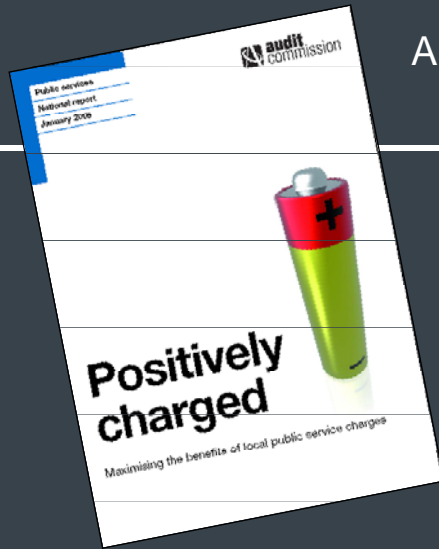


APSE Annual Seminar 10 September 2008



John Kirkpatrick

Charging is fundamental to achieving 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]



It makes an important contribution to council finances...

- £10.8 billion nationally in 2006/07
 - Increased by a quarter in real terms since 2001/02
 - 8 per cent of total income (unchanged since 2001/02)
 - Half as much as council tax
- Over one quarter of councils generate more through charges than council tax

...but it gets nowhere near the attention council tax does



It supports delivery of a wide range of services

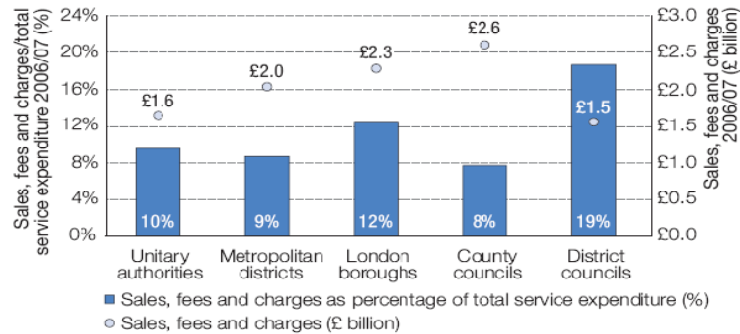
- nursery and early years' services
- school meals
- social care
- transport services
- environmental health
- sports and leisure
- arts and heritage
- car parking
- planning
- building control
- licensing
- burials and cremations

One District Council's charges register reports 450 separate charges for services



The contribution of charging varies by type of council...

Charging income by council type 2006/07

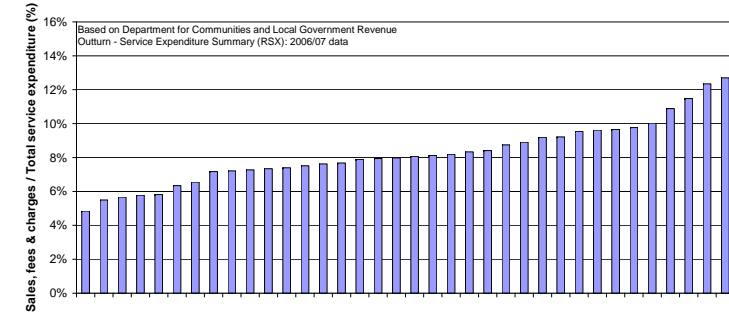


Source: Local Government Finance Statistics: Revenue Outturn Service Expenditure Summary Data 2006/07



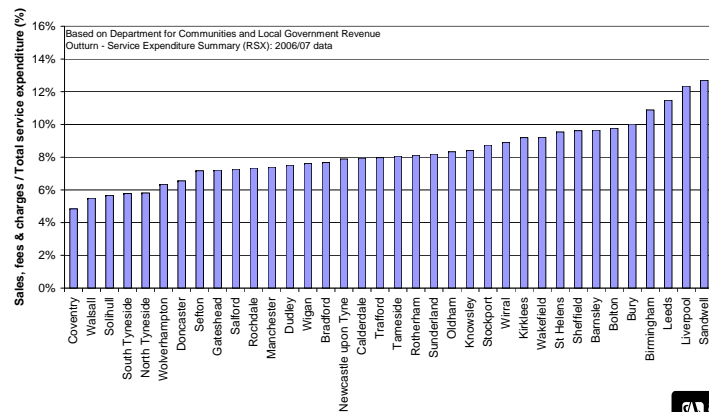
...and between councils with the same responsibilities

