



Local Authorities (Overview and Scrutiny) Bill

Impact assessment



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Summary: Intervention & Options

Department/Agency: Communities and Local Government	Title: Impact Assessment of Local Authorities (Overview and Scrutiny) Bill	
Stage: Final	Version: 1	Date: 25 January 2010
<p>Related Publications: Strengthening Local Democracy Consultation; July 2009; (http://www.communities.gov.uk/documents/localgovernment/pdf/1290537.pdf)</p> <p>Building Britain's Future (http://www.hmg.gov.uk/buildingbritainsfuture.aspx);</p> <p>Improving Local Accountability consultation (http://www.communities.gov.uk/publications/localgovernment/localaccountability),</p> <p>Government response to the Improving Local Accountability consultation. http://www.communities.gov.uk/publications/localgovernment/govresponselocalaccountability</p>		

Available to view or download at: <http://www.communities.gov.uk>

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What is the problem under consideration? Why is government intervention necessary?

Despite measures in 2007 to strengthen scrutiny powers of councils in relation to those public bodies that are partners in a council's Local Area Agreement (LAA), and separate measures in 2001 and 2006 to provide for enhanced scrutiny of health and crime and disorder matters, wider scrutiny of issues that matter to local people still relies heavily on the voluntary participation of external bodies in scrutiny reviews, which is not always forthcoming.

What are the policy objectives and the intended effects?

The objectives are to provide a framework under which local government scrutiny powers will be further enhanced to cover a broader range of external local service providers thereby reducing the reliance on voluntary co-operation by external bodies. This should facilitate better informed scrutiny reviews, which in turn should facilitate better recommendations and better outcomes for local people.

The intended effect is to place councils at the heart of local decisions making in their communities, championing the needs and concerns of local people, and securing innovation and better public services for their communities.

What specific policy options have been considered? Please justify any preferred option.

Two options have been considered.

Option 1: Do nothing. Councils would retain their existing powers to require participation in scrutiny reviews from LAA partners where that matter relates to targets in the council's LAA and the existing separate Health and Crime and Disorder enhanced scrutiny frameworks would continue as at present. Scrutiny of wider issues of importance to local people would however remain reliant on voluntary cooperation of external bodies not already under a duty to participate in scrutiny reviews. This would not close the identified gap nor achieve the policy objectives.

Option 2: Through primary legislation, extend local government scrutiny powers in line with the Government's ambitions for councils to be a local point of accountability for services across their area by bringing the range of local public service providers fully within the powers of local government scrutiny with a focus on what matters for local people and local communities.

This is the preferred option. It would strengthen the power and reach of local government scrutiny, provide local government scrutiny with the tools to effectively scrutinise any issue of local importance and remove the current reliance on co-operation (not always forthcoming) which should thereby improve the potential effectiveness and added value of scrutiny.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The proposed enhanced scrutiny regime has been taken up via the Private Members' Bill process. The earliest implementation of any new enhanced regime would be April 2011 and we would want to closely monitor the effects of any new regime during and after implementation. To allow time for bedding in and sufficient information to be available for review, we would suggest that any formal review take place at least two years following implementation.

Ministerial Sign-off For Impact Assessments:

I am satisfied that (a) this Impact Assessment represents a fair and reasonable view of the expected costs, benefits and impact of the proposed policy, and (b) that the benefits justify the costs

Signed by the responsible Minister:



Date: 2 February 2010

Summary: Analysis & Evidence

Policy Option: 2
Enhancing Scrutiny

Description: Increase powers of local authorities in respect of local scrutiny

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The assessment predicts that the increase in overall costs arising from implementation of new statutory provisions can be attributed to additional compliance costs by external bodies arising from enhanced scrutiny activity. These increased annual compliance costs are shared between private sector organisations (£285,000) and public sector organisations (£35,000).
	One-off (Transition)	Yrs	
	£ n/a		
	Average Annual Cost (excluding one-off)		
£ 0.32m	10	Total Cost Range (PV) £ 160,000 (lower) £480,000 (higher)	
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
£		Total Benefit (PV) £ m	
Other key non-monetised benefits by 'main affected groups' Expected benefits would include: <ul style="list-style-type: none"> i) strengthening of public confidence in democratic institutions and their ability to manage public services and thus potentially increasing public satisfaction with local services and increasing engagement with local institutions; ii) better partnership working in service areas which are delivered through joint-working and thus yielding efficiency gains; and iii) improved service outcomes for the public through a greater focus on end-to-end service delivery. 			

