



Local Government Association

using the new powers to trade and charge: local authority case studies



introduction

The Local Government Act 2003 gave certain local authorities in England the power to trade in any of their ordinary functions and charge for discretionary services. The LGA played a central role in lobbying for this change in legislation which is one of a number of increased freedoms and flexibilities given to local government in recent years.

There are a number of other developments and emerging proposals which provide opportunities for local authorities to investigate innovative ways in which services can be delivered to local communities. These include:

- the introduction of Community Interest Companies (Audit Investigation and Community Enterprise) Act 2004;
- the proposed Charitable Incorporated Organisations in the Charities Bill and other developments on the role of the voluntary and community sector in service delivery;
- the National Local Government Procurement Strategy; and
- prudential borrowing.

The new powers provide opportunities for local authorities to improve services by providing an element of competition and an incentive to provide services where costs might otherwise be too high.

Local authorities can benefit from using the new powers in the following ways. By:

1. helping to deliver better outcomes for communities;
2. improving the reputation of local authorities as they will be seen as innovative in providing new services;
3. encouraging innovative delivery of services in order to get added value; and
4. providing a way of making efficiency gains.

power to trade

The power to trade gives wider powers to enable local authorities to trade with private bodies and persons in a commercial manner. The power will only be available to councils achieving an 'excellent', 'good' and 'fair' CPA result. Powers will only be exercisable through a company structure, which is intended to ensure a level playing field with the private sector.

Trading may provide the opportunity for local authorities to extend and improve the range of services they provide. It might also increase competition in the market by increasing supply, with the aim of raising the quality of services and improving choice.

power to charge

The power to charge provides all Best Value authorities in England and Wales with a general power to charge for discretionary services. It will encourage authorities to enhance their existing services and to develop new ones, in particular in relation to their well being that will help to improve the overall service they provide to their community.

Local authorities can use the new power to provide services that would otherwise have been too costly to continue providing or to provide new services. However as only costs can be covered by the charge, local authorities can not make a profit from charging.

to trade or charge?

Deciding whether to use the new power to trade is therefore ultimately based on whether the additional income generated from trading through a company structure outweighs the costs of governance, financial risk, control and tax issues.

Trading may result in high gains but at the expense of high risks. Areas that are likely to be considered for trading should be where the

council has a competitive advantage and may have a reputation for excellence within the area already. It could also, as in the case of Norfolk, have already set up a company under previous laws and be extending the ways the company can operate by using the new power to trade.

background to the study

In November 2004 the LGA carried out a comprehensive survey of local authorities called 'Loosening the reins: a survey of local authority approaches to prudential borrowing, charging and trading', which included questions on how eligible authorities were using the powers. Of the responding authorities, 75 per cent were eligible to use the new power to trade. When research was undertaken in September 2004 the powers had only been available to local authorities for two months. Two per cent were already using them, and 18 per cent had plans to use them. 80 per cent had no current plans to use them, although a number noted that this was under review.

In addition, 64 per cent of authorities stated that they were using or planning to use the power to trade to raise revenue, whilst 47 per cent stated that they were going to use the power to achieve the objectives of the authority's local strategic plans and 31 per cent to achieve the objectives of the local community strategy.

In terms of charging, 77 per cent of local authorities were not yet using the new power to charge and had no plans to. Three per cent were already using the power and a number planned to start charging in the future.

Ten months on, this publication highlights specific, practical examples of how the new powers, both to trade and charge, are being

used by local authorities. It also provides an overview of the barriers local authorities have encountered when seeking to use the new powers as well as good practice examples. It is a useful starting point for local authorities keen to find out more about where to start with the new powers. It will also give extra guidance to those who are about to start trading or charging with the new powers.

methodology

In August 2005 a questionnaire was sent by email to all local authorities who had participated in the 'loosening the reins' survey in 2004. It was also sent to all local authority treasurers. The majority of responses were received via email. Some responses were followed up with telephone interviews to expand on the information in the case studies

summary of findings

In total 12 case studies are presented here with additional information on two other councils who are planning to use the powers soon. Nine case studies are from local authorities who are using the new power to charge. Two are from local authorities using the power to trade and one is planning to use the new power to trade, pending the completion of an internal restructure.

