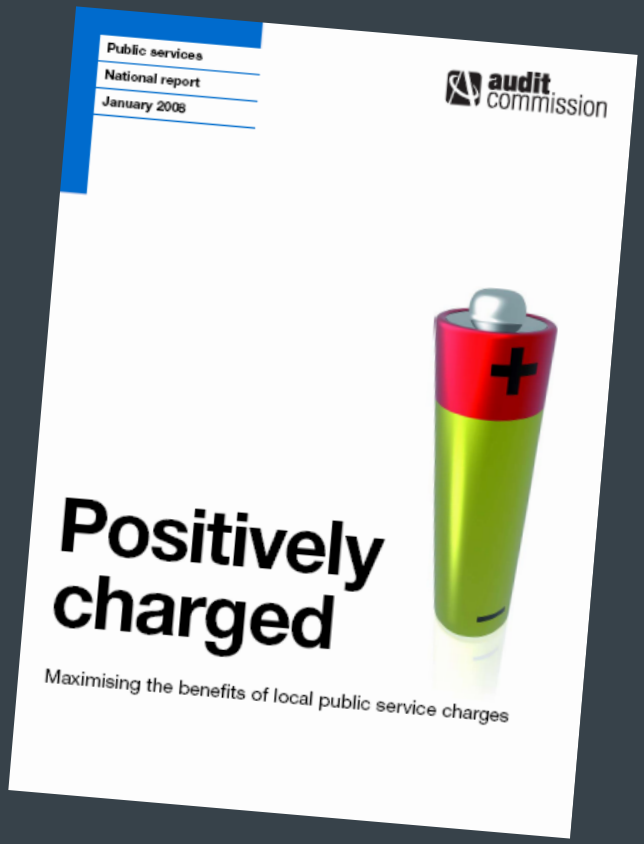
Positively charged – findings from the Audit Commission's national study

Gareth Davies 30 September 2008



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Charging is fundamental to the achievement of local priorities

‘The decisions made by councils and central government about charging for local public services affect everyone . . . in setting charges councils determine not only the service users from whom they will generate income, but how they will spend money to subsidise services.’ [*Positively charged*]

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It makes an important contribution to council finances

- £10.8 billion nationally in 2006/07
  - 8 per cent of total income
  - Half as much as council tax
- Over one quarter of councils generate more through charges than council tax
  - One third of London councils

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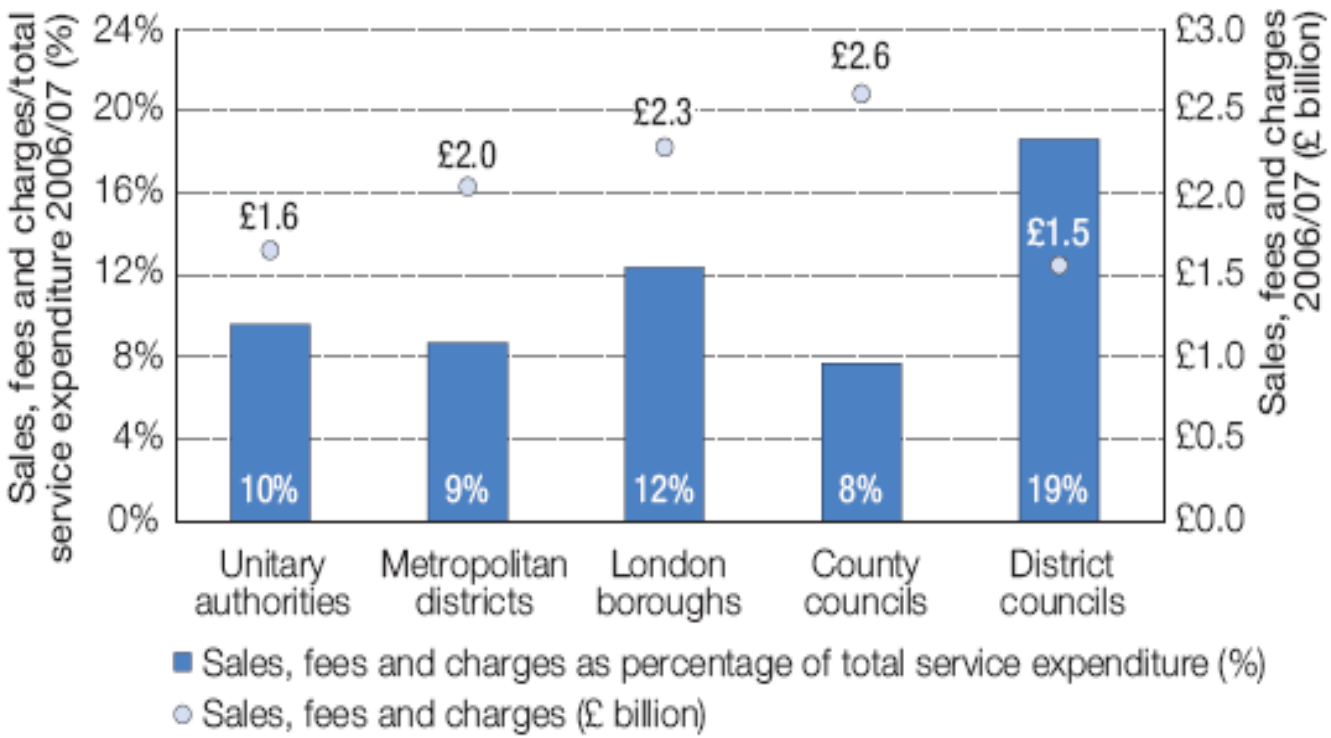
It makes an important contribution to council finances

