



*Local Authority Trading:
Research Report*



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November 2007
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1 Local authority trading

Introduction

As part of a project to evaluate the local government procurement agenda¹ ODPM (now Communities and Local Government) has commissioned the Institute of Local Government Studies to conduct research examining local authority trading. The research looks specifically at:

- Why local authorities trade.
- The nature and extent of trading activities: type, value and volume of goods and services local authorities are trading, and to whom they are supplying these goods and services – both currently and over time.
- How local authorities are responding to trading powers (in particular, those provided by the Local Government Act 2003).
- How local authorities approach trading: processes, structures, skills, etc.
- What obstacles/barriers to local authority trading currently exist and how these might be overcome.
- Local authority attitudes from the supply and demand side.

The research team

The research team was led by Michael Hughes, Director of the Institute of Local Government Studies (Inlogov). It includes other researchers from Inlogov, from Cardiff and Warwick Business Schools, and is supported by the research company *bmg research*.

This report was written by Michael Hughes and Hilary Kitchin. The field research for the report was undertaken by **bmg research**.

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Thanks are due to all the local authority staff who responded to the telephone questionnaire and to colleagues in local authorities, the Regional Centres of Excellence, the Association for Public Service Excellence, the Improvement and Development Agency, and Communities and Local Government who responded to our requests for additional information and insights.

Michael Hughes

Hilary Kitchin

¹ Further information on the project can be found at: <http://www.communities.gov.uk/localgovernment/localregional/servicedelivery/procurement>

2 Executive Summary

(i) Who is trading?

- approximately 72% of authorities in 2002/03 were engaged in trading activities

(ii) Which services are traded?

The most commonly traded services are:

- grounds maintenance
- building cleaning/maintenance
- highways maintenance
- vehicle maintenance

(iii) Who are the customers?

- 75% of authorities sell to other parts of the public sector, mainly other local authorities (67%)
- 46% of authorities sell to the voluntary and community sector
- 34% of authorities sell to the private sector

(iv) What are the perceived barriers to trading?

Trading authorities identified the main risks of trading activity as:

- commercial risk of failure
- threats to local authority reputation
- diversion of capacity away from core objectives
- trading authorities were more likely to emphasise commercial or resource diversion risks than non-trading authorities.
- 37% of respondents were not aware which legislative framework their trading activity operated within (this figure was higher in Top-tier authorities, 40%, than in district authorities, 23%)

Non-trading authorities perceived the main risks of trading activity as:

- cultural barriers

- non-trading authorities were more likely to perceive European regulations as restricting local authority trading than trading authorities
- around a third of authorities planning to trade knew which legislative powers they would trade under

(v) What are the perceived benefits of trading?

Trading authorities identified a number of advantages of trading such as:

- making surpluses to re-invest
- service improvement
- developing partnerships with the voluntary and community sector
- staff development. Specifically, customer service (49%) and risk management skills (45%) were the most often identified

Non-trading authorities identified a number of advantages such as

- efficient use of assets
- income generation
- reductions in service delivery costs
- non-trading authorities were more likely to stress income and efficiency benefits than trading authorities

(vi) What preparation is made for trading?

- 84% trading authorities had a business plan for their trading activity and nearly all of these linked business planning with the authorities' corporate strategy
- 38% of trading authorities had developed a marketing plan
- trading authorities were more likely than non-trading authorities to identify customer service as a key future development need

(vii) How do authorities win new business?

- 49% of authorities win new business by responding to invitations to tender competitively for work
- 49% of authorities provide catalogues or menus of services from which prospective customers can make choices
- 44% of authorities use advertising

- district authorities were more likely to indicate a wider variety of mechanisms employed to secure new work, including partnerships with:
 - other local authorities
 - the voluntary and community sector
 - the private sector

(viii) How do authorities approach the issue of pricing?

- 43% authorities approach pricing with the aim of breaking even
- 25% of authorities aim to profit on trading activity
- 32% of authorities operate a mixed approach depending on circumstances
- 87% of trading authorities took steps to assess their pricing policy with regard to the market. Of these the following methods were most frequently employed:
 - benchmarking against other suppliers (75%)
 - responding to market conditions (48%)
 - market testing (46%)
- districts were less likely than top-tier authorities to use the available methods listed above for setting pricing policy

(ix) What does the future of trading activity look like?

- most authorities thought that trading activity had increase modestly over time
- Trading Services Revenue data suggests that revenue from trading has decreased since 2000/01
- top-tier authorities most often (40%) indicate plans to increase trading activity marginally
- district authorities most often (38%) indicate plans to maintain trading at its current levels

3 Background

What is trading?

The *Local Authorities (Goods and Services) Act 1970* permits local authorities to trade with *other public bodies* (including other local authorities) for:

“goods, materials, and administrative, professional and technical services, for the use of vehicles, plant and apparatus, and for the carrying out of maintenance”
(Local Authority Goods and Services Act, 1970)

Legislation

There are powers supporting trading other than the 1970 act:

- *Civic Restaurants Act 1947*
- *Local Authority (Goods and Services Act) 1970*
- *Section 145 of the Local Government Act 1972 (Provision of entertainments)*
- *Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 (Recreational facilities)*
- *Section 38 of the Local Government (Miscellaneous Provisions) Act 1976 (Power to provide computers and computer facilities and making use of spare capacity)*
- *Orders made under section 150 of the Local Government & Housing Act 1989 (i.e. HMOs Charges for Registration Schemes, Recovery of Costs for Public Path Orders, Charges for Land Searches and Charges for Overseas Assistance and Public Path Orders)*
- *Section 2 of the Local Government Act 2000 (the Well-being power)*
- *Sections 93 and 95 of the Local Government Act 2003*

Trading

The Local Government Act 2003 (UK 2003, UK 2004, ODPM 2003a, ODPM 2004e see section 6 References for greater detail)² established a new legislative framework that differentiates between local authority trading and charging. The key elements of this framework are that:

- Local authorities can *trade* with any individual or organisation;
- *Trading* activities may be undertaken for a profit;

² See Communities and Local Government website for Guidance on Trading and on Charging powers.
<http://www.communities.gov.uk/localgovernment/efficiencybetter/nationalprocurementprogramme/strategicservicedelivery>

- Surpluses from *trading* may be used as the authority considers appropriate such as reinvesting in services or holding down council tax;
- Best Value local authorities can *charge* for discretionary services. Discretionary services are those services which a local authority has a power but not a duty to provide. A local authority may not charge for a discretionary service where there is specific legislation prohibiting charging;
- A local authority cannot *charge* more than the costs of supplying the goods or services.

The new framework has conditions:

- *Trading* must be undertaken through a company;
- *Trading* must be in 'function-related' activities. These are functions which the authority already has the power to undertake. This includes the 'well-being powers' in the Local Government Act 2000;
- An authority has to have the appropriate category rating under the CPA regime to be eligible to *trade*;
- An authority must prepare and approve a business case which must consider any risks before *trading*;
- Any Best Value local authority can *charge* for discretionary services.

Why is trading important?

Through trading and other reforms the Government is seeking to encourage a "dynamic and entrepreneurial public sector that will increase quality, diversity and choice in the delivery of public services" (ODPM 2004e).

Trading creates a number of opportunities for local authorities:

- It provides the opportunity for efficient and effective local authorities to exploit their knowledge, skills, and expertise;
- It encourages a 'mixed economy' of supply that enables local authority clients to make the best use of the marketplace to obtain the most appropriate supply solution;
- It has the potential to introduce new providers into the market for local authority services which serves to increase competition and contestability;
- It has the potential for supporting relationships between local government and the voluntary and community sectors;
- It provides greater opportunities to develop 'shared services' between local authorities and other organisations;
- It may be used to help local authorities realise efficiency gains.

4 Results

(i) Who is trading?

The local government Trading Services Revenue (TSR) account returns provides an overview of local authority trading revenue. These TSR accounts are derived from annual returns provided by local authority finance departments. These returns include ventures such as, Airports, Harbours, Industrial and Trading Estates, where income is usually the result of fees, charges, or returns on investment rather than 'trading'; they also use definitions of trading activity based on the 'defined activities' of compulsory competitive tendering. The TSR account allows authorities to file results for 'other' trading activities without saying what 'other' is. This lack of specificity means that, depending on how this latter category is used, there is the potential for these figures to misrepresent income generated from trading activities.

After removing the activities that are not 'trading', and removing income from fees and charges, the TSR account for 2002–2003 suggests that:

- Just over seven out of ten local authorities (72%) return income from trading;
- There is over £1billion worth of activity in trading by English local authorities (compared to over £10billion from charging³);
- The average annual income from trading (of those authorities that reported trading income) is just over £3 million.

(ii) Which services are traded?

Table 1 overleaf, is based on the TSR data for 2002–2003. The table comprises data for those local authorities that recorded income from other local authorities and/or other public bodies for 'internally traded' services (mainly those activities that had formerly been subject to Compulsory Competitive Tendering).

³ This figure is derived from the 2002–2003 TSR accounts – it is consistent with that reported in *The Price is Right* (Audit Commission 1999)

Table 1: Activities traded by local authorities in 2002/03 Source ODPM 2004a, percentages rounded

Service/Activity	Authorities trading ⁴	% of all authorities
Grounds maintenance	108	28%
Building cleaning/maintenance	105	27%
Highways maintenance	78	20%
Vehicle maintenance etc	76	20%
Other cleaning	73	19%
Other Internal Trading Services ⁵	73	19%
Refuse collection	66	17%
Sports & leisure	63	16%
Construction & property	62	16%
Other catering	46	12%
Schools & welfare catering	45	12%
Legal	22	6%
Finance	18	5%
Information technology	12	3%
Security	10	3%
Housing management	8	2%
On-street parking	6	2%
Personnel	9	2%

According to the TSR data, the most frequently traded activities are grounds maintenance and building cleaning and maintenance – each of these services are provided by just over a quarter of local authorities.

Transactional and support services were traded by nine percent of authorities. This may be an underestimate of the real extent of trading in this area:

- Some authorities may have recorded these services as 'other internal trading services' which represents a catch-all category that may include transactional and support services;
- A public-private partnership supplying these activities to several authorities would not appear as *local authority* trading;
- A public-public partnership may have income and expenditure apportioned between members (sharing) rather than be recorded as trading.