Key Assumptions/Sensitivities/Risks

- (I) Local authorities uptake proposed scrutiny powers but operate within their existing scrutiny budgets.
- (II) Up take of the powers leads to compliance costs in external bodies participating in scrutiny and although these are not substantial they could potentially affect private businesses disproportionately.

Price Base Year 2009	Time Period Years 10	Net Benefit Range (NPV)	NET BENEFIT (NPV Best estimate)

What is the geographic coverage of the policy/option?	England
On what date will the policy be implemented?	TBC subject to Bill processes
Which organisation(s) will enforce the policy?	Policy not enforced
What is the total annual cost of enforcement for these organisations?	£ n/a

Does enforcement comply with Hampton principles?		No		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ n/a		
What is the value of changes in greenhouse gas emissions?		£ n/a		
Will the proposal have a significant impact on competition?		No		
Annual cost (£–£) per organisation (excluding one-off)	Micro –	Small –	Medium £1000	Large £1000
Are any of these organisations exempt?	Potentially	Potentially	No	No

Impact on Admin Burdens Baseline (2005 Prices)		(Increase – Decrease)		
Increase of	£ 0.3m	Decrease of	£	Net Impact £ 0.3m

Key: **Annual costs and benefits: Constant Prices****(Net) Present Value**

Evidence Base (for summary sheets)

PRIVATE MEMBERS BILL – Local Authorities (Overview and Scrutiny) Bill

Introduction

The impact assessment relates to the provisions of the Local Authorities (Overview and Scrutiny) Bill to implement proposals set out in the Government's *Strengthening Local Democracy* paper to introduce an enhanced local authority scrutiny regime. The provisions of the Bill apply to England only.

Background

The Local Government Act 2000 ("the 2000 Act")¹ introduced checks and balances to the operation of executive decision making under the new council constitutions through the introduction of a scrutiny system and a new ethical framework. All principal councils in England, whether operating executive arrangements or not, are required under the 2000 Act, to have at least one overview and scrutiny committee.

To improve the transparency and accountability of executive decision making, overview and scrutiny committees were provided with broad powers allowing them to review/scrutinise individual decisions or consider council policy more generally, and make recommendations to the council or executive on how matters might be improved.

Amongst other things overview and scrutiny committees have powers to 'call-in' a particular decision of the executive shortly after it has been made but before it is implemented and to refer it back to the executive for further consideration, or to refer it to the full council.

Since 2001², overview and scrutiny committees in county or unitary councils can require Primary Care Trusts and other local health bodies to provide information and/or attend meetings. Local health bodies and councils are required to respond to reports and recommendations made.

The scrutiny framework was further extended by the Police and Justice Act 2006³, which brought bodies with functions relating to crime and disorder matters within

¹ Local Government Act 2000 <http://www.statutelaw.gov.uk/legResults.aspx?LegType=All+Legislation&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&PageNumber=0&NavFrom=0&activeTextDocId=2319054>

² Health and Social Care Act 2001 http://www.opsi.gov.uk/acts/acts2001/en/ukpgaen_20010015_en_1.htm
NHS Act 2006 http://www.opsi.gov.uk/acts/acts2006/pdf/ukpga_20060041_en.pdf

³ National Health Service (Consequential Provisions) Act 2006 http://www.opsi.gov.uk/acts/acts2006/ukpga_20060043_en_1
Police and Justice Act 2006 http://www.opsi.gov.uk/acts/acts2006/ukpga_20060048_en_1

local government scrutiny arrangements in a manner similar to those for health scrutiny.

Local Government and Public Involvement in Health Act 2007 reforms

The Local Government and Public Involvement in Health Act 2007 (“the 2007 Act”)⁴ substantially strengthened local government overview and scrutiny committees particularly in respect of Local Area Agreements (LAAs). Overview and scrutiny committees were provided with the powers to:

- require information on relevant LAA matters from public bodies covered by the duty to co-operate (with the exception of health and crime and disorder partners where separate provision is made);
- copy reports to these bodies on recommendations relating to LAA delivery and require that they have regard to those recommendations when exercising their functions;
- require the council/executive to consider and publicise their response to overview and scrutiny recommendations within 2 months; and
- form joint overview and scrutiny committees in certain circumstances.

