Charging for services and generating income by local authorities
I have prepared and published this report in accordance with the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006.

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Authorities do not effectively evaluate charges to fully understand their impact

Long established governance and accountability systems are not always agile or robust enough to support good decision making when reviewing charges

Limitations in the quality, detail and range of information used by authorities affects their ability to maximise the benefits of increasing or introducing charges

Appendices

Appendix 1 – Study methodology

Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Appendix 3 – Local Authority Trading Companies: key issues to consider

Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15
Summary report

Despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making

1 Whilst charging for services is a recognised feature of some local authority activities, many services have traditionally been provided at little or no direct charge to the user. The provision of services at low, or no, charge has led to citizens often receiving heavily subsidised or free services in return for paying their council tax. The reductions in public funding and financial uncertainty created by ‘Brexit’ has brought charging into sharper focus for local authorities. Authorities are being encouraged by the Welsh Government to look to charges in a way that was not considered 10 years ago.

2 Local authorities set charges for their services. In this report, ‘charges’ refers to services provided by an authority on a discretionary or commercial basis. Charges are made for services which are not specifically regulated or legislated for and the authority is able to set the charge for an activity at a commercial rate. For example, the cost of someone using leisure services. In section one we refer to the authorities’ ability to set ‘fees’. Fees refer to services which are governed by specific regulations. Regulatory fees are those fees which have been regulated or legislated with the fee being set at the cost of performing or delivering that particular service. For example, issuing a Food License is a regulatory fee and an authority is only able to charge the cost to perform that service. For some regulatory fees, development control for example, an authority must act in accordance with the fee regime set by Welsh Government.

3 Whilst increasing or introducing charges for services offers scope for authorities to improve their financial position, there are a number of other important considerations. For example, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents may be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, if it deters continued use or increased take up; or by a decision to raise the charges for healthy eating options in schools.

1 See Figure 2 below.
Where and at what level charges are set therefore directly influences delivery of an authority’s strategic priorities and raises questions such as:

- whether authorities should continue to provide some services;
- how services are funded, whether they should be subsidised and, if so, at what levels;
- who should be charged for using services, how much should they be charged and what impact will charging decisions have on both the demand for services and their viability; and
- how best to meet the needs of disadvantaged groups and individuals who may not have the ability to pay more for using authority services and how will decisions to increase charges affect them.

Authorities cannot introduce or raise charges indiscriminately. Authorities need to carefully consider their legal position in setting charges and be clear that what they are doing is in accordance with their legal powers and duties. When considering whether to charge for services or increase charges, authorities also need to fully evaluate the potential impact on residents, service users and businesses. Done badly, the decision to raise more income through higher or new charges can be counterproductive and may result in less people using services because costs are considered by users to be too high.

During 2015-16, the Auditor General examined how local authorities use their powers to introduce and increase charges on services, how performance on generating income has changed in recent years, and how the process of consulting with users, and assessing the impact of charging decisions on users, is managed. Our study methods are set out in Appendix 1. These included audit fieldwork at six local authorities, an online survey for chief finance officers on the approach of authorities to increasing or introducing charges, and a survey for citizens to tell us about their views on charging. Our methodology also included a detailed analysis of charges data in England, Scotland and Wales, and a review of key authority documentation.

Based on the findings of this audit, the Auditor General has concluded that despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making.
The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging

8 Authorities generally have a good awareness of the legal restrictions that exist for many areas of operation, but few authorities have robust corporate wide frameworks or strategies that set out the full range of issues they need to consider when increasing or introducing charges. Just over a third of authorities have a corporate policy or strategy for setting charges covering all services. The remainder have a range of charging policies for individual services, but because of gaps and weaknesses these do not represent an authority wide strategic approach to charging. Whilst a number of authorities have engaged consultants to support them in reviewing charges to identify opportunities to increase income, progress in delivering change from these reviews has been slow.

9 Policy decisions taken by the Welsh Government, as well as the decisions taken by local authorities, determine the level of income that can be derived from charges for specific services. Such national directives set upper limits to the level of charge which may not be directly related to the cost of providing the services, and local authorities stated that the upper limits for charges do not always mirror the true cost of providing services – residential care fees for example.

10 The Local Government Act 2003 provides some freedom for authorities to develop new streams of income by allowing authorities to trade through local authority companies where authorities have a statutory power to perform the service which is subject to trading. However, authorities’ use of these powers to generate income has been limited.

11 The Localism Act 2011 in England provides a clearer statement of authority powers which, coupled with financial pressures there, has supported a cultural shift in England resulting in more authorities identifying and taking opportunities to raise income. The same factors have not applied in Wales and there is no equivalent to a general power of competence at this time.

12 Authorities offer a wide range of payment choices and promote options that have the lowest transaction costs for customers and authorities, and are the cheapest to administer. There are opportunities to both increase the use of digital and smartphone applications as well as increase the use of external providers to improve efficiency further.

13 Few authorities consider how charges can support the delivery of corporate priorities, can better manage demand for services, or how strategically targeting how charges are used can support citizens to change their behaviour. Figure 1 below summarises the key issues authorities should consider when setting charges. Appendix 2 includes our full checklist for authorities to use when reviewing charging options.
Figure 1 – Key considerations for local authorities when setting charges

Key considerations to determine whether to set charges:

- Are we legally allowed to charge and what are the constraints?
- Who uses our services?
- What is the cost of implementing the charge?
- Do we have the necessary arrangements to review activity?
- What will be the impact on services, users and citizens (+/-)?
- How do we treat concessions and who is eligible?
- Are there alternative providers and what do they charge?
- Have we consulted and what are the views of our stakeholders?
- How does this fit with our strategic priorities?

Source: Wales Audit Office
Approaches to generating income vary, and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more.

Our analysis of data published by the Welsh Government found that the amount of money local authorities’ raise from charges has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms – taking into account inflation – the change in income has been less sharp, rising by £18 million in real terms (5.2 per cent) between 2008-09 and 2014-15. There is a lack of consistency across Welsh local authorities around decisions on whether to charge for services, as well as the level of charging. In 15 of the 18 service areas we have analysed, there has been a net cost improvement, income as a proportion of expenditure is growing, and services require less subsidy to operate. Despite this improving position, there are opportunities for authorities to increase how much income they raise from charges.

There are big differences in the charges set and the income collected by local authorities in England, Scotland and Wales. In only two of the nine local authority services where a comparison of data between the countries of Great Britain is possible, have Welsh authorities increased their income at a higher rate than their counterparts in England and/or Scotland. If Welsh local authorities were to generate the same level of income from charges per 1,000 economically active people aged 16-64 as is collected in England or Scotland, a potential extra income of £68.1 million could be generated.

However, the potential to generate more money has to be tempered. Economically, Wales has lower wages and the proportion of the population who are economically active is smaller than both England and Scotland. Consequently, Welsh citizens may be less able to pay more for goods and services and could be less able to accommodate sharper increases in charges than other parts of Great Britain, although, the range of gross median wages in Welsh local authorities vary widely and some authorities are better placed to raise more from their community than others.

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2 StatsWales Outturn data
3 Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.
4 Economically active people are those in work plus those seeking and available to work.
5 Nomis - Labour Market Profile - England data
Authorities do not effectively evaluate charges to fully understand their impact and inform appropriate responses

17 Accurate financial management information, which is a prerequisite for good decision making, is frequently lacking and local authorities often struggle to prepare sufficiently detailed and comprehensive business cases when reviewing options for increasing income from charges. Given the difficult decisions elected members have to make when considering to increase charges that they perceive as adversely impacting their communities, decisions to introduce or increase charges can take many months, in some cases years, to be approved.

18 Local authorities often wish to encourage usage and to ensure those on low incomes are given the opportunity to access and use particular services. However, the level at which locally determined charges are set is usually based on precedent and often bears little relation to the actual cost of providing the service. An accurate understanding of the true cost of providing a service is still absent in many areas. Because authorities do not know the full cost of providing services they are unable to assess what the right level of any subsidy should be.

19 Whilst authorities use impact assessments to judge the potential effect of decisions in respect of their equalities and Welsh language responsibilities, these assessments do not always provide sufficient detail to identify the likely cumulative economic impact of charges on residents and communities. Overall, we found little evidence that authorities co-ordinate increases in charges across all services to better understand the full potential impact of their decisions.

20 Most authorities do not monitor or scrutinise income from charges in sufficient detail and breadth. The range of services benchmarked is narrow, and few authorities are broadening their evaluation to consider a wider range of data, even where data is readily available. Only 10 authorities compare and benchmark how much income they are generating with an appropriate range of performance measures and compare their performance with a range of public and private sector bodies. Only five authorities forecast the likely levels of income generated from charges beyond a 12 month period. Whilst it is acknowledged that it is difficult to accurately predict take up of services once charges have changed, authorities are not using scenario planning and sensitivity analysis to more accurately identify the potential effect of their decisions to better understand and manage the impact of charging policies.
Most authorities use a wide range of approaches to consult residents on charges as part of their annual budget-setting processes including the potential opportunities for increasing charges. However, few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. Even where consultation takes place, only 15 of the 22 authorities consider and include consultation responses in the decision-making process for reviewing and setting charges.
**Recommendations**

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<td><strong>R1</strong></td>
<td>Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.</td>
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<td><strong>R2</strong></td>
<td>Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</td>
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<td><strong>R3</strong></td>
<td>Use the impact assessment checklist (<a href="#">Appendix 2</a>) whenever changes to charges are considered.</td>
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<td><strong>R4</strong></td>
<td>Consider how best to support and encourage local authorities to act more commercially in generating income.</td>
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<td><strong>R5</strong></td>
<td>Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</td>
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<td><strong>R6</strong></td>
<td>Review nationally set fee regimes to ensure the levels set, better reflect the actual cost of providing services, or explain the reasons why they are different.</td>
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| **R7** | Improve management of performance, governance and accountability by:  
  - regularly reporting any changes to charges to scrutiny committee(s);  
  - improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;  
  - benchmarking and comparing performance with others more rigorously; and  
  - providing elected members with more comprehensive information to facilitate robust decision-making. |
| **R8** | Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis. |
Part 1

The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging.
1.1 In setting charges authorities need to consider a range of factors. Authorities’ legal powers to charge for services are wide-ranging, but they are also complex and there are particular pitfalls around whether charges can be used to generate a surplus to support general revenue budgets or whether they can only seek to recover reasonably incurred costs in providing a service. Authorities should have a clear rationale for how much they charge and what they charge for. Authorities should also be clear as to how charges support them to deliver their corporate priorities. A strategic approach to setting fees and charge will take into account the impacts of setting charges, the views of citizens and service users, and the potential benefits and risks for the authority and its communities (see Figure 8 below).

1.2 In this section of the report we consider the legislative basis for setting charges and the opportunities and risks these present to authorities. We also consider the systems in place to collect charges, and the impact nationally prescribed charging regimes have on authorities. We review the strategic approach of authorities to setting charges and conclude the section with a good practice checklist for local authorities on the key principles to be considered when setting, increasing or introducing charges.

Authorities are aware of the broad legal restrictions in place when reviewing charges, but many have not addressed these opportunities and risks in developing policies to generate income.

1.3 Local authorities are statutory bodies which have to act in accordance with their legal functions and can be challenged through the courts if they act outside of these functions (ultra vires). Authorities have a wide range of both general and specific functions which enable or require them to provide services and to incur expenditure in so doing. They also have ‘incidental’ powers which enable them to do things to facilitate the exercise of their statutory functions.

1.4 The existence of a power or duty to provide a service, and incur expenditure in doing so, does not automatically give rise to a power to set charges for the provision of the service. However, many of the statutes which give the powers to provide the service also include specific powers for charges to be levied – for example for taxi licences sections 53 and 70 of the Local Government (Miscellaneous Provisions) Act 1976, and for street parking section 45 of the Road Traffic Regulation Act 1984.
1.5 Most of these specific powers apply equally to England and Wales, although, following devolution, separate arrangements are beginning to develop in Wales. There are also examples such as development control where the primary legislation is common between England and Wales, but different fee scales are prescribed by regulations and are set independently by the respective UK and Welsh Governments.

