Guidelines for Setting Charges in the Public Sector

THE TREASURY

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Preface

Public sector agencies provide a range of services to individuals and private businesses for which there is often no alternative supplier. Where an agency seeks to recover some or all of the costs of service provision from the users or direct beneficiaries of that service, the Government and the public want to be assured that the charges set:

- take proper account of efficiency, equity and fiscal concerns; and
- are not excessive in relation to the costs incurred.

The Treasury has prepared and published these guidelines to assist public sector agencies to:

- consider their cost recovery options, including possible alternatives; and
- set charges that are appropriate and fair.

While primarily intended as a checklist of issues for public sector agencies to consider, I hope these guidelines will also be of use to industry groups and other interested parties.

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Secretary to the Treasury

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Introduction

User charges have been introduced on an increasing scale in the New Zealand public sector since the mid-1980s. The financial management reforms ushered in by the Public Finance Act 1989 improved the financial framework for cost management and cost measurement. In the same year the Auditor-General issued guidelines on user charges. These focused on the measurement of the costs to be recovered. Also in 1989, Parliament's Regulations Review Committee reviewed the constitutional issues involved in the setting of fees by regulation. It identified the principles that should apply to the empowering legislation.

While charges for services are now an integral feature of the public sector, there have been some problems of consistency between the charging policies adopted in different areas, and practical difficulties in implementing them.

The guidelines in this document address the main economic, management and legal issues that are involved in setting charges in the public sector. These guidelines have been prepared following a review of these issues by the Treasury. The review grew out of Ministerial concern that proposals for setting charges had:

- been formulated on an ad hoc basis; and
- involved the recovery of excessive costs or capital requirements.

To remedy this, Ministers sought a general framework for preparing and evaluating future departmental proposals; one that would also make it easier to implement individual decisions and give them credibility.

Clearly, all costs need to be recovered somehow: whether from users or others who benefit from the service; or from those whose actions give rise to it; or from the taxpayer. The working presumption is that recourse to taxation should be avoided except where its advantages can be clearly demonstrated.

Government-provided services vary widely in their economic and institutional characteristics. No single cost-recovery formula applies to every case. These guidelines do not set out to be definitive; rather, they provide a checklist of issues on which to base a sound analysis. In most cases the analysis will not generate a single answer, but will help identify a range of options. Which option is chosen will depend on the weight given to the different efficiency, equity and fiscal objectives of cost recovery.

Objectives for Cost Recovery

These guidelines evaluate the options for cost recovery on the basis of the following objectives:

1. encouraging decisions on the volume and standard of services demanded that are consistent with:
   - the efficient allocation of resources generally; and also
   - the outcomes the government is seeking;
2. minimising the cost of supply over the short term, and over the long term when capital costs are significant;
3. keeping transaction costs low, and evasion at acceptable levels;
4. reducing reliance on funding from general taxation (with its associated costs);
5. dealing equitably with the taxpayer, those who benefit from the output, and/or those whose actions give rise to it; and
6. looking for new ways to lower costs and find appropriate providers.

Fundamentally, all these objectives address efficiency, equity and fiscal issues. Additional comment on some of them is contained in Guideline 5.1 (page 16).

Coverage

These guidelines deal with charges for services for which the Government is a monopoly supplier; in other words, when alternative sources of supply are not present or have not been identified. The services may be supplied by departments or other Crown entities, and may be intended to:

- provide benefits to individuals or groups; and/or
- limit risks to public safety or health, or other negative effects.

The guidelines address cost recovery for the supply of information, which was the subject of an earlier review, and are consistent with that review.

The guidelines do *not* deal with:

- the setting of taxes (over and above cost recovery) to limit negative externalities (harmful effects that extend beyond the people directly involved) associated with a particular activity;
- services produced in competitive or contestable markets (which is the case for nearly all State Owned Enterprises);
- services in which objectives of income redistribution or social insurance are important (though some aspects of the guidelines will still be relevant in these cases); or
- charges for the use of Crown-owned resources such as minerals.

Holding Down Costs

Holding down the costs of a monopoly supplier is an important policy objective. However, the information that Ministers (and central agencies) have on least-cost options is often poor. There is a risk of excessive costs. These guidelines are intended to provide the Government, and external stakeholders, with additional assurances as to the efficiency with which Government outputs are produced.