The *Improving Local Accountability* Consultation⁵ (published 7 August 2008), consulted on plans to implement the 2007 Act provisions, seeking views on the necessary regulations and guidance designed to help councils to use the new powers strategically and effectively. That consultation also sought views on the scrutiny proposals set out in the 2008 white paper *Communities in Control: Real people, real power*⁶ and on which provision is included in the Local Democracy, Economic Development and Construction Act 2009 (see below).

A number of respondents to the consultation requested the ability for scrutiny committees to require attendance by LAA partner authorities at scrutiny meetings in addition to the power to require information, but, as set out in the Government response to the consultation, published on 26 January 2009, this was outside the scope of the regulation making powers under the 2007 Act. Some scrutiny practitioners also expressed the view that the list of partner authorities under a duty to co-operate with scrutiny committees should be extended to encompass a wider range of local service providers.

Local Democracy, Economic Development and Construction Act 2009

The Local Democracy, Economic Development and Construction Act 2009⁷ includes two provisions aimed at further raising the visibility and effectiveness of the scrutiny function. The first provision requires local authorities with lead responsibility for LAAs to designate one of their officers as ‘scrutiny officer’. The second provision enables two or more local authorities to establish a joint scrutiny committee to better enable

⁴ Local Government and Public Involvement in Health Act 2007

http://www.opsi.gov.uk/acts/acts2007/pdf/ukpga_20070028_en.pdf

⁵ <http://www.communities.gov.uk/documents/localgovernment/pdf/919732.pdf>
Government response to the improving local accountability consultation:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1129377.pdf>

⁶ <http://www.communities.gov.uk/documents/communities/pdf/886045.pdf>

⁷ http://www.opsi.gov.uk/acts/acts2009/ukpga_20090020_en_1

efficient and effective use of resources to scrutinise issues of common interest across council boundaries.

Strengthening Local Democracy consultation paper

The *Strengthening Local Democracy* consultation⁸, published on 21 July 2009, sought views on proposals to extend the reach of local government scrutiny powers to cover:

- a wider range of issues for those LAA partner bodies already within the local government scrutiny framework; and
- a wider range of bodies than are currently included – to enable council scrutiny to effectively scrutinise all issues of local importance and be the focus for all.

The Department received over 1,400 responses to the consultation paper – over 250 responses on the scrutiny proposals alone. The Department’s formal response will be published shortly and initial analysis of responses has indicated significant support for the scrutiny proposals.

Local Authorities (Overview and Scrutiny) Bill

This Private Members’ Bill takes forward the proposals on scrutiny set out in the *Strengthening Local Democracy* consultation paper. The Bill facilitates the scrutiny of local public services by broadening local authority scrutiny powers and extending them to cover a wider range of organisations external to the local authority than at present, so that local authorities will be less reliant on the voluntary cooperation of external organisations when undertaking scrutiny. This complements the Government’s policy aim that councils should be at the centre of decision making and accountability in their local community.

Reason for intervention

Local authorities’ scrutiny functions are an important means of ensuring local accountability and supporting transparency of the local decision making process. It is an important and powerful tool to enable local people through their democratically elected representatives to participate in decisions which affect their day to day lives. The Government’s recent reforms strengthened the powers of scrutiny committees, increased their flexibility to work together on issues of local importance and, in turn, raised the profile and visibility of the scrutiny function.

This Bill, in taking forward the Government’s proposals to strengthen further the local government scrutiny function in relation to external bodies to the council, could contribute to better value for money, will support the delivery of the LAA, and through extending the powers and reach of scrutiny, further raise the visibility of the scrutiny function and encourage local people to become more involved in scrutiny.

⁸ <http://www.communities.gov.uk/publications/localgovernment/localdemocracyconsultation>

Policy objectives

The objectives are to provide a framework under which local government scrutiny powers will be further enhanced to cover a broader range of external local service providers thereby reducing local authorities reliance on voluntary cooperation by external bodies.

Continuing to increase the power and range of scrutiny is central to our vision of independent, strong and effective local government. Local government is a major route through which the voice and interests of local people, through their elected representatives, can be brought to bear on the national and local institutions which provide local services. Scrutiny committees have a vital role to play in making sure that these services work as effectively as possible.