1.6 Whilst authorities can set charges locally for services, authorities are often restricted to recovering no more than the costs of providing these services. Even where setting charge is entirely within the control of an authority to determine, there are significant variations in the level of charges set because of local discretion and choices. In addition, for some services, authorities can only charge for some aspects of a service but not others – for example, they can charge for lending audio-visual material from libraries, but not for books. In others, the fees are set by Welsh Government and there is no local discretion – for example, cost of adult social care, fees for planning applications and alcohol and entertainments licences. As a result, the extent of charging in different service areas and the income that can be generated varies enormously.

1.7 Figure 2 summarises the different basis for charging and includes some examples of the services that fall within these different categories.
Charging for services and generating income by local authorities

6 Associated Provincial Picture Houses Ltd. v Wednesbury Corporation, 1948, is a case that sets out the standard of unreasonableness of public-body decisions that would make them liable to be quashed on judicial review, known as Wednesbury unreasonableness. A reasoning or decision is Wednesbury unreasonable (or irrational) if it is so unreasonable that no reasonable person acting reasonably could have made it. The test is a different (and stricter) test than merely showing that the decision was unreasonable.

7 Authorities’ desire to generate a surplus is not a relevant consideration that they may take into account when deciding whether to charge and the amount to charge in these areas. Such desire could only be taken into account if a purpose of the statute granting the power to charge is to grant taxation powers.

<table>
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<th>Basis for charging</th>
<th>Examples</th>
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| Discretionary – there is no limit on the amounts that can be charged, but the authority must act reasonably (ie, in line with Wednesbury principles⁶) and must set charges only for the purposes authorised by the statute granting the power to charge⁷ | Leisure services  
Off-street parking  
On-street parking  
Library services other than book-lending  
Trade waste  
Cremation and burial fees |
| Charges set by the authority but the income from services cannot exceed the cost of providing the service | Taxi licensing (vehicle, driver, operator)  
Inter-authority charges for school transport  
Building control fees  
Local land charges  
Discretionary activities where the general charging power in S.93 of the Local Government Act 2003 applies |
| Nationally prescribed eligibility and/or charge levels with little or no local discretion | Development control  
Premises licence fees  
Home to school transport  
Social care charging |
| Charging is prohibited | School age education  
Library book provision and lending  
Children’s social care  
Household waste collection  
Access to waste disposal sites  
Registering of food premises  
Registration of births, deaths and marriages |

Figure 2 – Basis for local authorities setting charges and examples of the services that fall within each category

Source: Wales Audit Office
1.8 From our fieldwork we found that authorities generally have a good awareness of the legal restrictions that exist for many of their areas of operation, and they are very mindful of the need to act in accordance with the legislation or nationally prescribed fee scale when setting charges. Authority officers have a broad understanding of the legal framework in which they work and the potential constraints and opportunities that exist to either prohibit or develop further income streams. For instance, a number of authorities have developed commercial income polices which both identify the potential for generating income but also the process and planning needed to facilitate this. For example, the work of the Vale of Glamorgan Council’s countryside service set out in Figure 3 below.

**Figure 3 – Income Generation in the Countryside Service – Vale of Glamorgan**

The Countryside Service has recently undergone a restructure, facilitating more integrated working across all sites, including Public Rights of Way maintenance. This restructure has led to substantial savings, which has released funding to allow the creation of a new Commercial Opportunities Officer post on a two year contract. The Commercial Opportunities Officer has been working with the private sector to investigate sustainable and feasible options that facilitate new tourism and leisure activities, primarily at Country Parks, such as: water based leisure activities, high ropes, zip wire courses, climbing walls, archery, cycling, field sports, environmental education, tourism based events, weddings, fayres, other innovative activities and retail opportunities.

An ‘Invitation to Tender’ was submitted to Sell2Wales – the public sector procurement portal for Welsh suppliers and buyers – seeking commercial partnerships for such activities. The Council will be entering into legal agreements with a number of third party service providers which will become operational by the end of the summer of 2016. This approach will enhance what is currently offered at Country Park and other sites, and help to increase footfall and tourism opportunities which could lead to a significant increase in income.
1.9 However, the responses to our survey of local authority chief finance officers found that only 11 of the 22 authority respondents stated that their authority had taken adequate legal advice on the opportunities that exist to optimise income from charges including pursuing commercial activity. For example, Gwynedd County Council following a review of the legislation introduced a commercial waste fee for holiday homes and fees for garden waste from residential properties. We found that other authorities are less clear about the extent to which the legislation can be used to enable a greater degree of risk and pursue commercial opportunity.

1.10 Local authorities primarily have to provide services and activities for which they have a specific statutory power or duty, and activities outside of statutory powers and duties could be considered ultra vires and open to challenge in court. The Local Government Act 2003 widened opportunities for authorities to charge for discretionary services with the inclusion of a general power in the 2003 Act. The 2003 Act covers both England and Wales and allows authorities to trade through a local authority company, as long as they have a statutory power to perform the service which is subject to trading. Local authorities and their companies do however still need to act reasonably in setting charges, but their desire to generate a profit is a legitimate factor to take into account in trading activity.

1.11 We found some positive examples of initiatives and activates that authorities have developed using these powers. For example, the Radyr Weir Hydro Scheme developed by Cardiff Council provides a good example of initiatives of this nature - Figure 4 below.

8 Discretionary services are not statutory and authorities can choose to provide these services.
9 This power allows authorities to charge for discretionary services, where there was no previous specific power to charge, nor any specific prohibition on doing so, at a level where ‘taking one financial year with another, the income from charges does not exceed the cost of provision’ (Section 93(3)). Section 95 of the 2003 Act also explicitly allows authorities to trade (ie, generate profit) through a local authority company.
A number of authorities have also engaged consultants to support them in reviewing charges to identify opportunities to increase income. This support work often considers the legal basis for charging and the opportunities that exist to increase charges through alternative delivery models, particularly potential commercial ventures. Whilst consultant support provides an impetus to focus on the opportunities that exist to generate income, performance in progressing the recommendations of consultant’s reviews varies. Whilst some local authorities in Wales have taken forward recommendations from these reviews and developed initiatives, others have been limited in their ambition and scope and have not fully pursued the benefits that can be derived from the opportunities presented by the Local Government Act 2003.
The Localism Act 2011 in England has encouraged authorities to develop commercial vehicles as a means of generating income, but this power does not exist in Wales which limits opportunities

1.13 The Local Government Act 2003 has been superseded in England by the Localism Act 2011 which introduces the general power of competence. In summary, the general power of competence enables local authorities to do things an individual may generally do but anywhere in the UK or elsewhere. The power also allows authorities to do things for a commercial purpose or otherwise, for a charge or without a charge and without the need to demonstrate that it will benefit the authority, its area or citizens of the area. The general power of competence has extended the range of services which a local authority can lawfully provide and therefore trade for, although, external trading still requires the setting up of a company\(^\text{10}\).

1.14 There are some limitations on the general power of competence, either because they are not things which an individual can do or because they are specifically excluded in the 2011 Act. The general power of competence does not provide new powers to raise tax or precepts or to borrow nor does the power enable authorities to set charges for mandatory services, impose fines or create offences or byelaws. Importantly, the power does not override existing legislation in place before the Localism Act 2011 and income from charges should not exceed the cost of provision. Notwithstanding, the general power of competence both increases local authority powers but also provides greater scope for authorities to decide on how best to provide existing and new services for their communities.

1.15 The Local Government Association in England has noted that "the general power of competence is also a challenge to the instinctive caution of some in local government, by clearly showing that just about anything is possible (unless specifically prohibited) and not constrained by the need to ensure that it is permitted by specific legislation"\(^\text{11}\). If used in the spirit intended, the general power of competence can encourage more managed risk taking. Consequently, the Local Government Association noted that use of the power is resulting in new, locally led approaches which deliver positive outcomes for residents and communities. For example, Ansa\(^\text{12}\) Environmental Services in Cheshire East summarised in Figure 5.

\(^{10}\) We have included in Appendix 3 more information on the issues needing to be considered in setting up local authority commercial trading companies. Whilst they will not all apply to every project or initiative, the information in Appendix 3 sets out some of the key issues needing to be considered in developing such approaches that we have identified from our fieldwork.


\(^{12}\) Ansa Environmental Services
1.16 The Welsh Government published a Draft Local Government (Wales) Bill in February 2015 which included proposals to enact the power of general competence in Wales after the 2016 Assembly elections. Following the elections the timing and content of the Bill is unclear, and the First Minister’s statement on the legislative programme did not include the Bill in the programme for the first year of the Assembly. However, the Welsh Government informs us that if legislation proceeds, the provision of the general power of competence will continue to be included.

The absence of a specific power of general competence means that Welsh authorities need to continue to rely on existing powers. As the Local Government Association report into the general power of competence cites, there has been notable examples of successful and innovative actions prior to the general power of competence. The lack of this power in Wales therefore, while it may contribute to an instinctive caution, should not be read as a reason for authorities not to explore more innovative approaches to income generation and commercial approaches through existing powers.

National charging regimes often do not reflect the true cost of running services

1.17 The use that authorities make of charging is not just determined by local factors which authorities decide upon, but also by the decisions of the Welsh Government or, in some cases, the UK Government. While there are valid reasons for restrictions on the amount that can be charged – for example, keeping costs affordable for service users – they can create difficulties for authorities and have given rise to considerable debate between Government and local authorities on the advantages and disadvantages of Government setting charges nationally.

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Figure 5 – Ansa Environmental Services Ltd – Cheshire East

Ansa Environmental Services was set up in April 2014. It is a wholly owned company of Cheshire East Council, but is run on a day-to-day basis by its own Board and management. It provides environmental services (bin collections, street cleaning, open spaces, etc.) to Cheshire East Council, Macclesfield Hospital and Congleton Hospital. The area has 370,000 residents and 160,000 properties, 2,800km of highways and 3,000 open spaces. By setting up a wholly owned company, opportunities to invest in the infrastructure of the service were created. The transition from an authority-run service to a wholly owned company was completed on time and on budget, with minimal impact to service users and over 400 staff being TUPE transferred to the new company. The new company, in its first year of operation, increased recycling rates, reduced the amount of waste being sent to landfill, reduced the number of missed bin collections and created an operating profit which was shared with the authority.
1.18 At the heart of the tension is the need to balance flexibility and local control for local services, with national concerns over quality and cost. However, it is often not clear to authorities or the public when national charging levels are set:

a What the rationale is for applying charging restrictions to some services and not others. For example, why authorities cannot charge for lending printed materials from libraries, but can charge for lending audio-visual material.

b Why authorities have the power to set their own charges for services where a uniform approach to charging might be preferable. For example personal care services which can be charged for, and NHS provision, which must be provided free of charge.

c Whether the original rationale for controlling fee levels remains valid given changes in how services are provided. For example, authorities now provide building control services in competition with approved inspectors, reducing the monopoly position in the market which originally justified a price control.

1.19 The majority of respondents to our survey of local authority chief finance officers stated that they experienced considerable difficulties where the level of charges are set by the Welsh Government or the UK Government. Many respondents felt that charges are set too low and either did not reflect local circumstance, the complexities and costs of the service, and did not allow for full cost recovery.

