission has decided to set aside £100,000 for 2014–15. This is a

<sup>4</sup> See the Comptroller and Auditor General's report on *Reducing costs in HM Revenue and Customs* (July 2011, HC1278, Session 2010-2012), p.26: 'Wider experience indicates that organisations tend to over-estimate how much their cost reduction plans will actually save and best practice is to identify a contingency of 50 per cent.'



good step, but we are recommending that the Commission think carefully about whether this level of contingency is enough once it has finalised its cost reduction plans for 2014–15. In previous years, some contingency has related not to cost reduction activities but to other uncertainties, such as unforeseeable legal costs or the cost of investigating frauds. The Commission has told us that it does not intend to reflect such potential costs in its contingency funding in the future.

### *Inflation*

38. The second significant risk the Commission is managing is inflation. The Commission's spending cuts were decided on the basis of the Office of Budget Responsibility's predictions about inflation. Only if these predictions prove correct will the Commission's overall cost reduction equate to 30 per cent in real terms by the end of 2014–15. If inflation is lower over the period and the Commission succeeds in reaching its target, the reduction will nonetheless be less than 30 per cent. And if inflation is higher, the real size of the reduction will have been greater, meaning in effect that the Commission will have sustained a deeper cut to its purchasing power.

39. Since it agreed its cost reduction targets in 2010–11, inflation has consistently been higher than predicted. Accordingly, the Office of Budget Responsibility has revised its forecasts upwards. Using these revised data, the real-terms cut the Commission is being asked to make by 2014–15 has now grown from 30 per cent to 31 per cent, equivalent to some £150,000 a year. This is manageable but if inflation were to continue to be higher than originally forecast it could cause problems. In this event, it will be for the Commission and the Speaker's Committee together to decide whether to hold the Commission to its original nominal budget or to raise them proportionally.

### *Issues for the Speaker's Committee to consider*

40. In regard to the Commission's cost reduction activities, the Speaker's Committee occupies a similar role to that played by the Treasury with government departments. It is therefore for the Committee to monitor whether cost reduction targets are being met and, importantly, it is the Committee that will decide whether these targets should be relaxed or toughened if circumstances change.

### *Budget definitions*

41. In holding the Commission to account for its spending the Committee has been greatly assisted by the Commission's decision to separate core- and event-related costs. This has made it much easier to monitor year-on-year cost reductions in core spending. For as long as the Committee decides to hold the Commission to its 2010–11 spending plans, however, it is vital that the same definitions of core- and event-related spending remain in force.

42. The Commission has signalled to us that it intends for this to be the case. We believe, however, that it would be prudent for the Committee to seek from the Commission a detailed statement of the 2010–11 definitions of core- and event-related spending and to seek assurances periodically that these still remain the same.



### *Further cost-reduction measures*

43. The Government's spending review in 2010 was never intended to be the final word on departmental spending for the ensuing four years. It was always understood that adjustments would likely have to be made. Similarly, the Committee and the Commission together may decide to make adjustments to the latter's financial settlement in the years up to 2014–15.

44. One reason why this may be necessary is if the Commission were to be required to conform with new Treasury initiatives imposed on the rest of the public sector. Thus, in his autumn statement in November 2011, the Chancellor announced that civil service pay rises will be limited to 1 per cent per annum for a further two years after the present pay freeze. The Commission is now proposing to meet this additional fiscal restraint too and it will be for the Committee to determine whether it should or not. Furthermore, Committee members will have to decide whether to count any additional savings towards original cost reduction targets or to make the targets more challenging instead.

## Appendix 2: The Local Government Boundary Commission for England: progress against the 2011–12 to 2015–16 corporate plan

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### Summary

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. We report annually to the Speaker’s Committee on value for money achieved by the Commission. This study is intended as a follow-up to our 2011 report. Our main focus has been to assess the progress made by the Commission in achieving its intended efficiency savings. We have looked at the Commission’s updated corporate plan, covering the five-year period 2012–13 to 2016–17, which has increased the scale of these savings from the original corporate plan. We have also investigated the progress made against the other recommendations of our previous report.

3. This report is based on our analysis of the Commission’s published and unpublished documents, interviews with senior staff, and requests for further data.

### Key findings

#### *On progress in achieving cost savings*

4. At the time of our previous report to the Speaker’s Committee in March 2011, the Commission was forecasting a final outturn for 2010–11 of £2,463,000. This forecast proved to be highly accurate, with a final annual outturn of £2,460,000 disclosed in its annual report and accounts for the year. The result reflects well on the Commission’s oversight and control of its budget.

