

Survey report 2009

Local authority trading, charging and procurement





The state of the market survey was conducted by Mo Baines, APSE Principal Advisor for efficiencies, procurement and service transformation

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1. Introduction

APSE conducted an on-line survey during February and March 2009 which was sent to 252 APSE member authorities throughout the UK. A total of 105 responses were received.

A series of questions were asked to establish information in relation to freedoms and flexibilities to charge or trade in services. We also questioned member authorities' approaches to public procurement as part of the public services transformation agenda.

Local authorities are increasingly being asked how they have utilised new freedoms and flexibilities, including the ability to charge and trade in services and, in addition, the interface with wider government objectives to maximise social and environmental benefits from procurement.

The results of our survey have shown:

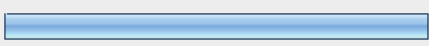
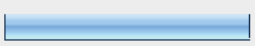
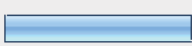
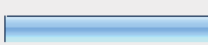
- significant numbers sell services to the private sector, other public sector organisations including the NHS, police and fire authorities and third sector bodies
- significant numbers generate substantial income to help support service improvement and efficiencies
- significant numbers have adopted social or environmental procurement strategies

2. Results: Use of charging and trading powers

Charging and trading powers vary across the UK with English and Welsh authorities generally enjoying greater freedoms and flexibilities than those that apply to their Scottish and Northern Ireland counterparts.

Whilst numerous government papers across the UK's administrations have advocated a more joined up approach to public service delivery the results, of the APSE survey, demonstrate that in fact activity between areas of the public sector and between different local authorities is already healthy though there is ample scope for further development.

Survey results show that charging and trading activity between local authorities and other areas of the public sector is at 61% with 35.2% of respondents reporting charging and trading activity with the private sector. Two thirds of all respondents were engaged in some form of charging and trading activity.

Public		61.0%
Private		35.2%
Third/voluntary sector		26.7%
None		29.5%

3. Results: Use of charging and trading powers

The trading company route (under Section 95 of the Local Government Act 2003) is the least used route to trading and charging. Within Scotland and Northern Ireland this is not an option. Within Scotland authorities need to be designated as a 'significant trading operation' and with 32.1% of respondents from Scotland this is reflected in the survey results.

Just 17.5% responded positively to the use of Section 93 charging powers contained within the Local Government Act 2003 which suggests that many local authorities have been able to rely upon powers conferred in historic legislation such as the Local Authorities (Goods and Services) Act 1970.

	Yes	No	N/A	Don't know
Do you rely upon S.93 in order to charge for services?	17.2%	22.2%	34.3%	26.3%
Do you operate a S.95 trading company	3.2%	41.1%	34.7%	21.1%
Do you operate any other form of trading company	6.4%	39.4%	36.2%	18.1%
Has your authority considered a trading company under S.95 or any other trading route?	19.6%	17.5%	34.0%	28.9%

5. Results: Income from charging and trading activity

Of the respondents able to identify a separation between trading and charging income 55.9% of charging income is at or above £50,000 per annum and 44% of trading income is above £50,000 per annum. 22% of respondents reported overall charging and trading income is above £500,000 per annum.

	£1k-£50k	£50k-£100K	£100k-£500K	£500K+	N/A
Charging revenue?	20.3%	22.0%	20.3%	13.6%	23.7%
Trading revenue?	19.6%	10.9%	23.9%	8.7%	37.0%

6. Results: Services provided under charging and trading arrangements

A wide range of service areas are provided under charging and trading arrangements with many respondents providing a multiplicity of services across a range of connected areas. The most popular services for charging and trading purposes are property maintenance, cleaning and catering followed by refuse and waste and grounds maintenance services,

	Charging	Trading
Parks & open spaces	100.0%	20.0%
Sports & leisure	66.7%	33.3%
Refuse & waste	86.7%	33.3%
Grounds maintenance	60.0%	53.3%
Property maintenance	76.2%	38.1%
Cleaning	77.8%	33.3%
Catering	64.3%	57.1%
Corporate services (e.g payroll, legal or property)	77.8%	22.2%
Revenues & benefits	83.3%	16.7%
Vehicle & fleet maintenance	87.5%	50.0%
Highways & street lighting	62.5%	50.0%

7. Results: Procurement arrangements

Member authorities were asked about their procurement arrangements to establish whether procurement was generally centralised within a corporate unit or whether it was devolved to individual or operational units. The survey also sought to establish the level of shared procurement and use of green or ethical procurement strategies. The results are encouraging:-

50% of respondents operated within a centralised procurement framework with purchasing and tender arrangements controlled within a centralised unit. 36.1% of local authorities had devolved arrangements to individual departments. However in terms of 'other arrangements' typically local authorities reported that they operated a mixture of arrangements with some procurement decisions resting centrally with localised procurement decisions on lower value or more bespoke purchases.