Type of authority	Case studies total (14) %	Case studies trading (3) %	Case studies charging (9) %
County council	21	66	11
District council	30	-	33
London borough	21	-	33
Metropolitan council	7	-	-
Unitary authority	21	33	22

The largest response came from local authorities who were not making use of the powers and had no plans to. Within this category some gave reasons for this decision, which are summarised in the final section of this report.

The most frequently cited use of the power to charge is in pre-planning application advice where differentiated pricing structures have been implemented and different approaches taken to a similar issue. In most cases the power has been used to make savings and create income generating mechanisms.

In the case of trading, a common feature is that local authorities who are associated with companies is that that they had already established companies under previous legislation and are now making use of the new powers to expand their business. Alternatively, those involved in setting up the company have substantial experience of working in the private sector and a business environment.

check list of successful trading or charging

Local authorities that are planning to make use of the new powers to trade or charge need to make sure that it is the right path to take. Below is a check list of steps to go through and issues to consider when thinking of trading or charging.

A. Check list for members

1. Initial consultation with members, including taking proposals through the scrutiny process.
2. Business case to be approved (if planning to trade).
3. Business plan to be approved (if planning to trade).

B. Check list for corporate policy managers

1. Select ideas for testing: carry out some blue sky thinking within the authority and don't rule anything out [with group C and D].
2. Carry out Initial consultation with departments and members, including taking proposals through the scrutiny process.
3. Narrow down the list of suggestions - criteria to use includes likely investment costs, potential income, lead-in time, departmental capacity, likely risks association with trading/charging [with group C].
4. Make clear links with key strategies.
5. Write a clear business case and business plan to be approved by members (if planning to trade) [with groups C and D].

C. Check list for finance managers

1. Select ideas for testing: carry out some blue sky thinking within the authority and don't rule anything out [with group B and D].
2. Decide whether to trade or charge: carry out a cost benefit analysis.
3. Narrow down the list of suggestions - criteria to

use includes likely investment costs, potential income, lead-in time, departmental capacity, likely risks association with trading/charging [with group B].

4. Set a list of criteria for deciding what would be a good service to trade or charge in: are there any gaps in the market that could be taken advantage of?
5. Write a clear business case and business plan to be approved by members (if planning to trade) [with groups B and D].
6. Undertake a market analysis.
7. Ensure financial and other management systems are in place.
8. Address income collection and spending issues.
9. Monitor, review and re-calculate the new charging or trading model.

D. Check list for service managers

1. Select ideas for testing: carry out some blue sky thinking within the authority and don't rule anything out [with group B and C].
2. Initial consultation with departments.
3. Test the proposals. Interested or relevant departments getting internal approval is vital.
4. Write a clear business case and business plan to be approved by members (if planning to trade) [with groups B and C].
5. Ensure financial and other management systems are in place.
6. Address income collection and spending issues.
7. Consult with (likely) service users.
8. Roll-out of chosen charging model.
9. Monitor, review and re-calculate the new charging or trading model.

case studies: using the new powers to trade

Kent Top Temps Ltd

During 2003, before the new powers were introduced, Commercial Services (part of Kent County Council) formed as part of its operations an agency to provide temporary clerical and administration staff, primarily to KCC. This activity was transferred in April 2005 into a company that was set up under the new powers called Kent Top Temps Ltd., which in itself is a subsidiary of a holding company created at the same time. With this transfer it has now extended its activity to cover temporary care workers and other groups of key staff required in front-line service areas, both in the public sector and associated private organisations.