5. The Commission’s budget for 2011–12 is £2,683,000, in line with the requirements of its corporate plan. It had limited information to use when compiling this budget because final outturn figures for the previous year were not yet available and, in addition, that year was the first in the Commission’s existence and so not typical of others. The Commission accordingly set its 2011–12 budget on prudent assumptions. The budget is higher than outturn for the previous year, despite planned savings in some areas, because the Commission did not run at full capacity for much of 2010–11.

6. By the end of the year, the Commission expects to achieve cost reductions in excess of those budgeted in most areas. However, it has also had to make allowances for several items of unbudgeted expenditure, with the net result that it expects outturn to be broadly

in line with the original budget. Detailed differences between budget and expected outturn have occurred for two main reasons, although the Commission considers that tight cost control has also been an important factor. The first main reason for variance is that the Commission's prudent approach led to a budget that was higher in some areas than has turned out to be needed, which explains at least half of the £178,000 forecast savings against budget. The second main reason is that unexpected events, such as having one Commissioner fewer than originally planned, caused the remaining variance from budget. There will, of course, be scope for unexpected occurrences in future years but, as more financial data are now becoming available, we would expect the first type of variance between outturn and budget to reduce in 2012–13 and future years.

### *On progress in completing reviews*

7. The Commission's work centres on completing electoral reviews. The need for electoral reviews is driven by the Commission's assessment of imbalances in ratios of electors to councillors within local authorities, arising from changes in populations eligible and registered to vote. Local authorities can also request reviews to change the number of their wards or councillors. The Commission met the target set in its corporate plan to complete twelve such reviews in 2010–11. It is expecting to miss by one its target to complete fifteen electoral reviews in 2011–12, with the delayed review scheduled for completion in May 2012.

8. The aim of the electoral reviews undertaken by the Commission is to reduce the proportion of local authorities in England with significant electoral imbalances. The Commission's first corporate plan aimed to reduce this proportion from 18 per cent to 10 per cent over a five year period. The Commission, while not changing the criteria used to define electoral inequality, has addressed an anomaly identified in our previous report by simplifying its method of counting results. This has meant that the number of authorities counted as having electoral imbalances has increased from 64 to 88, but not as a result of change in the underlying level of electoral inequality. The Commission now intends to reduce the proportion of authorities with significant imbalances, as defined under the new approach for counting results, from 25 per cent to 17 per cent over the five years to 2016–17.

9. The Commission can also work on principal area boundary reviews, which have the potential to alter local authorities' boundaries with each other. Potential demand for large scale boundary reviews has not materialised and the Commission does not now expect any such reviews to proceed in the next five years. The Commission does however expect to complete three smaller boundary reviews by May 2012 to correct minor anomalies.

### *On forecasts for future years*

10. In its updated corporate plan, the Commission has increased significantly the number of electoral reviews it plans to complete in the next five years, but has not increased its total budget. The Commission originally aimed to complete 15 electoral reviews each year in the long term. It has now increased this to 22 reviews each year. The peak period for electoral review completions has been moved back from 2012–13 in the last plan to 2013–14 in the current one. This increase in planned review activity will create cost pressures over the next five years, especially in terms of printing and mapping costs.

11. In order to complete a greater number of electoral reviews, the Commission aims to increase its capacity to handle reviews simultaneously. Its plans indicate that by February 2013 it could be working on up to 40 electoral reviews simultaneously, compared with 15 in February 2011. The actual number of simultaneous reviews could be lower if, as is likely, some reviews take less time than current plans assume. Nevertheless, this is an ambitious aim that will have resource implications for the Commission and successfully managing it will be a major challenge. The Commission will be making organisational changes in early 2012 and believes that these, together with changes in working practices, will be sufficient to achieve the increase in workload.

12. Our previous report recommended that the Commission make more detailed plans for achieving the required savings in mapping, printing and accommodation and support services. The corporate plan requires savings in these areas from 2013–14 onwards, but steps need to be taken well in advance to ensure that the Commission has sufficient time to investigate all cost saving options properly. The Commission has now drawn up timetables to negotiate with its existing suppliers and research alternative options. It has made strong progress in reducing mapping costs by negotiating a price reduction with Ordnance Survey effective from April 2012.

### *On understanding costs*

13. The Commission has made progress in understanding its costs. It introduced a system in July 2010 to capture direct costs and allocate them to specific reviews. This will allow the Commission to understand the cost drivers of reviews better and to identify areas of good practice where tasks have been completed most efficiently.

14. The Commission recognises that its system for allocating costs to specific reviews is at an early stage of development and is not yet as effective as it needs to be. Our analysis of direct costs recorded by the Commission indicates that there are limitations in this system, which affect the usefulness of the data produced. There are inconsistencies in how review staff allocate their time to specific projects and the system does not identify all travel and subsistence costs incurred on reviews.