1.20 For example, survey respondents noted that national set fees “do not always cover the cost of the service provided. The income quantum can vary significantly between Authorities and the funding formula should take both the cost and income capacity into account.” And another that, “in times of austerity greater flexibility should be provided to local authorities to aim for full cost recovery of services. This aim is currently being restricted by statutory thresholds”. Others noted that the fee set also did not allow for equitable contributions from service users, either reflecting the ‘amount’ of the service they use or their ability to pay (particularly relevant to the cap on care charges). One survey respondent noted that “Fairer Charging Policy - it is felt that the charging policy is too restrictive and the current £60 cap is not realistic… (The cap) stops full cost recovery and also hinders the equitable contribution towards the increasing cost of services and the service users who could contribute more to the services they receive.”
1.21 Many authorities are also unclear on how the level of charge has been determined by the Welsh or UK Government and what factors were used to influence or determine where the cap should be set. Even where nationally set fees are reviewed and revised periodically, for much of the time they may be out of step with rising costs. Where costs vary by area, reflecting differences in local labour markets, nationally set fees will either fail to meet some authority costs or provide a windfall to others, or both. Respondents to our survey noted that national restrictions on their ability to charge inhibit them from taking decisions that reflect local circumstances and some respondents who commented, wanted the freedom to set their own charges for services that are currently controlled by Government. This has to be balanced with concerns that full local discretion could result in wide variations in charges for social care and other nationally set services if these were to be devolved to authorities to decide on.

A wide range of payment options for collecting charges are available and are mostly offered

1.22 As well as deciding whether and how much to charge for a service, authorities need to also consider how charges will be collected, what an acceptable cost for administering and collecting income is, and how easy it will be to collect the charge. It may also not be worthwhile to charge for services where the cost and complexities of collection cost more and take longer or are waivered where large-scale concessions apply and continuing to subsidise activity may be a better financial and service outcome. There are also a range of direct and indirect costs involved in collecting a charge – for example administration, ticketing and equipment to collect charges, managing non-payment and arrears and bad debts.

1.23 Income is often harder to control, forecast and monitor than expenditure. Expenditure, once committed, is usually certain. Income, on the other hand, often involves a significant element of uncertainty. It is important therefore for authorities to have range of options in place for collecting charges. Figure 6 captures the options and current usage for paying for authority services across the 22 local authorities and shows that authorities provide a wide range of options for service users to pay for services.
1.24 Authorities are also promoting payment options that have the lowest transaction costs and are the cheapest to administer and provide – payment by direct debit for example – as well as seeking payment in advance and not having to chase for non-payment and arrears. Technology can be put to good effect to improve payment security and reduce transaction costs. Innovative ways to pay for services include payment via authority websites, payment using mobile phones for example to pay for ticketless parking, and the cashless payment for services such as school meals using smartcards. Powys County Council introduced a cashless system for payment of meals in schools which has increased both take up of school meals and revenue by an additional £70,000 per annum for the authority.

1.25 The use of technology is beginning to increase, but not universally, and its roll out is often dependent on the new system not costing more than traditional methods of collecting income. Progress in using digital and smartphone applications to make payments, whilst widely acknowledged as a potential area for improvement and growth in the future, is in the early stages of being rolled out.

Figure 6 – Options offered by local authorities to collect income from charges

![Graph showing payment options available](chart.png)

1.26 From our survey of chief finance officers we found that few authorities have outsourced the collection of charges. Four authorities use external providers to manage car parking provision on behalf of the authority. Only one authority uses an external agency to manage school meals, transport, arts and heritage, and for other activities such as development control and waste and refuse services. No authority has considered outsourcing management.

1.27 Authorities recognise there will be an increasing use of private sector companies to collect charges as authorities seek to introduce more efficient ways of collecting income. Authorities will need to ensure they have good systems and arrangements in place to monitor and evaluate performance to ensure collection levels at least meet, if not exceed, targets. Our survey of chief finance officers however found that current approaches are not as robust as they could be. Whilst most authorities receive monitoring reports from external agencies, not all authorities have agreed performance and income targets nor do they regularly meet with organisations to monitor performance.

Authorities are beginning to develop corporate wide strategies for managing charges, but progress has been slow

1.28 Whether an authority decides to introduce or increase a charge is a significant strategic policy decision. At its most basic, increasing or introducing charges will influence whether people use services. For example, a decision not to raise car parking charges can help bolster visitor numbers to town centres. Conversely, setting car parking prices high can reduce town centre traffic and congestion. Similarly, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents will be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, or raising the charges for healthy eating options in schools.

1.29 Where and at what level charges are set therefore directly affects the delivery of an authority’s strategic priorities and, given the complexities of setting charges, it is important that authorities take a strategic approach. A truly strategic policy needs to be developed at a corporate level and cover all services to ensure decisions are fully understood and deliver the intended benefits with no or few unintended consequences.
1.30 From our fieldwork we found that it is often unclear how charging contributes to the achievement of wider strategic objectives. Authorities use a number of approaches when setting charges, but these are mostly not underpinned by a clear set of strategic principles that cover the full range of issues to be considered. For example, our review of documents provided by authorities found that only half of the 22 authorities have a corporate authority-wide policy in place for setting charges. Monmouthshire County Council has recently adopted an authority wide ‘Income Optimisation Strategy’, a wide ranging strategy that covers all services and even discusses the potential to develop commercial models and public-private joint ventures. The ‘Income Optimisation Strategy’ now needs to include an action plan of what income generation activities the authority is planning to introduce or could develop, as currently it sets out the principles to consider in setting charges.

1.31 We also found that some authorities – Merthyr Tydfil County Borough Council and Powys County Council – are in the process of finalising and approving policies that set out a strategic approach to setting charges. At the time of our fieldwork both had draft policies progressing through cabinet/executive for approval. In comparison, other authorities in which we undertook fieldwork are yet to develop corporate income strategies.

1.32 In the absence of an authority-wide policy for setting charges, many authorities have developed specific service charging or income generation polices. For example, Figure 7 summarises the findings from our survey of chief finance officers and highlights where authorities have developed specific charging policies for services. However, these findings show that in many service areas less than half of authorities have developed specific policies for setting charges for services.
Figure 7 – The number of authorities that have developed and adopted policies for setting charges in specific services

Services where local authorities have a charging policy

- School meals
- Social Care
- Waste and trade refuse
- Development control
- Car parking
- Sports and leisure
- Environmental health
- Transport services
- Arts and heritage
- Other services
- Advertising
- Nursery and early years

1.33 Some authorities continue to use their Constitution\(^\text{14}\) as the main vehicle for setting charges. The Constitution covers all services and sets out the process to be followed when planning an increase/introduction of a fee or charge for a service. The Constitution does not however provide a framework of the strategic issues and priorities for the authority and how setting charges supports their delivery. Nor does the Constitution provide a consistent and integrated basis for setting charges as it often lacks detail on key issues.

1.34 We also found that authority documentation often does not focus on or link how the setting of charges supports delivery of corporate priorities, identify how charges can better manage demand for services, or how their targeting can support changes in behaviour in how citizens access and use services. Documents we reviewed also lacked detail on the legal constraints on charging for services or did not identify how to ‘treat’ surpluses raised. If authorities are to maximise the benefit from setting charges then a robust consideration of the legal basis for charging is a prerequisite.

1.35 We have summarised in Figure 8 the key factors we have identified from our review that should be considered in setting charges. The full range of information is set out in Appendix 2 on page 62. This list is not exhaustive nor does it replace the need for authorities to take their own legal advice on how, where and what charges to set for different services. Rather, the information summarised in Figure 8 and set out in full detail in Appendix 2 provides a summary of the key issues and questions needing to be considered when reviewing and setting charges.

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\(^{14}\) The local authority Constitution sets out how the authority operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the authority to choose. The Constitution sets out the basic rules governing an authority’s business, including charges for services provided by the authority.
Figure 8 – Key considerations for local authorities when setting charges

Key considerations to determine whether to set charges

- Are we legally allowed to charge and what are the constraints?
- Who uses our services?
- What is the cost of implementing the charge?
- Do we have the necessary arrangements to review activity?
- What will be the impact on services, users, and citizens (+/-)?
- How do we treat concessions and who is eligible?
- Are there alternative providers and what do they charge?
- Have we consulted and what are the views of our stakeholders?
- How does this fit with our strategic priorities?

Source: Wales Audit Office
Part 2

Approaches to generating income vary and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more.
2.1 Given the current need for local authorities to reduce their net expenditure in line with reductions in central funding, many authorities are reviewing charges to ensure that, where appropriate, they are making the most of opportunities to maximise income. In this section of the report we consider how well Welsh authorities perform in raising income from charges comparing performance between authorities in Wales but also globally with authorities in England and Scotland.

There is a mixed picture in how well Welsh authorities generate income from charges

2.2 In reviewing income from charges, we have analysed Revenue Outturn data submitted by authorities to the Welsh Government. For our review we have focussed primarily on the following areas of activity:

a. Home to school transport and Home to college transport
b. Parking of vehicles, concessionary fares and airports, harbours and toll facilities
c. Meals
d. Total cultural and related services (includes leisure)
e. Cemetery, cremation and mortuary services, Environmental health – food safety and Total Waste services
f. Building control and development control
g. Local land charges and registration of births, deaths and charges

2.3 Analysing Revenue Outturn data, we found that the amount of money local authorities’ raise from charges for the activities listed above (Paragraph 2.2 a-to-g) has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms – taking into account inflation – the change in income has been less sharp, rising by £18 million (5.2 per cent) between 2008-09 and 2014-15.
2.4 **Figure 9** summarises the percentage change in income in real terms from charges between 2008-09 and 2014-15 for the 22 Welsh authorities for individual services. **Figure 9** shows that in two-thirds of the areas we have reviewed, authorities have increased how much income they raise from charges, some by significant amounts. The remaining third of services we have reviewed, where income has not increased in real terms, are a mix of activities which are either influenced by national policy charging directives and fee regimes (building control, adult social care and concessionary fares); services which are barometers of prosperity and driven by market conditions (development control and food safety); or discretionary services (culture and related services) which, whilst being in the gift of authorities to determine what charges and fees are set, are also activities where there is often alternative providers and authorities are in competition. Getting pricing right to maintain if not increase service users is, for these services, as important as the drive to generate income.
Whilst the proportional increase for home to school transport for special schools income is significant, this has to be balanced with income as a proportion of total gross expenditure which has risen marginally in this period, from 0.7 per cent to 3.8 per cent.


Figure 9 – The percentage change in income in real terms from charges by individual service between 2008-09 and 2014-15

Service area income data analysed for

Home to school transport special schools
Home to school transport for primary schools
Home to school transport secondary schools
Home to college transport
Total school income
Registration of births, marriages and deaths
Adult education
Car parking
Cemetery, cremation and mortuary services
Local land charges
Development control
Airports, harbours and tolls
Culture and related services
Food safety
Building control
Waste services
Adult social care meals
Concessionary fares

Percentage change

2.5 Whilst income from charges has increased since 2008-09, there is wide variation in what and how much authorities collect. **Figure 10** shows that of the 18 service areas we have analysed, in only seven are all 22 authorities recording income from charges. In addition, in 11 of the 18 services analysed, some authorities record receiving no income, and the range of income generated varies widely.

**Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15**

<table>
<thead>
<tr>
<th>Area to raise income from charges(^18)</th>
<th>Number of authorities collecting income in 2014-15</th>
<th>Lowest amount collected by an authority in 2014-15</th>
<th>Highest amount collected by an authority in 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Home to school transport – Primary Schools</td>
<td>10</td>
<td>£0</td>
<td>£265,000</td>
</tr>
<tr>
<td>Income from Home to school transport – Secondary Schools</td>
<td>15</td>
<td>£0</td>
<td>£269,527</td>
</tr>
<tr>
<td>Income from Home to school transport – Special Schools</td>
<td>8</td>
<td>£0</td>
<td>£482,072</td>
</tr>
<tr>
<td>Income from Home to college transport</td>
<td>10</td>
<td>£0</td>
<td>£710,827</td>
</tr>
<tr>
<td>Income from Adult Education</td>
<td>16</td>
<td>£0</td>
<td>£1,496,000</td>
</tr>
<tr>
<td>Total school income</td>
<td>22</td>
<td>£241,000</td>
<td>£28,148,510</td>
</tr>
<tr>
<td>Income from Parking of vehicles</td>
<td>22</td>
<td>£12,000</td>
<td>£6,900,000</td>
</tr>
<tr>
<td>Income from Concessionary Fares</td>
<td>13</td>
<td>£0</td>
<td>£156,122</td>
</tr>
<tr>
<td>Income from Airports, harbours and toll facilities</td>
<td>6</td>
<td>£0</td>
<td>£3,425,000</td>
</tr>
<tr>
<td>Income from Adult Social Care, Meals</td>
<td>15</td>
<td>£0</td>
<td>£1,265,954</td>
</tr>
<tr>
<td>Total income from cultural and related services</td>
<td>22</td>
<td>£588,000</td>
<td>£24,335,000</td>
</tr>
<tr>
<td>Income from Cemetery, cremation and mortuary services</td>
<td>21</td>
<td>£0</td>
<td>£2,604,000</td>
</tr>
<tr>
<td>Income from Environmental Health – food safety</td>
<td>21</td>
<td>£0</td>
<td>£69,000</td>
</tr>
</tbody>
</table>

\(^{18}\) The headings used are taken directly from the Revenue Outturn returns and coverage is as defined in Welsh Government forms.
2.6 With the current financial challenges facing the public sector, fiscal responsibility is ever more important and authorities recognise that they need become even more financially disciplined when it comes to delivery of services. Subsidising services is often driven by a desire to maximise take-up and to support delivery of the wider strategic priorities. However, authorities need to consider their operating environment in a different way and reducing the level of subsidy that is provided to support services can improve financial sustainability. Figure 11 (below) summarises changes in income as a proportion of expenditure in 2008-09 and 2014-15 (the detailed information is set out in Appendix 4). We found that:

- In 15 of the 18 service areas analysed there has been a net cost improvement. In other words, income as a proportion of expenditure is growing and services require less subsidy to operate;

- In one service – car parking – the income raised is greater than the cost of providing the service and a surplus continues to be generated; and

- For some activities, the level of subsidy continues to be significant. For example home to school transport and environmental health food safety where income as a proportion of expenditure is less than 5 per cent of the cost of providing the service.

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Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15 (cont.)

<table>
<thead>
<tr>
<th>Area to raise income from charges</th>
<th>Number of authorities collecting income in 2014-15</th>
<th>Lowest amount collected by an authority in 2014-15</th>
<th>Highest amount collected by an authority in 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income for Waste Services</td>
<td>22</td>
<td>£385,495</td>
<td>£7,506,000</td>
</tr>
<tr>
<td>Income from Building Control</td>
<td>22</td>
<td>£133,000</td>
<td>£790,000</td>
</tr>
<tr>
<td>Income from Development Control services</td>
<td>22</td>
<td>£180,986</td>
<td>£1,981,000</td>
</tr>
<tr>
<td>Income from Local Land Charges</td>
<td>21</td>
<td>£0</td>
<td>£323,000</td>
</tr>
<tr>
<td>Income from births, marriages and deaths</td>
<td>22</td>
<td>£66,621</td>
<td>£685,000</td>
</tr>
</tbody>
</table>

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

19 Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.
### Figure 11 – The level of income raised from charges for individual services by Welsh authorities in 2014-15

<table>
<thead>
<tr>
<th>Area financial data analysed</th>
<th>Income as a proportion of gross expenditure 2008-09</th>
<th>Income as a proportion of gross expenditure 2014-15</th>
<th>Change in proportion of income collected over the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home to school transport – Primary Schools</td>
<td>0.7%</td>
<td>1.5%</td>
<td>0.80%</td>
</tr>
<tr>
<td>Home to school transport – Secondary Schools</td>
<td>1%</td>
<td>1.7%</td>
<td>0.70%</td>
</tr>
<tr>
<td>Home to school transport – Special Schools</td>
<td>0.7%</td>
<td>3.8%</td>
<td>3.10%</td>
</tr>
<tr>
<td>Home to college transport</td>
<td>9.4%</td>
<td>14.2%</td>
<td>4.80%</td>
</tr>
<tr>
<td>Adult Education</td>
<td>18.5%</td>
<td>21.2%</td>
<td>2.70%</td>
</tr>
<tr>
<td>Total school</td>
<td>2.9%</td>
<td>4.4%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Parking of vehicles</td>
<td>122.8%</td>
<td>152%</td>
<td>29.20%</td>
</tr>
<tr>
<td>Concessionary Fares</td>
<td>0.5%</td>
<td>0.3%</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Airports, harbours and toll facilities</td>
<td>26.7%</td>
<td>51.5%</td>
<td>24.80%</td>
</tr>
<tr>
<td>Adult Social Care, Meals</td>
<td>34.1%</td>
<td>43.4%</td>
<td>9.30%</td>
</tr>
<tr>
<td>Cultural and related services</td>
<td>20.5%</td>
<td>28.5%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Cemetery, cremation and mortuary services</td>
<td>56.7%</td>
<td>94.1%</td>
<td>37.40%</td>
</tr>
<tr>
<td>Environmental Health food safety</td>
<td>3.8%</td>
<td>3.3%</td>
<td>-0.50%</td>
</tr>
<tr>
<td>Waste Services</td>
<td>15.4%</td>
<td>13.2%</td>
<td>-2.20%</td>
</tr>
<tr>
<td>Building Control</td>
<td>60%</td>
<td>66.4%</td>
<td>6.40%</td>
</tr>
<tr>
<td>Development Control services</td>
<td>43.7%</td>
<td>58.2%</td>
<td>14.50%</td>
</tr>
<tr>
<td>Local Land Charges</td>
<td>96.7%</td>
<td>107%</td>
<td>10.30%</td>
</tr>
<tr>
<td>Births, marriages and deaths</td>
<td>49.5%</td>
<td>70.2%</td>
<td>20.70%</td>
</tr>
</tbody>
</table>

2.7 Some of the differences in income relate to what services local authorities have available and how these services are provided. For instance, some local authorities are unable to generate income from certain services because they do not provide any service – those related to airports, harbours and toll facilities for example. Some authorities have also transferred their major leisure facilities to other providers and consequently have seen a reduction in their levels of income compared to those who continue to provide these services in house.

2.8 For other services, the level of income is a reflection on the size of the population that can pay the fee or charge – home to school transport for example – which limits the potential to increase revenue. Conversely in other areas the resident population are not the only ones who pay for the service – services such as car parking – and the ability to generate income is not specific to the local community but wider economic and market considerations. Nonetheless, taken as a whole, the findings in Figures 10 and 11 highlight that there is scope in some authorities to reconsider how much revenue they wish to generate from certain services.

2.9 For example, by using burial and cremation services as a tracer, we have reviewed the current level of charges for different activities. Under the Open Spaces Act 1906, Parish Councils and Burials Authorities (Misc. Provisions) Act 1970 and the Local Government Act 1972, authorities have the right to acquire, maintain and provide services for burial grounds, cemeteries and crematoria. Other organisations and companies also have the legal right to provide burial, cemetery and crematoria services. Because there are fewer restrictions on the charges that can be set by authorities for these services, this has led to a variation in charges applied across Wales.

2.10 Using data gathered from authority websites and requests to authorities, Figure 12 below shows the range of charges for 11 different burial and cremation services provided by authorities. The range in price between the cheapest and most expensive charge levied by authorities for these services varies from 4.1 for exclusive right of burial and the erection and inscription of a headstone (e.g., the cost in the most expensive authority is 4.1 times higher than the cost in the cheapest authority) to 11.2 for the scattering of ashes (e.g., the cost in the most expensive authority is 11.2 times higher than the cost in the cheapest authority). Even when consideration is given to local factors and the possible differences in provision and quality of service, the scale and range of costs is very broad.

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20 An example of pricing strategies is the opening of the National Lido in Pontypridd where Rhondda Cynon Taf local authority took the decision to allow free admission as part of a regeneration effort for the Pontypridd Town Centre. Visitor numbers exceeded expectations and is having a very positive response from traders who have seen an increased footfall in the town centre. It’s also received a very positive response from service users and has complimented a general increase in sports and leisure take up within Rhondda Cynon Taf.
2.11 Another factor concerning services with discretionary charging is the freedom for authorities to raise their prices on a frequent basis. A *Freedom of Information Act 2000* request carried out by the BBC\(^\text{22}\) in August 2015 found that, across 169 local authorities in the United Kingdom, the average cost of a basic cremation at a local authority facility had risen from £475 in 2010-11 to £640 in 2015-16, an increase of 35 per cent. In the five Welsh local authorities that responded (Cardiff, Conwy, Rhondda Cynon Taff, Swansea and Wrexham), the cost had risen from £434 to £583, an increase of 34 per cent over the same time period. Local authorities responded stating that changes to emissions targets, the use of larger coffins and rising energy costs had resulted in a sharp increase in costs. Some authorities also noted that their prices were low compared to neighbouring authorities and that rises merely brought them in line with others.

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**Table: Cost of authority-run burial and cremation services**

<table>
<thead>
<tr>
<th>Item</th>
<th>Lowest</th>
<th>Average</th>
<th>Highest</th>
<th>Range</th>
<th>Base(^\text{21})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive right of burial</td>
<td>£355</td>
<td>£678</td>
<td>£1,455</td>
<td>4.1</td>
<td>16</td>
</tr>
<tr>
<td>Headstone</td>
<td>£76</td>
<td>£174</td>
<td>£315</td>
<td>4.1</td>
<td>17</td>
</tr>
<tr>
<td>New grave for 1</td>
<td>£427</td>
<td>£853</td>
<td>£1,920</td>
<td>4.5</td>
<td>18</td>
</tr>
<tr>
<td>New grave for 3</td>
<td>£490</td>
<td>£1,258</td>
<td>£2,240</td>
<td>4.6</td>
<td>14</td>
</tr>
<tr>
<td>New grave for 2</td>
<td>£457</td>
<td>£1,064</td>
<td>£2,120</td>
<td>4.6</td>
<td>19</td>
</tr>
<tr>
<td>Cremated remains burial</td>
<td>£160</td>
<td>£349</td>
<td>£777</td>
<td>4.9</td>
<td>17</td>
</tr>
<tr>
<td>Cremated remains purchase</td>
<td>£139</td>
<td>£409</td>
<td>£833</td>
<td>6.0</td>
<td>14</td>
</tr>
<tr>
<td>Woodland plot for 1</td>
<td>£300</td>
<td>£904</td>
<td>£1,920</td>
<td>6.4</td>
<td>7</td>
</tr>
<tr>
<td>Inscription on headstone</td>
<td>£30</td>
<td>£83</td>
<td>£200</td>
<td>6.7</td>
<td>19</td>
</tr>
<tr>
<td>Interment of ashes</td>
<td>£75</td>
<td>£233</td>
<td>£504</td>
<td>6.7</td>
<td>12</td>
</tr>
<tr>
<td>Scattering of ashes</td>
<td>£20</td>
<td>£99</td>
<td>£223</td>
<td>11.2</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Wales Audit Office data collection from authorities

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\(^{21}\) Number of local authorities providing a cost for each service

\(^{22}\) BBC News - Local authority cremation costs
Welsh authorities are not generating as much income from charges as counterparts in England and Scotland

2.12 There are big differences between how local authorities in England, Scotland and Wales perform in raising income from charges. Using data published by the UK, Scottish and Welsh Governments, Figure 13 summarises the areas where comparison between the three countries is possible and shows that only in respect of car parking and cultural and related services has the income for Welsh authorities increased by a larger percentage than English and Scottish authorities.

Source: Wales Audit Office, analysis of income and fees.
2.13 Whilst our findings suggest that there is scope to increase charges further in Wales in the service areas we have analysed, making a like for like comparison is not straightforward. Each authority and country in Great Britain has its own unique social, economic, environmental and population characteristics. These will influence how services are provided, who consumes services, whether realistic alternatives to authority provision exist, whether charges are controlled or influenced by the respective government and what charges communities can afford. Whilst comparing percentage change in charges for services between England, Scotland and Wales provides a useful starting point, some understanding of the actual level of charge being levied in a community is also required.

