

**REPORT TO THE RESOURCE AND PERFORMANCE SCRUTINY PANEL
MEETING ON 19th MAY 2016**

Status: To allow the Scrutiny Panel to consider issues relating to the Council approach to charging and trading
Title: Traded and Commercial Services
Originator: Simon Riley, Head of Finance and Corporate Services (S151 Officer)
Where from: Scrutiny Workplan
Where to next: Executive (subject to recommendations)

Objective: To receive a report on the current traded services provided by Council and the opportunities, governance and risks of the Council considering a more commercial approach

1. Outcome sought from Panel

- 1.1 To consider the powers to charge and/or undertake traded and commercial services and to consider issues relating to the development of a more commercial approach to services in the future and to make recommendations to the Executive as appropriate.

2 Background

- 2.1 There is a distinction between powers to charge and powers to trade within local government. Trading aims to generate efficiencies, surpluses and profits, whilst charging aims to recover the costs of providing a discretionary service. This is detailed later in the report. However, in deciding to charge for a service either through a fee or charge or through a trading company there are a number of common principles that should apply

- Charges are founded on good evidence about the likely impact of charging on patterns of service use by different groups of users
- The objectives of charging are clearly communicated to the public who should have the opportunity to hold the council to account for its decisions; and
- The Council should evaluate whether the choices they have made are having the desired effect and take appropriate action if not.

- 2.2 The Audit Commission (before its abolition) set out a series of questions that councils could reasonably be expected to address in order to maximise the benefits of using charges. These questions related to:

- the objectives of charging (income generated, extent of subsidy, changing behaviour, value for money, equity and access)
- the extent to which those objectives are being met
- the structure of charges
- the cost-effectiveness of charging mechanisms
- comparability with other councils and service providers
- consultation with and understanding by local people
- evaluation of and consideration of the need for further changes to charging practice.

Income generation activity should aim for better outcomes for citizens and be closely aligned to their corporate plans and objectives – it is about generating a serious long term and sustainable income stream from other sources.

2.3 Scrutiny is asked to reflect on these considerations when discussing the opportunities for charging and trading.

2.4 Powers to Charge

2.4.1 The Council is permitted to operate traded services under the Local Government Act 2003. The key features of the 2003 Act's charging powers are that:

- authorities must already have the power to provide the service
- use of the charging power is at the discretion of individual authorities and they may, if they wish, provide discretionary services free of charge to the user
- the new powers do not override any other legislation prohibiting charges and should not be used in breach of the Competition Acts relating to unfair trading practices etc.
- income from charges must not exceed the costs of provision (perhaps calculated with reference to the CIPFA definition of total cost in the CIPFA Service Reporting Code of Practice), over a reasonable period of time (between, say, one and three years)
- the recipient of the discretionary service must have agreed to its provision and to pay for it via a charge
- different people can be charged different amounts, discounts being allowed for prioritised groups

- the secretary of state retains a reserve power to disallow the charging power, for example where unfair competition or commercial rates of return occur or where such charges are deemed not in the public interest.

2.4.2 The Local Government Act 2003 provided a general power for the 552 “best value authorities” in England and Wales to charge for discretionary services provided under wellbeing powers in the Local Government Act 2000. These powers came into effect in January 2004. Discretionary services may include additions or enhancements to mandatory services about the level or standard that local authorities have a duty to provide.

2.4.3 Under the Localism Act 2011, the “general power of competence” replaced (in England) the wellbeing provisions of the Local Government Act 2000, although there are restrictions on its application. The 2011 Act specifically allows a local authority to do anything that an individual may do whether for a commercial purpose or otherwise, and with or without a charge.

If a local authority uses the power for a non-commercial purpose, it may also be able to charge under the same power. However the charging powers under the 2011 Act can only be used where the Local Government Act 2003 charging powers for discretionary services do not already apply. The income generated by such non-commercial activities should be no more than sufficient to cover the costs of providing the service, and the user must have consented to the charge for provision of the service.