It took Kent around 6 months to set up the new company in all respects. Members were supportive and enthusiastic to the company concept, which helped to set the process in motion. This included the political decision approval through to the legal process of setting up the companies. The administrative and operational aspects involved with the set up were scoped and determined by a senior officer group. Then individual responsibility was undertaken from within this group (and with the help of others) for handling the workload relating to such matters as staff transfers and employment policy, banking arrangements, insurance, accommodation, the setting up of separate computer systems and the accounting/reporting processes.

Kent Top Temps Ltd has benefited from being able to trade more widely, including with the private sector. They have been able to reduce some costs through negotiating their own terms and by revising and setting up new working practices in order to sustain their market-place competitiveness. The company formation has allowed a distinct identity and image to be created for the business, (separate to a considerable degree from that of the local authority) with the aim of building a 'brand' image and reputation. But these companies will still need to be included within the group accounts reporting requirement as applicable

to local authorities with full effect for 2005/06 onwards.

Although Kent did not encounter any real problems with setting up the company, the amount of planning and mundane administrative work involved should not be under-estimated. Arranging new stationery, setting up bank accounts and signatories, establishing separate payroll, pension and insurance arrangements, TUPE staff transfers and many other aspects which only surfaced once the process was initiated often take disproportionate amounts of time. Revising of all documentation relating to staff, health and safety and operating procedures has to be carefully considered and drafted. They advise other local authorities to consider all of the up-front taxation implications for VAT, PAYE and Corporation Tax because new registrations will apply to the company quite separate from the local authority. Establishing an appropriate arm's length relationship in dealings and funding between the two bodies is considered essential. The appointment of the right people to act as directors and particularly the company secretary is very important. They must fully understand their own personal responsibilities and liabilities in these positions, plus the obligations on them in properly running a company under the relevant Companies Act legislation and within the taxation regime as applied by HM Revenue and Customs. It may be that any such lack of personal knowledge or previous experience will need to be remedied by accessing advice and information from relevant professional sources.

contact: John McCoy, Head of Finance
tel. 01622 605413
email. john.mccoy@kent.gov.uk

Norfolk Property Services (NPS) and Norfolk Property Consultants (NCS) Ltd

NPS was formed in 1992/3 in response to the compulsory competitive tendering legislation. In the late 1990s, NPS formed strategic partnerships with a number of neighbouring

district councils, which involved the transfer of staff to NPS and the company delivering a more cost-effective property service with continuous improvement targets included in the agreement. At the time NPS also won a number of significant contracts through competition which enabled them to increase their geographical coverage and expand the range of services NPS was able to offer.

The subsequent development of the organisation led to the decision to respond to the government's trading requirements by becoming a limited company wholly owned by Norfolk County Council. NPS had a turnover of just under £10 million prior to becoming a limited company and over the last three years has grown to £30 million. Norfolk has made use of the new powers to trade as they now allow them to trade with private sector companies, which they could not do before.

NCS originally started in 1988 under the Goods and Services Act and progressed through powers of wellbeing in the 2000 Act and became a limited company in 2004 under the Local Government Act 2003. The services provided stretch beyond the county into Suffolk, Cambridgeshire and Lincolnshire. NCS employs 4500 workers and has a turnover of £70,000,000 with 110 per cent growth over 5 years.

The companies provide revenue to the council and report to a Board on which the county has a cabinet member and a chief officer. A main advantage of trading as a company has been the increased transparency that accompanies this as private companies can no longer accuse the council of subsidising the companies as they must operate under the laws set for all companies.

In addition to the operations of the main company partnerships have also been set up in the last year with Wigan council and Wakefield MBC. The partnership with Wakefield is for the Wakefield Design Service and covers £41 million of construction related work each year. All staff have been transferred to the new company, NPS North East Ltd, a subsidiary of

NPS Property Consultants.

