

Public services

Summary

January 2008

Positively charged

Maximising the benefits of local public service charges

Summary

Charging for local services makes a significant contribution to council finances.

- In 2006/07, councils in England raised £10.8 billion from charges for services, not including housing rents. This was around 8 per cent of their total income and about half as much as they raised in council tax.
- County councils collect the most charging income, but it is for district councils that charges make the greatest contribution to service delivery; equal to nearly one-fifth of total service expenditure.
- Over a quarter of councils generate more income through charging than they do through council tax.
- Education services, such as school meals and transport; social services, such as homecare; and highways and transport services, such as parking, account for over half of all income raised through charges.

Councils also use charging to influence individuals' choices and behaviours, to bring other benefits to local communities.

- Charges can be set to encourage or discourage people to use services and, through concessions, to target services at particular groups.
- They can also be used to ration services and other resources where demand is high or where overuse is deemed undesirable.
- Councils have used charges and concessions to pursue local objectives, such as encouraging recycling and composting; reducing congestion; and promoting participation in sports and leisure activities by target groups to reduce health inequalities.

In choosing how charges are used, councils and central government make an important political decision – which users should pay for which services and which services should be subsidised by taxpayers.

- Councils in similar circumstances make very different decisions about which services to provide and whether, and at what level, to charge for and subsidise services.
- As a consequence, households in different council areas can pay different amounts for essentially the same services. Councils can minimise local concern about such variations by explaining the reasons for them and involving local people in the decision-making process.
- For councils as a whole, there is no relationship between income from charging and levels of council tax, although many councils report using charging to minimise council tax increases.
- There is no clear relationship between councils' income from charging and, either overall council performance, or levels of local deprivation.

Councils do not always make the most effective use of their charging powers.

- Only one in five councils believes it uses charging to its full potential.
- Powers introduced in 2003 to charge for discretionary services have remained largely unused by councils.
- Nearly half of all councils have no agreed policy to guide their decisions on the use of charges.
- Local politicians' decisions on charging are often ill informed. Budget information is mostly presented to councillors net of charging income, making it difficult for them to see the contribution to spending and at what level services are being subsidised.
- Decisions on levels of charging are most often driven by corporate income targets, historic charges and by levels in neighbouring councils rather than knowledge of the likely impact on use of services.

The flexibility to use charges to meet local challenges is limited by centrally imposed restrictions.

- Central government sets the level of some charges and restricts the extent of charging in other areas.
- The rationale for these restrictions is not always clear to councils or the public.
- Councils' scope to use charges flexibly to meet local circumstances is limited because of concerns about geographic variation in charges.

Councils' perceptions of local opposition to charges are not always backed up with robust evidence.

- The public is more receptive to charging for some services than is often assumed. People are more willing to pay charges where they can see what they are getting for their money and have a degree of choice.
- People believe they get value for money from almost all of the local authority services for which they pay charges.
- A lack of public understanding about the levels of subsidy councils provide or the purpose of charges undermines public confidence that charges are being used well.

Councils will need to change their approaches to charging if they are to use it to achieve their financial and strategic objectives.

- Councils need to understand better the likely impact of charges on users, and on patterns of service use.
- They need to communicate better about the purpose of charging, and be accountable for their charging decisions.

The Audit Commission will provide tools to help councils assess their use of charging and the impact of particular charging patterns on different households. Additionally, from 2009, the Audit Commission's use of resources assessments will take account of how councils and other public bodies are using charges.

Recommendations

Councils should:

Undertake regular reviews of their approaches to charging, both within service areas and across the whole council.

- Finance managers should ensure that the income from charges, and the level of subsidy this provides for service areas, are transparent for councillors and inform the decision-making process.
- Service managers should, where it is cost effective to do so, collect and use information on who is and is not using services and how service users and non-users respond to changes in service charges.
- Finance and service managers should thoroughly understand the costs, including overhead and capital costs, of services for which charges might be applied.
- Service managers should, wherever possible, benchmark with the public, private and voluntary sectors not only the level of charges made for services but the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations.
- Councillors and managers should understand better the non-financial contribution of charging to service and strategic objectives.

Engage service users and taxpayers more in decisions about whether and at what level to charge for services.

- Councils should describe the financial and non-financial contribution of charging and rationale for levels of subsidy for services to local people.
- Councils should include questions about charges in their consultations on services and on council finances.
- Councillors should regularly debate charges and charging policy.
- Councils should make the case for charging as a means of achieving council objectives.

Collect and use information on service usage and the take-up of concessions, and examine the impact of charges on individual households, to assess whether their equality and diversity objectives have been achieved.

Central government should:

- Periodically review the rationale for national charging frameworks, including nationally set fees.
- In doing so, it should consider the effectiveness of national frameworks in achieving their objectives, and their impact on councils' flexibility to use charges to meet their local objectives.

The Audit Commission will:

- Provide tools to help councils assess both their use of charging and the impact of particular charging patterns on different households.
- Use the findings from this study in developing the annual use of resources assessment.
- Continue to share notable and innovative practice related to charging with the local government community.

Questions for councillors

The questions which follow can be used by councillors to examine their own council's approach to charging and to identify opportunities to maximise the benefits of local public service charges.

What do we want to achieve?

- What objectives are we supporting with charges?
 - How much income are we trying to generate, and why?
 - Whose use of services do we want to subsidise, and by how much?
 - Whose behaviour are we hoping to influence, and in what ways?
 - How will charges help improve value for money, equity and access to services?
- How do these objectives relate to other council objectives?
- What principles should underpin our approach to charging?

What's the current picture?

- What targets have been set for charges and what assumptions are these based on?
- How do charges compare to:
 - Similar councils?
 - Neighbouring councils?
 - Other service providers?
- How are charges structured, and why?

- Are cost effective mechanisms available for paying and collecting charges?
- Are the charging objectives being met?
 - Are income targets being achieved?
 - What is the impact, intended or unintended, of charges on local people?
 - Which people are using services and which aren't?
 - Which users are paying for services and which aren't?
 - Are concessions being taken up by the people at whom they are targeted?
 - Are we maximising the take-up of related benefits in this area?
- How does the impact of charging on behaviour and budgets compare to:
 - Similar councils?
 - Neighbouring councils?
 - Other service providers?

What do local people think of our charges?

- Have we consulted service users and the public about:
 - The current and proposed charges for the service?
 - The value for money of the service?
- Do service users and taxpayers understand our objectives and how the structure of our charges contributes to achieving them?

Where do we go from here?

- What changes, if any, should we make to the level and structure of charges?
- How will we evaluate the impact of charges?
 - What data will we need?
 - Can we collect this data cost effectively?
 - When should we next review our approach?

i Copies of the full report and other resources are available at:
www.audit-commission.gov.uk/charging or to order a printed copy
 telephone: **0800 502030** quoting stock code: **LNR3423**

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