Competitive Neutrality

Although the guidelines focus on setting charges for public sector outputs, they are also intended to foster alternatives to public-sector provision of services by requiring some consideration of alternative sources of provision. By requiring the recovery of full costs in most cases, the guidelines also provide a means by which the costs of provision can be assessed against private-sector alternatives.

The Structure of the Guidelines

The following guidelines set out the issues that should be worked through when preparing proposals for the setting (or review) of user charges by public sector providers. For easy identification, the guidelines are in italics and the discussion following is in plain text.

Guidelines 1 and 2 provide the context of a particular issue by requiring a statement of the background, an analysis of options for improving the contestability of supply, and an analysis of likely developments that may change options in the future.

Guidelines 3, 4 and 5 require that the options for who to charge be identified and assessed. These guidelines are summarised in Figures 1 and 2 on pages 15 and 18.

Guidelines 6 and 7 require an analysis of the structure of costs and an assessment of options for how to charge. These guidelines are summarised in Figures 3 and 4 on pages 20 and 24.

Guideline 8 requires a statement of how consultation over service standards and costs will be conducted.

Definition of Terms

Technical terms have been kept to a minimum, but are explained in the Definitions, page 6.

Application of Guidelines

The extent and detail of the issues to be considered, in developing or reviewing cost-recovery policies, will vary from case to case. It will depend on the scale and significance of both the outputs being examined and the costs to be recovered.

The comprehensive application of the guidelines to all cases of third party charging would be resource intensive and is not recommended. However, while use of the guidelines is not obligatory, Ministers are likely to seek assurance that the guidelines have been applied whenever:

- legislation enabling the recovery of costs is reviewed;
- capital injections are sought for capital expenditure related to outputs whose costs are recovered; and
- approval is sought for a significant change in charges.

The full application of the guidelines will require a mix of policy, economic and accounting skills, some of which may not be readily available within departments or agencies. The onus will, however, be on the department or agency to undertake, or contract for, the necessary analysis.

Related Documents

These guidelines draw on both the guidelines already approved for the cost recovery of the supply of information, and a set of OECD guidelines, published earlier this year, on the implementation of cost recovery policies. They are also consistent with the financial management provisions of recent local government legislation.

Definitions

Capital costs	The costs of the capital assets, such as buildings and information technology, that are required for the production of goods or services. The term "assets" is an accounting term defined in the generally accepted accounting practice (GAAP) approved by the Accounting Standards Review Board. (s7.2.1)
Compliance costs	The costs of complying with a regulation or other requirement, such as collecting information, maintaining records or filling in forms. (s4.1)
Contestable markets, contestability of supply	A market for the supply of a good or service where there is freedom of entry and where exit is inexpensive. Even if there is only a single current supplier, its prices and profits will be constrained by the threat of new entrants. (s2.2)
Cost of supply	The cost of producing and delivering a good or service.
Cross-subsidies	Subsidising losses on the supply of one output from profits on another. (s6.2)
Efficient allocation of resources	The combination of different goods and services, of all those that can feasibly be produced, which best fits the preferences of individuals and society. (s5.1)
Equity	Fairness or justice. (s5.1)
Evasion	The deliberate non-payment of charges or taxes, or the avoidance of other obligations. (ss 4.1, 5.1)

Externalities	When an activity generates benefits that extend beyond those who are immediately involved to others who also benefit - and who cannot be prevented from doing so - it is said to involve a positive externality. Conversely, where it generates harmful effects it is said to involve a negative externality. (s3.3)
Goods, club	A club good has the property that people can be excluded from its benefits at low cost, but its use by one person does not detract from its use by another. (s3.2.2)
Goods, merit	A merit good has the property that the community as a whole desires a higher use of the output than would be likely if it were charged for at full cost. (s3.2.4)
Goods, private	A private good has the property that people can be excluded from its benefits at low cost, and its use by one person conflicts with its use by another. (s3.2.3)
Goods, public	A public good has the property that excluding people from its benefits is either difficult or costly, and its use by one person does not detract from its use by another. (s3.2.1)
Incremental costs	The costs of producing one of a set of outputs, over and above those of only producing the other outputs. (s6.2.1)
Marginal costs	The costs of producing an additional unit of an output. Short run marginal costs disregard those costs (such as capital costs) which are fixed in the short term. Long run marginal costs include all those that vary with different production levels. (s7.1)