In respect of the “commercial purpose” power, the service must be provided by a company. Services that a local authority has a statutory duty to provide must not be operated as a commercial activity. These provisions reflect the trading powers in Section 95 of the Local Government Act 2003.

As with the wellbeing powers, the general power of competence is restricted by existing legislation. It does not override existing restrictions and when new restrictions – or conflicting powers and duties – come into force, these too will have legal priority over the general power of competence, as long as there is an explicit statement to that effect in the legislation.

2.5 Powers to Trade

2.5.1 The legislation relating to trading powers are detailed in Section 95 of the Local Government Act 2003. This allows local authorities to develop new sources of revenue and to make profits by levying charges in excess of costs. This applies to all authorities

- 2.5.2 Such trading must take place through a separate legal entity with its own governance framework, i.e. a company. Commercial trading ventures are limited to councils' ordinary functions. Thus, for example, a council could set up a building maintenance company, but not a car manufacturing company. Although they can only set up trading companies in function-related activities for which they already have legal powers, the intention was that trading should encourage local authorities to extend and improve the range of services they offer.
- 2.5.3 As noted above, the Localism Act 2011 extended local authorities' powers through the general power of competence. This allows local authorities to offer services in areas outside their ordinary functions, and therefore introduces a wider scope for commercial activities
- 2.6 While there is a fairly clear legal distinction between charging and trading, it is not clear in practice. For example, trading a service via a company (whether a local authority or a public-private partnership joint venture company) is clearly accommodated by the legislation. However, where a local authority trades the same service not through a company but, instead, through a department of the local authority, the resultant revenues are defined as charging, not trading. Nevertheless, the activity is identical. Hence, while there is a clear dichotomy in legal terms there is a continuum in practice. If the Council was to consider trading it would be sensible to outline our intention/plans and then seek specific legal advice on the delivery options.

2.7 Charging and Trading

- 2.7.1 Charging for services has been undertaken by HDC for many years, The use of trading powers within local government is still not widespread, though have been available to use for a number of years. To date the Council has not set up a stand – alone trading entity, though has referenced internally certain activities and charges as traded activities. The Council needs to ensure that its adopts a commercialised approach across both trading and charging for services
- 2.7.2 The general power of competence under the Localism Act 2011 augmented local authorities' powers to trade and charge, and clarifies the legal position. However the use of trading remains limited. Local authorities are put off by the requirement to set up a company which involves costs and risk.
- 2.7.3 Research by CIPFA has indicated a series of barriers to charging and trading. This has highlighted a series of internal and external barriers that respondents and external research indicated limited Council's willingness or appetite to trade or

charge for services. These barriers are not all mutually exclusive. More details are in Appendix A

External Barriers to Trading	Internal Barriers to Trading
Insufficient guidance from central government on trading	Absence of political willingness to consider trading schemes
EU public procurement rules	Insufficient organisational capacity to run trading schemes
	Not having anything of sufficiently good quality to trade commercially
	Lack of confidence
	Unwillingness to make long term commitment
	Perceived need for services to be charged overheads on an allocation basis (as part of local government as opposed to a absorption basis
	Aversion to commercial, political and reputational risks

2.7.4 The same research has identified a series of barriers to charging:

External Barriers to Charging	Internal Barriers to Charging
Prohibited use of charges	Absence of political willingness to consider charging schemes
Nationally uniform charges set by central government	Failure to distinguish between discretionary and other services when considering charging schemes
Restricting permitted charges to cost-recovery	Having insufficient time to develop opportunities to generate income

Public acceptance of charges is difficult to secure	Lack of a corporate policy for charges
Economic climate	Lack of financial data
	Lack of comparative data
	Lack of user data
	Lack of public opinion data
	Poorly Managed Changes
	Local Politician's views
	Lack of Delegation
	Continuation of past practices
	Lack of a Principles led approach
	Lack of understanding of the impact of changes in charging levels on service take-up
	Lack of a communication strategy for change
	Unnecessary high collection costs