The Bill's provisions to strengthen the overview and scrutiny function could result in efficiencies, raise the profile of overview and scrutiny, and encourage local people to become involved in scrutiny.

Links to other policy areas and strategies/programme of work

There are three legal frameworks relating to overview and scrutiny, which are not fully integrated. Currently scrutiny of crime and disorder matters, and scrutiny of health service matters are covered by separate legislation than that which related to general scrutiny under the 2000 Act. Powers of overview and scrutiny committees under crime and health legislation in some cases exceed those granted under the 2000 Act, in particular in these areas, committees do have powers to require attendance by officers of other bodies.

Summary of the potential practical uses and effects of enhanced scrutiny powers

The provisions in the Bill to enhance the scrutiny powers should facilitate better informed scrutiny reviews and recommendations in relation to matters on which external bodies play a key role locally.

In giving scrutiny committees enhanced powers we are increasing their access to well informed, and timely information from external bodies. In practice, the effects of these greater powers should:

- improve the efficiency and effectiveness of scrutiny reviews (i.e. better use of scrutiny secretariat resources through less time spent trying to obtain information through making requests which are refused due to lack of power to require)
- lead to better informed scrutiny reviews, and in turn, better informed recommendations for improvement

- drive delivery of LAA targets and improvement on other local issues of importance; and
- increasing the powers of local government scrutiny in this way will also in turn raise the visibility and public profile of the scrutiny function.

The options

Option 1) Do nothing (leaving current profile and reach of scrutiny activities unchanged). Councils would retain their existing powers to require participation in scrutiny reviews from LAA partners where that matter relates to targets in the council's LAA and the existing separate Health and Crime and Disorder enhanced scrutiny frameworks would continue as at present. Scrutiny of wider issues of importance to local people would however remain reliant on voluntary cooperation of external bodies not already under a duty to participate in scrutiny reviews, which is not always forthcoming. This would not close the identified gap nor achieve the policy objectives.

Option 2) Legislate to implement an enhanced local authority scrutiny regime, under which external bodies, designated by regulations made by the Secretary of State, may be required by a local authority scrutiny committee in relation to matters of local concern in connection with the public services they provide to:

- a) provide information to the scrutiny committee
- b) attend scrutiny committee hearings if required to do so
- c) have regard to scrutiny committee reports and recommendations; and
- d) formally respond to such reports and recommendations.

The Bill will also provide powers for the Secretary of State to make regulations about the operation of the enhanced scrutiny regime, such as regulations providing for procedures that must or must not be followed by scrutiny committees in order to minimise burdens on external bodies undergoing enhanced scrutiny, and to avoid duplication.

The Secretary of State will also be able to issue statutory guidance on the operation of the enhanced scrutiny regime.

Costs and benefits

Background – existing scrutiny

All principal councils, whether operating executive arrangements or not, are already required under the Local Government Act 2000 to have at least one overview and scrutiny committee. In practice many councils have a number of scrutiny committees (for example mirroring the portfolio responsibilities of executive members e.g. health, young people, etc – others may have area scrutiny committees or a combination of

both). Beyond the requirement for one committee, it is for councils to decide how to organise the function otherwise.

Under the provisions of the Bill there may be additional costs for any bodies that might be required to cooperate with scrutiny committees – either through responding to requests for information or recommendations, or through attending meetings of scrutiny committees. Nonetheless, this could be offset by better performance against the LAA, and better relations between the council and the partner. Where this works well other authorities could use these examples of best practice to improve their own performance.

Approach to assessing the impact

The Bill will not place any new duty on council scrutiny committees to carry out extra reviews during the year. Instead, the Bill intends to facilitate better and more effective scrutiny. Decisions about what issues to examine, and how, will rightly remain those of the scrutiny committee. Thus, a key difficulty of assessing the impact of the Bill's provisions is that the uptake of the new enhanced powers is in effect discretionary – local authorities may choose to take full advantage of the new powers or not. However, in order to illustrate the possible impact of the Bill, this assessment makes a number of simplifying assumptions which are developed below.