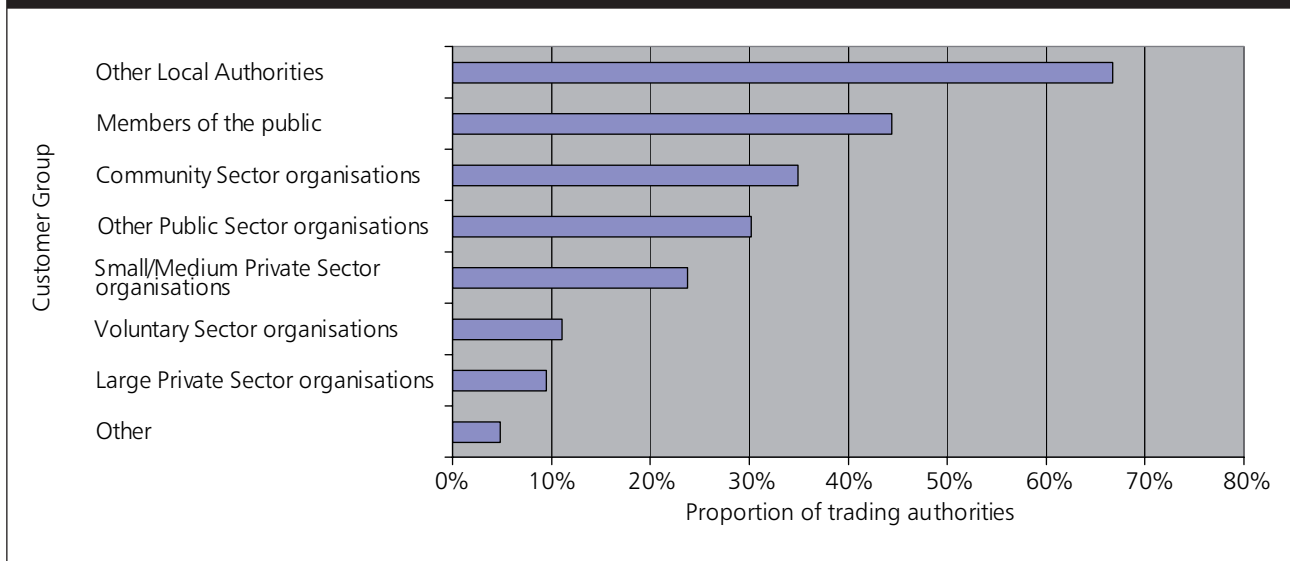
The INLOGOV (2005) survey found that the majority of respondents did not know what their authorities' plans were for developing trading. Previous research undertaken by the LGA⁶, along with the findings from the Inlogov survey, suggest that a small number (less than 10%) of authorities will have established companies for the purpose of trading by the end of 2005.

4 These are authorities that registered income 'from other local authorities and others' in the financial year.

5 Local authorities are allowed to define these 'other' services as they wish

6 The Local Government Association's report on the new powers arising from the 2003 Act, "Loosening the reins" (LGA 2004)

(iii) Who are the customers?

Figure 1: Customers Source: *bmg* survey, n = 63 multiple responses

The main customers for trading authorities were other local authorities (67%), and 'members of the public' (43%)

If local authorities' different *organisational* customers are grouped by sector:

- just over three quarters of respondents (75% – 48 respondents) sell to other parts of the public sector;
- just under half (46% – 30 respondents) of respondents sell to the voluntary and community sector;
- just over a third (34% – 20 respondents) of respondents sell to the private sector.

Although some district authority services had a narrower customer base than their counterparts in top-tier authorities, the overall pattern of customers (and customers by sector) was virtually the same.

Table 2: Interdependence of trading and non trading authorities source *bmg* research

Independence of trading and non trading authorities	Traders	Non-traders
Authority buys from other local authorities	33%	50%
Authority does not buy from other local authorities	66%	50%
	n=63	n=16

Table 2 suggests that trading authorities were less likely to be customers of other authorities than were non-trading authorities.

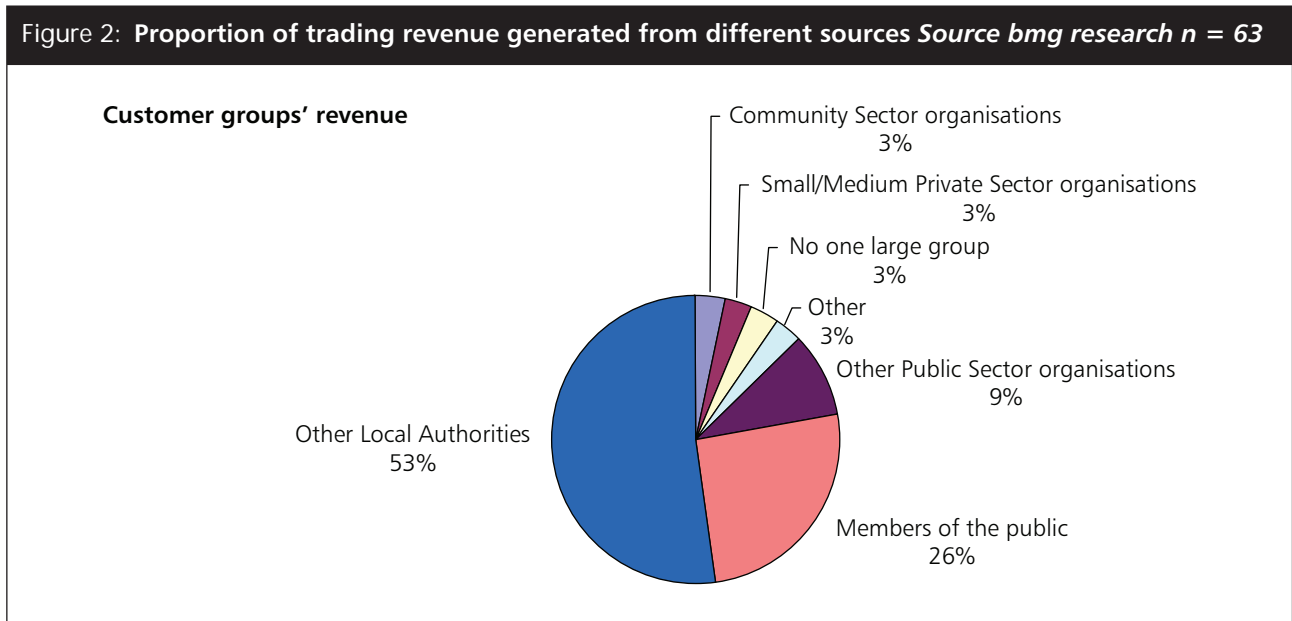


Figure 2 above, illustrates that other local authorities are the largest source of revenue for trading services. The second largest category; members of the public, was the largest source of income for a quarter (26%) of services, and over a third (38%) of services provided by district authorities.

Whilst nearly half of the respondent authorities sold services to the voluntary and community sector, they were the largest source of income for only one responding authority.

Most customers (98%) for local authority traded service are 'local'. Twenty two percent of the local authority services traded with a regional market and four authorities out of the 63 had a national market for their services. This pattern of predominantly local markets was consistent across all types of authority.

(iv) What are the main barriers to trading?

In the survey of trading activity both the trading and non-trading respondents were asked to assess their level of agreement or disagreement with nine statements about local authority trading with the aim of better understanding attitudes and perceptions of trading.

These analyses seek to investigate the differences and similarities between trading and non trading authorities. The size of the sample limits the ability of the results to make conclusive statements. The results should therefore be regarded as indicative.

Figure 3 shows that both sets of respondents seem to take a cautious view of trading, although this seems to be greater in non-trading authorities.

The biggest apparent difference between the two types of authority is on the statement about European rules restricting local authority trading. Non-trading authorities perceived this to be a problem more often than trading authorities.

Figure 3: Comparison of trading and non-trading authorities' attitudes to trading. Source bmg research n = 114

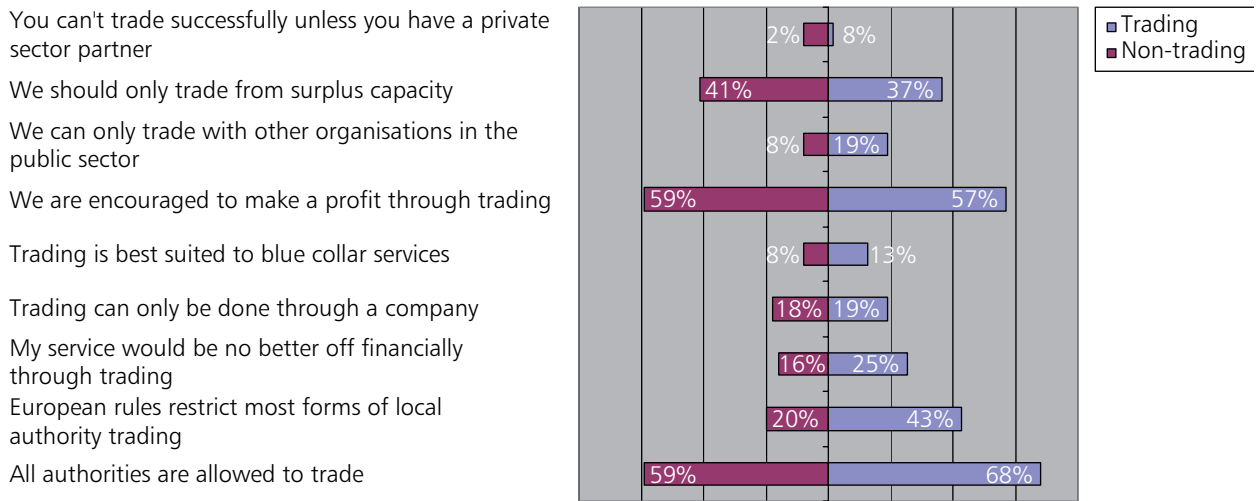
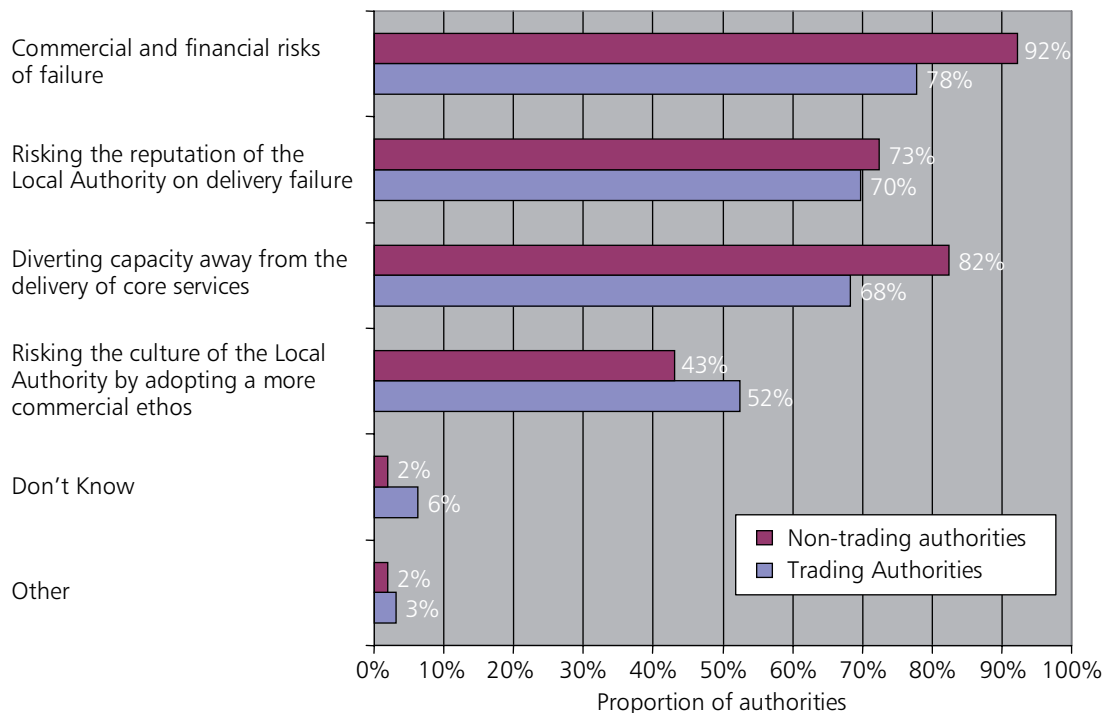


