

Local Authority Public Accounts Committees - Opposition Costing

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Description of policy
<p>Policy: Local Authorities should be required to have their own public accounts committee.</p> <p>Ed Miliband: 'I will not hand over billions of pounds to local authorities without also insisting on a new system of checks and balances. The next government will introduce a statutory requirement for local authorities to set up a public accounts committee with powers to scrutinise value for money for all services in their area. The role played by Labour's formidable chairman of the Commons PAC shows what can be done – and I believe every town and city should have its own Margaret Hodge.' (<i>Daily Telegraph</i>, 3 September 2014).</p>
Additional policy assumptions
<p>Relevant assumptions provided by special advisers:</p> <ul style="list-style-type: none"> • Every local authority sets up a new PAC body (the scope is the 351 local authorities so not including the City of London or the Isles of Scilly). • A Chair for every local PAC paid an additional amount in line with Margaret Hodge's additional payment. Chairs of Select Committees are paid an additional £14,728 a year for their work (<i>Public Accounts Committee website</i>, link; <i>Parliament website</i>, FAQs, link). • Costs of support staff. Assume staffing levels in line with the PAC, which is currently supported by 6 members. Assume they are paid the median salary for local government officials (excluding teachers) of £24,958. • That local PACs are new bodies that are in addition to any existing LA structures.
Additional technical modelling assumptions or judgements required
<p>The stated purpose of introducing local PACs is to "scrutinise value for money for all services". This suggests the intention is for local PACs to save money on service provision through increased accountability.</p> <p>We are unable to provide an estimate of these savings. The costing therefore focuses on the administrative cost of establishing and running local PACs. It therefore only provides a partial picture: it is quite possible the policy could save money rather than cost money as the costing implies</p> <p>The main costing below is the gross cost <u>for local authorities</u> of introducing PACs. The costing does not incorporate the impact on Exchequer revenues from additional income tax and NICs contributions from any additional staff.</p> <p>The costing assumes that the employer NICs and pension contributions would only be applied to committee staff salaries.</p>
If needed, information required on distributional effects of the policy

Not applicable.

Cost/Revenue to the Exchequer over five years

Please summarise spending impacts in Table 1, below.

Gross costs of introducing PACs for LAs

	DEL					AME				
	Start-up cost	Year 2	Year 3	Year 4	Year 5	Start-up cost	Year 2	Year 3	Year 4	Year 5
Current	70	70	70	70	70	-	-	-	-	-
Capital	-	-	-	-	-	-	-	-	-	-
Total	70	70	70	70	70	-	-	-	-	-

- 351 Committee chairs at cost of £14,728 a year = **£5.169m**
- 2,106 Committee staff (6 staff x 351 LAs) at cost of £24,958 a year = **£52.561m**
- 13% employer pensions contribution = **£6.84m**
- 13.8% employer NICs contribution = **£7.25m**
- Total cost = **£71.82m**

Net costs (incorporating costs of existing LA audit committees)

Although special advisers have been clear that they want this costing to be on the basis that local PACs would be in addition to existing structures, we would expect mandatory PACs to replace existing LA audit committees. As such, we have estimated the costs of existing LA audit committees to calculate the net cost of introducing PACs for LAs.

We would estimate the net cost to be in the range £25-50m.

The approach to existing committees in terms of staff and allowances for members and chairs varies across LAs and we have no reliable information on the staffing levels or number of existing audit committees:

- On **numbers of LAs with audit committees**: A 2008 CIPFA report suggested that about 90% of LAs have existing audit committees or committees that perform similar functions to those envisaged for local PACs. The bottom end of the range therefore uses 90% as the basis of the calculation. The top end assumes that this number has risen to 100% - an assumption that DCLG are supportive of from anecdotal evidence.
- On **staffing levels**: data on staffing levels appears to be non-existent. After discussions with DCLG we have modelled costs using 2 staff (plus a chair and vice-chair) at the bottom end of the range and 4 staff (plus a chair and vice chair) at the top end of the range.
- On **allowances for members**: the Local Government Association (LGA) published a members' allowances survey in 2008 which indicated that LA audit committees had chairs and vice chairs with allowances on average of £6,159 and £2,453 a year respectively. We have used these figures as the basis for existing costs at both ends of the range, though it is worth noting that these allowances are likely to have risen since 2008.

Upper end

- 100% of LAs have audit committees x 4 staff & 1 committee chair & vice chair (351 LAs)
- 1,404 Committee staff (4 staff x 351 LAs) at cost of £24,958 a year = **£35.04m**

- 351 Committee chairs at cost of £6,159 a year = **£2.16m**
- 351 Committee vice chairs at cost of £2,453 a year = **£861k**
- 13% employer pensions contribution = **£4.55m**
- 13.8% employer NICs contribution = **£4.83m**
- Total cost = **£47.44m**
- **Net cost of introduction of local PACs: £24.38m**

Lower end

- 90% of LAs have audit committees x 2 staff & 1 committee chair & vice chair (351/100 x 90 = 315 LAs)
- 630 Committee staff (2 staff x 315 LAs) at cost of £24,958 a year = **£15.72m**
- 315 Committee chairs at cost of £6,159 a year = **£1.94m**
- 315 Committee vice chairs at cost of £2,453 a year = **£773k**
- 13% employer pensions contribution - **£2.04m**
- 13.8% employer NICs contribution - **£2.16m**
- Total cost = **£22.63m**
- **Net cost of introduction of local PACs: £49.19m**

For tax policies please summarise the scorecard impacts over the next five year period in Table 2, below:

	Revenue				
	2008-09	2009-10	2010-11	2011-12	2012-13
Total	-	-	-	-	-

Distributional effects (if none requested, any significant):

Comparison with current system (if applicable):

See above assumptions on existing LA audit committees.

Other comments (including other Departments consulted):

DCLG were consulted on this costing. They made a number of points:

- It would be a reasonable expectation that a local PAC would produce fewer reports than the PAC in any one year – therefore the number of staff needed to perform these functions would be fewer.
- It might be sensible for a single PAC to operate in two-tier areas – so one per county rather than one per district. This is the suggestion in a Centre for Public Scrutiny (CfPS) report on the issue of local PACs (December 2013). This would significantly reduce the number of PACs to 150.

To be completed by Permanent Secretary's Office
Date costing signed off:

9 October 2014

[If applicable]

Date revised costing signed off:

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