First of all, however, some discussion is required on the projected impacts of the Bill. The Bill aims to achieve two broad objectives (i) increase public confidence in local area governance by raising the visibility of the scrutiny function among the general public and (ii) improving the actual working effectiveness of the scrutiny function by extending scrutiny powers including the obligation to provide relevant evidence in respect of a wider range of bodies and activities.

Headline assumptions

1) *Local authorities make use of the extended powers of scrutiny.*

Use of the powers would be discretionary. However, it is reasonable to expect that the greater clarity concerning the powers given to local authorities; their extension to new services areas; and, the greater authority to require and obtain evidence will result in an increasing application of the enhanced scrutiny.

2) *The enhanced powers of scrutiny are applied in respect of reviews of service delivery partnerships (or other arrangements involving a number of public and private sector organisations)*

A service delivery partnership, for example, could include a partnership with responsibility for public transport provision whose membership could include both private and publicly-owned bus operators. The reason for assuming that the powers are most likely to be applied to partnerships is because the enhanced powers conferred by the statutory change seem particularly relevant to improving the scrutiny of these types of reviews. Under current provisions, organisations within a partnership are not obliged, in many instances, to provide the evidence necessary for

effective scrutiny. The results of the Centre for Public Scrutiny (CfPS) (2008) Survey of Overview and Scrutiny in Local Government⁹ indicated that reviews of partnerships were regarded by respondents to be the least effective form of scrutiny (although this is also possibly due to a relative lack of expertise on the part of reviewers concerning these types of reviews).

Estimation of costs

Scrutiny activity among local authorities generally takes the form of a specific 'review' – this will be the key unit of analysis used in the assessment. Reviews can vary a lot in terms of scope but for the sake of simplifying the analysis an 'average review cost' is calculated. There are a number of major components to the average cost of a scrutiny review and these are addressed in turn below. These are essentially indicative costs with the aim of examining the possible impact of the new provisions on scrutiny activity. In reality, these are going to vary substantially and the scenarios presented later in the text attempt to capture a broad range of variation.

Local authority administration costs

According to the CfPS (2008) Survey, local authorities conduct on average 6 reviews per year and utilise on scrutiny reviews approximately 2 FTEs. Using the Standard Cost Model hourly rate of a professional member of staff¹⁰, this implies an average staff cost of £11,610 per review (set at 2009 prices). The administrative cost of an enhanced review is assumed to increase owing to the expectation that a wider number of key witnesses would be required to attend review meetings. For the purposes of the costing exercise, the average FTE value was assumed to increase to 0.40 for an 'enhanced' review compared to 0.33 for a standard review.

Local authority expenses

The CfPS (2008) survey also indicates that local authorities have a discretionary expenses budget (and which appear to fluctuate considerably). For analytical simplicity, this has been set at £10,000 in 2009 prices with the cost of an individual 'standard' review put at £1,667. The expenses associated with an enhanced review are assumed to be £500 higher due to a more complex scrutiny process. In addition, the results of the CfPS (2008) survey also suggests that reviewers would require further training to undertake more effective scrutiny of partnerships. Given this, a training allowance (averaged per review) has also been made for the undertaking of enhanced reviews.

⁹ <http://www.cfps.org.uk/what-we-do/publications/cfps-general/?id=100>

¹⁰ This is set at £18 p/h (2005 prices) in the Technical Summary of the Administrative Burdens Measurement Exercise, Better Regulation Executive, 2006 but the actual value applied in this exercise has been inflated to reflect estimated 2009 prices.

Table 1 Local authority scrutiny administration costs

	Annual Scrutiny Activity	Cost of Annual Scrutiny Activity (£)	Current Provisions	Proposed Provisions
			Estimated Average Cost per Review (£)	Estimated Average Cost per 'Enhanced' Review (£)
Staffing*	2 FTEs	69,659	11,610	13,931
Expenses	–	10,000	1,667	2,167
No. of Reviews	6			
Training				500
Average Cost		79,659	13,277	16,598

* Based on hourly administrative staff cost of £17.63 p/h. See footnote 11 for source.

Overall administrative cost of scrutiny reviews

Taking these considerations into account, the total indicative cost of an enhanced review is estimated at £16,000 compared to £13,300 for the standard review.