### *On understanding the needs of interested parties and peer review*

15. The Commission is undertaking trials of a new system to gather feedback from interested parties at more stages of the review process and target a wider range of people. The questions it asks have also been changed to focus more on the process of each review rather than the outcome. If the system is successful, it will be fully adopted in April 2012.

16. The Commission is responding to our previous report's recommendation to investigate the possibility of external peer review to strengthen quality assurance. The Local Government Boundary Commission for Scotland had agreed to take on this role but now cannot do so because it shares staff with the Parliamentary Boundary Commission for Scotland, which now has to give overriding priority to Parliamentary work. The Commission is exploring other possibilities to secure useful external review of its processes for scheduling and conducting reviews.

## Conclusion

17. The Commission is well-placed to meet its cost reduction targets for 2011–12 and expects to miss only narrowly its target for completing electoral reviews. It has made good progress in clarifying how it will achieve further savings and has set itself challenging review targets for future years. It has also responded positively to the recommendations of our previous report to deepen its understanding of client needs and strengthen quality assurance. However, the Commission set a budget for 2011–12 that has turned out to be higher than required in some areas, and it has scope to use its growing information on financial performance to set more accurate budgets in future. This is especially important given the need to find funds from reducing budgets for ambitious increases in review activity planned by the Commission. There are also areas where the Commission recognises that it needs to develop further its systems for tracking the cost of reviews.

## Recommendations

18. **The Commission's revised corporate plan requires a significant increase in its capacity to handle reviews.** This includes, between January 2011 and January 2013, potentially more than doubling the number of reviews in progress simultaneously, depending on the complexity of each. Achieving this will be very challenging for the Commission and is central to achieving its desired efficiency savings. The Commission should actively review its progress in this area and, once it has gathered sufficient information, update its forecasts to better reflect the differing levels of complexity of the electoral reviews it will be undertaking.

19. **The Commission's prudent assumptions resulted in a budget for 2011–12 that has turned out to be higher than required in some areas.** In part this is due to the limited information available to the Commission in its first year when it was building to full capacity. The Commission should revisit its forecasts for future years once it has more financial data, ideally at the end of 2011–12. By revising its budgetary assumptions in the light of its experience during the year, the Commission should be able to identify areas where greater savings can be achieved. This will be necessary to enable the Commission to deliver its planned increase in review output, while keeping within its budget.

20. **There are gaps in the Commission's systems for allocating costs to reviews which limit the usefulness of cost data produced.** The Commission has adopted the right approach in introducing a time booking system for staff and it should now investigate ways of securing more robust information by ensuring greater consistency in the system. Steps could include, but not be limited to, issuing clear guidance on time-booking to review officers and investigating instances where officers appear to be booking unusually high or low numbers of hours to reviews.

## Part One: Progress in achieving costs savings during 2011–12

### *Progress against the corporate plan: Savings achieved*

1.1 At the time of our previous report to the Speaker's Committee in March 2011, the Commission was forecasting a final outturn for 2010–11 of £2,463,000. This forecast proved to be highly accurate, with a final annual outturn of £2,460,000 disclosed in its

annual report and accounts for the year. There were some minor differences on a line-by-line basis between the forecast and the final accounts, but nothing that suggests poor forecasting processes or assumptions.

- 1.2 The budget drawn up by the Commission for 2011–12 forecast expenditure for the year to be £2,683,000, in line with the requirements of the corporate plan. Total outturn is expected to be higher in 2011–12 than in the previous year, despite savings in some areas, because of the unusual circumstances facing the Commission in 2010–11. As 2010–11 was the Commission's first year of operations, it took several months to recruit all the staff it needed. This led to staff costs in 2010–11 being atypically low and limited the amount of review work that could be undertaken, reducing mapping and printing costs. The higher expected outturn in 2011–12 is a consequence of the Commission running at normal capacity for an entire year.
- 1.3 Management accounts for the first six months of 2011–12 show a total underspend of six per cent against the budget, with a forecast position closer to budget by the year-end (Figure 1). The Commission predicts higher expenditure for the second half of the year in most areas. This is in part because many electoral reviews will be at stages that incur more costs, notably draft and final recommendations that require extensive use of mapping and printing services.