Charging income by council type 2006/07

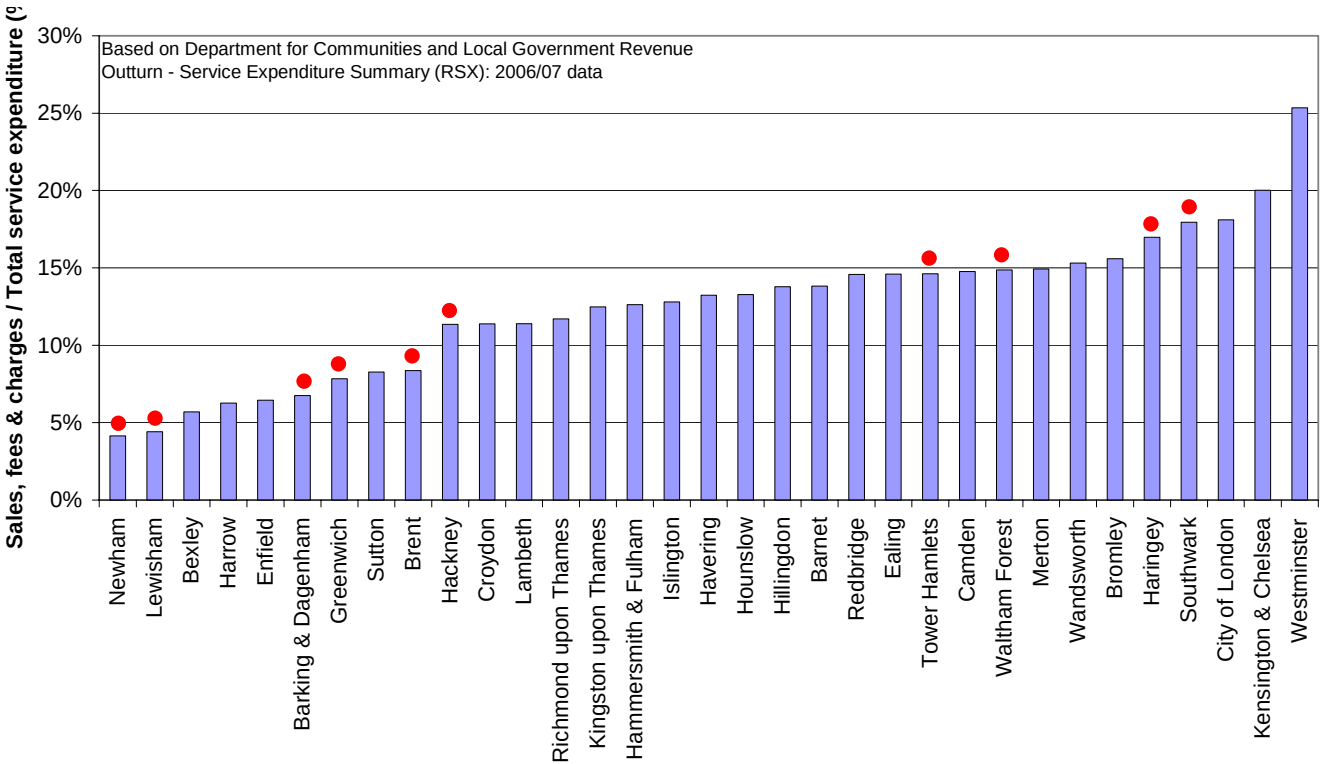


Source: CLG - Revenue Outturn Service Expenditure Summary Data 2006/07

Charging varies between councils with the same responsibilities

. . . even among those serving similar communities

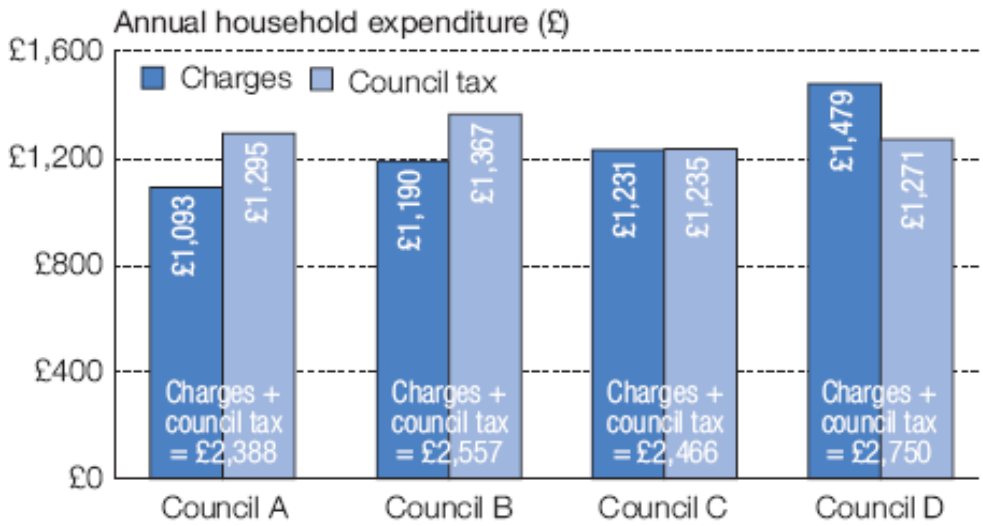
Charging income as a % of service expenditure – London boroughs



Source: CLG - Revenue Outturn Service Expenditure Summary Data 2006/07

People can pay very different amounts for essentially the same services

Household expenditure on charges and council tax



Source: Audit Commission

Councils can use charges to achieve their financial, service and strategic objectives

- Setting prices lower than market rates
  - Encourage use
- Setting prices higher than market rates
  - Discourage use of scarce resources
  - Discourage behaviours with undesirable consequences
- Increasing, constant or decreasing unit price
  - Influence the level of consumption
- Differential price based on time of consumption
  - Ration use at certain times of day, month or year
- Differential prices for different groups
  - Target services to priority users

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A charging policy provides a framework for determining whether and at what level to charge

- Set out principles
  - Consistency
  - Fairness
- Establish objectives
  - Levels of cost recovery
- Clarify exceptions
  - Service or users for which a different approach is acceptable
  - Criteria that will be applied and how evidenced
  - When exceptions will need councillor approval

