

# The Importance of Other Revenues in the Financing of Local Government in Wales

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# Context of Charging Debate

- Williams Commission 2014 and WG Reform Programme for LG
- WG White Papers: reform proposals
- *Reforming Local Government: Power to Local People (2015)*
  - Current funding arrangement needs to change

# “Wellbeing power” S2, LGA 2000

- Still exists in Wales, not England
- LA power to do anything which they consider is likely to achieve any one or more of the following objects:
  - (a) the promotion or improvement of the economic well-being of their area,
  - (b) ..... social well-being ...
  - (c) ..... the environmental well-being....

# Current Powers to Charge

- Local Government Act 2003
  - Power to charge for discretionary services (S93).
  - Power to trade -as a “company” (S95)

# Power to charge for discretionary service (LGA 03)

- May charge a person for a service if:
  - (a) the authority is authorised, but not required, by an enactment to provide the service to him, and
  - (b) he has agreed to its provision.
- Does NOT apply where:
  - There is otherwise a power to charge, or
  - expressly prohibited from charging

# Key elements (WG Guidance)

- Income not  $>$  cost of provision.
- Must have power to provide
- Recipient agrees to provision/to pay
- Not apply where mandated / duty
- Power not override existing or future legislation that:
- Charges may be set differentially/ free
- A reserve power for WAG

# Three Strata of LG service

- Statutory services that generally require service provision without direct charge
- Services that are subject to statutory guidelines: some level of charging sanctioned.
- Services that are provided at local discretion where charging, levels of charge and concessions are generally also discretionary

# Why Charge?

- Improves efficient use of LG resources
- Presses LG to consider what the public is willing to pay, and what it supplies or procures at reasonable cost.
- Conditions responsible public consumption of services or discourages use of services.
- Can encourage behaviour change
- Sustaining services



# Managing the charging process:

- Clear policies for charges and concessions, regularly reviewed
- Councillors should take a lead role in determining and designing charges and concessions
- Not solely be a means to generate income

# More on managing charges

- Effective charging requires good quality cost information including unit costs to inform effective design and estimates of cost recovery;
- Charges will vary from council to council reflecting local circumstances, and require transparency and explanation to the public;
- Should be a component of overall council financial management

# All Wales Local Government Improvement Study

- A study by the Auditor General for Wales
- To develop a strategic approach to income generation and charging
- Looks at how councils use their powers to introduce and increase charges
- Examines how the income contributes to overall budgets
- Explores how the process of consulting with users and assessing impact on users is strategically managed.



# The Scope of the Study in Wales

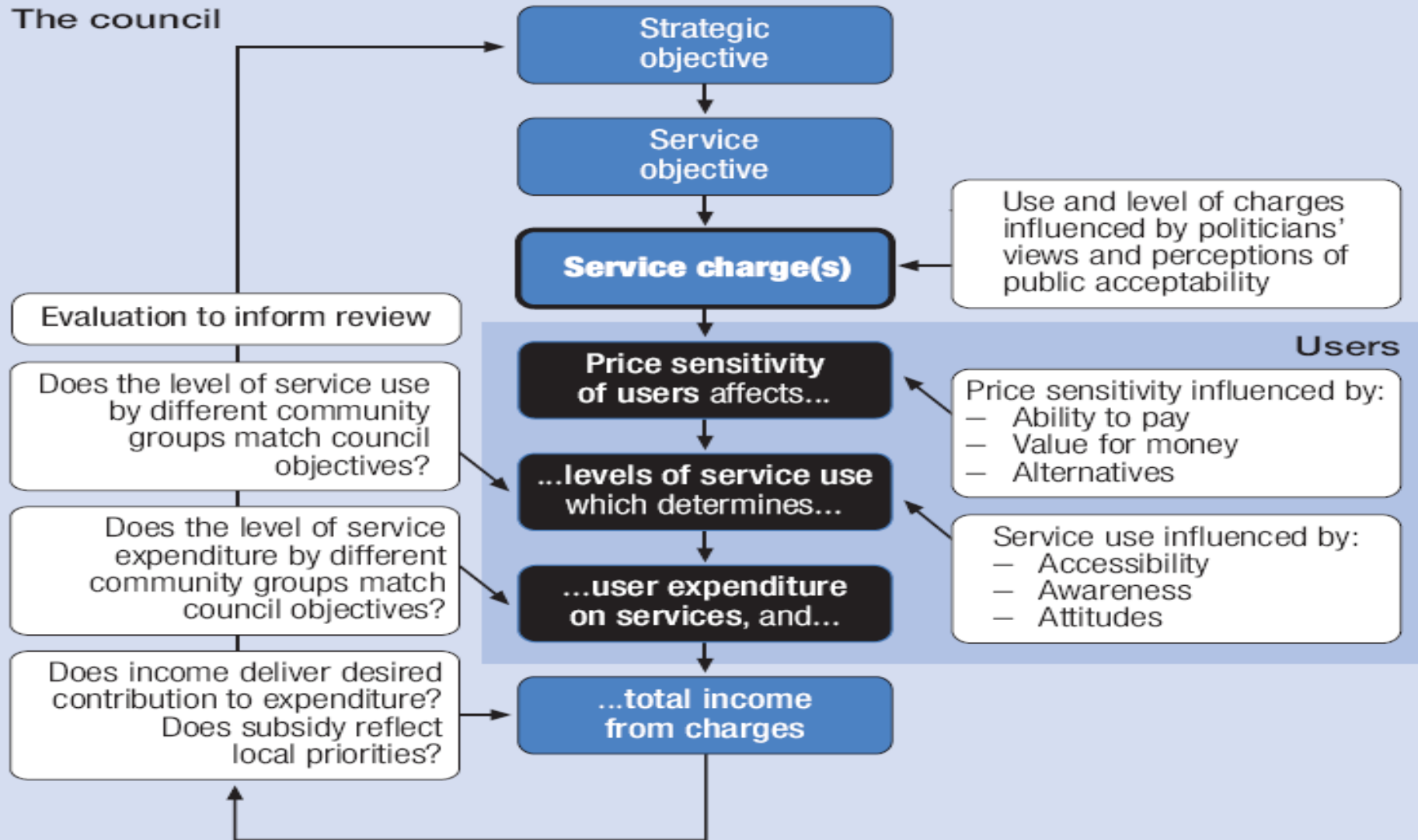
- Using the Revenue Outturn data collection forms submitted by councils to the Welsh Government, the Auditor General identified the following income sources that fall within the remit of this study:
  - RO1 – Home to school transport, Home to college transport
  - RO2 – Parking of vehicles, concessionary fares and airports, harbours and toll facilities
  - RO3 – Meals
  - RO4 – Total cultural and related services (includes leisure)
  - RO5 – Cemetery, cremation and mortuary services, Environmental health – food safety and Total Waste services
  - RO6 – Building control and development control
  - RO9 – Local land charges and registration of births and deaths

# The Scope of the Study in Wales

**The Auditor General further stated the study included, but was not limited to:**

- **nursery and early years' services;**
- **school meals;**
- **social care;**
- **transport services;**
- **environmental health;**
- **sports and leisure;**
- **arts and heritage;**
- **car parking;**
- **advertising**
- **planning;**
- **building control; and**
- **waste and trade refuse.**

# The Charging System



# The Future

- Charging for services will become a higher proportion of local authority income in Wales
- Administration will become leaner with proper measurement of costs
- Technology will become more important
- There will be more policy linked charges
- Charges will become harder to collect