**Figure 1**

**The Commission's forecast outturn for 2011–12 is close to its budget**

	Six month budget (£000)	Six month expenditure (£000)	Variance from budget	Full year budget (£000)	Forecast full year expenditure (£000)	Variance from budget
Staff costs	580	564	-2.8%	1,160	1,119	-3.5%
Commissioners' fees	75	53	-29.3%	150	113	-18.0%
HR support	25	15	-40%	50	23	-54.0%
Accommodation and support services	310	313	+1.0%	620	626	+1.0%
Mapping	123	124	+0.8%	245	209	-14.7%
Printing	53	41	-15.1%	105	106	+1.0%
Other costs	152	128	-18.8%	303	259	-14.5%
<b>Total before contingencies</b>	<b>1,317</b>	<b>1,238</b>	<b>-6.0%</b>	<b>2,633</b>	<b>2,455</b>	<b>-6.8%</b>
Contingencies	0	0	-	0	180	-
<b>Total</b>	<b>1,317</b>	<b>1,238</b>	<b>-6.0%</b>	<b>2,633</b>	<b>2,635</b>	<b>+0.1%</b>

*Source: National Audit Office analysis of Commission data*

- 1.4 The Commission expects to make savings of £178,000 on lines in its 2011–12 budget. At least a half of these savings have occurred in areas where prudent planning assumptions led to a budget that has turned out to be higher than required. This element of savings comes mainly from the contractor element of staff costs, the average number of days charged by Commissioners, HR support costs, and the customer



engagement element of other costs. For a new body with limited data to inform its budgeting, a prudent approach was reasonable. However, increasing knowledge should enable the Commission to budget more accurately in future. The remaining element of savings arises mainly from unexpected events such as having one Commissioner fewer than originally planned. The Commission considers that tight cost control has also been an important factor in making savings.

1.5 The main savings that the Commission expects to achieve in 2011–12 include:

- **Staff costs:** The Commission expects to achieve staff cost savings of £41,000 for the year. The bulk of this saving (£32,000) is accounted for by lower than budgeted expenditure on contractors. Such expenditure was unusually high in 2010–11 as the new Commission required support in establishing systems and procedures, and this pattern had been carried over into the 2011–12 budget.
- **Commissioners' fees:** The Commission is expecting savings of £37,000 to be achieved against budget by the end of 2011–12. Around £25,000 of this is due to Commissioners charging an average of 4.75 days per month, instead of the forecast 7 days. The remaining £12,000 arises from the Commission functioning with one Commissioner fewer than originally planned.
- **HR support costs:** The Commission included this expenditure in its budget to help with the appointment of a new Chair and Chief Executive during the course of the year. The Chair is appointed by the Speaker's Committee, while the Chief Executive is appointed by the Commissioners themselves. These decision-makers opted to reappoint both current incumbents, the latter following a competition, with an expected saving of £27,000 in searching for replacements. Forecast costs for the second half of the year arise from recruitment to a new managerial post.
- **Mapping and printing costs:** The Commission forecasts a saving of £36,000 against budget for mapping costs in 2011–12. It attributes £30,000 of this to the avoidance of protracted reviews which require additional draft recommendations. Draft recommendations incur mapping costs and vary considerably depending whether reviews cover county or district councils. The Commission expects mapping costs to be lower in the second half of the year as its workload will be more focused towards smaller district council reviews. It expects printing costs to be on budget by year end.
- **Other costs:** Savings are expected in several of the areas of expenditure that are included within other costs. The largest saving of £24,000 is expected in customer engagement costs. When drawing up the budget, the Commission was committed to improving its customer engagement as recommended in our last report but was unsure precisely what methods it would use to obtain customer feedback. In practice, it has used lower cost methods, such as a telephone survey, than had initially been under discussion.

1.6 The Commission is anticipating some additional expenditure that was not in the original budget. It has added a contingency for £180,000 to account for these

anticipated costs. The contingency covers a range of issues including potential legal costs arising from reorganising the office, upgrading the Commission's website, and development work it may commission from Ordnance Survey. The Commission is expecting the contingency to balance savings in other areas.

- 1.7 A recent internal audit assessed the Commission's controls for financial management and budgetary control. The report issued the Commission with a 'green' rating and concluded that risks in these areas were managed effectively by the Commission's system of controls.