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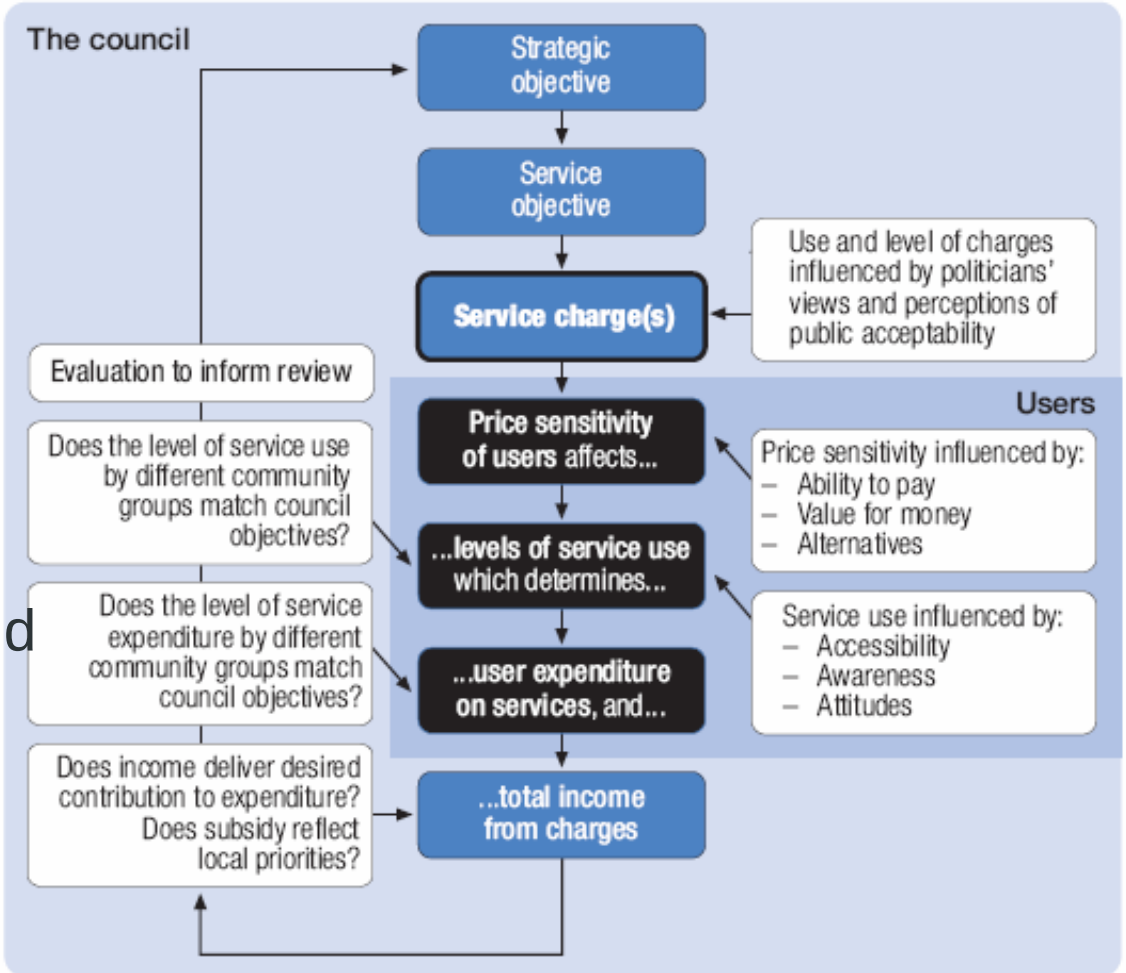
A charging policy provides a framework for determining whether and at what level to charge

- How will charging contribute to the achievement of objectives?
- What services should be charged for?
- Which users should be charged?
- What level of cost recovery/subsidy should be achieved?
- When and how will charges be reviewed?