Monopoly supplier	The sole supplier of a good or service. A monopoly may be the natural result of the underlying economics of producing the good or service; may be the result of statutory limitations on the entry of competitors; or may be contestable (q.v.). (Introduction)
Risk exacerbators	Those whose actions create negative externalities (q.v.) or who put a positive externality at risk. (s3.3)
User charges	Charges for the use of a public-sector produced output.
Cost	The full cost of producing outputs, including all overhead and non-cash costs. It is measured in accrual accounting terms.
Outputs	The goods and services produced by a department.

1 Background

As background to the analysis that follows in these guidelines, set out:

- *the main features of the current cost recovery regime, its history and rationale;*
- *why cost recovery is now being reviewed;*
- *the results of any previous reviews; and*
- *how the outputs are produced and what components are out-sourced.*

2 Options for the Future

An important preliminary step, before the analysis of cost recovery options, is to stand back and take stock of:

- options for the future provision of the outputs that are being examined; and
- likely changes in technology and/or property rights that will affect options for cost recovery.

2.1 Alternative public-sector provider

Assess whether there are feasible alternatives within the public sector to the current provider (for example, a switch from a government department to a Crown entity).

2.2 Contestability

Assess the options for moving from monopoly provision to a contestable situation.

This assessment will involve identifying barriers to the entry of alternative providers from the private sector.

2.3 Out-sourcing

Assess whether the production of the output could be out-sourced to the private sector, with the Government continuing as purchaser.

Out-sourcing can lower production costs. However, it can also require more formal and costly contracting and monitoring systems, particularly when specialist assets are required.

2.4 Devolution

Assess whether the private sector could be required to produce the output at its own cost.

For some outputs there is a choice between:

- continuing public-sector provision; and
- devolution to industry, subject perhaps to Government-imposed standards and audit.

2.5 Technological and other changes

Describe what is known of possible changes in technology, or property rights, that could affect cost recovery, and the time frame over which these changes might take place.

Changes in technology and/or property rights can change the economic characteristics of the service that is being provided (Guideline 3). This can open up new options for cost recovery (Guideline 4). It is important that decisions on current cost recovery policies are consistent with, and do not impede, what is known of these new developments.

3 Outputs and Outcomes

The analysis of outputs and outcomes forms the basis for identifying the options for cost recovery.

3.1 Output/outcome analysis

Describe the output - the characteristics of the good or service involved - and identify the outcomes to which it contributes. Identify who benefits.

The output and outcomes should be described at a level of detail that is suitable for the analysis of the economic characteristics of the outcome (Guideline 3.2), for identifying options for cost recovery (Guideline 4), and for the analysis of the costs (Guideline 6) and charges (Guideline 7). Any evidence that the output really does contribute to one or more of the Government's desired outcomes should be identified.

It is important to extend the analysis beyond the outcome that is the intended objective of the output, and also to identify the output's other effects. Who else benefits, or would be adversely affected if the output were not provided?

3.2 Public, club, private, or merit goods

Assess whether the outcome has the characteristics of a public, club, private or merit good.

The outcome may have the economic characteristics of a "pure" public good, club good, private good, or merit good. These different characteristics have relatively straightforward implications for cost recovery, which are noted in the following sub-sections.

Commonly, an output or output class will contribute to a number of outcomes, with different benefit/good characteristics. This will widen the range of cost recovery options and is likely to require an assessment of the relative cost weightings that should be ascribed to different outcomes.

3.2.1 Public goods

A good is considered public when excluding people from its benefits is either difficult or costly, and its use by one person does not detract from its use by another.

The second of these features implies that exclusion is not only difficult, but also undesirable. There is a good case for recovering the costs of a public good from the community as a whole, either by general taxation, or (where the benefits are localised) from local government revenue.

In practice, pure public goods are very rare. However, many Government-provided outputs share the characteristics of public goods to some extent.