## Part Two: Progress in completing reviews during 2011–12

### *Progress against the corporate plan: Reviews completed*

- 2.1 A key performance indicator for the Commission is to reduce the proportion of local authorities in a position of electoral imbalance. The number of local authorities moving into a position of electoral imbalance is inherently uncertain. The Commission's corporate plan is based on ten authorities a year developing electoral imbalance. Its progress in reducing the proportion in imbalance will depend on the accuracy of its assumption about new cases.
- 2.2 In 2011–12, to address an anomaly highlighted in our previous report, the Commission simplified the way it counted the electoral data it used to assess whether local authorities are in a state of significant electoral imbalance.
- The criteria defining significant imbalance in an authority remain unchanged: 'more than 30 per cent of wards having an electoral imbalance of more than 10 per cent from the average elector to councillor ratio for the authority, or one ward with an electoral imbalance of more than 30 per cent from that average, and the imbalance unlikely to be corrected by population change within a reasonable period.'
  - In assessing electoral imbalance, the Commission would previously round down all percentages before applying the above definition, as highlighted in our previous report. Therefore, for example, a ward with an imbalance of 30.4 per cent would not meet the criteria because it would be rounded down to 30 per cent. The Commission has now decided to use unrounded figures, so the electoral imbalance would now meet the criteria.
- 2.3 As a result of this change, the number of authorities the Commission recognises as having significant electoral imbalances has increased considerably, despite using the same electoral data. Under the old method, there were 64 authorities defined as being in a state of significant imbalance at the start of 2011–12. Under the new method there were 88. The increase is large because of a clustering of wards which are near the thresholds. The Commission now intends to reduce the proportion of authorities with significant electoral inequality from 25 per cent to 17 per cent in the five years to 2016–17 (rather than from 18 per cent to 10 per cent as set out in the first corporate plan).



Meeting this revised target will still be dependent upon new cases of imbalance being in line with the Commission's forecasts.

- 2.4 The Commission's first five year corporate plan envisaged the completion of 12 electoral reviews in 2010–11 and a further 15 electoral reviews during 2011–12. The Commission met its target for 2010–11, but is expecting to complete only 14 of the planned 15 reviews for 2011–12. This slippage arose because of delays in receiving requested paperwork in one review. The Commission now expects this review to be completed in mid-May 2012.
- 2.5 The Commission introduced new streamlined arrangements to speed up the completion of electoral reviews during 2010–11. As well as allowing simpler electoral reviews to omit or shorten certain stages of the review process, the Commission expected the new procedures to allow faster completion of more complex reviews more quickly. Because of the timing of this change, no reviews using the new procedures have been completed yet. It is therefore not possible to judge whether they are effective.
- 2.6 The Commission had expected to receive requests from local authorities for major principal area boundary reviews. These more complex boundary reviews would allow two or more existing local authorities to merge with the aim of making administrative savings. Work began on a potential merger between Mid-Suffolk and Babergh councils, but was subsequently abandoned by the councils after a local referendum failed to achieve the clear majority support that the councils required. At present the Commission expects no more of these major boundary reviews to proceed.
- 2.7 Although potential demand for major boundary reviews has not materialised, the Commission is currently processing several minor boundary reviews. These smaller reviews allow the adjustment of boundary lines between authorities where anomalies exist (such as the boundary line running through houses). The Commission has already settled one such boundary review in 2011–12 and expects to finish a further two by May 2012. The lower than expected demand for boundary reviews has allowed the Commission to increase its forecast electoral review workload, as discussed in Part Three.

## Part Three: Forecasts for future years

### *Future review workload*

- 3.1 The revised corporate plan includes significant changes to the forecasts for future review completions, with an increase in the projected future workload (Figure 2). It envisages the Commission completing 22 electoral reviews a year in the long-term, an increase of 47 per cent on the original target of 15 reviews a year.
- 3.2 The Commission introduced new procedures for electoral reviews during its first year of operations. Electoral reviews are now divided into types short, medium and long, depending on whether the review calls for significant changes to the number of councillors in a local authority. Short and medium reviews, which require limited or no

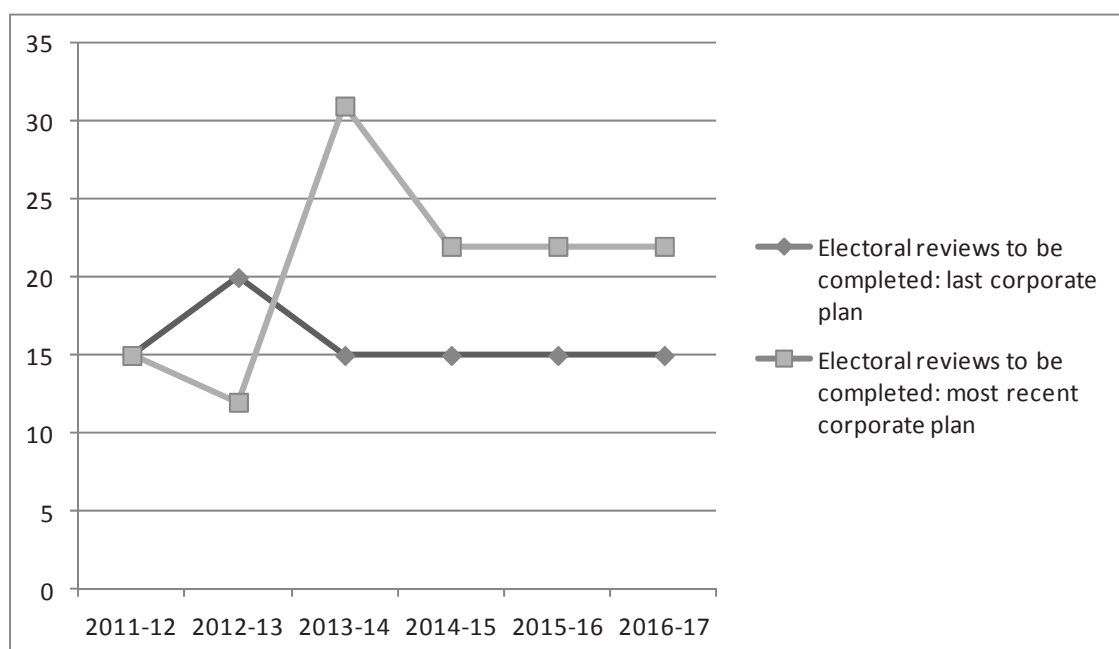
changes to councillor numbers, can be completed more quickly as certain review and consultation stages can be omitted or shortened. Long reviews do not omit any stages, but the Commission still envisages them being completed more quickly than under the old procedures.