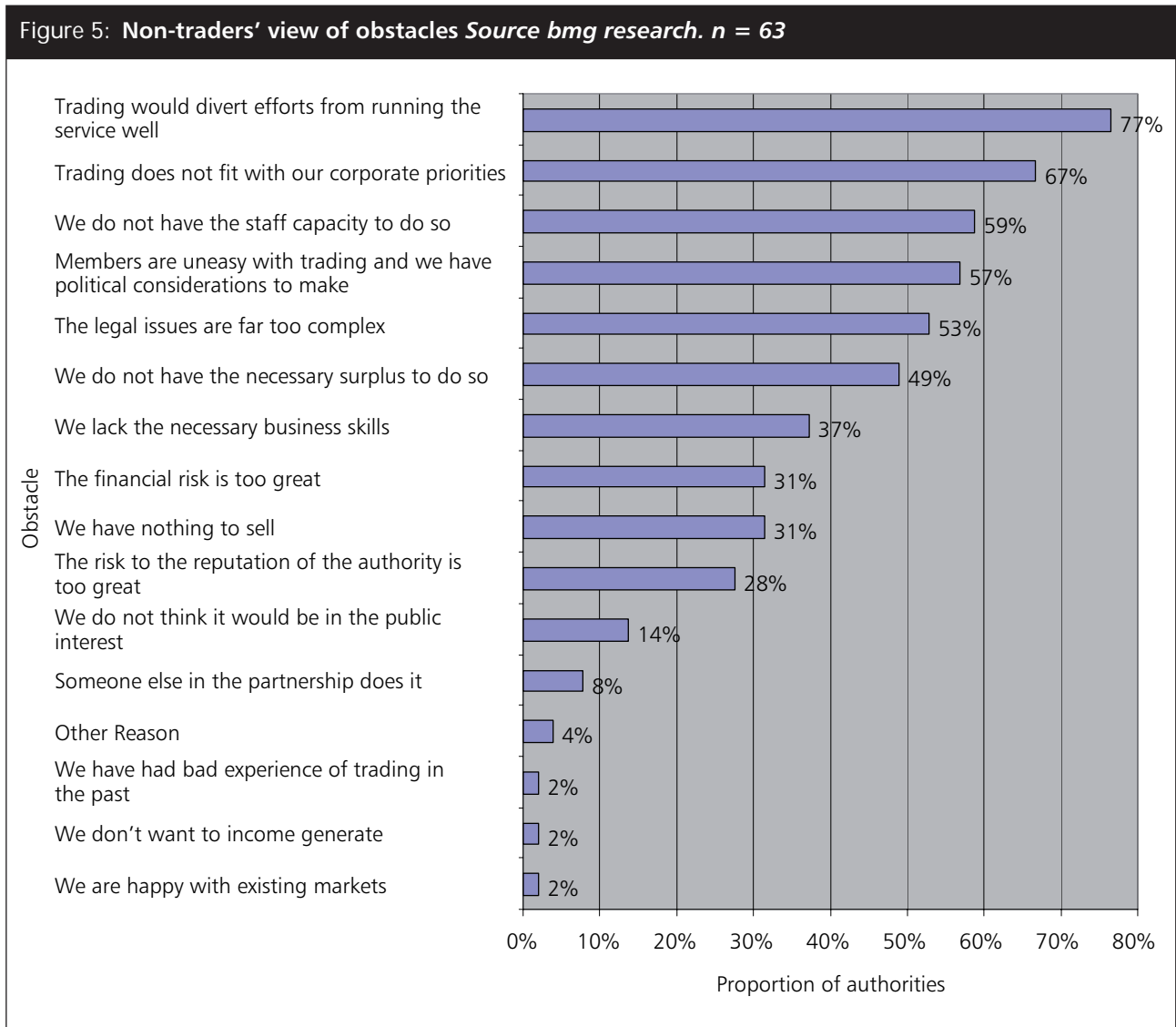
Figure 4: Risks of trading Source bmg research n = 114



For both trading and non-trading authorities the perceptions of risks are similar (Figure 4 above).

Trading authorities tended to place more emphasis on commercial and capacity concerns and the risks to the local authority's reputation. Non-trading authorities were apparently more concerned with risks concerning the culture of the local authority when a commercial ethos was introduced.

Non-trading authorities were also asked about the *obstacles* to trading (Figure 5). The questions sought to identify the prevalence of resource based or culture based risks.



Of those obstacles cited by more than half of the non-trading authorities, the first (diversion of efforts – 77%) overlaps resources and culture. The other four obstacles alternate between the two categories. Overall, concerns about obstacles of a cultural nature seem to be slightly more prevalent.

Legal frameworks

In the survey respondents involved in local authority trading were asked which power(s) they were using to support their trading activities (Table 3, overleaf).

Table 3: Legislation supporting local authority trading – managers' views <i>Source bmg research</i>			
Top-tier authorities		District Authorities	
Local Government Act 2003 s95	28%	The Local Authority (Goods and Services) Act 1970	31%
The Local Authority (Goods and Services) Act 1970	24%	Local Government Act 2003 s95	31%
Other	24%	Other	23%
The Local Government Act 2000 s2	4%	The Local Government Act 2000 s2	8%
Civic Restaurants Act 1947	2%	Local Government Act 1972 s145	8%
Local Government Act 1972 ⁷ s145	0%	Local Government (Miscellaneous Provisions) Act 1976 s19	8%
Local Government (Miscellaneous Provisions) Act 1976 ⁸ s19	0%	Local Government (Miscellaneous Provisions) Act 1976 s38	8%
Local Government (Miscellaneous Provisions) Act 1976 ⁹ s38	0%	Civic Restaurants Act 1947	0%
Don't Know	40%	Don't Know	23%
n=50		n=13	

In total it appears that a third (37%) of respondents in trading authorities did not know, or were unsure about, the legal powers under which they were trading. Those who did respond identified several different pieces of legislation.

Of 16 authorities in the survey that are currently not trading but plan to do so, only five respondents could say which powers were being relied upon to support future trading activities.

Overall there seems to be a degree of uncertainty as to the appropriate legislative powers.

(v) What are the benefits of trading?

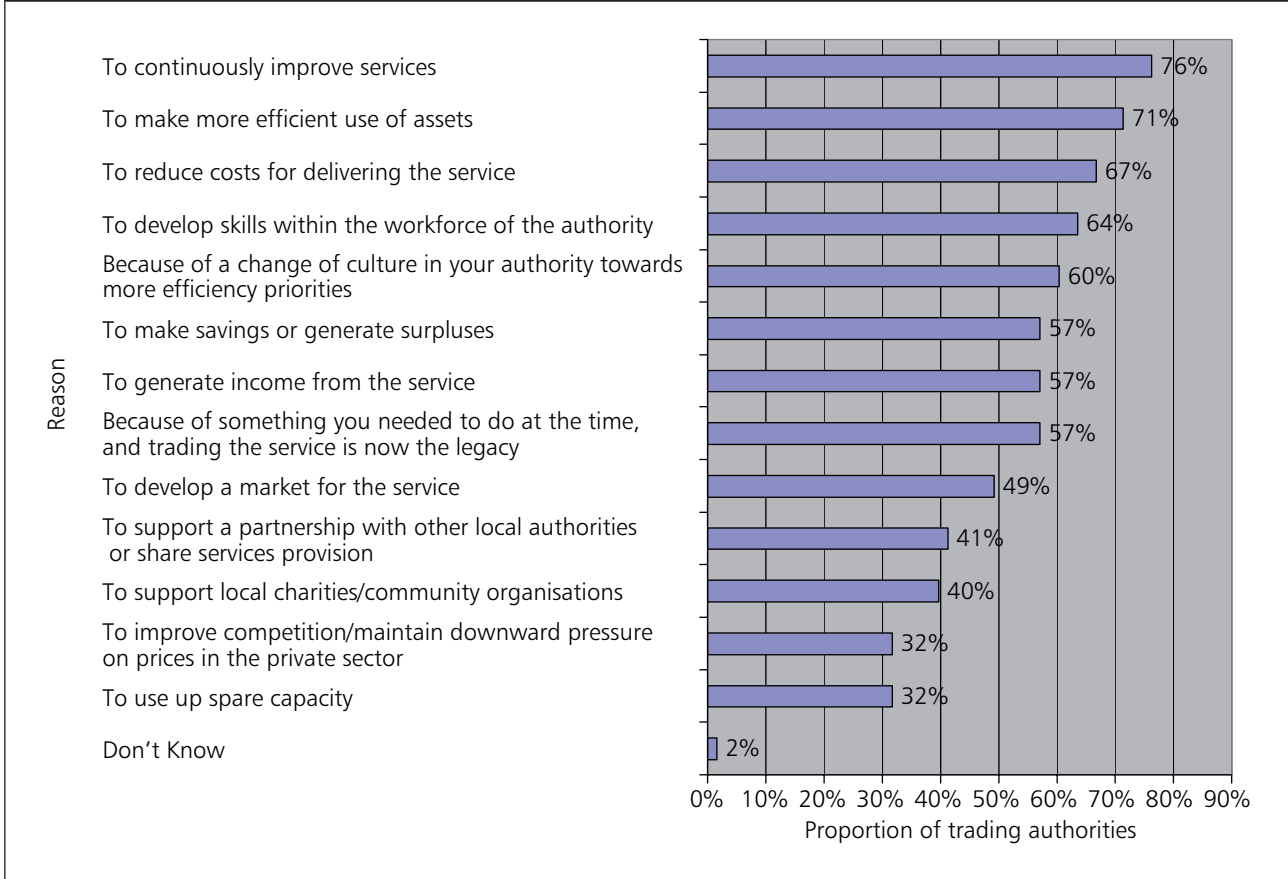
The survey asked respondents to identify both the original reasons for initiating trading activities, and the current drivers for the continuation of trading. Figure 6 overleaf presents the reasons why currently trading authorities started to trade.