2.7.5 The above research demonstrates that many of the barriers detailed are perceived rather than insurmountable and that a more structured and business like approach should be adopted by Councils to become more commercial or entrepreneurial in the provision of service. Most Councils are targeting income generation through:

- generating income through council assets, for example, buildings, parks but also through staff knowledge and experience
- service delivery by trading services with other councils or winning new business to deliver services to other parts of the public sector
- through selling commodities

2.8 Current Level of Fees and Charges and Trading

The Council charge for discretionary services through the levying of fees and charges. These are reviewed annually as part of the budget process. Some charges are prescribed nationally and some are set locally

2015/16 Fees and Charges	Budget	Estimated Outturn
	£	£
Fees and Charges Budgets in excess of £100,000		
Planning Fees	(992,700)	(1,508,421)
Parking Fees	(668,100)	(712,620)
Trade Refuse-Bulk Containers	(517,000)	(519,907)
Harborough Innov Centre Fees	(422,000)	(483,849)
Other Fees & Charges	(270,700)	(231,886)
Building Cont Chargeable Acts	(267,680)	(246,945)
Services Charges	(226,800)	(197,600)
Contrib From Private Users (Lifeline)	(205,200)	(126,777)
Legal Costs Recovered	(167,826)	(153,518)
Daily Weekday Market	(147,900)	(169,386)
Local Land Charges	(122,800)	(108,730)
	(4,008,706)	(4,459,639)
Other Fees and Charge Budgets less than £100,000	(781,954)	(769,385)
Total	(4,790,659)	(5,229,024)

- 2.9 The overall level of income secured through charging compares favourably with comparator Councils. Apart from those areas driven by activity (e.g. planning) recent property initiatives has generated significant receipts from the Council's property portfolio, for example The Symington Building, Harborough Innovation Centre, Harborough Market which contribute to other Council Services.
- 2.10 The Council 12 months ago identified there areas of its operation that had potential to increase levels of income and activity:
- (a) Trade and Commercial Waste
 - (b) Lifeline Services
 - (c) Building Control

The Council commissioned a marketing review of all three services that identified that these Council services were a trusted brand by customers, but that the service proposition was not fully understood by customers and that there had been low levels of marketing in the past. This work has led to some initial initiatives, for example, radio adverts and refreshed leaflets that is beginning to show an increase in the customer base. However, these changes are incremental rather than a truly commercial approach. These services are also potentially constrained through operating as an internal service (constrained by fees and charges constraints) as opposed to being delivered through a separate trading company.

In recent years the Council has budgeted for increases in turnover from these activities

	Budgeted Turnover	Budgeted Turnover	Budgeted Turnover	Budgeted Turnover
	2012/13	2013/14	2014/15	2015/16
	£000s	£000s	£000s	£000s
Building Control	249	249	257	277
Lifeline	307	224	236	300
Trade and Commercial Waste	537	539	615	632

However, in 2015/16 additional costs were incurred in both building control and lifeline due to operational staffing capacity and long term sickness within each service. Further work is required to develop a sustainable structure for these two areas. Within Lifeline there is an uptake in private customers and block contracts from a low base early in the year. However, the service may not meet its income aspirations in 2016/17.

- 2.11 These services have direct costs (incurred by the Council and their partners) and indirect costs (for example recharges, capital costs). Budgeted costs for 2015/16 were

	Direct Costs	Indirect Costs
	2015/16	2015/16
	£000s	£000s
Building Control	291	118
Lifeline	479	94
Trade and Commercial Waste	324	110

Within building control the accounts include statutory and traded services, whilst the cost of the control centre include lifeline, CCTV, Out of Hours and retail and pub watch monitoring. As such, the commercial performance of the service can be obscured. Detailed business analysis of costs, recharges and residual costs (if

services were to be scaled up or down) is being undertaken to establish a firmer base for commercial decisions.