3.3 In planning its workload, the Commission has assumed that all electoral reviews will be long cases. In practice it is likely that a significant proportion of reviews will be short or medium, but the Commission currently lacks sufficient experience to reflect this accurately in its forecasts. This has implications for the Commission's planned workload. As it is likely that some reviews will be completed more quickly than planned, peak levels of activity may well be lower than the forecasts suggest. The approach taken is reasonable but cautious and the Commission should have scope to tighten these forecasts in the future.

3.4 The peak time of expected review completions has moved back a year, from 2012–13 in the last plan to 2013–14. However, under the new forecast six electoral reviews are expected to be completed in mid-April 2013 (just after the start of the new financial year) and a further six in mid-May. The Commission expects several of these reviews to be shorter cases which will finish ahead of schedule. If this occurs there will be a smoother profile of review completions.

**Figure 2**

**The Commission's revised corporate plan expects a higher level of electoral review completions**



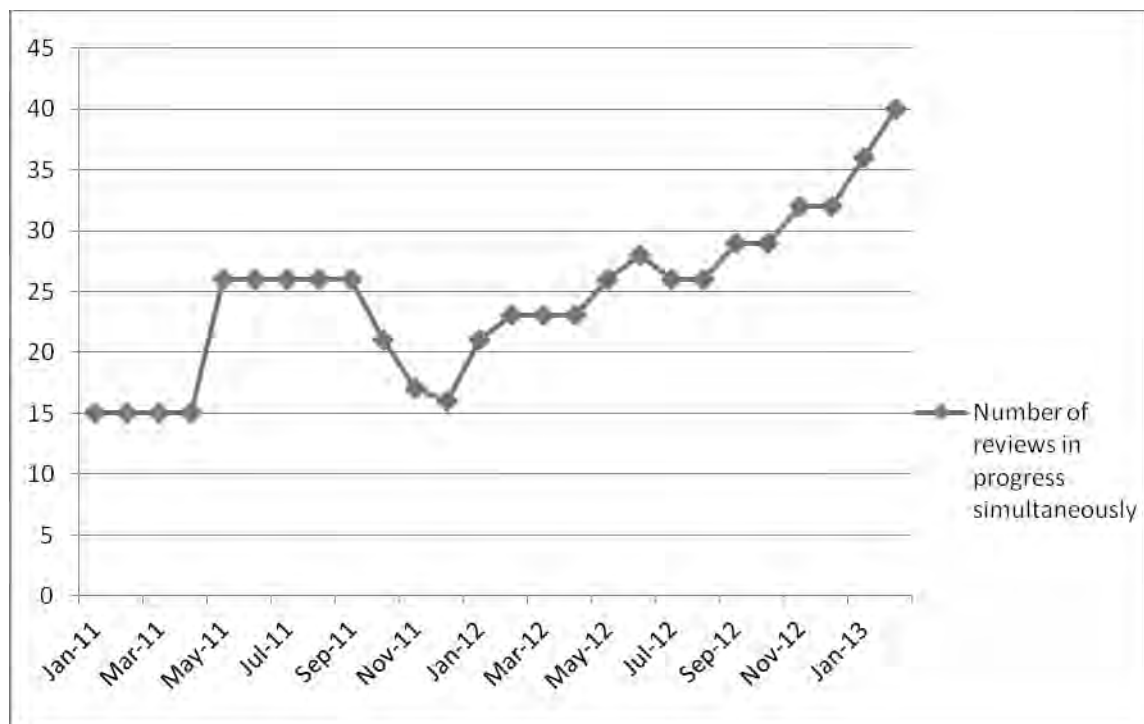
*Source: National Audit Office analysis of Commission data*

3.5 The Commission will gain useful experience of the composition of its electoral review workload over the coming months. This should give it a clearer understanding of the likely proportions of different types of reviews that it will encounter. Once sufficient data has been gathered in this area, the Commission will have the opportunity to revise its forecast review workload so that it better reflects the nature of cases being handled.