2.14 However, no register of charges by authority is collated and it is not possible to easily compare what each charges for the services they provide. Consequently, we have examined the average level of income derived from each service per 1,000 resident population aged between 16-64 years of age (economically active age) in each country in Great Britain. By measuring performance using economically active people we are only looking at those who will potentially have to pay for a service and would not be affected by any concessions that are applied. Our analysis provides a broad illustration only but taken with the other data in Figure 13 above, does nonetheless contribute to the debate on the differences in income levels and provide an illustration of the potential opportunities that may exist to review charges.

2.15 Figure 14 summarises the amount of income raised in England, Scotland and Wales per 1,000 resident population aged 16-64 and shows that in the nine areas where a comparative analysis is possible, in only one – cultural and related services – are Welsh authorities raising more income from services than counterparts in England and Scotland. In all other areas, Welsh authorities lag behind counterparts in either England, or Scotland, or both.

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23 The mid-year estimates refer to the population on 30 June of the reference year and are published annually. They are the official set of population estimates for the UK and its constituent countries.
Figure 14 – A comparison of the average level of income for named authority services per resident 1,000 population aged 16-64 in England, Scotland and Wales in 2014-15

Service area data available for comparative analysis

- Registration of births, deaths and marriages
- Local land charges
- Development control
- Building control
- Waste services
- Cemetery, crematorium and mortuary services
- Cultural and related services
- Concessionary fares
- Car parking

Income per 1,000 residents aged 16-64

Source: Wales Audit Office, analysis of income and fees.
2.16 Some of the differences between the UK, Scottish and Welsh Government will be a result of policy decisions (such as concessionary fares) as well as an individual authority’s choice on how it wishes to deliver a service. In addition, the socio economic position of some communities – London, for example, where the population and economy has grown at greater rates than the rest of the United Kingdom in recent years – can disproportionately skew findings. Notwithstanding, by analysing the difference between the average income per 1,000 population aged 16 – 64 in Wales with the higher level in either England or Scotland, we are able to determine the potential extra income authorities could raise in Wales.

2.17 In Figure 15 we set out our analysis which shows that in seven of the 18 local authority services where a comparison of performance is possible with England, Scotland or both, Welsh authorities are generating income per 1,000 residents at higher levels than authorities in either England or Scotland. Our analysis in Figure 15 also highlights that if Welsh authorities raised charges to reflect the higher equivalent income per resident 1,000 population aged 16-64 in either England or Scotland for the remaining 11 areas, then a potential extra income of approximately £68.1 million could be generated.

![Figure 15 – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland](image)

<table>
<thead>
<tr>
<th>Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)</th>
<th>Income per resident 1,000 population aged 16-64 in England</th>
<th>Income per resident 1,000 population aged 16-64 in Scotland</th>
<th>Income per resident 1,000 population aged 16-64 in Wales</th>
<th>Potential extra income for Wales based on increasing to the highest average in England or Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Home to school transport - Primary Schools</td>
<td>£0.55</td>
<td>N/A</td>
<td>£0.21</td>
<td>£652,000</td>
</tr>
<tr>
<td>Income from Home to school transport - Secondary Schools</td>
<td>N/A</td>
<td>N/A</td>
<td>£0.52</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Home to school transport - Special Schools</td>
<td>£0.35</td>
<td>N/A</td>
<td>£0.61</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Home to college transport</td>
<td>£0.41</td>
<td>N/A</td>
<td>£0.81</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Adult Education</td>
<td>£0.77</td>
<td>£4.68</td>
<td>£3.81</td>
<td>£1,673,000</td>
</tr>
</tbody>
</table>
**Figure 15** – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland (cont.)

<table>
<thead>
<tr>
<th>Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)</th>
<th>Income per resident 1,000 population aged 16-64 in England</th>
<th>Income per resident 1,000 population aged 16-64 in Scotland</th>
<th>Income per resident 1,000 population aged 16-64 in Wales</th>
<th>Potential extra income for Wales based on increasing to the highest average in England or Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total school income</td>
<td>£52.61</td>
<td>£52.54</td>
<td>£63.24</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Parking of vehicles</td>
<td>£39.65</td>
<td>£19.22</td>
<td>£17.31</td>
<td>£42,947,000</td>
</tr>
<tr>
<td>Income from Concessionary Fares</td>
<td>£0.48</td>
<td>£0.31</td>
<td>£0.12</td>
<td>£694,000</td>
</tr>
<tr>
<td>Income from Airports, harbours and toll facilities</td>
<td>£1.06</td>
<td>N/A</td>
<td>£2.81</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Adult Social Care, Meals</td>
<td>N/A</td>
<td>N/A</td>
<td>£1.74</td>
<td>£0</td>
</tr>
<tr>
<td>Total income from cultural and related services</td>
<td>£24.96</td>
<td>£27.03</td>
<td>£54.55</td>
<td>£0</td>
</tr>
<tr>
<td>Income from Cemetery, cremation and mortuary services</td>
<td>£7.72</td>
<td>£9.81</td>
<td>£8.35</td>
<td>£2,799,000</td>
</tr>
<tr>
<td>Income from Environmental Health – food safety</td>
<td>£0.21</td>
<td>N/A</td>
<td>£0.22</td>
<td>£0</td>
</tr>
<tr>
<td>Total income for Waste Services</td>
<td>£15.98</td>
<td>£20.97</td>
<td>£19.70</td>
<td>£2,443,000</td>
</tr>
<tr>
<td>Income from Building Control</td>
<td>£3.12</td>
<td>£9.24</td>
<td>£3.67</td>
<td>£10,717,000</td>
</tr>
<tr>
<td>Income from Development Control services</td>
<td>£10.42</td>
<td>£8.57</td>
<td>£8.33</td>
<td>£4,016,000</td>
</tr>
<tr>
<td>Income from Local Land Charges</td>
<td>£2.38</td>
<td>£0.01</td>
<td>£1.69</td>
<td>£1,328,000</td>
</tr>
<tr>
<td>Income from births, marriages and deaths</td>
<td>£3.00</td>
<td>£2.67</td>
<td>£2.55</td>
<td>£859,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£68,128,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Wales Audit Office analysis of income and fees
Local authorities need to consider how best to balance generating income with the communities’ ability to pay more for services

2.18 As local authorities are constantly challenged by the need to balance fiscal, social, economic, and environmental goals, they also need to decide how much and what types of new levels of charges the community can accommodate without compromising the day-to-day quality of life for residents. Assessing the ‘elasticity of demand’ – the potential socio-economic impacts of increasing or introducing charges – is therefore a careful balancing act. Increasing the fee or charge for a service will potentially increase income and safeguard the service. However, it also potentially reduces demand by making the service unaffordable which then raises a question mark on its viability.

2.19 Local authorities need to therefore take into account local socio-demographic factors, such as the level of social deprivation, because users’ ability to pay is an important consideration in setting charges. Considering the socio economic impact on communities is critical because in many communities in Wales the level of average earnings are lower than in either England or Scotland. For example, Official labour market statistics published by the Office for National Statistics show that average gross weekly pay in 2014-15 in England was £527.70 and in Scotland £527 compared to £484.40 in Wales, a difference of roughly 10 per cent or £43.

2.20 Coupled with the proportion of the working population who are economically active – 78 per cent in England, 79.2 per cent in Scotland and 75.2 per cent in Wales – there is potentially less capacity for Welsh citizens to be able to pay more for goods and services. Increasing fees in Wales could therefore be more challenging than in either England or Scotland with many Welsh communities being less likely to be able to accommodate sharper increases than other parts of Great Britain, although, the range of average incomes across Welsh local authorities suggests that some are better placed than others to increase charges.

2.21 Figure 16 shows that the range of gross weekly pay in 2014-15 ranged from £403 in Blaenau Gwent to £610 in Monmouthshire. Authorities where earnings are higher will therefore be better placed to charge and raise more income than those where income levels remain low. When reviewing charges, local authorities need to therefore consider both the options for reducing the level of subsidy they provide to services, but also the socio-economic circumstances of their local community. To aid authorities in responding to this challenge we have set out in Appendix 2 some of the key issues needing to be considered when they set, increase or introduce charges for services.
Figure 16 – Gross Weekly Median Pay by Welsh local authority in 2014-15

Source: NOMIS, annual survey of hours and earnings - resident analysis, 2014-15
Part 3

Authorities do not effectively evaluate charges to fully understand their impact
3.1 Monitoring and evaluating performance in setting and collecting income from charges will help local authority Members and officers to understand how well they are performing and the opportunities that exist to improve performance further. At a time when local authorities are having to manage the impact of reductions in funding from Welsh Government, evaluating and forecasting income from charges is essential to maximising the benefit derived from income in maintaining and growing services. In this final part of the report we provide an analysis of how effective authorities are at forecasting, monitoring and evaluating income. We also consider how well authorities engage with citizens when considering the performance of their authority and how they use these views to decide on changes to services.

Long established governance and accountability systems are not always agile or robust enough to support good decision making when reviewing charges

3.2 Members need to lead on introducing and reviewing charges. Decisions should be considered and ratified by the executive and subject to scrutiny and oversight. The impact of charges on individual services should be subject to careful examination and Members, as the representative for their communities, need to balance the competing requirements of raising income to improve the financial position of authorities, to representing constituents and highlighting the potential impact of decisions, particularly usage and take up.

3.3 To make informed decisions, Members need to have good quality advice from officers, particularly on the cost of providing services and the level of subsidisation taking place. Without good quality and robust information, there is a risk that authorities will continue to either charge too much for services that need to be subsidised or do not charge enough for a service. It is therefore right for Members to debate and influence the setting of charges but their review must balance the strategic need for generating income with the case-by-case implication of the potential local impact on local residents.

3.4 Typically, we found that Member engagement is very strong when authorities consider charges as part of the annual budget setting process. Where issues of increasing charges are presented as part of the global budget, Members have generally been involved in the development of options and the consideration of recommendations that are being proposed. Some authorities have also sought to strengthen engagement with Members and accountability for setting charges. These approaches range from the delegation of decisions on charges to individual portfolio holders and senior managers within specific services, as in Caerphilly County Borough Council, to the creation of corporate wide boards of senior elected Members who set the strategic direction on charges - for example the ‘Income Generation and Cost Improvement Board’ set up by Powys County Council in January 2016. Where these arrangements work well they can provide impetus to better decision making and strengthen accountability.
3.5 However, we also found that whilst authorities are clear on the need to speed up and make better informed decisions when setting charges, these delegated arrangements are not always delivering what was envisaged when they were created. We found that some portfolio holders are reluctant to deal with potentially controversial issues and will not approve increasing or introducing charges, even where the evidence for the increase or introduction is compelling.

3.6 Whilst Members are aware of the financial benefits that charges bring in raising revenue for their authority, some Members are also keenly aware of the potential impact of charges and seek to ensure that any increase or introduction is both justifiable and does not impact unfavourably on service users. Whilst delaying decisions can result in the fee or charge being set low and access to the service remaining affordable, the decision to delay, put off or avoid increasing charges can also result in some services becoming financially unsustainable.

3.7 In addition, we found that income generating options are often not put forward in draft budget proposals to Members simply because officers believe the case will not be endorsed or supported. Whilst some we spoke to argued that Member’s reluctance to consider increases in charges is ultimately a reflection of Members ‘pastoral’ community leadership role and reflects a positive attitude to protecting service users, failing to address budget pressures and consider options, however unpalatable, slows down the process of Member and public education and the shifting of expectations that is needed with reductions in public finances.

3.8 We also found that authorities often struggle to prepare sufficiently detailed and comprehensive business cases on the potential for generating income from charges. Some of these difficulties are a reflection of capacity and capability within services to collate sufficient information to underpin business cases, quantify potential costs, and a reluctance from officers to ‘own’ findings from external consultants. In other authorities we found that reports seeking decisions often lack the key information required to enable Members to make an informed decision. For example, business cases often:

- lack adequate information to justify the proposed charge increase recommended by officers;

- do not indicate whether an increase in fees or charges will influence how many people use services and the impact of anticipated changes on the level of income generated; or

- do not highlight how the decision to change fees or charges will impact on the authority’s medium term financial plan.
Limitations in the quality, detail and range of information used by authorities affects their ability to maximise the benefits of increasing or introducing charges

 Authorities do not hold sufficiently detailed or accurate information to understand the true cost of providing services

3.9 Setting, introducing or increasing charges is a complex exercise and needs to take into account many factors. Most crucially, authorities need to understand the full costs involved in delivering the service, including overhead costs – the ongoing expense of the corporate support services and activities such as legal advice, finance or ICT support as well as office and accommodation costs. Knowing the full cost of delivering a service is the starting point for building a case to approve whether to set, increase or introduce charges.