Compliance costs

Scrutiny reviews generally require attendance at meetings by 'witnesses' and may involve a response to the scrutiny committees recommendations. Guided by the results of the CfPS (2008) Survey, Table 2 estimates the time spent by key witnesses in complying with a 'standard' review and that spent complying with an 'enhanced' review. Key witnesses in this context would typically be: internal local authority service managers; external managers of related public sector bodies and directors of private businesses.

The survey suggests the number of witnesses that can be involved in scrutiny reviews ranges from 0 to 500, the modal range is between 1 and 10 witnesses (accounting for 38% of responses). For the sake of illustration, Table 2 assumes approximately 6 FTE days of involvement on the part of witnesses when engaged in scrutiny under the current provisions.

There is no evidence concerning the actual composition of key witnesses and their status. Under current provisions it has been assumed that these would mainly comprise people from public sector organisations but that enhanced scrutiny reviews are more likely to involve a greater number of key witnesses (or FTEs) and that business representatives, in particular, would be obliged to spend more time as witnesses and respond to scrutiny committee recommendations than previously.

The assumptions underlining the approach does not imply that co-operation from a range of private and public organisations is not being obtained now – there are instances where this occurs, however these are minimal. Rather, under the new provisions, we are suggesting that there is likely to be a significantly higher incidence of scrutiny reviews involving a greater level of involvement from both public and private organisations.

Table 2 Compliance cost of standard and enhanced scrutiny reviews				
	Standard Review		Enhanced Review	
	Total Hours	Cost Per Standard Review £	Total Hours	Cost Per Review £
Internal LA Staff*	16	313	16	313
Other Public/Third Sector*	24	469	40	782
Private Businesses**	4	200	24	1,200
Total	44	982	80	2,295

*costed @ £19.5 p/h and ** @ £50.0 p/h. See footnote 11 for source.

Transitional/one-off costs

Scrutiny activity is already undertaken by local authorities and the provisions of the Bill allowing for enhanced scrutiny are unlikely to entail any transitional or any other type of one-off costs.

Administrative burdens (private businesses)

It is difficult to estimate the exact cost on a businesses but for the sake of illustration Table 2 effectively assumes that enhanced reviews could entail three businesses each spending eight hours complying with an enhanced scrutiny review¹¹. However, it could be that any one business may have to co-operate with several reviews in a year¹². For that reason, the annual cost to a company of complying with enhanced scrutiny was put at £1000. It is expected that only medium to large sized companies for the most part would be required to participate in service reviews.

Analysis of overall impact cost

A number of scenarios were developed to assess the possible overall cost impact of the take-up of enhanced scrutiny. These were developed in a number of steps.

First of all, it was estimated that approximately 2,400 reviews in total are conducted annually under the current provisions¹³. Table B.1 at Annex B estimates the total *administrative* cost of conducting standard reviews to be in the region of £32m (derived from the cost for a local authority to administer a single standard review as shown in Table 1). As it is the responsibility of local authorities to undertake scrutiny reviews, it is the administrative cost impact on them that would be a key determinant of the extent to which enhanced reviews are undertaken.

¹¹ For instance, it would not be unrealistic to assume that a review into the co-ordination of streetworks in an area could require evidence from 4 utility companies.

¹² A utility company involved in London streetworks for example.

¹³ Based on the CfPS (2008) Survey.

Two sets of scenarios were elaborated. The first set assumes that local authorities engage in enhanced scrutiny activity but *work within the existing budget* allowed for scrutiny. To capture a broad range of potential cost impacts three increasing levels of scrutiny were modelled: in scenario A, a total of 150¹⁴ enhanced scrutiny reviews are undertaken, in scenario B, 300 enhanced reviews are undertaken while in scenario C, 450 such reviews are conducted. There is likely to be an upper limit to the number of enhanced scrutiny that can be undertaken in any one year especially since these reviews would appear to have a particular application in circumstances where there is a degree of joint-delivery involving private businesses and public sector organisations.

The second set of scenarios assumes that authorities increase their scrutiny budgets by 5 per cent in order that 'standard' scrutiny activity is not displaced by the more expensive enhanced form. The same levels of enhanced scrutiny were applied as in the case where the budget is kept constant.