Norfolk advise that setting up a company is a complex process and when the company was first formed conditions both in the market place and for local authorities were very different to the present time. Thinking and operating as a private sector company can take time and so forming a successful company, such as NPS and NCS requires dedication and an understanding of the market place in which you wish to operate.

contact: Bob Summers, Director of Finance
tel. 01603 222400
email. bob.summers@norfolk.gov.uk

case studies: using the new powers to charge

Brighton and Hove - grounds maintenance services

In 2004/05 Brighton and Hove city council started to charge residents for grounds maintenance services in order to generate income.

The decision to use the new powers to charge coincided with the grounds maintenance service coming back in house from Ecovert. Before Brighton and Hove became a unitary authority in 1997 this service was provided by the then borough council. A local charitable trust approached the council to complete the works, which occurred before Compulsory Competitive Tendering. When the service was outsourced the contracts were also transferred.

This is currently a very limited service, and council officers will make further decisions regarding the decision to open up this service to private landowners or to expand the use of charging into other service areas.

contact: Andrew Simpson, Technical Accountant
tel. 01273 291246
email. andrew.simpson@brighton-hove.gov.uk

Buckinghamshire County Council - setting a charging framework

In 2004 the cabinet agreed a new charging policy which made explicit instructions on what could or could not be charged for and what subsidy levels would be tolerated. All services where a charge can be made will be made at full cost recovery and members then decide where services can be subsidised and at what level. By doing this the council has been able to significantly re-direct resources across the authority.

The greatest obstacle to implementing this policy was making sure that service heads implemented cost increases which has been agreed as part of the budgeting exercise. Understandably service heads sometimes find it difficult to

implement increased costs in services such as mobile meals and the difficulties this causes with service users can be time consuming and conflicting with other service objectives.

contact: Tracie Evans, Head of Finance
tel. 01296 363120
email. tevens@buckscc.gov.uk

Dacorum - providing payroll to the voluntary sector

Dacorum borough council started to charge voluntary sector organisations for the provision of payroll services this financial year in order to raise income.

The council provides payroll services to 23 external bodies.

However, five of these bodies (the Dacorum Sports Trust and four Parish and Town Councils) are in fact 'public bodies' for the purposes of the Local Authorities (Goods and Services) Act 1970. Therefore, the council provides payroll services to these five bodies under agreements entered into in pursuance of the council's powers under the 1970 Act, as opposed to the new charging powers in the Local Government Act 2003.

The remaining 17 bodies consist of various local organisations such as community and neighborhood associations, the Dacorum Voluntary Bureau, Mediation Dacorum, elderly day centres, youth clubs and after school clubs.

The council was already providing payroll services to most of these bodies before the new charging powers were introduced but did not charge for them.

Once the charging powers became available to the council it decided to introduce charges from 1 April this year in order to recover the cost to the council of providing the services. The decision to charge was at the instigation of the council although it did consult with the bodies first to give them the option of staying with the council or procuring the service elsewhere.

It did not take long to set up the services as they were already being provided, albeit for free. However, a standard agreement was drawn up by the Legal Section which each body had to sign up to.

The only problem encountered was that, initially at least, some of the council's members were not happy about some of the bodies mentioned being charged for the service - some members felt that the council should continue providing the service for free.

The council is not actively seeking to expand the service but will take on new customers if approached and there is the capacity to take on the work.

contact: Steve Baker, Head of Legal and Democratic Services
tel. 01442 228229
email. steve.baker@dacorum.gov.uk

Hammersmith and Fulham - pre-application planning advice and graffiti removal

Hammersmith and Fulham are charging in two areas. The largest scheme is for pre-application planning advice. They make a charge for major and medium-sized applicants. Advice is still provided free of charge to residents and commercial developers of smaller schemes wishing to make applications.

The first pre-application meeting with council staff is charged at a fixed rate of £650 to medium applicants and £1300 to major applicants, with time being charged at hourly rates to applicants after this. The council expects to raise about £50,000 in the first year of the scheme.