Overall the services generally utilise existing capacity, for example trade bin lifts within the contract. If the Council wished to trade commercially, i.e. to make a profit and trade in wider geographical areas it would need to consider the setting up of a trading company. This would need to take into account the issues raised in paragraph 2.7.3.

2.12 Operating Model

In the summer of 2013, the Council approved the Operating Model for the Council which had the following key principles:

- work with and through others for the benefit of the community.
- engage effectively with the communities it serves.
- ensure that elected members are accountable for the Council's services through effective governance processes.
- retain responsibility for providing public services without necessarily delivering those services itself.
- ensure that the services delivered to the community provide value for money, consistently high quality and are subject to democratic scrutiny.
- seek to reduce the dependency of the community on the Council and manage demand for services.
- generate income where possible to ensure the sustainability of its services.
- make its priority the provision of services that help those who are unable to help themselves.
- expect those who are able to do so to pay for services that the Council provides.

2.13 The Council will procure services for the community from other providers; where it does so, it will ensure that its processes are legal and compliant and that they achieve value for money through effective commissioning and contract management.

2.14 The Council will work in a business like and entrepreneurial way to ensure that it provides value for money for the community; it will actively seek opportunities to develop services in ways that generate income so that they are sustainable and

offer returns on investment to the community. In essence, the Council can provide services in the following categories

- In – house service delivery
- Outsourced Services (either alone or jointly with others)
- Shared service delivery
- Participating in Joint Ventures with public/private sector
- Trading Services through a stand alone company
- Providing services to other local authorities under an SLA
- Third sector provision of services

2.15 The Council currently operate a variety of delivery models for the provision of services including delegation agreements to other Councils (Contact Centre and , Payroll) as well as providing services to other authorities (Legal services and Lifeline) and ; service provision by way of a joint committee(Revenue and Benefits). These operate within the terms of reference for each arrangement and are not operating as formal trading units. There is the possibility that these services could be provided in the future through a local authority controlled trading company, outsourcing or a shared service. The Council needs to consider future options based on detailed business cases and our own detailed service specifications as they arise. It is important to note that we may not have services of sufficient turnover to establish a viable trading entity individually. There is a need to take a holistic approach to any business case so decisions about each service could be made with reference to the interdependencies.

2.16 If the Council were to consider setting up a trading company to provide services it would need to consider the costs of governance and trading of operating a business. Whilst there is not a prescribed break-even size for a company structure there is the need to have a sufficient quantum of services included within the company in order that overheads can be spread and for the service offer to the Council and others to be competitive. Whilst a number of District Councils have set up a trading company by themselves it is more common for trading companies to be set up comprising a number of Councils – this area should be evaluated in any future commercial aspirations.

3 Points for discussion

3.1 Are there areas of the Council activity that could be subject to more ambitious charging, marketing and/or trading?

- 3.2 Do you think the Council should seek to actively trade through the creation of a trading company or other delivery vehicles??
- 3.3 Should the Council actively seek partnerships with other public sector organisations to provide commercial services?
- 3.4 Are the principles detailed within the Operating Model still relevant/applicable for the next stage of the charging/trading agenda?
- 3.5 How should the Council seek to plan for changes in charging and trading through investment in systems and changes in support services?

4 Equality Impact Assessment Implications/Outcomes (attach completed EIA)

- 4.1 This report details the Council's current charging arrangements. Any changes in charging or trading frameworks will be subject to a new Equality Impact Assessment

5 Impact on Communities

- 5.1 The Council's operating model requires the Council to consider impact and engagement with communities as part of changes in service delivery models.

6 Legal Issues

- 6.1 The powers for charging and trading are detailed in the report.