7 Provision of Entertainment

8 Recreational Facilities

9 Powers to provide computers and computer facilities and make use of spare capacity

Figure 6: Why Authorities started to trade Source bmg research. n = 63

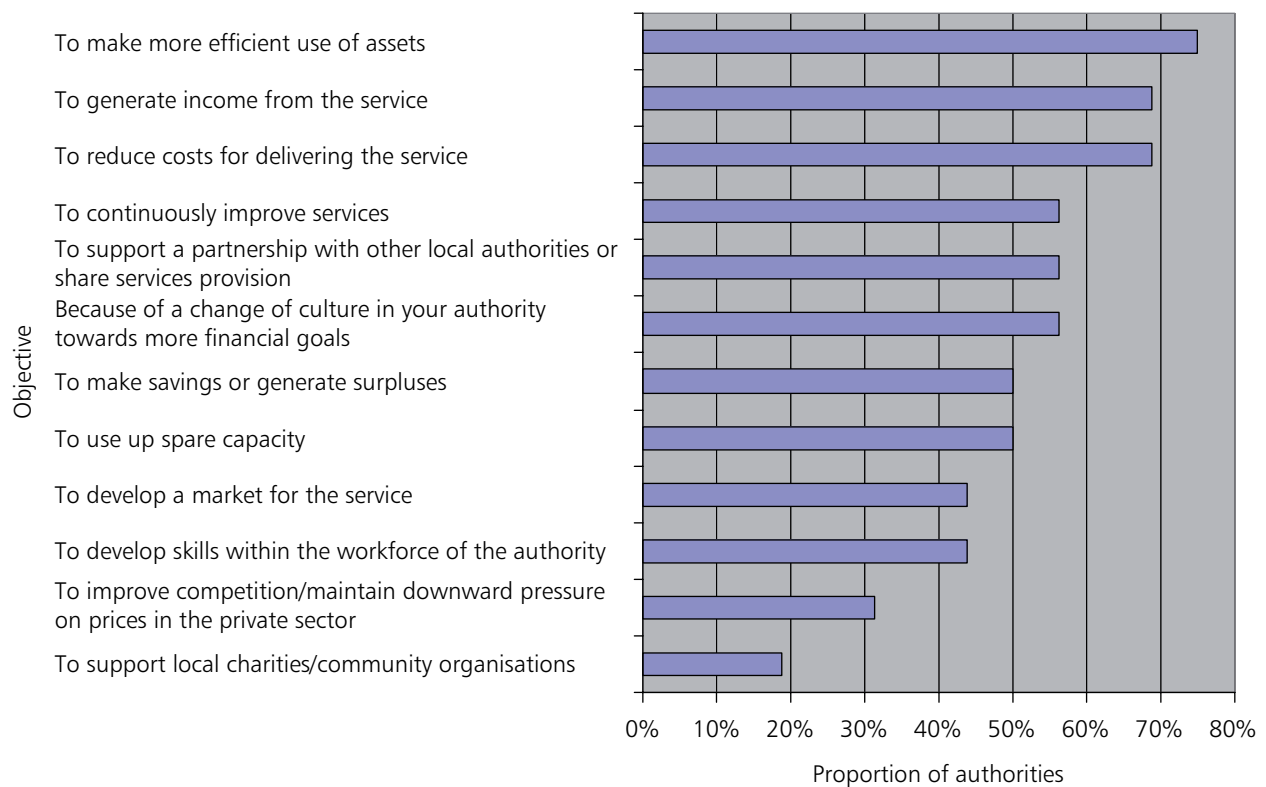


The reasons for starting to trade suggest that authorities recognised the financial and efficiency benefits of trading. They also identify trading as offering opportunities for improving services, staff development, and to develop partnerships with the voluntary and community sector.

Top tier authorities were more likely to suggest more reasons for starting to trade than districts. Districts were more likely to cite efficiency benefits of trading.

More than half of the respondents from trading authorities (57%) agreed that trading began “Because of something we needed to do at the time” and had continued as a legacy of that requirement. Most respondents also thought that these original reasons for trading were still relevant.

Figure 7 illustrates the responses of *non-trading* authorities’ to the same questions.

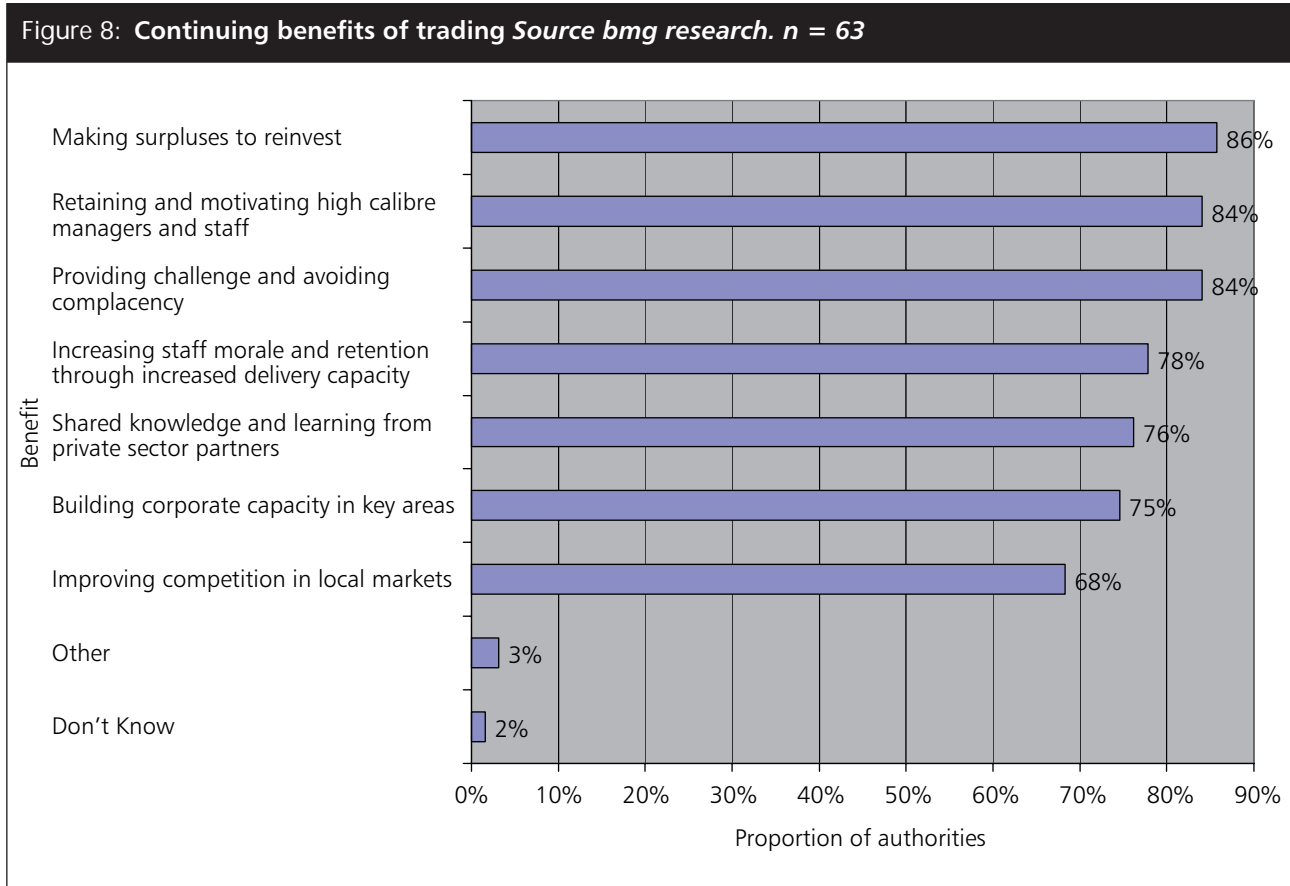
Figure 7: Non-traders' objectives for trading *Source bmg research. n = 16*

The non-trading authorities tend to stress income and efficiency objectives more often than those authorities that are currently trading. Thirteen of these sixteen anticipated that other local authorities and the public sector in general were likely to be their main customers. Around a third of these authorities (6/16) also said that they would target local SMEs as a potential customer group. These authorities were also more likely to propose a mixed/discretionary approach to pricing than those authorities that currently trade.

Finally the trading authorities were asked about the continuing benefits of their trading activity (Figure 8 overleaf).

Sixty eight percent of respondents agreed to all of the seven 'benefits of trading' listed in Figure 8 above. The most frequently cited benefit was making surpluses to reinvest in the service (86%); followed by retaining and motivating high calibre staff (84%); and providing challenge and avoiding complacency (also 84%).

These results support the idea that the benefits of trading were not simply financial.



(vi) What preparation is made for trading?

This section considers the planning and preparation that local authorities undertake before trading.

Authorities trading under the 2003 Act are required to prepare a business case that covers:

- The objectives of the business;
- The resources required to achieve those objectives;
- Risks to the business and their significance;
- Expected financial results and other outcomes expected from the business.

Authorities trading under other powers are not *required* to produce a business case or business plan. Planning of this kind is however, good practice (Cipfa 2004, Cipfa 2005).

Business plans

The majority of trading authorities (84%) had a business plan for their trading activity, and for the large majority of these (94%) business planning was linked to the authority's corporate strategy.

Marketing plans

Some local authority trading managers had also developed marketing plans. These were features of 38% of the 63 trading authorities. The majority of plans (83%) were linked to the authority's corporate strategy.

Skills development

Figure 9: Skills developed through trading Source bmg research. n = 63

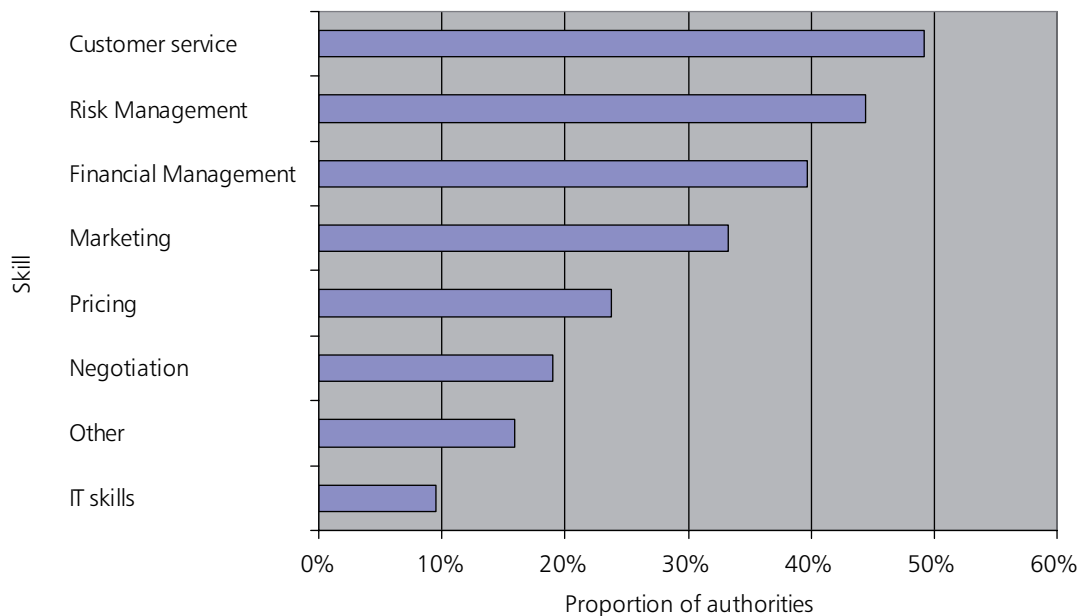


Figure 9 shows that customer service skills were the most frequently (49%) cited by authorities in listing skills developed through trading. Risk management (44%), financial management (40%) and marketing (33%) were also often identified. The trading authorities placed greater emphasis on customer skills development than did the non-trading authorities. This suggests that the experience of trading confirms the importance of developing relationships with customers.