3.10 For many services, charges are based on precedents and do not reflect the actual cost of providing the service. Keeping charges low is often influenced by a conscious decision to support and encourage usage and to ensure those on low incomes are given the opportunity to access and use services. However, only by fully understanding how much it costs to deliver a service can an authority consider what fee or charge it should set, what the strategic impact of its decision is likely to be on the service and those that use it, and what level of subsidy is appropriate to provide for the service.

3.11 How much charges for services are increased by can vary widely. A number of authorities continue to apply a standard percentage increase in charges across all services, whilst others review and agree changes on an individual service by service basis. Treating all services exactly the same and setting flat rates increases in charges has the benefit of being easier to administer. However, such an approach does not provide adequate assurance that the authority has considered the potential impact of its decision strategically.

3.12 Different services have different clients groups and the decision to increase or introduce charges will have very different impacts, both positive and negative. For example, a number of authorities set the rate of increase in charges in line with inflation which means that unless there is a beneficial change in how many people use the service or a reduction in running costs, the authority will derive little financial benefit from setting a higher fee or charge in line with inflation.
3.13 Management information is inconsistent and many services are often unable to provide accurate and up to date information on the true costs of provision. We found that authorities have well established systems for reviewing and monitoring service budget performance but are only now beginning to focus on analysing the full cost of services. From our fieldwork we found that authorities do not always calculate unit costs nor consider how much it cost to collect charges. Similarly, authorities often do not apportion the cost of providing services until year end which makes it impossible to accurately identify how well a service is performing financially at any point within the year.

3.14 We also found the range and quality of measures used by authorities to judge performance on collecting charges to be variable. The main focus for the majority of authorities is on recovering income from those in debt or arrears rather than understanding the costs of providing the whole service and the contribution of income in the overall funding envelope. These weaknesses make it difficult for authorities to effectively evaluate performance in-year and address the impact of cost pressures, low or higher usage, or reductions in income.

3.15 When reviewing and considering options to increase or introduce charges, authorities need to make better use of data and benchmarking to support members to make informed and evidence-based policy and operational choices. Our analysis shows that at present, using data to support decision making is limited. Figure 17 summarises the findings of our survey of chief finance officers and shows that whilst 18 of the 22 authorities compare their level of charges for services with those levied by other local authorities in Wales, there are opportunities for many authorities to strengthen benchmarking activity. Only 10 authorities consider their performance against the Welsh average and are benchmarking their performance with a wide range of public and private sector bodies.
3.16 We also found that whilst 16 authorities monitor and evaluate how effectively they collect charges to ensure systems are as efficient and as cost effective as possible, only nine authorities compare their systems and collection costs with other authorities. The most frequently cited sources of data used by authorities to evaluate charges costs with others is CIPFA\textsuperscript{26} (12 authorities); StatsWales and APSE\textsuperscript{27} (seven authorities); and the Local Government Data Unit Benchmarking Hub (six authorities).

\textsuperscript{26} Chartered Institute of Public Finance and Accountancy is the leading accountancy body for public services providing education and training in accountancy and financial management. \\
\textsuperscript{27} Association for Public Service Excellence is a networking community that assists local authorities who are striving to improve their frontline services.
3.17 Figure 18 reports which services authorities are comparing their performance on collecting income and managing charges with others. The scope of authority performance management information ranges from only four authorities comparing performance on charges for advertising, to 18 authorities benchmarking costs associated with the provision of school meals. There is scope for many authorities to improve how they monitor and evaluate performance to enable Members to make smarter charging choices.

Figure 18 – The service areas where local authorities in Wales compare and benchmark their performance on collecting income

The areas subject to performance is benchmarking

- School meals
- Waste and trade refuse
- Environmental health
- Social Care
- Sports and leisure
- Car parking
- Development control
- Transport services
- Nursery and early years’ services
- Arts and heritage
- Other services
- Advertising

Forecasting the likely level of income from changing charges is inconsistent

3.18 It is nearly impossible to predict annual revenues precisely – particularly when introducing charges or setting fees for the first time – because of the way citizens use services and the choices that are open to them. Nonetheless, forecasting income is an important planning tool which helps an authority to manage and understand its performance.

3.19 Seven respondents to our survey of chief finance officers stated that their authority forecast their anticipated income from the introduction and/or increase in charges for one or more years. Of the remaining 15 authorities, eight stated that they forecast income within year only and seven that they do not forecast the potential income for services at all. Our review of documentation provided by authorities and our onsite fieldwork suggests that many authorities have some gaps in financial forecasting data and are not consistently forecasting their anticipated income for all activities.

3.20 Forecasting income is guesswork and it is impossible to know exactly what performance will be for a given period, especially many months or years into the future. One way to address this uncertainty is to use sensitivity analysis\(^{28}\) to develop a range of possibilities under different assumptions which provide alternative estimates of income. From our review we found that whilst some authorities apply an expected or desired growth rate or return, these are often not underpinned by a robust analysis of current performance, reliable trend information or patterns of past customer usage. These are key sensitivity drivers which influence revenue growth. With better quality forecasting, officers will be able to better inform Members on the potential impact of decisions and what is possible based on an evaluation of pertinent information regarding the potential income that could, and should, be realised.

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\(^{28}\) Sensitivity analysis is a technique used to determine how projected performance is affected by changes in the assumptions that those projections are based upon. Sensitivity analysis is often used to compare different scenarios and their potential outcomes based on changing conditions.
Identifying the potential impact of increasing or introducing charges is not robust

3.21 Because of the wide variation in the range of services provided and the reasons for providing them, there are a number of key legal considerations that authorities must take into account in exercising their discretion to set a charge. These are the:

a Equality Act 2010 – Section 149, known as the ‘public sector equality duty’, sets out requirements for local authorities to specifically consider the impact of proposed changes (including implementation or variation of charges) on people disadvantaged by race, disability etc. Changing services, including increasing charges, is likely, in appropriate circumstances, to require consultation with these groups;

b Welsh Language (Wales) Measure 2011 and standards set under it through the Welsh Language Standards (No.1) Regulations 2015 (SI 2015/996) - these require authorities and other public bodies to consider the impact of their service provision and policy and operational decisions on promoting or facilitating the use of the Welsh language; and

c Well-being of Future Generations (Wales) Act 2015 – the Act requires public bodies to plan and deliver their services structured around the five themes of long term, prevention, integration, collaboration and involvement. In setting charges, Welsh local authorities will need to be mindful of these requirements and in particular the objectives set by their local Public Service Boards.

3.22 Authorities have introduced processes to judge the potential impact of decisions in respect of their equalities and Welsh language responsibilities, usually through an impact assessment that accompanies reports to cabinet or full Council seeking either to increase or introduce a charge. The quality of the evidence contained in impact assessments however varies widely. Assessments do not always provide sufficient detail to either identify the impact of changes or equip Members to make informed decisions. For example, forms are often partially completed and lack important information, do not provide adequate information on the expectations and views of service users or citizens, or do not include specific timescales for review.

3.23 It is pleasing to note that a few authorities have adapted existing impact assessment processes to accommodate the five ways of working set out in the Well-being of Future Generations Act 2015, but much work remains to be done. Whilst the Act only came into force on 1 April 2016, the principles of making decisions that consider the long-term impact and are focused on prevention, integration, collaboration and involvement are fundamental issues that underpin good decision making. The five ways of working principles, together with the authority’s well-being objectives, need to be considered when authorities are setting, increasing or introducing charges and impact assessments, and business case processes need to be revised to ensure they are given adequate coverage.

29 Authorities need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. There are five things that public bodies need to think about to show that they have applied the sustainable development principle. The Welsh Government believes that following these ways of working will help authorities to work together better, avoid repeating past mistakes and tackle some of the long-term challenges the country faces.
3.24 Authorities generally do not consider the cumulative likely economic impact on residents and communities for all their charges, and do not report, monitor or scrutinise decisions with this wider impact in mind. Understanding the impact on service users and citizens is not easy. Whilst authorities undertake equality impact assessments when making policy decisions, these are rarely revisited in light of policy implementation to assess whether unintended consequences that impact on service users are considered post implementation.

3.25 Public bodies recognise the importance of engaging with and consulting service users and other stakeholders such as citizens, businesses and council tax payers on the decisions that can affect them. Involving stakeholders in helping to shape and decide on changes to services including setting, introducing or increasing charges can result in outcomes that are more relevant and useful. Effective engagement can also lead to a better quality decision and ultimately result in a much stronger commitment to use services or lose them.

3.26 We found that most authorities are consulting residents over charges as part of their annual budget-setting processes where the authority sets out all the revenue raising proposals including issues around charges and income generation. Authorities use a wide range of options to undertake this consultation activity including authority wide newsletters, specific surveys, public meetings and provision of information via social media. Authorities also use annual residents’ surveys to consult on and decide a course of action. For example, both Powys County and Caerphilly County Borough Councils have used their resident surveys in recent years to engage with and better understand citizens’ views in reviewing and identifying options for income generation from charges to support decision making. Overall, budget setting consultation is more wide ranging and is often based upon an ongoing dialogue over a longer period of time.

3.27 However, engagement and consultation over increasing or introducing specific fees or charges is not always carried out or consistently applied. Our survey of chief finance officers, noted in Figure 19 below, found that few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. These findings are echoed by citizens, with 50 per cent of those who responded to our online survey confirming that their authority did not consult with them when introducing or increasing charges.
There is a reluctance amongst some Members to engage with service users and local communities on planned changes, especially where there are particular political sensitivities and a perception of difficulties around the introduction of charges. Authorities which have experienced a negative public or media reaction to new or increased charges are often reluctant to tackle the issue again, and consequently choose not to introduce or increase charges. However, an authority that fails to review and revise charges is often delaying the inevitable and continuing to fail to address the issue could result in far worse outcomes such as service closure or greater price rises in the future.

Generally, citizens are well aware that authorities have to make savings and reduce expenditure, but are less informed on the impact of savings on them and the services they use. Citizens who responded to our survey were mostly critical of consultation practices adopted by authorities. One noted that "consultation not publicised well enough (if at all)", another that “I’m not aware of any consultation that has ever taken place” and another “if there was a consultation, I didn’t hear about it".
3.30 Authorities’ caution about public opinion can lead to an unwillingness to confront issues openly and discourages consideration of how local services are to be funded. Authorities need to therefore emphasise how increasing or introducing charges will not only safeguard services but also improve the quality of current provision as a means of justifying increases and making the decision more palatable. We found from our chief finance officers’ survey that only two authorities always seek the views of service users on the quality of the services provided and a further five stated that they mostly seek such feedback. Providing service users with the opportunity to feedback on current performance is essential where authorities are seeking to justify increasing charges.

3.31 When deciding to introduce or increase a fee or a charge only 15 respondents to our chief finance officers’ survey agreed that their authority explores options to phase the introduction of increased charges on service users to mitigate the potential impact. Of these 15, only nine consider the use of concessions or discounted rates when setting charges and only four stated that they provide advice and assistance to service users to secure alternative funds to be able to pay for and continue to use the service.

3.32 Where consultation takes place, only 15 of the 22 authorities stated that they consider and include consultation responses in the decision-making process for changing fees. However, 95 per cent of citizens who responded to our survey stated that when consultation has been undertaken they are not aware of the outcome of engagement activity and their authority did not feedback the findings or decision taken as a result of the consultation activity. There remains a disconnect between authorities’ perception of how well they consult and the experience of service users.