In addition the council is using the new powers to extend its graffiti removal service to private residential property owners. When the council is notified of a particular property a letter and leaflet is sent to the occupier advising them of the council's service, which they can then choose to use at their discretion.

Members sitting on the leadership and scrutiny panel were involved in drawing up a long list of services that could in theory be charged for or traded. Likewise, the Cabinet Member for Environment and Contract Services was consulted at all stages through the development of the pre-application advice charging scheme. Members and officers at all levels can also play a key role in championing the use of the powers.

Hammersmith and Fulham advise others that it takes a long time to set up a company and implement successful change. It is vital that staff, department heads and service users agree to the proposals and that it is viable to implement them at the front line.

The guidance for those seeking pre-application planning advice can be accessed at:
http://www.lbhf.gov.uk/council_services/environment_new/pages/planning/docs/preapp_guidance.pdf

And a request form for pre-application planning advice is available at:
http://www.lbhf.gov.uk/council_services/environment_new/pages/planning/docs/preapp_form.pdf

contact: Tom Conniffe, Principal Policy Officer
tel. 020 8753 2195
email. tom.conniffe@lbhf.gov.uk

Newham - civil partnerships ceremonies

Newham started to use the new powers to charge in 2005. They are using them in connection with the new civil partnerships legislation. They are providing ceremonies for same sex partnerships and providing additional discretionary facilities in connection with citizenship applications. Newham have made themselves aware of new legislation and have used foresight to plan how they can make the most of civil partnerships legislation to gain financially. The Mayor has been involved in this process by agreeing the report in July 2005.

By using the power to charge they have been able to cover the shortfall in resources in other

areas of the services involved and thereby maintains provision of the facilities involved.

contact: Dave Baldock, Financial Adviser
tel. 020 8430 2944
email. dave.baldock@newham.gov.uk

Purbeck - pre-planning application advice

Purbeck district council set up a charging system in 2004/05 for pre-planning applications advice which is charged on a half hourly basis. Residents are not charged for advice and are excluded from the charge.

Through using the new powers they have raised additional income. The charge has ensured that only those who genuinely require pre-planning application meetings ask for them which has freed up time for planning officers who were previously involved in meetings with applicants. This has given officers more time to process applications and therefore provide a better overall service and achieve performance targets.

Members played a role in agreeing to the new scheme and were also keen to prevent agents from utilising the authority's professional advice for free whilst charging clients for the work.

contact: Sue Joyce, Head of Financial Services
tel. 01929 557321
email. suejoyce@purbeck-dc.gov.uk

Southampton - archaeological services

Earlier in 2005 Southampton city council started to charge and provide archaeological services to a developer. This was a service which was previously not provided but demand from the developer has created a niche market for the council to operate in. It has also helped the council financially.

Southampton are now in the process of carrying out a Best Value Review on charging

and trading across the whole authority. From this a large list of possible services to charge for has been devised. A number of these are taken from previous proposals but now with the ability to charge, they may be able to implement these plans.

A three year plan will then be set in motion to take forward the agreed proposals. Within this influencing and reviewing change culture in the council is key to successful implementation. Officer and member support within the areas that will be imposing the charge are essential for its success. The budget process illustrates the way change is being introduced. Officers in reviewing their budgets and offering savings must offer at least 50 per cent of their target savings as efficiency options, 25 per cent as additional income options, such as charging, and no more than 25 per cent as service cuts.

Southampton realises that there are too many other things on peoples' agendas but for charging to succeed it needs to have everyone's buy-in, not just the corporate team and the lawyers. Ultimately this will mean that they will be able to do things that they otherwise would not have been able to do whilst also saving services for being cut. They advise that to successfully change you need to think outside the box and not be afraid to think up new ideas.

contact: Mark Heath, Solicitor to the Council
tel. 023 8083 2371
email. mark.heath@southampton.gov.uk

Taunton Deane - pre-planning application advice

During the budget setting process for 2005/06 it was suggested that the council could make use of the power to charge. This was introduced in April 2005 and has enabled the council to raise more revenues to cover the cost of the service. It has also started the change in culture needed to embrace the new power to trade. As such, this forms a small stepping stone towards other uses of the new powers.