Charging income as a proportion of expenditure Metropolitan districts 2006/07



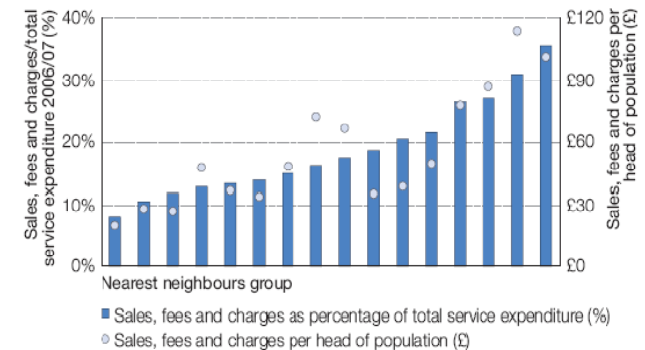
..and between councils with the same responsibilities

Charging income as a proportion of expenditure Metropolitan districts 2006/07



Even similar councils have quite different approaches

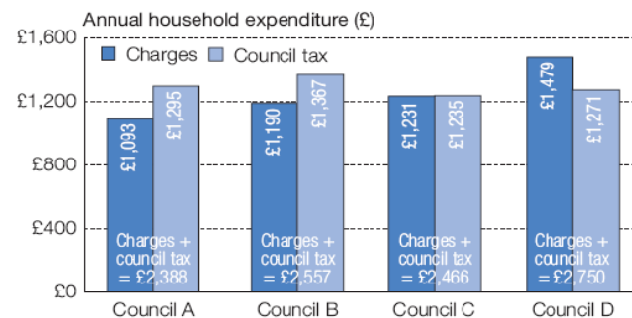
Charging income for a group of district council nearest neighbours 2006/07



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

People pay different amounts for similar services

Household expenditure on charges and council tax

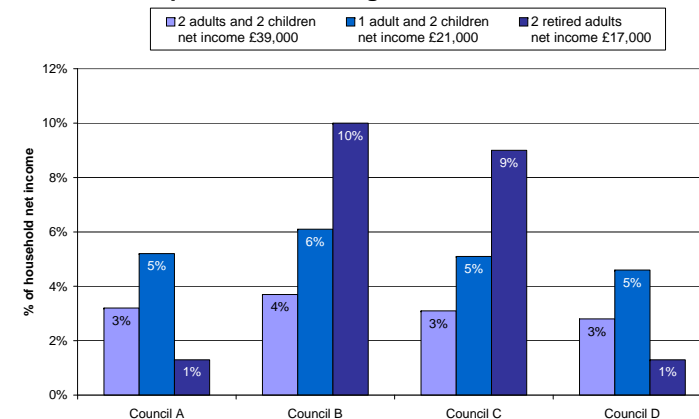


Source: Audit Commission



Different approaches affect some households more than others

Household expenditure on charges as a % of net income



Charging is not just about raising money

Intelligent use of charging can also:

- Encourage service use
 - Free parking to encourage use of town centre shops
 - Discounted or free leisure service provision
- Discourage use of scarce resources or undesirable activity
 - Pollution or congestion charges
- Change patterns of service use
 - Encouraging home composting



Councils can use charges to achieve broader 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



But councils are not exploiting the 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 most commonly used as a tool to minimise council tax increases

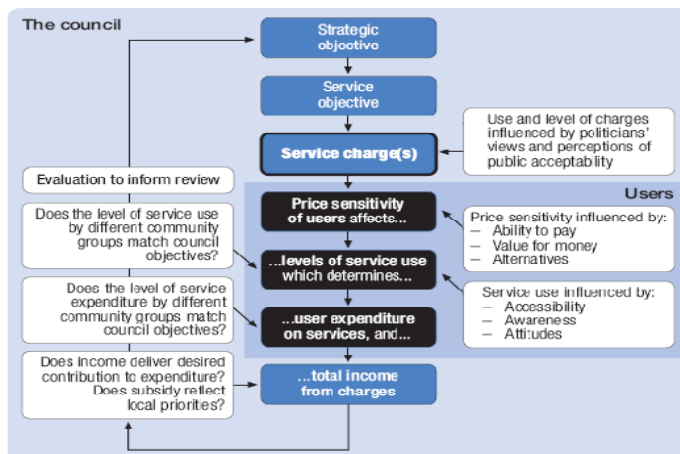


The barriers may be lower than they think

Legislation constrains use of charging...	... but current powers not fully used
Members, officers, public don't understand how charges contribute...	...but the solution is in their own hands – some councils have overcome this
Councils fear public opposition...	...but people say they get good value from charged services
Charging levels based on history...	...embed inequality and store up trouble



Councils need to understand the potential and effect of charges



We have provided practical tools to help councils

- 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