Collaboration

In the baseline survey on the local government procurement agenda (ODPM 2005) it was noted that local authorities were more often involved in collaborative ventures in commissioning rather than supply. Nevertheless, nearly half (49%) of the trading authorities responding to the trading survey said that they developed their traded products or services in collaboration with other organisations. Again there are differences between the top-tier (52% collaborating) and district authorities (39% collaborating).

Impact on local business

The published trading guidance is clear that authorities should consider the requirements of competition law for any proposed charging and trading activities

(ODPM 2004e para 82). The survey data suggests that 27 percent of trading authorities voluntarily undertook such assessments for trading preceding the 2003 Act.

Case study evidence suggests that the impact of local authority trading on the business community can have positive effects. Some benefits identified were local opportunities for sub-contracting, and the delivery of back-office and transactional services to local community and not-for-profit sectors.

(vii) How do authorities win new business?

Respondents were asked about the methods they used to win new business for their traded services. Overall, the most frequently cited methods were:

- Responding to potential clients' invitations to tender competitively for work (49%);
- The provision of catalogues or menus of services from which customers could make choices (49%);
- Advertising (44%).

Services in top-tier authorities were more likely to use a mixture of just these three methods. District authorities tended to use a wider variety of mechanisms.

Districts authorities said their services also used 'partnerships' with other local authorities (46%), the voluntary and community sector (46%), and the private sector (54%) to secure business. These respondents said that they were more likely to use a company that was wholly or partially owned by the local authority (54%) than were their counterparts in top-tier authorities (26%).

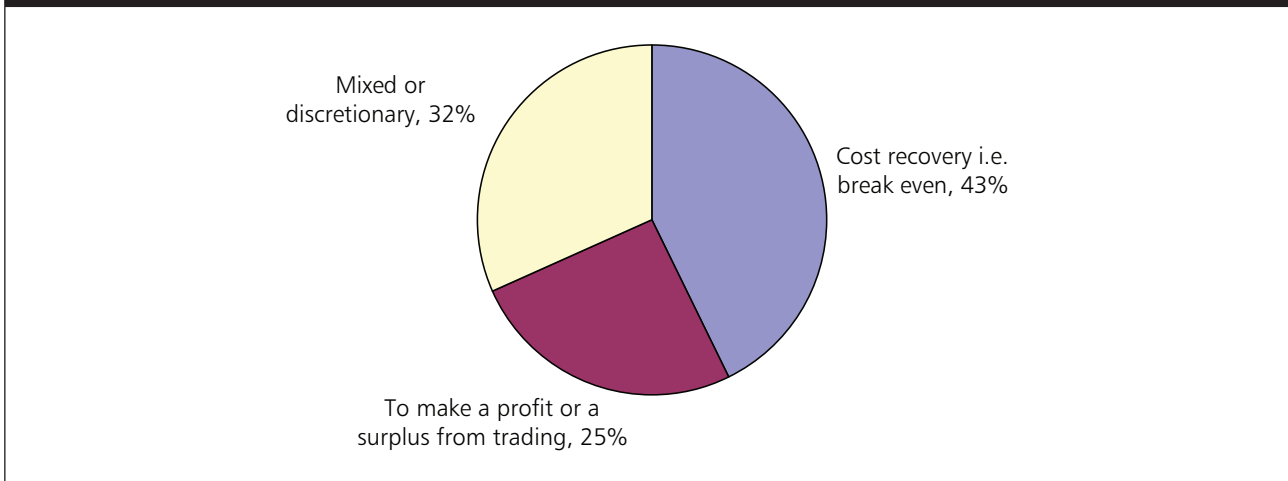
(viii) How do authorities price their services?

Respondents from all the trading authorities were asked about their main approach to pricing

Figure 10 shows that 43% of authorities aim to break even. Just under a third of authorities (32%) opted for a 'mixed or discretionary approach' where pricing policy was adjusted as appropriate in light of circumstances. The remaining 25% aimed to make a surplus from their trading activity.

Most of the trading authorities surveyed (87%) took steps to assess whether their pricing policy was appropriate for the market. These authorities tended to use more than one method to set their prices

Table 4 overleaf shows that the mixture of methods used included both the formal approaches of benchmarking and market testing, and the more informal approach of responding to messages from the marketplace. The 13 District authorities that responded were less likely to use the full range of approaches.

Figure 10: Approach to pricing *Source bmg research. n = 63*Table 4: Trading authorities' methods for setting prices *Source bmg research*

	All Authorities	Top-tier	District
Benchmarking against other suppliers	75%	78%	62%
Responding to market conditions	48%	52%	31%
Market testing	46%	48%	39%
Other	3%	0%	15%
None of these	11%	10%	15%
Don't Know	2%	2%	0%
	n = 63	n = 50	n = 13

Trading in kind

One further potential issue is that of the ability to 'trade in kind' rather than through pricing goods and services. From the survey this appears to be a very limited occurrence with only one of the trading authorities (a top-tier authority) reporting any trading 'in-kind'. Evidence from the case study authorities being tracked in the Evaluation of the Local Government Procurement Agenda suggests that there is 'trading in kind' but that its informal and ad-hoc nature makes it difficult to quantify.

(ix) What does the future of trading activity look like?

The picture of who will trade under the *2003 Act* powers does not as yet suggest a significant increase in trading activity.

The Local Government Association's report on the new powers arising from the 2003 Act, *Loosening the reins* (LGA 2004) found, in a survey of chief finance officers, that three quarters of the respondents were eligible to use the 2003 Act trading powers, but just 2% reported using them. A further 18% were working on their plans. However, the report should be considered in light of the short time of the 2003 powers being available.

The same research found that, of authorities using the powers (or planning to), nearly two-thirds (64%) identified raising revenue as a key objective – under half linked use to achieving the authority’s strategic plans.

The 2004 baseline survey on procurement (ODPM 2005) suggested similar levels of existing trading activity and future planned activity¹⁰.

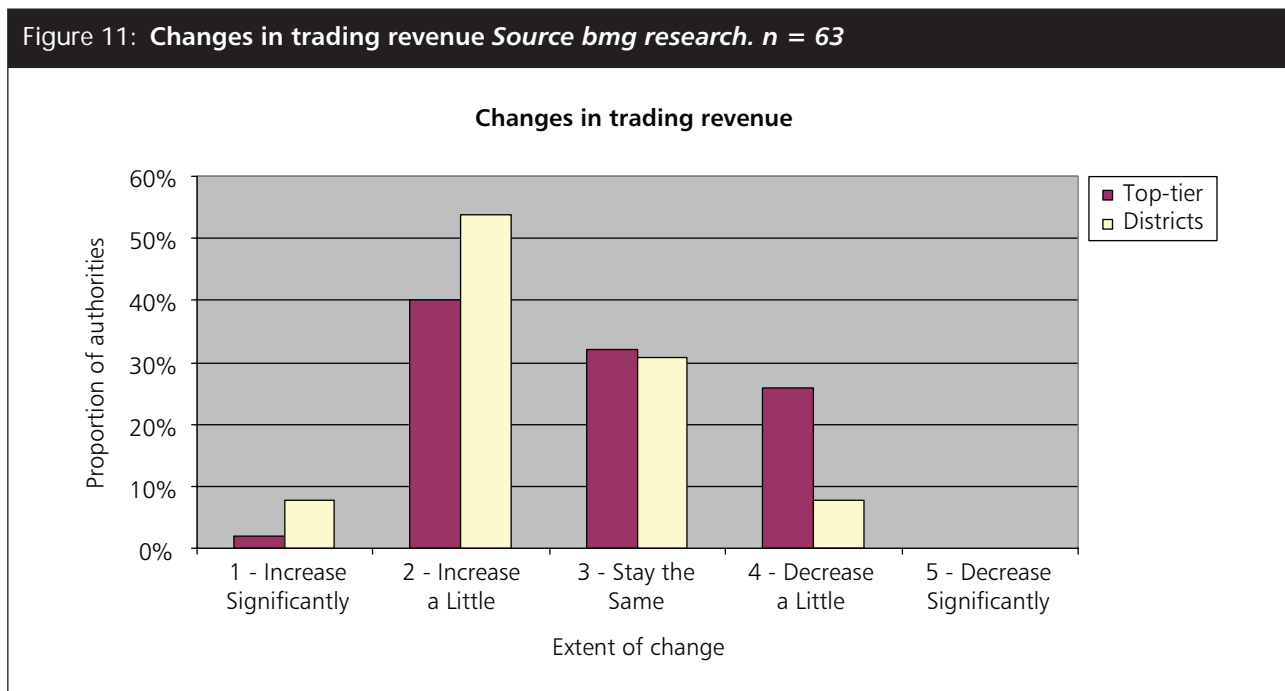


Figure 11 shows that most authorities responding to the survey reported a small perceived increase in the amount of trading activity over time. District authority respondents were more likely to report an increase in income than those from top-tier authorities.

However, the TSR data (Table 5 below) suggests there was a 10% decline in trading income to local authorities. This national decline was not consistent across all services or all in trading income.

Table 5: Changes in overall trading income between 2000 and 2004 Source TSR returns 2001–2 to 2003–4

Internal traded services	2000–2001	2001–2002	2002–2003	2003–2004
Income (£'000)	6,027,734	5,859,347	5,509,166	5,415,170
Percentage of 2000–2001	100%	97%	91%	90%
All traded services				
Income (£'000)	6,998,853	6,857,115	6,553,296	6,372,566
Percentage of 2000–2001	100%	98%	94%	91%

¹⁰This survey was aimed at procurement and finance officers who may not be aware of trading activities in specific services.

The discrepancy between the survey data and the national picture suggests some bias in the survey towards authorities with a positive experience of trading (see Appendix 3).