3.2.2 Club goods

In the case of a club good, people can be excluded from its benefits at low cost (unlike a public good), but its use by one person does not detract from its use by another.

Club goods can be provided by member-owned clubs, by a separate organisation, or be provided by the public-sector. Club goods are an important example of "near-public" goods.

The key difference is that the ability to exclude implies the feasibility of charging for use. Charging club members can be an efficient way of recovering costs.

3.2.3 Private goods

In the case of a private good, people can be excluded from its benefits at low cost, and its use by one person conflicts with its use by another. There is a strong case for recovering the costs of a private good from those who benefit from it.

3.2.4 Merit goods

In the case of a merit good, the community as a whole desires a higher use of the output than would be likely if it were charged for at full cost.

Merit goods combine elements of both public and private goods. This may provide an argument for charging at less than full cost. However, many such goods are produced under market conditions, and are charged at full cost, so this argument is not conclusive. For the argument to be sustained, the loss in public benefits from charging at full cost would have to be significant.

3.3 Externalities and risk exacerbators

Check that the analysis takes into account any positive or negative externalities that affect the outcome, and in particular identify any risk exacerbators.

The different sorts of "goods" discussed above - other than private goods - all involve different sorts of positive externalities: that is, the output generates benefits that extend beyond those who are immediately involved.

Conversely, negative externalities involve harmful effects that extend beyond those directly involved in some activity. Many public-sector outputs are directed at reducing these externalities, in effect creating a "good" outcome by reducing a "bad" one. It is important to identify the risk exacerbators - the individuals or organisations whose actions make it necessary for the Government to become involved.

4 Deciding who to Charge

Develop a "short list" of feasible cost-recovery options.

Using the output/outcome analysis, develop a short list of possible candidates to charge. These might be:

- people who benefit from the output, including:
  - those who would be adversely affected if the output were not provided; and
  - (possibly) the community as a whole, through general taxation;
- risk exacerbators.

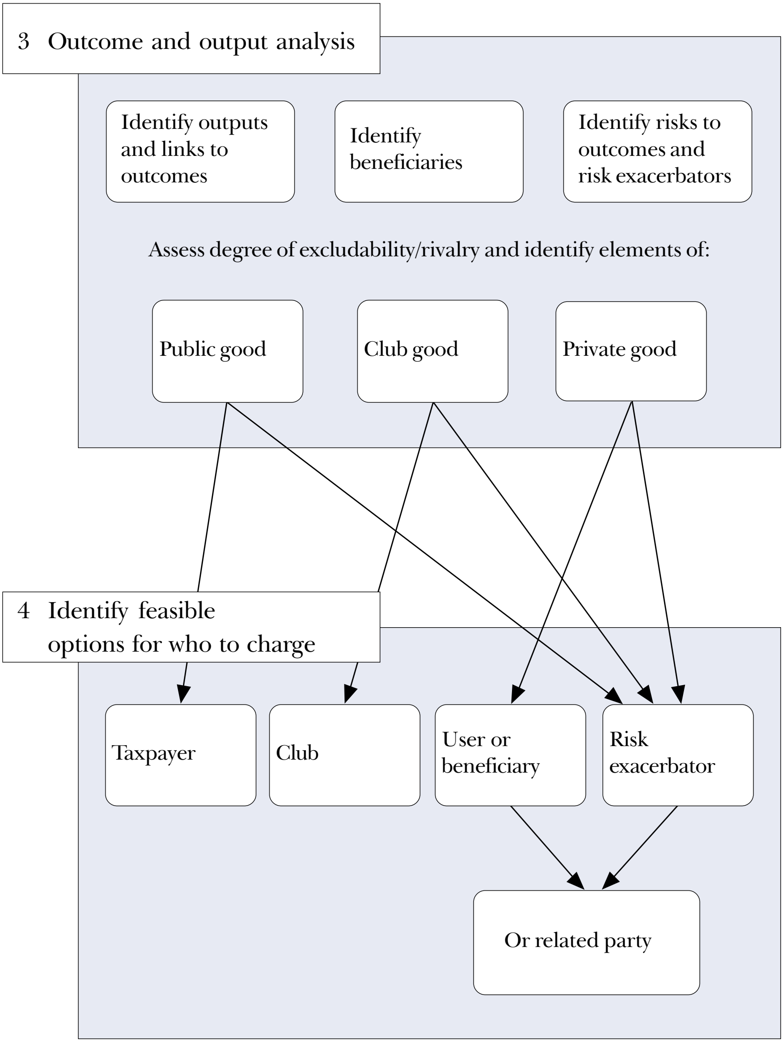
4.1 Transaction costs and compliance

The short list should include only options that appear to be administratively feasible, in the sense that:

- the transaction costs (namely, the costs of collection, compliance and enforcement) of charging to recover costs would not be excessive; and
- the levels of evasion would not be unacceptably high.

These are linked to the issue (discussed in Guideline 3) of whether or not it is practicable to exclude users from benefiting from an output. The ability to exclude implies the feasibility of enforcing a charge for use.

Figure 1: Guidelines 3 and 4



5 Assessment of Options

5.1 Assessment and trade-offs

Assess the short list of options against objectives for cost recovery.

A set of objectives for cost recovery was identified in the Introduction, and is repeated below. The assessment of cost-recovery options will often involve a trade-off between these objectives, when they point in different directions. The eventual decision needs to be able to draw on a careful analysis of the advantages and disadvantages of each option.

The objectives are:

1 Encouraging decisions on the volume and standard of services demanded that are consistent with:

- the efficient allocation of resources generally; and also
- the outcomes the government is seeking.

2 Minimising the cost of supply over the short term, and over the long term when capital costs are significant.

3 Keeping transaction costs low, and evasion at acceptable levels.

4 Reducing reliance on funding from general taxation (with its associated costs).

5 Dealing equitably with the taxpayer, those who benefit from the output, and/or those whose actions give rise to it.

6 Looking for new ways to lower costs and find appropriate providers.

Note:

Objective 3, *evasion* - significant levels of evasion will have a negative effect on revenue, and may have repercussions for the outcome sought.

Objective 5, *dealing equitably* - there are issues of equity involved in recovering costs. Changes may be inequitable for those who have made commitments on the basis of earlier policies. Shifting costs onto taxpayers is also an equity issue. There may be implications for the speed of adjustment to a new set of charges.

Objective 6, *new ways to lower costs* and *find appropriate providers* - it is desirable that the choice of who to charge falls on a group who can effectively monitor standards, exert countervailing pressure on costs, and find alternatives to public provision.

5.2 Legal issues

Identify and discuss any legal issues.

A robust statutory basis for charges is needed to define the powers of, and constraints on, the department or agency concerned.

A balance needs to be struck between general and specific empowering provisions. The extent of detail required in legislation will be the greater if:

- the transaction is not voluntary;
- charges are significant;
- indirect as well as direct costs are to be recovered.

It may be appropriate for legislation to impose a duty to consult on matters such as the extent of costs to be recovered and the standard of service provided (Guideline 8.3, page 26).

At the same time, legislation should not be so detailed as to require frequent amendment; for example, if accounting systems or output definitions are modified, or costs change. Such matters should be dealt with in regulation rather than legislation, or in a contract or agreement between the provider and the payer.