Too few councils are making the best use of charging opportunities

- Only one in five council finance directors believe that their councils make optimal use of charging powers
- The general power to charge for discretionary services has remained largely unused
- Charging is commonly used as a tool to minimise council tax increases

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Too few councils are making the best use of charging opportunities

Legislation constrains the use of charging . . .	. . . but current powers are not used to their full extent
Councillors, managers and the public do not understand the contribution of charging . . .	. . . and need access to better information
Councils fear public opposition to charges . . .	. . . but people say they get good value from charged-for services
Many councils are locked into historic approaches to charging . . .	. . . which struggle to keep pace with changing priorities, costs and service use

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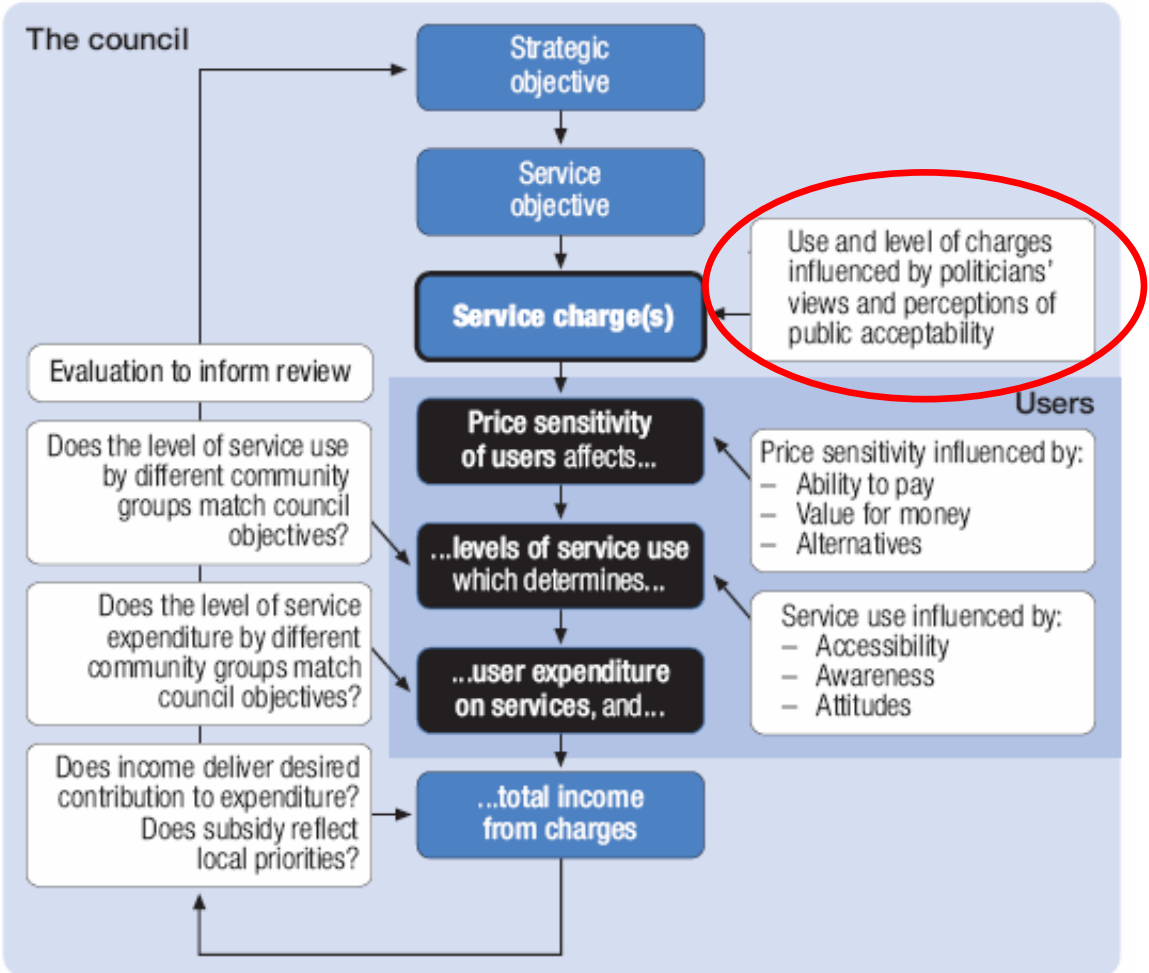
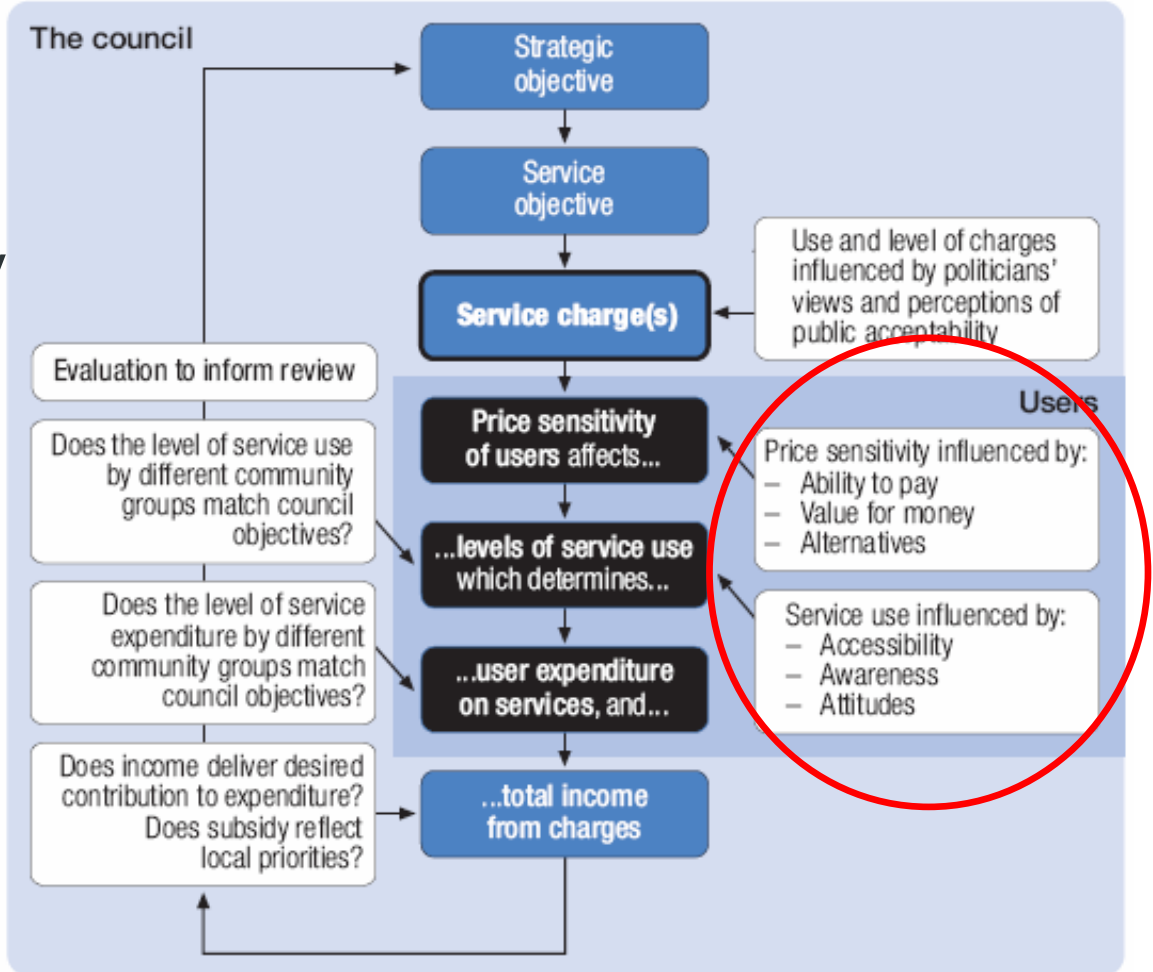
Councils can do more to understand public views on charging