Figure 12: Plans to change level of trading activity Source *bmj research*. *n* = 63

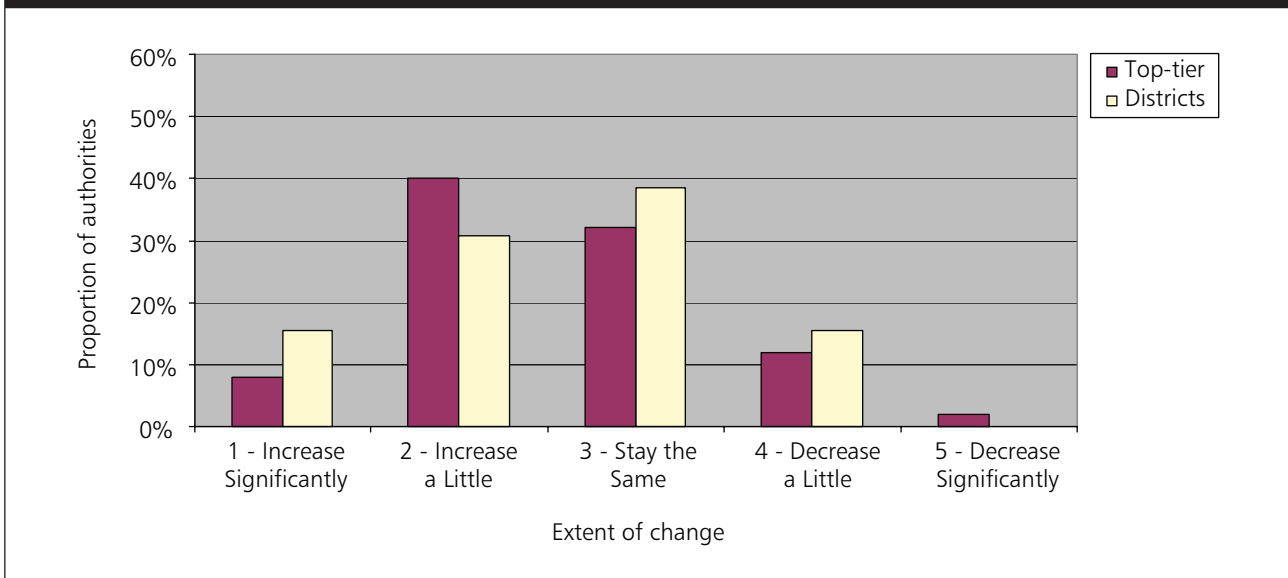


Figure 12 suggests that most respondents from district authorities plan to maintain trading at its current levels. Top-tier authorities were more likely to indicate plans to increase trading activity a little.

Non-trading authorities were also asked about plans for the future. Nearly a third (31%) of them had plans to begin trading. These ambitions to increase trading were more common in top-tier authorities (44% of non-traders had plans) than in district authorities (24% with plans).

5 Summary

This report has considered evidence for TSR returns, a bespoke survey, and case studies.

The available evidence suggests that there are a number of identified reasons why some authorities are thinking of, or have developed, trading activities. Trading authorities have identified both financial and non-financial benefits of trading. Non-trading authorities are also aware of advantages of trading.

Both trading and non-trading authorities (who plan to trade) anticipate the need to develop skills. Trading authorities highlight the development of customer care skills more than non-trading authorities, suggesting that this may be one of the lessons gained through the experience of trading.

Evidence from the survey suggests that even authorities with trading experience demonstrate cultural or organisational obstacles to trading, and caution in the type and degree of this activity.

Trading authorities cite capacity concerns or commercial risks as the factors limiting trading activity.

For non-trading authorities the data suggest a set of cultural issues that act a barrier to trading. This is evidenced in the concerns highlighted by non traders (figure 5), but also by the fact that some Councils began trading because identified the possibility of using trading as an opportunity to respond to cultural change and develop staff skills (figure 6).

The survey suggests that most authorities approach the issue of pricing with the aim of breaking even. Most authorities also considered the existing market when addressing pricing issues, with benchmarking against current suppliers being the most common approach. Most authorities also 'responded to market conditions' in assessing their pricing policy although districts were less likely to use multiple methods of market assessment than top-tier authorities.

The survey showed that new business is developed through responses to open tenders, advertising, and providing catalogues to existing customers. There was no evidence from this survey of assertive marketing techniques being used.

The data shows that local authorities most often trade with other local authorities and secondarily with the voluntary and community sectors. In the overwhelming majority of cases customers were 'local in nature'. This picture could perhaps be interpreted as the legacy of the 1970 Act, and a more conservative approach to trading activity than perhaps envisaged in more recent legislation.

The profile of TSR data suggests a modest decline in trading activity over time. Data from the survey suggests that most authorities assess trading activity as relatively stable over time and forecast the same levels, or modest increases, continuing in the next 2–3 years.

The reasons for this approach are not entirely clear but the available data suggests that trading, especially for profit, is viewed as risky by many authorities. The survey also suggests a significant lack of knowledge of the legislative footing of trading activity. Data from other this and another survey¹¹ suggests that take up of the 2003 Act powers is currently low.

The current pattern of services traded by local authorities could be interpreted as a legacy of compulsory competitive tendering. It will be important in future work to see if this pattern changes to reflect the opportunities offered by the 2003 Act.

Next steps

As part of the continuing research programme on local government procurement, the Institute of Local Government Studies is working with a panel of case study authorities. These authorities will provide an opportunity for further investigations into the nature of local authority trading and the obstacles to it. These investigations will in turn lead to a further report on local authority trading.

11 The Local Government Association's report on the new powers arising from the 2003 Act, "*Loosening the reins*" (LGA 2004)

6 References

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Appendix 1: Survey used with trading authorities

CASE NO:	STAMP NO:
INTERVIEWER NAME:	INTERVIEW DATE:
INTERVIEWER ID:	INTERVIEW DAY:

Introduction:

Read: Good morning/afternoon/evening, my name is XXXX and I am calling from BMG Research. We have recently been commissioned by the Institute of Local Government Studies (Inlogov) to undertake a survey amongst local authorities as part of a long term evaluation of the local government procurement strategy.

Your authority has been identified as one who sells or trades a product or service within the public or private sector. The service we are particularly concerned with addressing is xxxx, which I believe you manage ? (CONFIRM THIS IS THE CASE) This survey aims to gather more detailed information about this service.

The data from this survey will provide information on local Authority trading practices. This information will be of use to policy makers, and the Regional Centres of Procurement Excellence. It will also feed directly into a related research project on An Analysis of the Local Government Market, which is supporting the development of a ten-year strategy for local government.

All data obtained in the survey will be kept strictly confidential by the researchers. No individual Authority will be named in reporting findings from the research without its agreement.

BMG Research complies with the Market Research Society's Code of Conduct.

If you have any concerns about the survey please contact the BMG helpline on 0800 358 0337.

Would you be able to spend some time going through the questionnaire now, or would you prefer it if I phoned back at a more convenient time?

RECORD RESPONSE:

- 1 Yes, fine to go through it now – **CONTINUE**
- 2 Yes, but phone back at a more convenient time – **ARRANGE APPOINTMENT BELOW:**

TIME (24 HRS): _____ : _____ h

DATE (DD/MM/YY): _____ / _____ / _____

DAY: _____ day

- 3 No, I don't want to take part – **THANK & CLOSE –**

Record database reference number:

--	--	--	--	--	--	--	--	--	--	--

Record telephone number:

--	--	--	--	--	--	--	--	--	--	--

What Do They Sell?

To begin with I'd like to ask you some questions about the service which is traded, which we believe to be xxxxxx.

Q1 Please can you describe in more detail the product or service that is traded?

WRITE IN

Q2 And please can you tell me how this product or service has changed and evolved over the time it has been traded? **PROBE:** How is it different now, compared to when you started to trade it?

WRITE IN

Q3 Has there been any innovation with regards to the product or service since the trading began?

WRITE IN

Q4 Has the product or service been developed at any point in conjunction with a public or private sector partner?

Yes	1
No	2
Don't Know	3

If 'Yes' then ask Q5, otherwise skip to Q6

Q5 Please can you briefly describe how the product or service has been developed in conjunction with a public or private sector partner? **PROBE FULLY**

WRITE IN

Who Do They Sell To?

Q6 Now I'd like to ask you some questions about who it is you sell the product or service to.

Which of the following statements best describes who your customers are? You can say as many or as few as you like.

READ OUT AND CODE ALL THAT APPLY

Other Local Authorities	1
Voluntary Sector organisations	2
Community Sector organisations	3
Other Public Sector organisations	4
Large Private Sector organisations	5
Small/Medium Private Sector organisations	
Members of the public – check they do not mean charging	6
Other	7
Don't Know	8

If code 6 mentioned, ask 'Can I just confirm that this is not a service which the public are charged for, but is one which is truly traded?'

If code 7 mentioned, ask Q7, otherwise skip to Q8

Q7 Please can you explain who your other customers are ?

WRITE IN

Q8 And would you describe your customers as local, regional or national? READ OUT AND CODE ALL THAT APPLY

Local	1
Regional	2
National	3
Don't Know	4

Q9 Which of the groups you have mentioned would you say are your largest customers in terms of revenue for this service?

CODE ONE

Other Local Authorities	1
Voluntary Sector organisations	2
Community Sector organisations	3
Other Public Sector organisations	4
Large Private Sector organisations	5
Small/Medium Private Sector organisations	
Members of the public	6
No one large group	7
Other	8
Don't Know	9

How Do They Sell?

I'm now going to ask you some questions about the way in which your service is traded.

Q10 Which of the following methods best describes how you generate revenue from the product or service that you sell?

READ OUT AND CODE ALL THAT APPLY

Winning contracts to supply clients via a competitive tender	1
Providing a catalogue or range of services from which clients can purchase	2
Advertising	3
Through invoices direct from the authority	4
Through a partnership involving other local authorities	5
Through a partnership involving the private sector	6
Through a partnership involving non profit organisations	7
Through a company either wholly or partly owned by the local authority	8
Via other arrangements (PROBE AND TYPE IN BELOW)	9
Don't Know	10

Why Did They Start To Sell?

Q11 And thinking back to when you first started to trade, please can you tell me which of the following reasons best describes why you started to trade this service. You can say as many or as few as you like.

Because of something you needed to do at the time, and trading the service is now the legacy	1
Because of a change of culture in your authority towards more financial goals	2
To use up spare capacity	3
To reduce costs for delivering the service	4
To make more efficient use of assets	5
To generate income from the service	6
To support local charities/community organisations	7
To improve competition/maintain downward pressure on prices in the private sector	8
To grow skills within the workforce of the authority	9
To develop a market for the service	10
To support a partnership with other local authorities or share services provision	11
To make savings or generate surpluses	12
To continuously improve services	13
Don't Know	97

Q12 And are your reasons for trading the service now, any different to those when you started to trade?

Yes	1
No	2
Don't Know	97

If 'Yes' coded above ask Q13, otherwise skip to Q14

Q13 How are they different now ? What is more or less important ?