- 3.6 In order to complete a greater number of electoral reviews the Commission plans to work on more reviews simultaneously as well as completing them more quickly (Figure 3). The Commission envisages more than doubling the number of reviews in process at any one time between January 2011 and January 2013. This is a very substantial increase in workload, and expanding capacity to meet it will be a key challenge for the Commission over the coming twelve months.
- 3.7 The Commission is creating a new managerial post from early 2012 to strengthen management control of the review programme, better integrate review and implementation work, and allow implementation officers to become directly involved in day-to-day review work. The Commission believes that this, and other changes in working practices, will enable the increase in review-handling capacity envisaged in its forecasts.

**Figure 3**

**The Commission's revised corporate plan requires capacity for handling reviews to increase**



Source: National Audit Office analysis of Commission data

### Financial forecasts

- 3.8 The Commission produced a revised corporate plan in 2011, covering the five year period 2012–13 to 2016–17. In financial terms there are no significant developments. The annual budgets for 2011–12 to 2015–16 remain unchanged from the original corporate plan, with only a minor annual reallocation of expenditure from 'rents, rates and service charge' to 'other costs'.
- 3.9 As noted above, the Commission used prudent assumptions when drawing up financial budgets and forecasts because it has limited hard experience available. Once the Commission has gathered more extensive data, it may be able to budget for greater

savings in some areas by using more accurate assumptions. This will be especially important given that the planned increase in review output will create additional cost pressures in other areas, primarily in printing and mapping.

- 3.10 In our previous report, we recommended that the Commission should develop a clear timetable of action to meet its cost saving goals for mapping, printing, accommodation and support services. According to the corporate plan the main savings in these areas were to be achieved from 2013–14 onwards, but the Commission needed to act promptly to allow sufficient time to investigate all cost-saving methods.
- 3.11 The Commission has now clarified how it will achieve the savings demanded by its corporate plan. Although it has yet to decide on the precise method for making savings in some areas, such as shared services, it has drawn up timetables for investigating its options. There will be key milestones for the Commission to meet in 2012 to ensure that these options are researched fully and savings achieved.
- 3.12 The largest area of expenditure for which the Commission aims to achieve savings is in support services. The Commission purchases these services under an agreement with its landlord, the Local Government Association, from the latter's shared services provider, Liberata. The corporate plan requires a saving of 3.5 per cent in cash terms, reducing the combined costs of accommodation and support services from their current level of £570,000 a year to £550,000 in 2013–14 and subsequent years.
- 3.13 The Commission has an option to terminate its support services contract by giving the Local Government Association and Liberata six months' notice from October 2012. The Local Government Association is currently trying to negotiate a price reduction in this contract and has agreed to pass on any savings to the Commission. If this proves to be unproductive, the Commission has drawn up a timetable for researching alternative methods, beginning in January 2012. The main alternative is to pursue a competitive tendering process to find a new supplier, but the Commission will research other options such as bringing services in-house.
- 3.14 Mapping is another major cost for the Commission, with forecast expenditure of £210,000 in 2011–12. Mapping is purchased from Ordnance Survey and the Commission considers it unlikely that it could find an alternative supplier. The Commission has therefore negotiated a settlement with Ordnance Survey to reduce the day rate it is charged. Under this agreement, Ordnance Survey will reduce their day rates by three per cent each year for the next three years, beginning on 1 April 2012. This is a positive development as the corporate plan did not require savings in mapping until 2013–14.
- 3.15 Printing costs relate primarily to the Commission's corporate publications, including review recommendations, guidance to local authorities, and annual reports. The Commission is currently investigating alternative arrangements, including contracting printing out to Liberata. Whatever option is decided upon, the Commission expects to achieve cost savings in this area in 2012–13.

