



# Charging for services - Council MOT centres

This briefing paper looks at charging opportunities for councils, including Council MOT centres. It is provided to local authority chief executives, council leaders and all APSE transport services contacts in England, Scotland, Wales and Northern Ireland.

## Key issues

Charging opportunities for councils

Case study from Luton Council transport services of charging for MOT's

If you have any examples of charging or trading, please email: [mbaines@apse.org.uk](mailto:mbaines@apse.org.uk)

## 1. Introduction

Trading and charging allows local authorities to bring in additional sources of income through trading their services or charging for services to be delivered to other organisations or individuals whether private or public. As local authorities throughout the UK strive to meet efficiencies targets many direct service or direct labour organisations have sought to generate income through the trading or charging route. This briefing paper examines the charging opportunities for local authorities and relevant powers which can be used throughout the UK. It includes a case study example of Luton Council transport services charging for MOT's.

## 2. What is a charging?

Councils in many service areas charge fees, for example for swimming or parking services. There are a host of legal powers available to councils to charge for services without restrictions. There are also a number of specific legal restrictions that prevent charging for certain services and it is important to remember that the charging power under the Local Government Act 2003 (England and Wales) only applies to 'discretionary services' not statutory services. Discretionary services are those services that an authority has the power but not a duty to provide. An authority may charge where the person who receives the service has agreed to its provision. A council could not for example charge for its education services that it is required to provide.

The Government's intention in bringing about a more certain power to charge reflects the need for local authorities to distinguish between doing something for a 'commercial purpose' which, if undertaken using the Local Government Act 2003 must be done under a trading company, and doing something for a 'civic purpose' which will generally fall under a charging route.

Sections 93 and 94 of the Local Government Act 2003 provide a power for best value authorities to charge for discretionary services. This power to charge does not apply where the power to provide the service in question already benefits from a charging power or is subject to an express prohibition from charging.

Best value authorities are required to have regard to any guidance that may be issued by the Secretary of State. APSE have done a series of briefing papers on charging and trading which can be accessed through clicking on the following link: <http://www.apse.org.uk/charging-trading/briefings.html>

The essential difference between charging and trading is that charging for discretionary services is limited to cost recovery (when using the powers under the Local Government Act 2003) whereas trading (through a company) permits the making of a profit. There are 4 main differences in the powers:

- charging relates only to discretionary services, whereas the power to trade is for all services
- all best value authorities can use the power to charge
- charging is limited to the recovery of the cost of providing the service when using the powers in the Local Government Act 2003, whereas trading can be at a profit
- the power to trade is only exercisable through a company

Charging provisions in Wales are a mirror image to those that apply within English Authorities. In Scotland, local authorities can provide services for other public bodies and charge them for this without restriction. Local authorities can trade with community partners and the private sector up to certain thresholds although these thresholds remain to be set. Charging is effectively rolled into provisions contained within the Trading provisions in Scotland.

In Northern Ireland, as there are no similar provisions to those contained in the Local Government Act 2003, authorities must rely upon specific powers to charge in specific areas including the Local Authorities (Goods and Services) Act 1970.

### **3. Charging opportunities for councils**

APSE has developed a specific web portal on the APSE website for charging and trading (click here: <http://www.apse.org.uk/charging-trading/index.html>). This resource has been developed to give councils more information on the charging and trading powers and contains specific case studies covering the following:

- Stockport Council: Solutions SK - A Section 95 Trading Company Model
- Norfolk property services – a Non S. 95 trading company model
- A simply charging model to support local not for profit organisations
- Public Sector Working
- Photographic Identity Cards
- Tree Inspections
- Building Cleaning and Catering

- Library Transcription Services
- Vehicle Maintenance
- Highways Maintenance – Dropped Kerbs
- Building Services
- Building Cleaning
- Commercial Waste Collection

It also signposts councils as to where additional support and training can be obtained from.

#### **4. Council MOT centres: a case study example**

Council MOT centres are a means of councils generating additional income through charging members of the public for MOT's. Council-run centres have recently been praised in an article by Money Saving Expert. The full article can be obtained by clicking on the following link: <http://www.moneysavingexpert.com/travel/cheap-mot#full>. The article highlights that many local councils have their own MOT testing stations for council vehicles, which by law must be open to the general public. However, as the majority of councils only carry out an independent check and don't do repairs, there's no incentive for mechanics to find faults that don't exist. Their guide called 'Cheap MOT's – Beat repair costs, use council tests' has seen a fourfold increase in members of the public to some council MOT centres.

The guide contains a list of MOT centres including contact details and signposts the public to contact their local council if the contact details are missing. Therefore, the website can also be used by councils to market their MOT centre services. The article makes the case for council run MOT centres and includes testimonials from members of the public such as *'My usual garage said to make it pass its MOT, repairs would cost almost £1,000. Following the article, I took it to the council test centre instead and it passed without any work needed.'* It also states *'Council run MOT centres are often some of the best out there, and they run the safety tests stringently'*.

An example is Luton Council, who carry out almost 6,000 tests per year. Almost 4,000 of these are for hackney carriage and private hire (HC & PH) vehicle tests for its own authority and other neighbouring authorities. This leaves almost 2,000 private motorist test conducted for classes 4, 5 and 7 vehicles. Luton Council has 4½ fulltime MOT inspectors utilising four bays within the workshop complex. This helps with not only much needed additional income but also to reduce the workshop overhead costs.

For example, the total annual turnover is as follows:

- Private motorist MOT tests - £72,000
- HC & PH vehicles test for its own authority - £145,000
- HC & PH tests for neighbouring authority - £35,000
- Other ancillary charges (i.e. car pre-purchase inspections) - £33,000

Therefore, the total annual income for Luton of providing this service is £285,000, which reduces the overheads of the workshops by approximately 25%.

If you do run your own MOT centre and would like it to be included as a case study on APSE's charging and trading web portal, please send this through to [mbaines@apse.org.uk](mailto:mbaines@apse.org.uk)

**Debbie Johns**  
Principal Advisor