A pricing structure has been put in place which charges residents and businesses. It charges based on meeting lengths and the type of enquiries:

- A meeting which lasts less than half an hour: £30 per officer.
- A meeting which lasts more than half an hour: £50 per officer.
- Written responses to minor applications: £50.
- Written responses to major applications: £100.
- There is no charge for advice on listed buildings.

Some local planning consultants objected to the principle of charging for pre-planning advice and some have bypassed the advice stage of their application. Introducing the charging system has not had a detrimental effect on the service overall as residents and businesses alike have continued to seek pre-application advice.

Members defined how the powers could be used in relation to the services provided by the council and also approved the proposals to use them for pre-planning advice.

contact: Elizabeth Watkin, Project Accountant
tel. 01823 356356
email. e.watkin@tauntondeane.gov.uk

Tim Burton, Development Control Manager
tel. 01823 356464
email. t.burton@tauntondeane.gov.uk

Wandsworth - credit card payment charges

In Autumn 2004 Wandsworth introduced a charge to customers who wished to make payments by credit card to cover the additional cost to the council compared with payments by debit card. As local authorities are not obliged to accept payment by credit cards the

service is discretionary.

Imposing this charge has improved the council's ability to collect revenues, especially at final reminder or summons stage, without incurring extra net costs.

contact: Pauline Humphries, Head of Revenue Services
tel. 020 8871 6895
email. phumphries@wandsworth.gov.uk

planning to use the powers

Local authorities who responded to say that are planning to use the new powers ranged in their responses from those who are scoping on areas to use the powers in to those that are about to start implementing a trading or charging system.

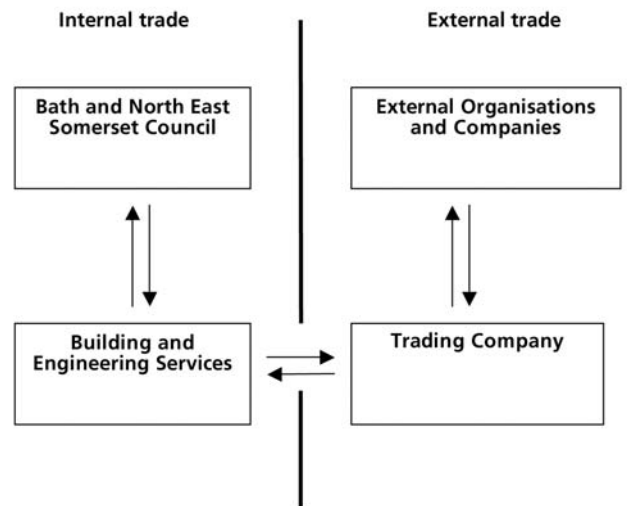
Bath and North East Somerset are hoping to make use of the trading powers. The building and engineering services department have developed a proposal which will allow the department to trade externally in the services it currently provides to internal customers. By using the new powers to trade the trading company will be able to enter into larger, financially lucrative opportunities that present themselves. Any profits generated by the company can then be used to offset savings and pressures within the authority. As a limited company, any losses would be met by the company, not the local authority.

The department has grown a great deal over the last 5 years with income rising from £350,000 to £2.5million. However, at certain times in the year the department has found that it is competing with other departments within the council for project work. This can create tensions internally and setting up the company should reduce these tensions. In addition, all the officers within building and engineering services have a private sector background and a strong understanding of what drives the private sector and how to work within this environment. Setting up a company and the change management issues that can be associated with this will therefore be minimised. The department also has a tradition of tendering for its work internally and making the transition to tendering for work as a company will therefore involve minimal disruption to current working practices.