	MORE	LESS
Because of something you needed to do at the time, and trading the service is now the legacy	1	1
Because of a change of culture in your authority towards more financial goals	2	2
To use up spare capacity	3	3
To reduce costs for delivering the service	4	4
To make more efficient use of assets	5	5
To generate income from the service	6	6
To support local charities/community organisations	7	7
To improve competition/maintain downward pressure on prices in the private sector	8	8
To grow skills within the workforce of the authority	9	9
To develop a market for the service	10	10
To support a partnership with other local authorities or share services provision	11	11
To make savings or generate surpluses	12	12
To continuously improve services	13	13
Don't Know	97	97

How Have They Planned Trading?

Q14 I would like you to think now about the skills you and your colleagues need in order to be able to trade your service successfully.

Please can you tell me which of the following new skills you have needed to develop in order to trade successfully:

READ OUT AND CODE ALL

Marketing	1
Pricing	2
Risk Management	3
Financial Management	4
Other (PROBE FULLY AND WRITE IN BELOW ANY OTHER SKILLS MENTIONED)	5
Don't Know	6

Q15 Do you have a business plan for your trading activity?

Yes	1
No	2
Don't Know	97

Q16 Do you have a marketing plan or strategy for your trading activity?

Yes	1
No	2
Don't Know	97

If 'Yes' answered at Q15 or Q16 then ask Q17, otherwise skip to Q18

Q17 And is/are these plan(s) linked to your corporate strategy?

Yes	1
No	2
Don't Know	97

Q18 Do you review the impact of your trading activities on the local businesses in your area?

Yes	1
No	2
Don't Know	97

What is Their Overall Approach to Pricing?

Q19 How would you describe your overall approach to setting the selling price for your service ? Would you say it is

READ OUT AND CODE ONE

Cost recovery i.e. break even	1
To make a profit or a surplus from trading	2
Mixed or discretionary	3
Or, do you make a loss from trading this service ? ASK Q.20	4

Q20 Why do you sustain making a loss in trading this service ?

WRITE IN

Q21 Which of the following influence the way in which you set prices ?

READ OUT AND CODE ALL

Benchmarking prices with providers of similar services	1
Testing the price the market and your customers are prepared to pay, or are already paying	2
Setting them based on supply and demand conditions in the market	3
Some other way ? PLEASE EXPLAIN	4

Q22 Do some of your customers pay in kind for receiving the service ?

Yes	1
No	2
Don't Know	97

IF YES, What in kind products or services does your authority receive ?

Do They Know Under What Legal Powers They Trade?

I'd now like to ask you about the legal powers under which you trade.

Q23 Under which of the following acts are you aware of trading?

The Local Authority (Goods and Services) Act 1970	1
Section 95/96 of the Local Government Act 2003 (trading powers)	2
Civic Restaurants Act 1948	3
Section 145 of the Local Government Act 1972 (provision of entertainments)	4
Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 (Recreational Facilities)	5
Section 38 of the Local Government (Miscellaneous Provisions) Act 1976 (Powers to provide computers and computer facilities and making use of spare capacity)	6
Orders made under section 150 of the Local Government and Housing Act 1989	7
Section 2 of the Local Government Act 2000 (Power of Well Being)	8
Other (PROBE AND WRITE IN BELOW)	9
Don't Know	97

What Changes Have There Been?

Q24 Have you seen your trading revenue increase, decrease or stay about the same in recent times?

Increase	1
Decrease	2
Stay about the same	3
Don't Know	4

If 'increase' or 'decrease' coded at Q24 then ask Q25, Otherwise skip to Q26.

Q25 What do you think caused this change in trading revenue?

WRITE IN

What do they see as the Future for Trading?

I'm now going to ask you some questions about the future of your trading activities.

Q26 Do you plan to grow or reduce your trading activities and revenue over the next 2 – 3 years ?

Increase	1
Decrease	2
Stay about the same	3
Don't Know	4

IF INCREASE OR DECREASE PROBE FULLY – How and why do you intend to do this?
WRITE IN BELOW

Q27 What kind of skills do you think you will need to develop in the future as a result of your trading activities?

WRITE IN

Q28 How could the government or your authority effectively support future trading activity?

WRITE IN

Q29 Outside of the service we have been discussing, where do you think the biggest trading opportunities are for your local authority in the next two to three years?

WRITE IN

What have been the benefits/risks of Trading?

I'd now like to ask you some questions about what you see as the benefits and risks of trading.

Q30 Which of the following do you see as the **benefits** of trading?

You can mention as many or as few as you like.

READ OUT AND CODE ALL

Making surpluses to reinvest	1
Controlling prices in local markets	2
Shared knowledge and learning from private sector partners	3
Building corporate capacity in key areas	4
Increasing staff moral and retention through increased delivery capacity	5
Other (PROBE AND WRITE IN BELOW)	6
Don't Know	7

Q31 Which of the following do you see as the **risks** of trading? You can say as many or as few as you like.

READ OUT AND CODE ALL

Commercial and financial risks of failure	1
Diverting capacity away from the delivery of core services	2
Risking the reputation of the Local Authority on delivery failure	3
Risking the culture of the Local Authority by adopting a more commercial ethos	4
Other (PROBE AND WRITE IN BELOW)	5
Don't Know	7

Q32 What other barriers and obstacles to trading have you come across?

WRITE IN

Q33 And how have they been overcome?

WRITE IN

Q34 If you could start the trading process again, what, if anything, would you do differently?

WRITE IN

Does the Respondent, or their Authority, buy from other authorities?

Q35 Does your authority buy any products or services from other local authorities?

Yes	1
No	2
Don't Know	3

If 'Yes' answered at Q35 ask Q36, Otherwise skip to Q37

Q36 Why does your authority buy products or services from other authorities?

PROBE AND WRITE IN

Local Authority Trading Statements

Q37 I'm now going to read out some statements about Local Authority trading. For each one, please can you tell me the extent to which you agree or disagree? Do you agree strongly, agree slightly, neither agree nor disagree, disagree slightly or disagree strongly?

	Agree strongly	Agree Slightly	Neither agree nor disagree	Disagree slightly	Disagree strongly	DK
We should only trade from surplus capacity	1	2	3	4	5	97
Trading can only be done through a trading company	1	2	3	4	5	97
Trading is best suited to blue collar services	1	2	3	4	5	97
We can only trade with other organisations in the public sector	1	2	3	4	5	97
We are encouraged to make a profit through trading	1	2	3	4	5	97
All authorities are allowed to trade	1	2	3	4	5	97
You can't trade successfully unless you have a private sector partner	1	2	3	4	5	97
European rules prohibit most forms of local authority trading	1	2	3	4	5	97

Q38 Do you have any final comments you would like to make concerning your local authority's trading activity ?

WRITE IN

Thank and Close

Thank you very much for taking the time to answer my questions. Just to remind you my name is XXXX and I have been calling from BMG Research. As a market research agency, BMG complies with the Market Research Society's Code of Conduct.

If you want to check that BMG is a genuine market research agency please call the Market Research Society's free phone number – 0500 396 999. If you have any concerns about taking part in this survey, please contact the BMG helpline on 0800 358 0337.

Appendix 2: Survey used with non-trading authorities

CASE NO:	STAMP NO:
INTERVIEWER NAME:	INTERVIEW DATE:
INTERVIEWER ID:	INTERVIEW DAY:

MR/MS/MRS _____

JOB TITLE _____

Introduction: Good morning/afternoon/evening, my name is XXXX and I am calling from BMG Research. We have recently been commissioned by the Institute of Local Government Studies (Inlogov) to undertake a survey amongst local authorities as part of a long term evaluation of the local government procurement strategy.

Your authority has been identified as one who does not sell or trade a product or service. CHECK THIS IS CORRECT, IF THEY DO TRADE TAKE NAME OF HEAD OF TRADED SERVICE AND RECONTACT USING TRADING QUESTIONNAIRE

The data from this survey will provide information on local Authority trading practices. This information will be of use to policy makers, and the Regional Centres of Procurement Excellence. It will also feed directly into a related research project on An Analysis of the Local Government Market, which is supporting the development of a ten-year strategy for local government.

All data obtained in the survey will be kept strictly confidential by the researchers. No individual Authority will be named in reporting findings from the research without its agreement.

BMG Research complies with the Market Research Society's Code of Conduct.

If you have any concerns about the survey please contact the BMG helpline on 0800 358 0337.

Would you be able to spend some time going through the questionnaire now, or would you prefer it if I phoned back at a more convenient time?

RECORD RESPONSE:

Yes, fine to go through it now – **CONTINUE**

Yes, but phone back at a more convenient time – **ARRANGE APPOINTMENT BELOW:**

TIME (24 HRS): _____:_____ h

DATE (DD/MM/YY): _____/_____/_____

DAY: _____ day

No, I don't want to take part – **THANK & CLOSE –**

Record database reference number:

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Record telephone number:

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Why don't they sell?

Q1 Firstly, can you tell me why your authority has never embarked on any trading activity ?

Q2 Which of the following reasons describe why your authority does not currently trade a product or service? You may say as many or as few as you like

READ OUT AND CODE ALL THAT APPLY

We do not have the staff capacity to do so	1
We have nothing to sell	2
Trading does not fit with our corporate priorities	3
We lack the necessary business skills	4
The financial risk is too great	5
The risk to the reputation of the authority is too great	6
We do not have the necessary surplus to do so	7
We are happy with our current supplier relationships	8
We do not think it would be in the public interest	9
We don't want to income generate	10
Trading would divert efforts from running the service well	11
Someone else in the partnership does it	12
We have had bad experience of trading in the past	13
Members are uneasy with trading and we have political considerations to make	14
The legal issues are far too complex	15
We have been advised against it	16
Other Reason (PROBE AND TYPE IN BELOW)	96
Don't Know	97

The Future

Q3 Are you aware of any plans for your authority to begin trading products or services in the future?

Yes	1
No	2
Don't Know	3

If 'Yes', ask Q4, if 'No', skip to Q18

If Planning to Trade

Q4 What factors do you think will drive your authority's decision to trade products or services in the future?

WRITE IN

Q5 Which of the following are most likely to drive your authority's decision to start trading a product or service ? You can say as many or as few as you like.

Because of something you have needed to do in the past, and trading the service is now the legacy	1
Because of a change of culture in your authority towards more financial goals	2
To use up spare capacity	3
To reduce costs for delivering the service	4
To make more efficient use of assets	5
To generate income from the service	6
To support local charities/community organisations	7
To improve competition/maintain downward pressure on prices in the private sector	8
To grow skills within the workforce of the authority	9
To develop a market for the service	10
To support a partnership with other local authorities or share services provision	11
To make savings or generate surpluses	12
To continuously improve services	13
Don't Know	97

Q6 And which of the following are most likely to present obstacles to your authority trading a product or service in the future ?