3.33 Consulting on whether to introduce or increase a charge is only one dimension that authorities need to appreciate and consider in deciding what they should do. Equally important is to understand the likely impact of charges on current and potential service users. As we noted above, authorities need to consider whether service users can afford the charge being levied; whether service users consider a charge provides value for money for the level of service provided; or whether better alternatives to direct local authority provision are available from other public, private or voluntary sector providers.
3.34 From our public survey we found that citizens choose to use and pay for authority services for a range of positive reasons – the service is well located, is of a better quality or provides a wider range of choice. However, most citizens who responded to our survey also highlighted that the main driver for choosing an authority service over others is cost, particularly where there are discounted charges or no fees currently in place. We found that some citizens have consequently stopped using authority services in the last 12 months with the reasons most often cited for decisions relating to the service costing too much; cheaper alternatives being available; poor quality facilities and equipment; and difficulties with accessing the service (hours of operation and location).

3.35 Even when citizens continue to use authority services several noted that this decision is because there is “usually no other choice” and “the next nearest alternative… involves travelling for over an hour each way”. Others commented that whilst “I haven’t actually stopped using the service, I have reduced the number of times I use it, due to the increased cost and worse service. Now they are complaining that the courts are under-used!” Others noted that “the council could do more consultation with ratepayers. I’m ok with some charges so long as facilities are available to suit working people”.

3.36 Balancing how to raise more income to sustain services whilst ensuring those who depend on such provision can continue to afford to use them will continue to be a challenge for authorities. To address this difficult balancing act will require a readiness from authorities to take careful and well managed risk to ensure services that Welsh citizens depend on continue to be available to them. If authorities do not rise to the challenge, then we are likely to see an increasing number of services becoming unviable and at risk of closure, which will have a deeper negative impact on communities and citizens.
Appendices

Appendix 1 – Study methodology

Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Appendix 3 – Local Authority Trading Companies: key issues to consider

Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15
Appendix 1 – Study methodology

Review of literature

We have reviewed a wide range of documents and media, including:

• Welsh Government policy and guidance documents;
• local authority plans and strategies for income generation in all 22 local authorities; and
• other relevant research and guidance from government, local authorities, CIPFA, and research bodies.

Data and statistical analysis

We have collated and analysed a wide range of performance indicator returns and budget data available online at the Office for National Statistics, StatsWales, the UK and Scottish Governments.

Local authority fieldwork

We visited six local authorities in Wales in 2015-16. The local authorities selected represented a mix of city, urban, rural and valleys authorities which are geographically spread across Wales. These were:

• Caerphilly County Borough Council
• Gwynedd County Council
• Merthyr Tydfil County Borough Council
• Monmouthshire County Council
• Newport City Council
• Powys County Council

During the visits, we interviewed a range of local authority staff and Members.

Surveys

We undertook a range of online surveys and we surveyed:

• Chief Finance Officers and received 22 responses (100 per cent).
• Citizens and received 44 responses. The survey was made available online and promoted through our communications team. The approach taken does not necessarily guarantee a representative response. For example, we received no responses in some local authority areas. Given the low response rate, we have only used the findings of the survey in a limited way and to report views at an all Wales level.
Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

<table>
<thead>
<tr>
<th>Key considerations</th>
<th>Key questions needing to be answered</th>
</tr>
</thead>
</table>
| **How does it fit with our strategic priorities?** | 1. Does the authority understand actual and potential income streams and the opportunities that exist?  
2. Is there a clear rationale for the local authority setting, introducing or increasing a fee or charge:  
   - reduce or increase demand?  
   - influence behaviour?  
   - better quality?  
   - quicker response?  
   - more potential users?  
   - wider geographical coverage?  
3. Will the setting, introduction or increase in a fee or charge impact adversely on delivering the authority’s strategic priorities?  
4. Will the setting, introduction or increase in a fee or charge impact adversely any authority commercial or arm’s length trading companies?  
5. Will the setting, introduction or increase in a fee or charge impact adversely on delivering the department’s strategic priorities? |
| **Are we legally allowed to charge for this service?** | 1. Is the local authority legally allowed to set, increase or introduce charges for this service?  
2. If yes, what is it reasonable for the local authority to do (Wednesbury principle)?  
3. Is this a statutory service that the local authority has to provide?  
4. Will the decision to set, increase or introduce charges adversely:  
   - affect those with a protected characteristic under the equality duty;  
   - impact on the provision of services in Welsh; or  
   - impact on the authority’s ability to meet its responsibilities under the Wellbeing of Future Generations Act.  
5. Does the local authority know whether it can make a surplus?  
6. Has the local authority considered how surpluses will be dealt with? |
| **Have we engaged and consulted, and what are the views of our stakeholders?** | 1. Has the local authority engaged with protected characteristics regarding whether to:  
   - provide this service?  
   - increase charges?  
   - change eligibility criteria?  
2. Has the local authority consulted with Members, community councils, users, residents, third sector partners and businesses within the area on the above matters? |
<table>
<thead>
<tr>
<th>Key considerations</th>
<th>Key questions needing to be answered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Are there alternative providers to us and what do they charge?</strong></td>
<td>1. Is there a commercial competitive advantage for the authority providing this service?</td>
</tr>
<tr>
<td></td>
<td>2. Is there potential to deliver services jointly with another authority or provider to reduce overheads?</td>
</tr>
<tr>
<td></td>
<td>3. Has the local authority benchmarked costs to determine scope for increasing charges?</td>
</tr>
<tr>
<td></td>
<td>4. Are there competitors/alternatives to the local authority who could provide the service?</td>
</tr>
<tr>
<td></td>
<td>5. Could the authority stop providing the service without this decision impacting adversely on its statutory responsibilities?</td>
</tr>
<tr>
<td><strong>How do we treat concessions and who is eligible?</strong></td>
<td>1. Has the local authority considered use of concessions?</td>
</tr>
<tr>
<td></td>
<td>2. Has the local authority considered how to treat non-residents?</td>
</tr>
<tr>
<td></td>
<td>3. Does the local authority need to change eligibility?</td>
</tr>
<tr>
<td></td>
<td>4. Has the local authority communicated eligibility criteria to service users?</td>
</tr>
<tr>
<td><strong>What will be the impact on services, users and citizens (+/-)?</strong></td>
<td>1. Does the local authority know what the likely impact of the decision to introduce or increase charges will be on services, stakeholders, businesses and the authority in the medium to long term?</td>
</tr>
<tr>
<td></td>
<td>• Has the local authority considered the likely impact on low income households?</td>
</tr>
<tr>
<td></td>
<td>• Has the local authority considered the likely impact on businesses?</td>
</tr>
<tr>
<td></td>
<td>• Has the local authority considered the likely impact on the local economy?</td>
</tr>
<tr>
<td></td>
<td>2. Do residents of the local authority have the economic capacity to absorb an introduction or increase in charges?</td>
</tr>
<tr>
<td></td>
<td>3. Is the local authority decision likely to result in unintended consequences?</td>
</tr>
<tr>
<td></td>
<td>4. Has the authority considered the political risks?</td>
</tr>
<tr>
<td></td>
<td>5. Has the local authority considered the cumulative impact of setting, introducing or increasing fees for different services on:</td>
</tr>
<tr>
<td></td>
<td>• service users;</td>
</tr>
<tr>
<td></td>
<td>• citizens;</td>
</tr>
<tr>
<td></td>
<td>• tourists/visitors;</td>
</tr>
<tr>
<td></td>
<td>• businesses;</td>
</tr>
<tr>
<td></td>
<td>• the local economy; and</td>
</tr>
<tr>
<td></td>
<td>• third sector organisations.</td>
</tr>
<tr>
<td></td>
<td>6. Has the local authority benchmarked the likely impact of increasing or introducing charges?</td>
</tr>
<tr>
<td>Key considerations</td>
<td>Key questions needing to be answered</td>
</tr>
<tr>
<td>---------------------</td>
<td>--------------------------------------</td>
</tr>
</tbody>
</table>
| **Who uses our services?** | 1  Will the decision result in an increase in usage?  
2  Will the decision result in a fall in the numbers using services?  
3  Will the decision have a positive impact on service user’s behaviour?  
4  Will the decision deter usage (penalty)?  
5  Will the decision result in the service improving with;  
   • reduced or increased demand?  
   • positive behaviour change?  
   • improvement in quality?  
   • quicker response to service users?  
   • more potential users?  
   • provision in a wider geographical area?  |
| **What is the cost of implementing the charge?** | 1  Is there sufficient capacity and/or resources to implement the fee or charge?  
2  Does the authority have the ability (technology, systems, human and financial resources) to implement and manage charges in areas not previously charged for?  
3  Does the cost of implementing collection systems outweigh the potential income that will be raised?  
4  Does the local authority know how much it currently costs to deliver the service in full?  
5  Does the local authority know how much it currently subsidises the service by?  
6  Is the authority seeking full-cost recovery?  
7  Does the authority know what the current demand for the service is and the potential to increases usage?  
8  Has the authority clearly set out its expected standards and outcomes of services?  |
| **Do we have the necessary arrangements to review activity?** | 1  Can we collect the information we need to review activity?  
2  Has the local authority agreed an appropriate timescale (at least annually) to review its decision to introduce or increase a fee or charge and is this happening?  
3  Has the authority agreed an appropriate range of measures to be able to understand the impact of setting, introducing or increasing charges?  
4  Can we benchmark performance with other organisations?  |
Appendix 3 – Local Authority Trading Companies: key issues to consider

Local authority trading companies (LATCs) are wholly owned by local authorities; usually they are owned by one authority who is the sole shareholder. When setting up a company, consideration is important for the following:

• Obtain the right professional advice
• Company registration
• Trading
• People and pensions
• Governance
• Finance and taxation
• Transfer of assets and support services costs
• Performance management and contracting

A robust business case and the business plan are essential to developing a successful commercial entity. It is vital to ensure that the business plan is robust – including the assessment of market demand for the services, pricing, the investment requirement, the cash-flow forecast and the governance arrangements. Ideally the business case would warrant independent review and expert advice particularly on the legal and tax implications. But it is also necessary to pay close attention to the assumptions being made about future performance and consider what the outcome would be if, for example, there was an economic downturn. It is also important that local government is clear about the levels of subsidy and service before transfer as it is difficult to make these changes afterwards.

Authorities need to establish reporting, accountability and control mechanisms at the start of any new commercial vehicle so they are aware of the risk profile of each delivery model, and the actions being taken to mitigate the risks. Members need to have a good understanding of the risks associated with group companies or accountable body status, especially as commercial vehicles do not come without risk and can often be a hard concept to overcome.

Key to success is putting the right leadership in place and creating the right culture in how the new service will operate. Underpinning the new arrangements will be the need to ensure adequate consideration of reward, a clearer focus on the needs of customers and a clear vision for the future. Once a company has been set up, it will be critical for local government bodies to commission and manage contracts efficiently if they are to realise the benefits fully, and the overview and scrutiny focus must be maintained through the lifetime of a contract.
While many companies are technically limited by guarantee, it is rarely in an authority’s interest to simply allow these companies to fail. Failure would certainly endanger service provision in the short term and, therefore potentially, the discharge of statutory responsibilities, and it is unlikely that an alternative means of delivering the service would be immediately available in most cases. In reality, authorities are underwriting the financial risk (formally or informally), with the burden of failure falling ultimately on local tax payers.

The most common outcome in these cases, is that the service provision including staff and assets, are brought back under the direct control of the authority when it becomes apparent that the business plan is starting to fail. The additional cost of bringing service back in-house could be significant. Similarly there are often reputational and political consequences to the failure of a commercial entity, but again these need not be as destructive as might be imagined which highlights the need for effective risk management for local authorities considering this way forward.

There is also an implied loss of control over the development of these commercial organisations, to a greater or lesser degree depending on the type of entity. The loss of control is around the operational running of the company and therefore service; the authority does however retain control as the sole shareholder of the company through the governance structure.