Under the proposal, the shareholding of the trading company, will be divided between the Authority and the management and operational staff of the department. The reason for dividing the stock holding in this manner is to provide the means of providing incentives to the staff through share dividends and providing a

means of recruiting and retaining the highly skilled staff, required to make the business viable and a success.

The company which Bath and North East Somerset will be setting up does not propose to transfer existing staff to the new company. They will adopt a hybrid approach whereby any work which comes to the department to be done for the council will be carried out internally while any work for another local authority, a private company or a charity will be carried out by the private company with the existing staff / sub-contractors hired out as appropriate. The new limited company will not carry out any work for the council, this work will be carried out by the existing department therefore avoiding the potential for conflicts of interest to exist, accusations of subsidisation from the authority from private sector companies or issues regarding EU public procurement and will also avoid paying VAT and Corporation tax on existing internal trade.



The council has not made use of the powers until this time as they spent substantial time scoping the solution and investigating the costs and benefits of using the new powers. Currently the proposal is undergoing detailed internal discussion prior to development of a detailed Business Case. The main challenges are securing funding for developing the proposals further including legal costs and company set up costs.

It is intended that the board of the company will be made up of officers from the local authority with a single member decision made by the executive member authorising the trading company. It is envisaged that by having officers making up the board conflict of interest issues will be avoided.

contact: Chris Jones, Construction and Building Services Manager
tel. 01225 477241
email. chris_jones@bathnes.gov.uk

in to using the power to trade to enable it building surveyors to carry out surveys for home buyers reports (the so called Sellers Packs) when this becomes law in 2007. Forward thinking on this issue means that some officers are currently undertaking training to become approved home inspectors.

Wakefield metropolitan district council will be using the new powers to trade from April 2006. This will be as part of cleaning services. They are also considering trading in transport maintenance and repairs, landscape maintenance and sports and leisure services. They had a number of practical, technical and operational considerations to explore around establishing a company and this prevented them from making use of the powers sooner. Their use will ensure continued viability of trading services and will generate efficiency gains through operating on a more commercial basis.

Hambleton district council are planning to provide a building control service either in partnership with others or independently via a company possibly in 2006/07. Pressures of other work commitments and a lack of resources to commit to a thorough investigation and cost benefit analysis of this have prevented the council from using the powers sooner. The fact that few other authorities have made use of the powers also meant there was a lack of good practice to turn to. Hambleton had its council tax capped in 2005/06 which has had a massive impact on the council's finances. As a result the council is keen to identify income generating mechanisms. The building control service has repeatedly been making a profit and setting up a company would enable them to make use of the surplus.

The new powers let local authorities be more innovative in the services they are able to provide. **Dacorum** borough council is looking

remaining challenges

There is a lack of capacity to research in some authorities despite the intention from financial strategies to further investigate the use of the powers. There is a need to balance resources needed to deliver day to day services with time needed to be spent on developing business proposals which may not progress. However, the benefits of generating income, improving service provision and increasing the profile of the council are seen as strong pull factors to encourage local authorities to trade or charge.

issues of risk

Trading can involve a considerable level of risk, including profitability of the company and within this issues of product demand, labour costs and stock management. In addition local authorities also face the risk of being prevented from charging if their CPA rating falls below fair. This is something which their private sector counterparts in the market place do not have to contend with. Additionally, there are authorities who would like to form companies to trade but have been restricted by their CPA rating. They are therefore unable to take advantage of any efficiency savings that can be made through charging or trading.

Some authorities considered the risks to be too high, particularly when value for money from council tax is such a prominent issue at the moment, preferring to spend on tangible, visible outcomes.