- Which services do local people think should be charged for?
- Which users do local people think should pay for services?



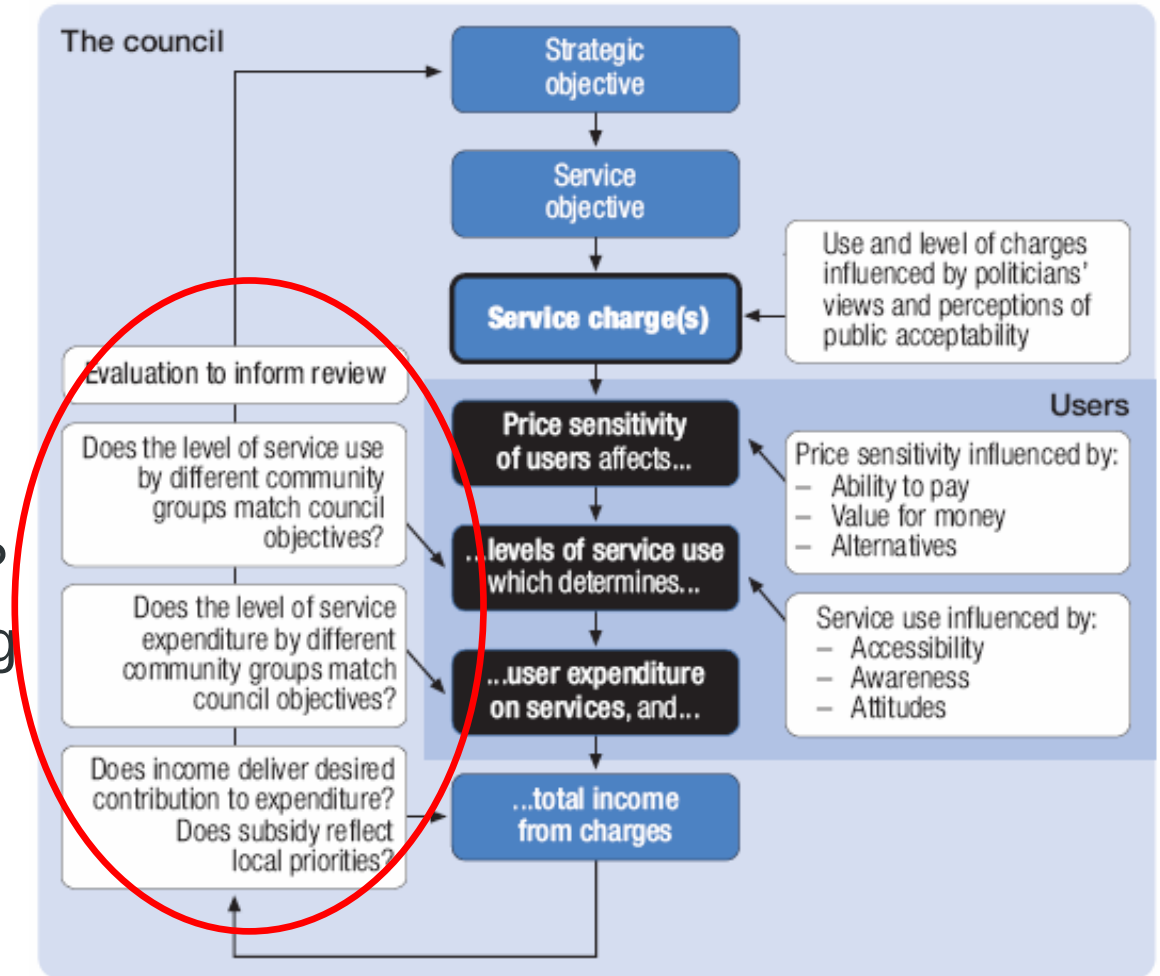
Councils can do more to understand factors that affect service use

- How will (potential) users respond to price?
- What other factors influence service use by different groups?