Because of the assumption of constant expenditure on scrutiny, Table B.1 at Annex B shows that the total number of reviews undertaken will decline the more local authorities conduct 'enhanced' reviews from 2,362 in scenario A to 2,287 in scenario C. Nevertheless, the overall indicative cost of scrutiny (includes cost to business and other public bodies) is predicted to increase, albeit by relatively marginal amounts, if the proposed provisions are implemented – by £160,000 if 150 enhanced reviews are conducted; £320,000 if 300 are undertaken and by £480,000 if 450 enhanced reviews are carried out. The overall increase in annual net costs are entirely attributable to the relatively higher cost of compliance associated with enhanced scrutiny. The additional annual burden on private sector businesses ranges from £142,000, £285,000 and £427,000 in scenarios A, B and C respectively.

By increasing expenditure on scrutiny by 5 per cent, the results in Table B.2 in Annex suggest that local authorities will be able to increase the total number of reviews undertaken whether 150 or 300 enhanced reviews are conducted but will have to reduce the total number of reviews undertaken back to approximately 2400 if 450 enhanced reviews are conducted. Under these circumstances, *overall* compliance costs increase from £278,000 in scenario A through to £598,000 in scenario C while those for *private businesses* range from £166,000 through to £451,000.

Summary

The basic cost modelling suggests that the additional costs resulting from the Bill will fall relatively greater on private businesses. However, the overall additional cost is not expected to be substantial. The lowest level of estimated total annual cost for the private and public sector is £160,000 while the highest estimate is £598,000.

This analysis is of necessity an indicative exercise. For the purpose of completing the Summary Analysis and Evidence page of this impact assessment, the results and underlying assumptions from Table B.1 were used. These assumptions include an expectation that local authorities will work within their existing scrutiny budget but in order to capture the possible middle point of the range of compliance costs,

¹⁴ This estimate is based on the proportion of *partnership* reviews that are currently carried out per annum as reported in the CfPS (2008) survey, that is, 6% of an estimated 2400 reviews.

the summary results use the scenario where 300 enhanced reviews are undertaken annually.

Benefits

There is no available evidence on the monetised value efficiencies or otherwise arising from local authority led scrutiny, save to say that respondents¹⁵ to the CfPS (2008) Survey largely regarded such scrutiny as being 'effective'. Nevertheless, some case study evidence is also available which demonstrates the impact that effective scrutiny can have on service provision¹⁶.

The particular constraints to quantifying the benefits of scrutiny include: (i) scrutiny committees cannot make binding requirements they can only make recommendations; (ii) the very mixed nature and scope of any outcomes resulting from scrutiny pose particular measurement problems; and (iii) it would be difficult to distinguish the exact impact of scrutiny from other processes at work.

Nevertheless, it does seem reasonable to argue that local authority-led scrutiny and *the threat* of such scrutiny can lead to the better use of local public sector resources. For instance, a review which benchmarks the performance of a local service against other better performing authorities should drive improvement in performance. In the case of partnerships, benefits could arise from improved joint working across individual partners through improved coordination of activities.

Risks:

- Bodies may be overburdened with requests for attendance and responding to conflicting reports and recommendations. We intend to address such issues through secondary legislation and guidance for joint scrutiny committees and to apply safeguards to ensure that bodies are in a position to be able to effectively work with scrutiny committees.
- National and regional bodies may not be able to attend all scrutiny committees. We would expect scrutiny committees to be aware of the structure of such bodies and work with them to ensure that the required information is obtained in the most effective way – which may not always be through attending scrutiny meetings.
- There may not be enough resources to support the scrutiny function if the Bill's provisions are enacted. However provision of appropriate resources for the scrutiny function is a matter for the local authority to decide. The provisions will not necessarily result in extra enquiries and will help with more effective scrutiny reviews.

¹⁵ These are, however, effectively members of scrutiny panels and are not necessarily objective observers.

¹⁶ For example a review on housing development by South Cambridge District Council improved the process for the future location of primary schools and phased school admissions while also leading to improved community identity, more effective communication with new residents about health services and closer working with utility services

- Partners may not cooperate when required to provide information or attend. However, this is a legally binding duty and it is unlikely that they will want to open themselves up to legal challenge.
- Powers may not be used by all authorities. We will ensure that these powers are appropriately publicised and authorities are aware of the availability of these powers.
- Costs to business may be passed back to local authorities in the long term. While there is a small cost to business, there are potential benefits in the long term from better working with the local authority as a means of addressing local customer concerns and raise awareness of their difficult service delivery decisions.