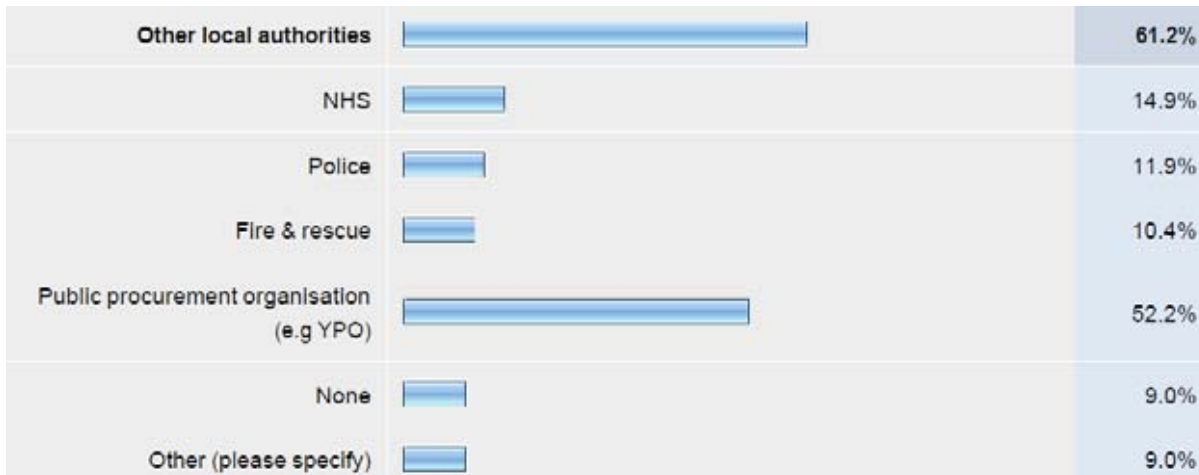
	Response Percent
Centralised procurement unit	50.0%
Devolved to individual departments	36.1%
Other (please specify)	13.9%

8. Results: Combined or shared procurement

Only 9% of authorities reported that they were not currently sharing some form of procurement arrangements. The most used shared procurement option was between local authorities at 61.2% with 52.2% using a public procurement organisation arrangement such as YPO (Yorkshire Purchasing Organisation). There are also healthy levels of shared procurement between local authorities and the NHS, police and fire and rescue services.

As part of the efficiencies agenda throughout the UK stringent targets have been placed on the public sector to generate further efficiency gains. These represent within English authorities £4.9 billion to March 2011 and within Wales the WLGA referenced some £85 million of efficiency savings to 2008 and a funding gap of £1.2 billion within Scotland to be met from efficiencies. Within Northern Ireland the review of public administration will reduce the number of local authorities down from 26 to 11.

Whilst shared or combined procurement arrangements can have a positive effect on prices APSE's research on the local economy also suggest there is an intrinsic value in local purchasing arrangements, providing benefit to the local economy, and an effective economic return.



9. Results: Combined or shared procurement

Encouragingly 76.3% of authorities report adopting a green procurement strategy with 58.1% of these adopting an ethical procurement strategy including use of clauses such as fair trade, skills development and training.