## Part Four: Understanding costs

### *Direct cost data*

- 4.1 In our previous report we recommended that, as a key priority, the Commission should continue to improve its understanding of links between its review processes and its costs. This is still an important priority for the Commission as a clear understanding of its cost drivers will enable it to make savings by streamlining and improving review processes.
- 4.2 The Commission has already calculated an average cost for reviews, but the cost data that it is collecting could be used more widely to drive efficiency within the organisation. Robust data would enable the Commission to identify reviews where particular tasks have been completed most efficiently. This could then be used to identify good practice that could be implemented more widely across the review teams. However, as might be expected of a new system, weaknesses exist in the processes for identifying those costs that should be allocated to reviews. The allocation of staff costs is an area of particular concern.
- 4.3 The Commission introduced a system in July 2010 to allocate expenditure to individual reviews and so better understand its costs. Each electoral and boundary review was given a project code so direct costs (mapping, printing and travel and subsistence) could be allocated. To calculate the staff cost of reviews, all review officers were required to book their working time to project or non-review specific codes. Retrospective estimates were made of costs and staff time for the three months before July 2010 to produce data that covered the full 2010–11 financial year.
- 4.4 However, the Commission does not appear to be capturing all staff time spent on reviews. Data from the first six months of 2011–12 show that only 45 per cent of review staff costs have been allocated to reviews, compared to 43 per cent in 2010–11. The similarity between the figures is disappointing given the greatly increased review workload in 2011–12 and the large amount of non-review specific start-up work undertaken in 2010–11. Analysis of the time booked by the 21 members of review staff who use the system indicates that the main cause of this is inconsistency in how staff allocate their time to reviews (Figure 4). We would expect to see some variation in the proportion of time booked, but the number of review staff who have booked little or no time to specific projects seems excessive. The Commission is aware of inconsistencies in time and cost recording and has issued staff guidance to ensure that review costs are captured fully and consistently.
- 4.5 Travel and subsistence is another area where problems might exist in allocating costs to reviews. In 2010–11, of total travel and subsistence costs of £30,000 the Commission allocated £14,000, or 47 per cent, to specific projects. Although total travel and subsistence costs rose markedly in the first half of 2011–12 to £33,000, only 24 per cent (£8,000) were identified as direct review costs. This sharp fall in the proportion of costs being allocated to reviews indicates potential weakness in the systems for identifying direct costs in this area.

Figure 4

There is wide variation in how review staff allocate their time

Percentage of time booked to reviews	Number of staff
0–9.9%	2
10–19.9%	3
20–29.9%	1
30–39.9%	1
40–49.9%	1
50–59.9%	2
60–69.9%	4
70–79.9%	0
80–89.9%	0
90–100%	7

Source: National Audit Office analysis of Commission data

4.6 Weaknesses in allocating relevant costs to reviews will limit the usefulness of the data produced. If direct costs are not being captured on a complete and consistent basis, then cost data cannot be effectively used to indicate areas of good practice or areas for improvement.

## Part Five: Progress against other National Audit Office recommendations

### *Better understanding of the needs of interested parties*

5.1 Our previous report recommended that the Commission strengthen and deepen its understanding of the needs and views of its clients. This would allow the Commission to plan its future work to most effectively address the priorities of its clients.

5.2 The Commission currently seeks feedback from individuals rather than gathering formal responses from local authorities. It uses an online questionnaire to obtain this feedback, although it will send out hard copies through the post when requested. At the end of each electoral review, the Commission contacts every person who made a formal submission during the review process to inform them that the survey is available on their website. Feedback has been received from a wide range of interested individuals.

- 5.3 There are several limitations to the current process of collecting feedback, which reduces the usefulness of the information. The most obvious weakness in the process is timing. Potential respondents are only notified of the questionnaire at the end of the review, so more than a year may have elapsed between them making their submission to the Commission and being asked for feedback. Another drawback of collecting feedback only at the end of reviews is that responses are often influenced by personal views of the final recommendations, as opposed to how they were produced.
- 5.4 The Commission has recently made the decision to review how feedback is gathered. A new system is undergoing trials and, if successful, will be implemented fully in April 2012. It is designed to gather feedback throughout the review process and target a wider range of people. Questions have been changed to focus more on the process of the review rather than the outcome.
- 5.5 In June 2011 the Commission hired a market research company to conduct a telephone survey. The survey covered eight local authorities recently subject to electoral reviews. It included a random sample of over one hundred electors from each authority, with a total of 807 ultimately participating, as well as 50 returning councillors who had direct experience of the authorities before and after electoral reviews. The results showed that most electors still felt a sense of belonging to their ward after the changes. Councillors' responses were more mixed, with many expecting the changes to increase their workload.

### ***Peer review to improve quality assurance***

- 5.6 The Commission is responding to our previous report's recommendation to investigate the possibility of external peer review to strengthen quality assurance. The Local Government Boundary Commission for Scotland had agreed to take on this role but now cannot do so because it shares staff with the Parliamentary Boundary Commission for Scotland, which now has to give overriding priority to Parliamentary work. The Commission is exploring other possibilities to secure useful external review of its processes for scheduling and conducting reviews.
- 5.7 Our previous report also recommended that the Commission should seek feedback on how boundary review requests are handled. This recommendation is now less relevant as the expected demand for boundary reviews has failed to materialise.