7 Resource Issues

- 7.1 Charging for services is a key part of the Council's budget framework. Given the financial challenges facing local government, there is the need for the Council to look at the opportunities that charging and/or trading could lead to; increased income levels and increased resilience in the delivery of services.
- 7.2 If a separate trading company is to be considered, Members should be aware that there are resources required to ensure statutory obligations are met, and work around the requirements, risks, costs and benefits would need to be undertaken.

8 Community Safety Implications

- 8.1 None directly arising from this report.

9 Risk Management Implications

- 9.1 The Council has identified a corporate risk 'The Council does not meet its income generation aspirations and targets' which is assessed as green in the latest assessment.

9.2 Any changes in the charging/trading framework will be subject to a separate risk assessment.

10 Consultation

10.1 The Portfolio Holder for Finance and Commercialisation has been consulted

11 Background Papers

11.1 Council Operating Model, Executive July 2013

11.2 Council Financial System records

Previous report(s): *not applicable*

Information Issued Under Sensitive Issue Procedure:

Appendices:

A. CIPFA Analysis: Barriers to Trading and Charging

CIPFA Analysis: Barriers to Charging and Trading

External barriers to trading

Insufficient guidance from central government on trading

This barrier serves to suppress innovation and risk-taking. Councils believe that making more use of the powers to trade commercially is complex. It requires issues of governance and accountability to be addressed, along with potential conflicts of interest and personnel issues. Public audit of controlled companies will be required.

EU public procurement rules

The complexity of EU public procurement rules limits councils' ability to award contracts to their own trading companies and to those in which they have an interest (e.g. joint ventures, including public-private partnerships). Public sector contracts over a specified threshold value have to be publicly advertised in the Official Journal of the EU to ensure competition throughout the European Single Market. This adds to the complexity of trading, especially as a body of case law is still developing. The introduction of the general power of competence has not reduced this barrier. However, there is some flexibility in that the Public Contract Regulations 2015 (regulation 12) allows public contracts to be awarded between entities within the public sector as long as certain conditions apply.

Internal barriers to trading

Absence of political willingness to consider trading schemes

Trading is regarded as too complex, too risky and peripheral to councils' core functions. Moreover, trading by councils may take business from other local traders and so be detrimental to local economies. Furthermore, there seems to be an aversion to making profits from trading with other public bodies.

Insufficient organisational capacity to run trading schemes

Smaller councils in particular lack necessary information about service costs, local markets and sensitivity of service users to charges. Larger councils may be able to be more entrepreneurial, however.

Not having anything of sufficiently good quality to trade commercially

This may simply reflect the fact that councils do not regard themselves as entrepreneurial.

Lack of confidence

The preceding three points create a lack of confidence among local authorities that they have the ability to develop trading schemes under the 2003 Act. They prefer to depend upon earlier legislation.

A possible reason for this dependence on earlier legislation is that while there is a fairly clear legal distinction between charging and trading, it is not clear in practice. For example, trading a service via a company (whether a local authority or a public-private partnership joint venture company) is clearly accommodated by the legislation. However, where a local authority trades the same service not through a company but, instead, through a department of the local authority, the resultant revenues are defined as charging, not trading. Nevertheless, the activity is identical. Hence, while there is a clear dichotomy in legal terms there is a continuum in practice.

Barriers to Charging

External barriers to charging for services

Prohibited use of charges

The prohibitions under the Local Government and Housing Act 1989 reflect central (rather than local) government views about the acceptability of charges; as noted above, they are inconsistent in allowing charges for care of elderly people but not for borrowing books from municipal libraries.

Nationally uniform charges set by central government

Such centrally prescribed charges are intended to create a level playing field across the country so as not to disadvantage businesses in particular areas (e.g. charges for planning applications and for licences for providing alcohol and entertainment). Nevertheless, this central prescription does not preclude charges for complementary services, such as charges for planning gain/obligations (see Infrastructure Charges) and for the extra costs of policing areas with a proliferation of nightclubs (see Police Services).