Generally the more commercial freedom an entity has to grow the business, the less control the authority is able to exercise over the form growth takes. The consequences of less control could affect the authority in a number of ways – from a rising cost of services over time diminishing the initial benefit to consequences for local employment, or exposure to a level of reputational risk that the authority may not be comfortable with, which emphasises the importance of selecting the right vehicle for the new body.

When considering commercial income generating opportunities in particular, authorities must have a clear understanding of the market in which they are to compete, and the comparative advantage they have that would enable them to compete with other commercial bodies. Not all local authorities can establish companies with the same ambitions for cross border selling and growth into neighbouring markets, and close attention must be paid to what alternative options potential buyers of the service would have. Where new companies are established, they also need to overcome the hurdles of staff consultations and terms and conditions, and the identification of hidden costs such as contributions to authority overheads.

In setting up local authority trading companies to generate income from commercial activity, authorities need to specifically consider the following:
## Key Stages

<table>
<thead>
<tr>
<th>Key Stages</th>
<th>Issues to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting point</strong></td>
<td><strong>Asset management</strong></td>
</tr>
<tr>
<td></td>
<td>Do you know what land and property you own?</td>
</tr>
<tr>
<td></td>
<td>Does your authority have a Property Investment strategy or an Asset Investment strategy?</td>
</tr>
<tr>
<td></td>
<td>Buildings and land are the biggest asset an authority owns. These can be key to any income generation plans, whether they by one-off sales of unwanted or unneeded assets, or development opportunities. Having a clear inventory of all your physical assets is the best starting point.</td>
</tr>
<tr>
<td><strong>Make the most of what you’ve already got</strong></td>
<td>It makes sense to utilise your own assets rather than having to purchase land or buildings to develop schemes. Using your own assets reduces cost and can speed up the development and implementation of schemes.</td>
</tr>
<tr>
<td></td>
<td>This may include an analysis of how best to invest cash reserves. Whilst they act as a safety net for authorities, they can provide investment opportunities, supporting commercial schemes.</td>
</tr>
<tr>
<td><strong>Strategic position and resources</strong></td>
<td><strong>Produce a strategic plan for commercial work</strong></td>
</tr>
<tr>
<td></td>
<td>Plans for developing income generation opportunities need to be covered by a corporate-wide strategy. They need to be linked to the overall financial plans of the authority and have clear direction and objectives. This can be done within the framework of a Medium Term Financial Plan, or within a stand-alone document.</td>
</tr>
<tr>
<td><strong>Align work to the Wellbeing of Future Generations Act</strong></td>
<td>Wellbeing Plans provide the ideal opportunity for authorities to align the development of commercial schemes to corporate strategies. Within the Act, the sustainable development principles include long term planning, integration and collaboration, all of which are key components for developing commercial schemes. Many schemes will require support and collaboration with external partners, some of whom may already be members of your Public Service Board.</td>
</tr>
<tr>
<td>Key Stages</td>
<td>Issues to consider</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------</td>
</tr>
</tbody>
</table>
| **Strategic position and resources (cont.)** | **Internal skills, knowledge and resources**  
Whist authorities are likely to already have procurement and legal teams and staff experienced in project management, the experience from authorities that manage commercial schemes is that to work successfully requires a full time appointment to the role and specialist knowledge.  
The full process requires experienced project management skills, starting with writing the business case, tendering for contractual work and then the development and ongoing management of the scheme.  
Some schemes may involve work for which the authority has now previous experience, or may be of a complexity or size that is beyond their capacity to manage.  
If authorities want to maximise their potential income from commercial schemes, they have to invest in new staff (or teams of staff) or up skill existing staff and release them from their previous responsibilities, to create the knowledge and resource required to manage commercial schemes. |
| **Mindset of organisation** | **Risk management** is an important part of the design and management of local authority services. It equally applies to the development of commercial schemes. And whilst risk can never be completely eliminated from a scheme it can be mitigated and reduced to an acceptable level by good planning.  
When developing commercial schemes, one of the most important factors is the mindset of the authority. Looking at the experience of authorities that have developed commercial schemes, a vital component of successful schemes has been the support of members and senior officers from the very beginning.  
Committing what can be large amounts of money, whether from reserves or in the form of loans, for schemes that will not realise a profit for many years, will be anathema to many. Gaining the support of those people needs to be one of the first aims for officers designing commercial schemes. |
| **Long term** | Many commercial schemes are long term, and do not provide a surplus for many years. Committing to such schemes, and tying up large amounts of cash in up front, capital costs in the current financial climate, can be a difficult position to accept. Authorities have to accept the upfront costs, and be able to explain their decision to invest in non-core authority activity to the public and others emphasising the long term benefits.  
Members also need to understand that they will be agreeing to schemes that will only turn a profit after they are no longer around to take the plaudits for their decisions; a difficult concept for some Members to accept.  
Additionally, authorities may find themselves operating in new areas when developing commercial schemes. They have to realise that, as new players, it can take some time to build a reputation with private sector organisations |
Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15

<table>
<thead>
<tr>
<th>Area financial data analysed – 2008-09</th>
<th>Gross expenditure</th>
<th>Income</th>
<th>Net cost of the service</th>
<th>Income as a proportion of expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home to school transport – Primary Schools</td>
<td>£24,653,300</td>
<td>£191,770</td>
<td>£24,461,530</td>
<td>0.7%</td>
</tr>
<tr>
<td>Home to school transport – Secondary Schools</td>
<td>£55,485,400</td>
<td>£537,593</td>
<td>£54,947,807</td>
<td>1.0%</td>
</tr>
<tr>
<td>Home to school transport – Special Schools</td>
<td>£27,492,900</td>
<td>£187,250</td>
<td>£27,305,650</td>
<td>0.7%</td>
</tr>
<tr>
<td>Home to college transport</td>
<td>£10,492,100</td>
<td>£986,912</td>
<td>£9,505,188</td>
<td>9.4%</td>
</tr>
<tr>
<td>Adult Education</td>
<td>£30,727,800</td>
<td>£5,683,642</td>
<td>£25,044,158</td>
<td>18.5%</td>
</tr>
<tr>
<td>Total school</td>
<td>£2,797,900,700</td>
<td>£80,966,263</td>
<td>£2,716,934,437</td>
<td>2.9%</td>
</tr>
<tr>
<td>Parking of vehicles</td>
<td>£21,462,200</td>
<td>£26,369,645</td>
<td>-£4,907,445</td>
<td>122.8%</td>
</tr>
<tr>
<td>Concessionary Fares</td>
<td>£66,142,700</td>
<td>£323,660</td>
<td>£65,819,040</td>
<td>0.5%</td>
</tr>
<tr>
<td>Airports, harbours and toll facilities</td>
<td>£17,780,000</td>
<td>£4,744,321</td>
<td>£13,035,679</td>
<td>26.7%</td>
</tr>
<tr>
<td>Adult Social Care, Meals</td>
<td>£11,502,200</td>
<td>£3,928,236</td>
<td>£7,573,964</td>
<td>34.1%</td>
</tr>
<tr>
<td>Cultural and related services</td>
<td>£491,923,000</td>
<td>£100,858,376</td>
<td>£391,064,624</td>
<td>20.5%</td>
</tr>
<tr>
<td>Cemetery, cremation and mortuary services</td>
<td>£22,419,000</td>
<td>£12,727,421</td>
<td>£9,691,579</td>
<td>56.7%</td>
</tr>
<tr>
<td>Environmental Health food safety</td>
<td>£10,727,200</td>
<td>£405,621</td>
<td>£10,321,579</td>
<td>3.8%</td>
</tr>
<tr>
<td>Waste Services</td>
<td>£275,310,100</td>
<td>£42,285,428</td>
<td>£233,024,672</td>
<td>15.4%</td>
</tr>
<tr>
<td>Building Control</td>
<td>£13,019,900</td>
<td>£7,821,587</td>
<td>£5,198,313</td>
<td>60.0%</td>
</tr>
<tr>
<td>Development Control services</td>
<td>£31,428,100</td>
<td>£13,747,920</td>
<td>£17,680,180</td>
<td>43.7%</td>
</tr>
<tr>
<td>Local Land Charges</td>
<td>£2,810,100</td>
<td>£2,718,867</td>
<td>£91,233</td>
<td>96.7%</td>
</tr>
<tr>
<td>Births, marriages and deaths</td>
<td>£6,639,400</td>
<td>£3,289,641</td>
<td>£3,349,759</td>
<td>49.5%</td>
</tr>
</tbody>
</table>
### Area financial data analysed – 2014-15

<table>
<thead>
<tr>
<th>Area</th>
<th>Gross expenditure</th>
<th>Income</th>
<th>Net cost of the service</th>
<th>Income as a proportion of expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home to school transport – Primary Schools</td>
<td>£26,649,700</td>
<td>£406,000</td>
<td>£26,243,700</td>
<td>1.5%</td>
</tr>
<tr>
<td>Home to school transport – Secondary Schools</td>
<td>£58,900,500</td>
<td>£1,005,000</td>
<td>£57,895,500</td>
<td>1.7%</td>
</tr>
<tr>
<td>Home to school transport – Special Schools</td>
<td>£30,654,500</td>
<td>£1,171,079</td>
<td>£29,483,421</td>
<td>3.8%</td>
</tr>
<tr>
<td>Home to college transport</td>
<td>£10,907,700</td>
<td>£1,551,193</td>
<td>£9,356,507</td>
<td>14.2%</td>
</tr>
<tr>
<td>Adult Education</td>
<td>£34,504,000</td>
<td>£7,324,377</td>
<td>£27,179,623</td>
<td>21.2%</td>
</tr>
<tr>
<td>Total school</td>
<td>£2,753,187,000</td>
<td>£121,584,210</td>
<td>£2,631,602,790</td>
<td>4.4%</td>
</tr>
<tr>
<td>Parking of vehicles</td>
<td>£21,815,800</td>
<td>£33,278,462</td>
<td>-£11,462,662</td>
<td>152.0%</td>
</tr>
<tr>
<td>Concessionary Fares</td>
<td>£70,721,000</td>
<td>£228,741</td>
<td>£70,492,259</td>
<td>0.3%</td>
</tr>
<tr>
<td>Airports, harbours and toll facilities</td>
<td>£10,472,400</td>
<td>£5,397,824</td>
<td>£5,074,576</td>
<td>51.5%</td>
</tr>
<tr>
<td>Adult Social Care, Meals</td>
<td>£7,728,900</td>
<td>£3,353,717</td>
<td>£4,375,183</td>
<td>43.4%</td>
</tr>
<tr>
<td>Cultural and related services</td>
<td>£367,682,200</td>
<td>£104,872,510</td>
<td>£262,809,690</td>
<td>28.5%</td>
</tr>
<tr>
<td>Cemetery, cremation and mortuary services</td>
<td>£17,060,500</td>
<td>£16,060,636</td>
<td>£999,864</td>
<td>94.1%</td>
</tr>
<tr>
<td>Environmental Health food safety</td>
<td>£12,560,300</td>
<td>£415,108</td>
<td>£12,145,192</td>
<td>3.3%</td>
</tr>
<tr>
<td>Waste Services</td>
<td>£287,056,500</td>
<td>£37,871,039</td>
<td>£249,185,461</td>
<td>13.2%</td>
</tr>
<tr>
<td>Building Control</td>
<td>£10,604,800</td>
<td>£7,046,580</td>
<td>£3,558,220</td>
<td>66.4%</td>
</tr>
<tr>
<td>Development Control services</td>
<td>£27,517,900</td>
<td>£16,016,265</td>
<td>£11,501,635</td>
<td>58.2%</td>
</tr>
<tr>
<td>Local Land Charges</td>
<td>£3,033,500</td>
<td>£3,247,332</td>
<td>-£213,832</td>
<td>107.0%</td>
</tr>
<tr>
<td>Births, marriages and deaths</td>
<td>£6,987,900</td>
<td>£4,907,654</td>
<td>£2,080,246</td>
<td>70.2%</td>
</tr>
</tbody>
</table>