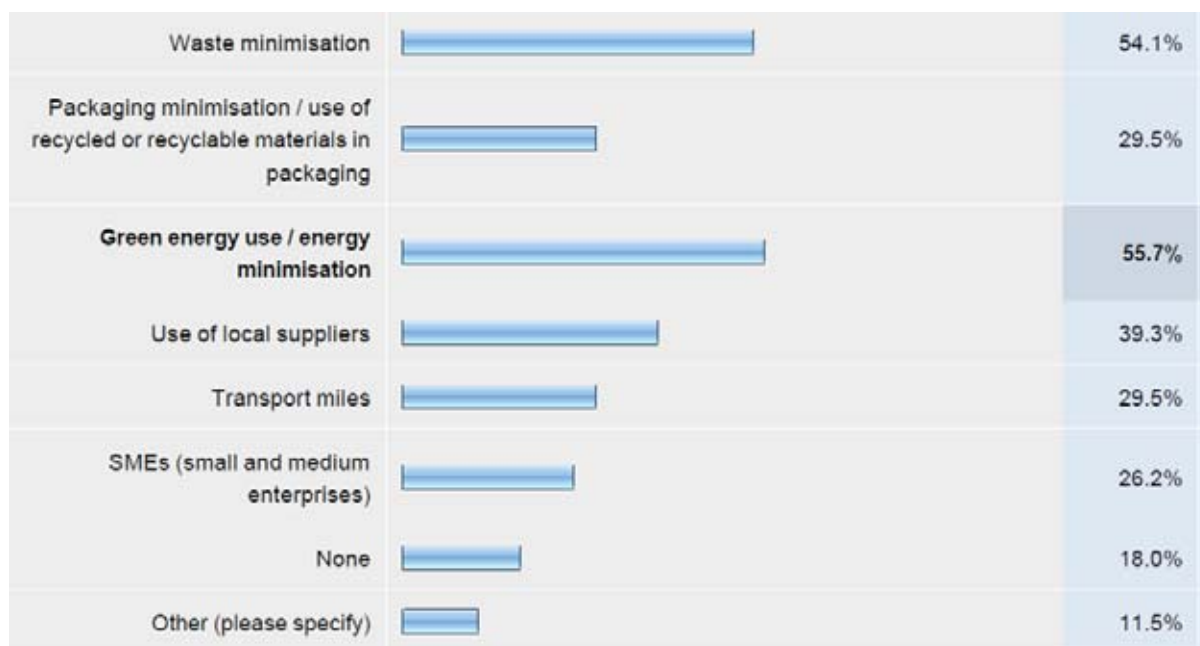
	Yes	No
Green procurement strategy	76.3%	23.7%
Ethical procurement strategy	58.1%	41.9%

10. Results: Use of community benefits in procurement

41% of respondents use environmental initiatives within their procurement strategies but a host of other community benefits are also provided for including 34.4% using localised procurement, 34.4% using economic benefits provisions and 19.7% using apprenticeships and training.

Interestingly 55.5% of the survey respondents specify the use of green energy or energy use minimisation with 54.1% specifying waste minimisation.

With the new carbon reduction commitment becoming a statutory requirement there will be an increasing shift towards such policies. It is therefore encouraging to find that many local authorities are well placed to further adapt strategies within their procurement arrangements to move towards meeting green targets .



APSE comment

The survey results provide for a number of interesting findings. Despite the changes to freedoms and flexibilities, within the Local Government Act 2003 for English and Welsh authorities (through devolved powers to the Welsh Assembly Government) charging and trading is occurring even where the use of those powers is not obvious. In other words it is difficult to measure the impact of the new powers on charging and trading activity. The Audit Commission report positively charged provides an interesting overview of the use of fees and charges in supporting the finances of a local authority. The APSE survey compliments this work in exploring the areas where front line service providers are using their freedoms and flexibilities to develop services both within the local authority family and within the wider public sector.

The APSE survey provides a very positive picture of collaboration between local authorities and the rest of the public sector. Providing services between different authorities and other organisations is a

significant source of income. However follow up interviews on some of the respondents has also revealed some equally encouraging results:-

One such respondent is able to support 90 apprenticeship places per annum, part funded through the financial support received through its significant trading activity, employing local people and providing useable skills in the construction industry. In addition one other further interview revealed the use of localised specialist skills in adapted vehicles for disabled transport purposes – providing both economies of scale for the local authority and a much needed bespoke service to the local NHS Trust.

Barriers to charging and trading in the case of Scotland have been addressed by APSE with extensive lobbying of the Scottish Executive. APSE has called for revisions to the limitations that came into play with the specific Scotland amendments to the Local Authorities (Goods and Services) Act 1970. APSE has also called for a more fundamental review of Best Value guidance in Scotland which places unnecessary barriers on Scottish local authorities.

Within Northern Ireland the review of public administration should provide an opportunity for more work to be done on enhancing the scope and breadth of powers available to Northern Ireland's local councils. Northern Ireland councils have very limited freedoms and flexibilities in comparison to the rest of the UK.

Within Wales APSE has also recently responded to draft revised guidance on the use of well being powers. Within this revised draft guidance is the incorporation of amendments to trading company guidance.

Further support from APSE

APSE will shortly launch a new web portal on trading and charging for services; This web portal includes the latest guidance, a short guide to the differences between charging and trading powers and the differences within the UK administrations as well as some short case studies on the use of the powers.

APSE also provides support on service transformation issues through the Efficiencies, procurement and service transformation advisory group. You may register to attend the next meeting of this is group [here](#)

Mo Baines

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