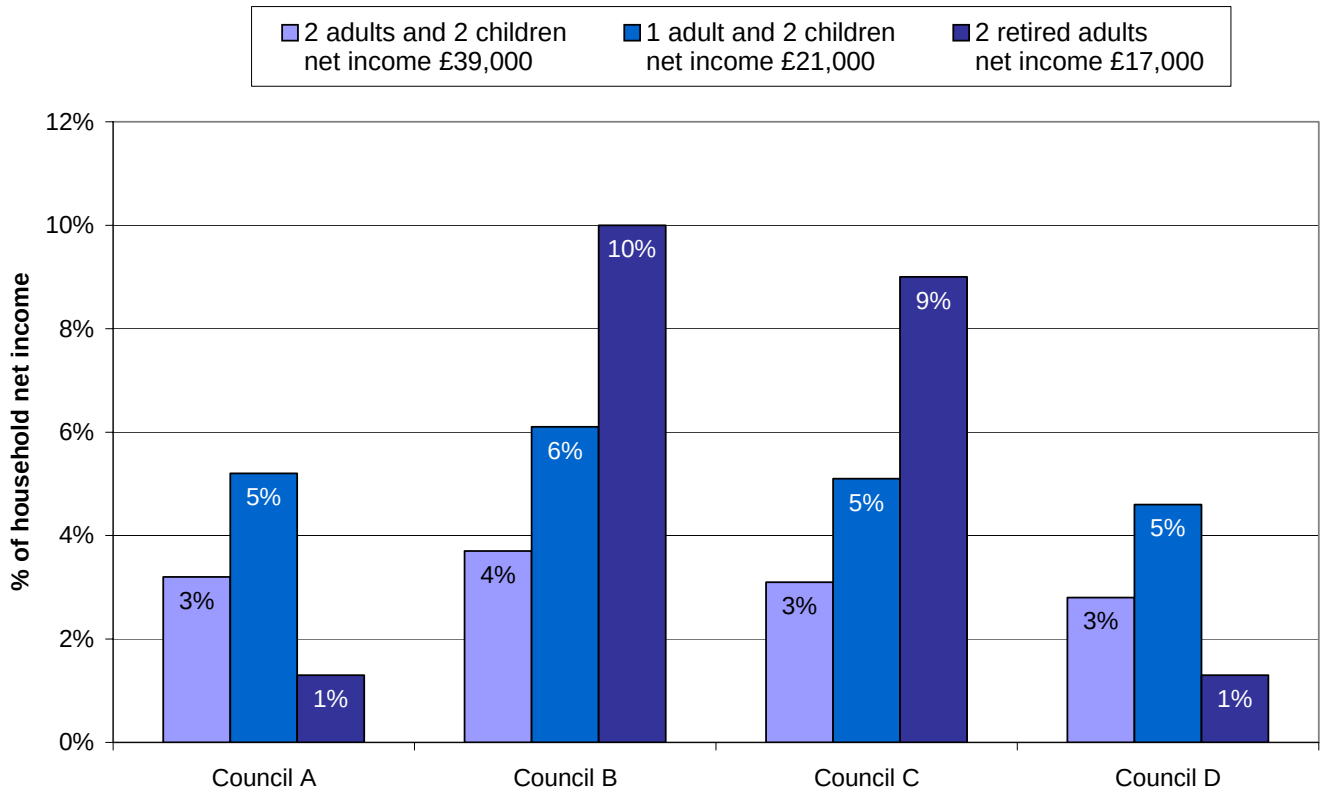
Councils can do more to understand the effect of charges

- What impact do charges have at different levels?
  - service usage
  - household expenditure
  - income/subsidy
- Are impacts equitable?
- Is the council achieving its objectives?



Different approaches to charging impact on some households more than others

Household expenditure on charges as a % of net income



Used well, charges can help councils achieve their financial, service and strategic objectives

- Decisions about charges should be informed by corporate priorities and user views
- Variation, where it exists, should be the result of conscious choice
- Charges can help councils achieve financial, service and strategic objectives . . .
- . . . but they are often not used to their full effect
- The contribution of charging is not always clear
- Councils need to better understand user behaviour and their own costs
- A charging policy can provide a framework for decision making

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Further information

- Our study report, charging directory, household charges calculator and income comparison tool can be accessed via:

  www.audit-commission.gov.uk/charging

- The charging income comparison tool can also be found at:

  www.charging.audit-commission.gov.uk

- You can contact the study team via:

  charging@audit-commission.gov.uk