Local government officers may not currently possess the skills required to identify and make the most of opportunities to trade whilst also making a profit. Developing this way of working across the organisation will take time.

limited resources

Finite resources results in the need to prioritise tasks and ultimately a lack of capacity to investigate the scope for using the new powers. Competing pressures on managers time means resources cannot be allocated

sufficient time and internal staff with the relevant expertise. Moreover the cost of external experts on business planning and scoping can also be too great during times of tight budgets.

legal considerations

The company structure which local authorities have to operate under was also considered to be particularly complex and additional resources would be required to fully understand this and how local authorities could use this effectively.

There has been a proliferation in the number of different specific charging powers which are connected to various services which local authorities may wish to charge in. An example of this is charging for local searches and enquiries connected with them. Regulations within the Local Land Charges Act and the Local Government and Housing Act both need to be considered along with the Local Government Act 2003. This can create confusion around whether a local authority is acting legally when trading or charging. To avoid this some authorities prefer to use previous legislation to charge or trade under as this meets their needs as well.

compatibility with corporate objectives

Although charging for a service may make commercial sense and can bring benefits in terms of efficiency savings and general budget savings, the proposed charge may not be compatible with the corporate priorities or in building customer relationships. Some authorities find that providing free pre-planning application advice can be a mutually beneficial process and would not want to discourage applicants from discussing plans with the council before submission. Similarly their use in some areas of social care may run counter to an underlying ethic of equality.

next steps

- The LGA have commissioned the IDeA to produce a guide for councillors on this topic: 'Enterprising councils: making the most from charging and trading'. This will be launched at the LGA 'New powers to trade' conference on 17th November 2005.
- The LGA has a members task group who meet to discuss the new powers work. In December 2005 the work of this group will be reviewed and future directions of this project will be agreed.
- Feedback received at the new powers to trade conference on areas and issues which local authorities would like to be addressed by the LGA will form the basis of the future direction for this project.
- The slow take up of the new powers indicates that there are significant reasons why local authorities are not using the new powers. The LGA will continue to work with and lobby central government to clarify the guidance on the powers and reduce the legal barriers which have prevented take up.

appendix 1: contributors to this study

The LGA would like to thank the following local authorities for their input to this publication:

4 Ps

Association of Public Service Excellence

Bath and North East Somerset council

Brighton and Hove city council

Buckinghamshire county council

Dacorum borough council

Hambleton district council

Improvement and Development Agency

Kent county council

London borough of Hammersmith and Fulham

London borough of Newham

London borough of Wandsworth

Norfolk county council

Partnerships UK

Purbeck district council

Southampton city council

Taunton Deane borough council

Wakefield metropolitan district council

appendix 2: suggestions for trading or charging collected during the course of the study

- hedge cutting and garden maintenance
- pest control
- home energy advice
- provision of social service training to independent care providers
- provision of care beyond statutory assessment levels (charge for this)
- mediation services
- arboriculture work for private gardens
- operation of pet cemeteries
- running an approved list, e.g. for car trader schemes
- Advisory services, e.g. trading standards, fire safety
- catering services
- regulation services, e.g. baby-naming, partnership ceremonies
- cleaning services
- drain investigation and clearance
- trade waste clearance
- removal of fly-tipping from private land
- graffiti and fly-posting removal
- pre-application planning and development advice
- IT training
- E-government solutions
- Cashiering services
- Caretaking services
- Key holding
- Alarm monitoring
- CCTV provision in public areas
- In-house recruitment agency
- Call handling for other councils/agencies etc
- Printing and reprographic services
- Specific services to schools
- Payroll services
- Management consultancy
- Home delivery services

For further information please contact
the Local Government Association at:
Local Government House
Smith Square, London SW1P 3HZ

or telephone LGconnect, for all your LGA queries on
020 7664 3131
Fax 020 7664 3030
Email info@lga.gov.uk

For a copy in braille, in larger print or audio tape
contact LGconnect

promoting better local government

© Local Government Association
October 2005
LGA code F/CA208
ISBN 1 84049 497 2

Published and printed by the LGA