Restricting permitted charges to cost-recovery

Although this provision ensures councils are not financially disadvantaged when undertaking activities on behalf of central government (e.g. licensing), it also applies to the 2003 Act and so prevents surpluses which would help finance other services.

Public acceptance of charges is difficult to secure

Public acceptance is seen as a barrier, however the greater constraint may be councillors' perceptions of the public acceptability of charges, as distinct from the true views of the local public. Councils often lack sufficiently good intelligence about what the local public and service users actually think about service charges and simply assume they are not acceptable. In fact, local publics and service users may be willing to pay charges in return for higher quality services (as allowed under the 2003 Act).

Although always disputable, evidence of apparent willingness to pay was found by both the Burt Report (see above) and DCLG (see Internal Barriers to Charging for Services below).

Securing public acceptance requires high quality dialogue with local citizens so they understand and accept the policy aims of charging schemes, the benefits they will enjoy and the financial costs involved. Otherwise they will feel they are being asked to pay twice for the service or to fund council inefficiency.

Economic climate

Although funding pressures may lead local authorities to consider greater use of charges, the current economic climate also means that they will need to carefully consider the impact of charges on local residents and businesses.

Internal barriers to charging for services

Absence of political willingness to consider charging schemes

Lyons noted that the majority of barriers relate to the confidence and resultant reticence of local authorities to make full use of powers to charge, rather than being the result of legislative constraints. Local authorities still seem generally to be working within the more binding constraints of the pre-2003 legislation rather than the 2003 Act.

Moreover, taxation is generally seen as fairer than charges in financing public services, and further development of charges is also constrained by the reliance on tried and tested historical approaches.

Councils may also be unwilling to deviate significantly from the approach to charging adopted in neighbouring councils, preferring to adopt the middle ground rather than standing out from the pack. Referred to as "benchmarking", this copy-cat approach fails to take account of differing local market conditions, costs and wants.

Failure to distinguish between discretionary and other services when considering charging schemes

A study by the DCLG, Local Government Service Diversity: Practice, Expectations and Public Attitudes (2006), found that both councils and the general public failed to distinguish between discretionary and statutory services. It found that respondents unwilling to pay charges exceeded those willing to pay, albeit marginally. Nevertheless, it concluded that a significant proportion of the public would be willing to pay service charges, an eighth of respondents agreeing strongly that they were willing to pay.

Having insufficient time to develop opportunities to generate income

Besides claims of “initiative overload” generated by central government, the time required to develop long-term initiatives is constrained by short-termism resulting from the political cycle. There may simply not be enough time for voters to appreciate the benefits of newly introduced charged-for services before the next election comes along.

Lack of a corporate policy for charges

The Audit Commission (2008) noted that two-fifths of councils had no written corporate policy on charges that makes explicit the objectives relating to use of charging powers and the links with social justice or other corporate strategies.

Lack of financial data

Budget information considered by councillors typically relates to net expenditure and so charges receive little attention during the budget-setting process, especially when compared with consideration of council tax levels. Likewise service users paying charges rarely receive information about the full cost of the service and so fail to appreciate the level of subsidy they still receive.

Lack of comparative data

While councils often benchmark individual charges (e.g. for swimming) with neighbouring authorities, they typically have little understanding of how their overall approach to charging compares to those with similar socioeconomic, demographic, economic and other attributes.

Lack of user data

Councils often have insufficient data about those who use their services. Even when they have that data, it is often not used for management purposes (e.g. leisure centres). Combined with lack of financial data, the result is lack of data

relating to the levels of subsidies and their distribution between user groups. They therefore cannot monitor the impact of varying charges on user groups, nor determine whether charging is helping achieve service objectives.

Lack of public opinion data

In its 2008 report the Audit Commission noted that over three-quarters of councils believed that local public opinion is a major barrier to greater use of charges, often because they are perceived as “paying twice” or as a “stealth tax”.