We do not have the staff capacity to do so	1
We have nothing to sell	2
Trading does not fit with our corporate priorities	3
We lack the necessary business skills	4
The financial risk is too great	5
The risk to the reputation of the authority is too great	6
We do not have the necessary surplus to do so	7
We are happy with our current supplier relationships	8
We do not think it would be in the public interest	9
We don't want to income generate	10
Trading would divert efforts from running the service well	11
Someone else in the partnership does it	12
We have had bad experience of trading in the past	13
Members are uneasy with trading and we have political considerations to make	14
The legal issues are far too complex	15
We have been advised against it	16
Other Reason (PROBE AND TYPE IN BELOW)	96
Don't Know	97

Q7 Which product or service might you begin to trade?

WRITE IN

Q8 And who do you intend to sell it to?

READ OUT AND CODE ALL THAT APPLY

Other Local Authorities	1
Voluntary Sector organisations	2
Community Sector organisations	3
Other Public Sector organisations	4
Large Private Sector organisations	5
Small/Medium Private Sector organisations	
Members of the public – check they do not mean charging	6
Other	7
Don't Know	8

If code 6 mentioned, ask 'Can I just confirm that this is not a service which the public are charged for, but is one which is truly traded?'

If code 6 mentioned, ask Q9, otherwise skip to Q10

Q9 Please can you explain who your other customers are likely to be?

Q10 Which of the following best describes what the pricing strategy is likely to be for the traded service?

Cost Recovery	1
For profit	2
Mixed/discretionary	3
Traded service will make a loss	4
Don't Know	5

Q11 IF SERVICE WILL MAKE A LOSS : Why are you likely to sustain making a loss when trading this service ?

Q12 Is it likely that some of your customers will pay 'in-kind' for the traded service ?

Yes	1
No	2
Don't Know	97

If 'Yes' answered above then ask Q13, otherwise skip to Q14

Q13 What 'in-kind' services are you likely to receive from these customers ?

WRITE IN

Q14 Recognising that it is still early days, do you have a business plan or draft business plan for this traded service ?

Yes – in full	1
Yes – in draft	2
No	3 – GO T TO Q.16
Don't Know	97

Q15 And is this plan linked to your corporate strategy?

Yes	1
No	2
Don't Know	97

I'd now like to ask you about the legal powers under which trading will take place

Q16 Which of the following acts is the service likely to be traded under?

READ OUT AND CODE ONE

The Local Authority (Goods and Services) Act 1970	1
Section 95/96 of the Local Government Act 2003 (trading powers)	2
Civic Restaurants Act 1948	3
Section 145 of the Local Government Act 1972 (provision of entertainments)	4
Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 (Recreational Facilities)	5
Section 38 of the Local Government (Miscellaneous Provisions) Act 1976 (Powers to provide computers and computer facilities and making use of spare capacity)	6
Orders made under section 150 of the Local Government and Housing Act 1989	7
Section 2 of the Local Government Act 2000 (Power of Well Being)	8
Other (PROBE AND WRITE IN BELOW)	9
Don't Know	97

Q17 Please can you tell me which of the following new skills you think officers will need to develop in order to trade successfully?

READ OUT AND CODE ALL THAT APPLY

Marketing	1
Pricing	2
Risk Management	3
Financial Management	4
Customer service	
Other (PROBE FULLY AND WRITE IN BELOW ANY OTHER SKILLS MENTIONED)	5
Don't Know	6

ASK ALL

Q18 What local or national changes in government policy (??) do you think would be needed in order to encourage the authority to trade more?

WRITE IN

IF PLANNING TO TRADE, SKIP TO Q21

Q19 What factors do you think will prevent the selling of products or services in the future?

WRITE IN

Q20 Which of the following best describes why you have no current plans to trade in the future?

READ OUT AND CODE ALL

We do not have the staff capacity to do so	1
We have nothing to sell	2
Trading does not fit with our corporate priorities	3
We lack the necessary business skills	4
The financial risk is too great	5
The risk to the reputation of the authority is too great	6
We do not have the necessary surplus to do so	7
We are happy with our current supplier relationships	8
We do not think it would be in the public interest	9
We don't want to income generate	10
Trading would divert efforts from running the service well	11
Someone else in the partnership does it	12
We have had bad experience of trading in the past	13
Members are uneasy with trading and we have political considerations to make	14
The legal issues are far too complex	15
We have been advised against it	16
Other Reason (PROBE AND TYPE IN BELOW)	96
Don't Know	97

What are seen as the benefits/risks of Trading?

I'd now like to ask you some general questions about what you see as the benefits and risks of trading.

Q21 Which of the following do you see as the **benefits** of trading?

You can mention as many or as few as you like.

READ OUT AND CODE ALL THAT APPLY

Making surpluses to reinvest	1
Controlling prices in local markets	2
Shared knowledge and learning from private sector partners	3
Building corporate capacity in key areas	4
Increasing staff moral and retention through increased delivery capacity	5
Other (PROBE AND WRITE IN BELOW)	6
Don't Know	7

Q22 And which of the following do you see as the **risks** of trading? You can say as many or as few as you like.

READ OUT AND CODE ALL THAT APPLY

Commercial and financial risks of failure	1
Diverting capacity away from the delivery of core services	2
Risking the reputation of the Local Authority on delivery failure	3
Risking the culture of the Local Authority by adopting a more commercial ethos	4
Other (PROBE AND WRITE IN BELOW)	5
Don't Know	7

Does the Respondent, or their Authority, buy from other authorities?

Q23 Does your authority buy any products or services from other local authorities?

Yes	1
No	2
Don't Know	3

Q24 Why does your authority buy products or services from other authorities?

PROBE AND WRITE IN

Q25 What other products or services does it buy?

Local Authority Trading Statements

Q26 I'm now going to read out some statements about Local Authority trading. For each one, please can you tell me the extent to which you agree or disagree? Do you agree strongly, agree slightly, neither agree nor disagree, disagree slightly or disagree strongly?

	Agree strongly	Agree Slightly	Neither agree nor disagree	Disagree slightly	Disagree strongly	DK
We should only trade from surplus capacity	1	2	3	4	5	97
Trading can only be done through a trading company	1	2	3	4	5	97
Trading is best suited to blue collar services	1	2	3	4	5	97
We can only trade with other organisations in the public sector	1	2	3	4	5	97
We are encouraged to make a profit through trading	1	2	3	4	5	97
All authorities are allowed to trade	1	2	3	4	5	97
You can't trade successfully unless you have a private sector partner	1	2	3	4	5	97
European rules prohibit most forms of local authority trading	1	2	3	4	5	97

Thank and Close

Thank you very much for taking the time to answer my questions. Just to remind you my name is XXXX and I have been calling from BMG Research. As a market research agency, BMG complies with the Market Research Society's Code of Conduct.

If you want to check that BMG is a genuine market research agency please call the Market Research Society's free phone number – 0500 396 999. If you have any concerns about taking part in this survey, please contact the BMG helpline on 0800 358 0337.

Appendix 3: Research method

The 2005 survey of trading activity

The questions focused on two broad themes:

Organisational issues

- Why local authorities trade.
- How local authorities are responding to trading powers (in particular, those provided by the Local Government Act 2003) – in terms of processes, new areas where trading is beginning or planned, etc.
- How local authorities approach trading: processes, structures, skills, etc.
- What obstacles/barriers to local authority trading currently exist and how these might be overcome/addressed.

Market-facing issues

- Nature and extent of trading activities: type, value and volume of goods and service local authorities are trading, and to whom they are supplying these goods and services – both currently and over time.
- Local authority attitudes from the supply and demand side.

These questions were aimed at two main groups of respondents:

- Managers of services that were engaged in trading (our sample was aimed at those authorities with the largest trading incomes).
- Chief finance officers of authorities that were not engaged in trading.

BMG Research was commissioned by the Institute of Local Government Studies (Inlogov) to undertake a survey amongst local government authorities as part of the long-term evaluation of the Local Government Procurement Agenda.

The research aimed to help us understand more about both the attitudes and behaviours of local authorities. Telephone interviews were conducted between June and August 2005. Two telephone questionnaires were used. One, for managers of trading services (Appendix 1), and the other with chief financial officers in authorities that did not trade (Appendix 2).

The potential respondents, and their authorities, were initially identified from the ODPM's records of financial returns, and were then chosen at random. Altogether there were 114 completed interviews.

The authorities for this research were identified from the ODPM's records of financial returns. These records provided the basis for dividing authorities between 'traders' (those that reported income received from outside the authority) and 'non-traders' (no income reported from outside the authority). 'Traders' were authorities that indicated income under the heading 'other income including from other local authorities' against at least one 'external trading account service' or one 'internal account service' in their Trading Services Return (TSR) for 2002–2003. The 'non-traders' were the remaining authorities.

This division proved to be difficult to maintain. Local authorities appear to be inconsistent in their completion of the TSR: particularly in the allocation of income to 'sales, fees, and charges' and to 'other income'. In practice this meant that bmg found that respondents identified themselves slightly differently than had been expected.

In the research results, therefore, the two categories of authorities are:

- Traders (as identified above)
- Non-traders (those who do *no* trading, or do a *marginal amount* and/or were *confused* about the differences between trading and charging).

Each authority was asked relevant questions depending on which of these two categories they were part of. For some questions it was possible to identify the 'marginal' traders separately from the genuine non-traders. For these questions the two groups are separately reported.

The two surveys (Traders' and Non-Traders' Surveys) have an aggregated total sample of 114 respondents. Of these, 63 (55%) completed the Traders' Survey, and 51 (45%) the Non-Traders' Survey (which splits into 31% marginal traders and 14% that undertake no trading).

Table 1 sets out the proportions of authorities in each category.

Table 1: Proportions of different types of authority in the survey				
	Traders	Marginal Traders	Non-Traders	All
		%	%	%
County	18%	0%	19%	12%
Unitary/Metropolitan/London Borough	66%	42%	0%	15%
District	21%	57%	81%	40%
Sample bases	63	35	16	114

Despite attempts, through random sampling, to achieve a sample that represented the proportions of traders and non-traders in the population of local authorities, this proved impossible. As Table 2 shows, District Authorities were under-represented in the sample, whilst Counties, Unitaries, Metropolitan Districts, and London Boroughs (referred to as 'top-tier' authorities in the main report) were over-represented.

Table 2: Local Authority population and the sample for this research				
Organisation	The population		The sample	
Local Authorities	388	100%	114	100%
Districts	238	61%	46	40%
Counties	34	9%	14	12%
Unitary/Metropolitan District/London Borough	116	30%	54	47%
Organisation	In the population		In the sample	
Local Authorities	388	100%	114	29%
Districts	238	100%	46	19%
Counties	34	100%	14	41%
Unitary/Metropolitan District/London Borough	116	100%	54	47%

We have indicated in the main text when our observations on, or conclusions from, the data are dependent on the numerical representativeness of the respondents.

The research was undertaken as a telephone survey. All respondents were initially contacted to assess their appropriateness for undertaking the survey, and their willingness to do so. All respondents were given the opportunity of completing the survey immediately or of doing so at an agreed time.