

**Owen Evans**

Dirprwy Ysgrifennydd Parhaol / Deputy Permanent Secretary

Y Grŵp Addysg a Gwasanaethau Cyhoeddus  
Education and Public Services Group



Llywodraeth Cymru  
Welsh Government

Mr Nick Ramsay AM  
Chair,  
Public Accounts Committee  
National Assembly for Wales  
c/o [committeebusiness@wales.gsi.gov.uk](mailto:committeebusiness@wales.gsi.gov.uk)

6 December, 2016

Dear Chair

**Report from the Auditor General for Wales on *Charging for Services and Generating Income by Local Authorities***

The Public Accounts Committee asked for Welsh Government's comments on the report published by the Auditor General on 10 November which looks at how local authorities use charging for services and generating income as part of their financial management.

The Welsh Government welcomes the Auditor General's assessment as to how local authorities use their powers to apply charges for services. The policies and approaches to charging that authorities adopt are vital in ensuring they make best use of the resources available to them and the report highlights how the level of income raised varies between authorities. The Report also evidences that authorities in Wales do not raise as much income from charges as their counterparts in England and Scotland.

Whilst ultimately it is for each authority to make its own decisions on charging, it is clear from the report that authorities in Wales are not exploring all the available options for generating income. Local authorities should be developing their strategies and policies to take greater advantage of the opportunities to charge for services and generate income through other means. There is some evidence of strategies changing, but progress is slow and there is scope for authorities to do more in terms of sharing knowledge and experience.

However reviewing fees and charges is only part of the solution to the financial challenges faced by local authorities. It is important that each authority considers its approach to fees and charges as part of its wider financial strategy, recognising that authorities are responsible to their electorates for the decisions they make. They need to plan to sustain and improve vital services whilst managing the financial impact on their communities. Decisions to increase or introduce charges need to be balanced with the ability of communities, businesses and households to pay more for services and the risk that charges may reduce access to services for those who most rely upon them.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The report highlights weaknesses in the accounting systems needed to support good decision making. We have highlighted the importance of reliable and robust financial information to the scrutiny role of local elected members when considering introducing or increasing charges in the communities they represent. The Welsh Government is concerned that the report suggests some council cabinet members were "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". It is important that these matters are addressed by authorities.

The report mentions the general power of competence which is available to authorities in England through the Localism Act 2011 but not yet available to authorities in Wales. The Welsh Government appreciates this may contribute to an instinctive caution on the part of authorities but strongly agrees with the report that it should not be a reason for authorities not to explore more innovative approaches to income generation and commercial activity through existing powers. Authorities in Wales already have wide-ranging powers to act in ways which improve or promote the wellbeing of their areas.

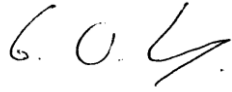
The report recommends that Welsh Government "consider how best to support and encourage local authorities to act more commercially in generating income".

As mentioned, it is ultimately for each authority to make its own decisions on charging and generating income. The Welsh Government has provided a range of practical and financial support to encourage innovative approaches. We will continue to work through our partnership arrangements with local government to explore pioneering approaches to generating income using existing powers and to encourage authorities to adopt a more 'managed risk' approach to charging and income generation. The draft Local Government (Wales) Bill, published in January 2016, included a proposal for a general power of competence to be available to local authorities. This Bill did not proceed but it remains the intention of the Welsh Government to make provision for such a power at the earliest legislative opportunity and this will be a key consideration in taking forward local government reform.

The report suggests that where charges are set by the Welsh Government or UK Government, these do not always cover the cost of the service provided. It recommends that the Welsh Government "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". Where charges are subject to legislation and guidelines, the Welsh Government recognises the importance of keeping them under review to ensure that statutory charges remain appropriate for the environment in which councils operate. Underpinning this are common principles that charges should be reasonable, take account of the service user's ability to pay, and should not exceed the cost of providing the service. We also need to ensure the system remains fair for commercial providers operating in the same space.

These principles reflect the responsibility on local authorities to balance the need to sustain and improve vital services and support their wider communities with managing the financial implications for local taxpayers and service users.

Yours sincerely

A handwritten signature in black ink, appearing to read 'O. Evans', with a stylized flourish at the end.

Owen Evans

[Sent via email]