However, its commissioned 2007 public opinion survey found three-fifths of respondents considered “fairly acceptable” or “very acceptable” charges based on ability to pay so as to ensure everyone has equal access to services and similarly for charges intended to change behaviour in socially beneficial ways (e.g. by encouraging use of public transport by discouraging city centre car parking and encouraging more recycling of household waste).

Lack of understanding

There seems to be a lack of understanding by the general public about how their councils’ services are financed, particularly a failure to appreciate the low proportion of spending financed by council tax. Overestimation of this proportion seems to create a suspicion that charges are exploitative of service users.

Poorly managed charges

Councils’ unwillingness to raise charges in line with inflation may reflect their perception of hostile public opinion and misunderstanding. Ultimately, however, this leads to significant (and so highly unpopular) increases in levels of charges when councils have to raise them in response to budget pressures. Avoiding annual but small increases is therefore ultimately counterproductive.

Local politicians’ views

Besides possibly being ideologically predisposed to oppose charges in favour of taxes, councillors are also often protective of particular groups of service users, for example the elderly or disabled. They may also be concerned with the cumulative financial impact of the array of charges on low-income individuals and households. It seems, however, that most councils do not attempt to estimate those cumulative impacts.

Lack of delegation

Councillors tend to want to retain direct control of levels of charges, rather than delegate operational decisions to portfolio holders and officers. Focusing their

attention on operational decisions leads councillors to neglect strategic and corporate considerations.

Continuation of past practice

Being afraid to be proactive in their use of charges, continuation of past practice often results in councils' charges not reflecting changed priorities or circumstances, for example in patterns of use or costs.

Lack of a principles-based approach

Councils generally focus on the income-generating potential of charges, particularly in terms of reducing the need for increases in council tax. However, setting targets for income from charges may create conflict between achievement of service objectives and corporate objectives (e.g. increasing participation rates for use of leisure services by prioritised groups). Councils need to determine the optimal balance between potentially conflicting objectives if charges are to reflect their principles.

Lack of understanding of the impact of changes in charging levels on service take-up

Assessing the impact on service use of variations in the levels of charges is complicated because the simplistic "before and after" approach to price changes used by many councils is methodologically invalid. Many other factors affecting service use may change during the "before and after" study period, for example charges for use of competing private sector services (e.g. leisure and recreation or school meals), weather patterns (affecting outdoor activities), transport costs (for travel to service venues), etc.

The methodologically correct approach to assessing the impact of changes in levels of charges is to establish the counter-factual scenario (i.e. the level of service use that would have occurred if the service charge was not changed) and to compare it with the level when the charge is changed.

In general, users will react more strongly to changes in levels of charges the lower their incomes, the lower their perceptions of value for money and the greater the availability of alternative provision elsewhere in the public, private or voluntary sectors. The first can be accommodated by concessions and exemptions, the second by using charges to provide new or enhanced services that would not otherwise be provided, the third by improving the quality of in-house services.

Lack of a communicated strategy for charges

Councils could more fully engage service users and council tax payers in a dialogue to gain greater acceptance for increased use of charges so as to achieve corporate policy and service objectives, as well as wellbeing and value for money more generally. For example, consistent with a strategy to reduce urban pollution, parking charges could be based on levels of carbon dioxide emitted by the different models and makes of cars.

Unnecessarily high collection costs

Councils often take the view that collection of charges is so costly that they raise little net revenue. However, there is usually a variety of alternative payment methods, some of which are less costly than others, especially pre-payment methods for school meals and road use and new technologies such as paying via mobile phones for parking.

Lack of charging audits

Past audits of economy, efficiency and effectiveness paid little if any attention to use of charges. Instead, as made clear above, studies of the use of charges (e.g. by Layfield, Lyons, Burt and the Audit Commission) have been one-off and their findings too easily ignored by councils.