Statutory impact test (race, gender, disability): An Equality Impact Assessment was carried out.

Other specific impact test: Set out in Annex.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes

Annex A provides further detail.

Annexes

Annex A

Specific Impact Tests

Competition assessment

The Bill is unlikely to have a direct effect on competition but may enable greater challenge of private sector costs.

Small firms impact test

Potentially, businesses involved in local public service delivery could be obliged to provide information but this is likely to be produced in the course of their business while commercial sensitivities would be observed. In addition businesses may be required to formally respond to scrutiny recommendations.

Legal Aid

There is not likely to be any impact on legal aid.

Sustainable development, environment and carbon assessment

There is no specific foreseeable impact concerning these issues except that the policy is designed to promote a better use of resources generally.

Health impact assessment

There is no foreseeable impact on health.

Race equality assessment, disability equality and gender equality

An Equality Impact Assessment has been carried out in a separate exercise. The provisions are not considered to impact greatly on the groups being assessed and to the extent that they did, the impact is positive. The proposals strengthen councils' ability to scrutinise the activities of others on issues of local importance and which could include, where appropriate to the issue at hand, the equalities implications or issues arising.

Human rights

We believe that the Bill is compatible with HRA.

Rural proofing

There is no foreseeable impact.

Annex B

Table B.1 Indicative cost of scrutiny under current and new proposals (constrained expenditure)*

	Overall Cost of Scrutiny using Enhanced Powers			Net Cost Effect of New Scrutiny Proposals			
	Overall Cost of Scrutiny Under Current Provisions	Scenario A: 150 Enhanced Scrutiny Reviews	Scenario B: 300 Enhanced Scrutiny Reviews	Scenario C: 450 Enhanced Scrutiny Reviews	Effect of Scenario A Compared to Current Provision	Effect of Scenario B Compared to Current Provision	Effect of Scenario C Compared to Current Provision
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Estimated Annual LA Admin Cost	31,863	31,863	31,863	31,863	0	0	0
Estimated Annual Cost of Public Sector Compliance	1,877	1,894	1,912	1,929	18	35	53
Estimated Annual Cost of Private Sector Compliance	480	623	765	907	142	285	427
Total Annual Cost of Compliance	2,357	2,517	2,677	2,837	160	320	480
Estimated Annual Total Cost of Scrutiny	34,220	34,380	34,540	34,700	160	320	480
Total Cost of Scrutiny (Present Value)**	294,556	295,934	297,311	298,689	1,378	2,756	4,133
Total Number of Reviews	2,400	2,362	2,325	2,287	-38	-75	-113

* Results have been rounded up.

** Present Values calculated over a 10 year period with discount rate of 3.5% applied to constant levels of cost and benefits.

Table B.2 Indicative cost of scrutiny under current and new proposals (5% increase in expenditure)*

	Overall Cost of Scrutiny using Enhanced Powers			Net Cost Effect of New Scrutiny Proposals			
	Overall Cost of Scrutiny Under Current Provisions £ 000s	Scenario A: 150 Enhanced Scrutiny Reviews £ 000s	Scenario B: 300 Enhanced Scrutiny Reviews £ 000s	Scenario C: 450 Enhanced Scrutiny Reviews £ 000s	Effect of Scenario A Compared to Current Provision £ 000s	Effect of Scenario B Compared to Current Provision £ 000s	Effect of Scenario C Compared to Current Provision £ 000s
Estimated Annual LA Admin Cost	31,863	33,457	33,457	33,457	1,593	1,593	1,593
Estimated Annual Cost of Public Sector Compliance	1,877	1,988	2,006	2,023	111	129	147
Estimated Annual Cost of Private Sector Compliance	480	647	789	931	166	309	451
Total Annual Cost of Compliance	2,357	2,635	2,795	2,955	278	438	598
Estimated Annual Total Cost of Scrutiny Activity	34,220	36,091	36,251	36,411	1,871	2,031	2,191
Total Cost of Scrutiny (Present Value)**	294,556	310,661	312,039	313,417	16,106	17,483	18,861
Total Annual Number of Reviews	2,400	2,482	2,445	2,407	82	45	7

* Results have been rounded up.

** Present Values calculated over a 10 year period with discount rate of 3.5% applied to constant levels of cost and benefits

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