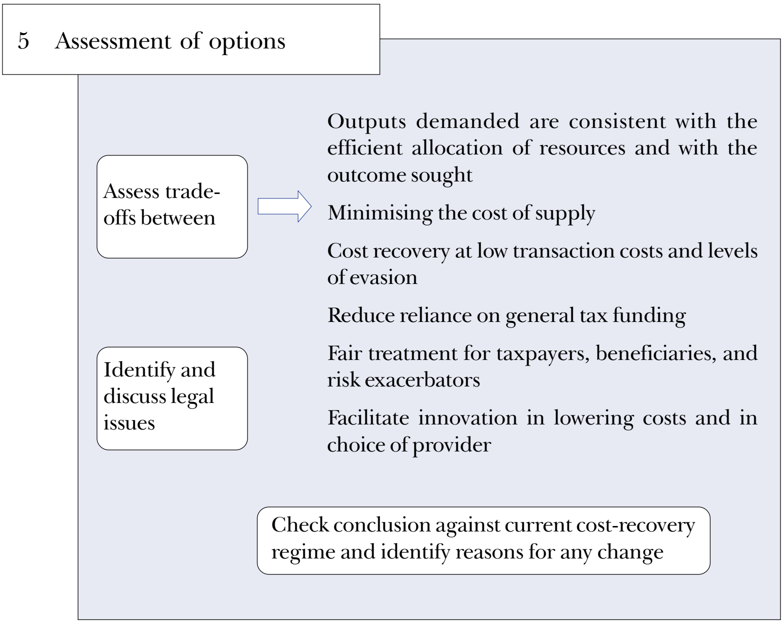
5.2.1 Taxes and charges

One issue that has complicated the introduction of user charges for Government outputs has been the distinction between charges and taxes in the context of section 22 of the Constitution Act 1986. This section stipulates that a tax can be levied only by or under an Act of Parliament. The distinction between a charge and a tax involves issues of compulsion and enforcement. It may hinge on the relationship between the provision of the output and the person who pays. These considerations reinforce the need for suitable empowering provisions to be included in legislation.

5.3 Comparison with current policy

Check the conclusions of the analysis against the current cost recovery regime, and identify reasons for any proposed change.

Figure 2: Guideline 5



6 Cost Structures

Analyse production costs over the life of the capital assets involved, both in the short and in the long term. Identify significant variations by location or time of service.

The distinction between short and long term corresponds to the distinction between variable and fixed costs (which include depreciation and the cost of, or rate of return on, capital).

6.1 Accounting systems

Assess the ability of the provider's accounting system to generate substantially accurate information on production costs.

Cost measurement involves getting clear definitions of the actual outputs supplied, and identifying the factors that control the costs of allocating resources and the charging for them.

Measurements of cost can only be as accurate as the accounting system that underlies them. The information required for cost recovery differs from that required to satisfy accountability requirements to Ministers and to Parliament. It is likely to be more closely aligned with the information required for other management functions. Measuring and providing information that is additional or more detailed may be costly. These additional costs should be taken into account in assessing different charging options.

6.2 Joint products

If the output is produced in conjunction with other outputs, assess the options for allocating common costs among them.

There is a range of different management accounting techniques for allocating indirect costs (overheads) across joint products. These techniques can make a significant difference to the end result, and provide scope for disagreement over charges or inadvertent cross-subsidies. The onus is on the provider to demonstrate (perhaps through external verification) that the method it has selected is as accurate as practicable.

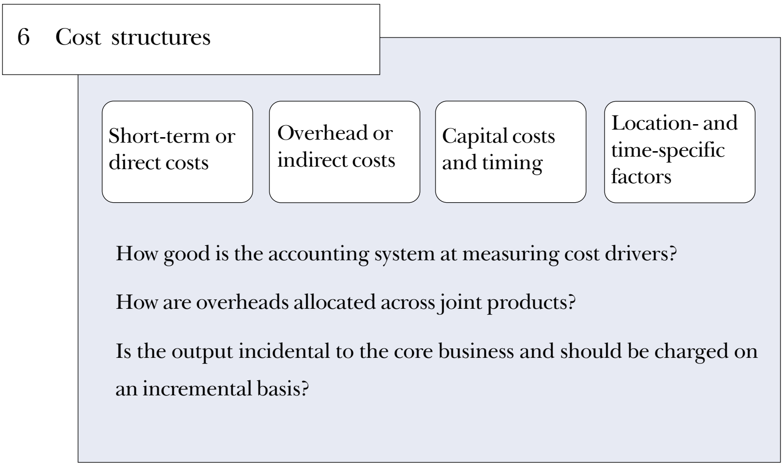
Over time, it would be desirable to reduce the extent of overheads recovered through charges, by identifying more accurately the factors that control costs and by the more extensive direct attribution of costs.

6.2.1 Incremental costs

If an output is incidental to the provider's core business, assess the case for recovering only incremental costs.

If an output is incidental to the provider's core business, charging for that output on an incremental basis will be efficient (and normally close to short-run marginal cost). Recovering the costs of releasing information collected for public-policy purposes is one example where this section applies.

Figure 3: Guideline 6



7 The Structure of Charges

There are a number of options for structuring charges. These need to be assessed against the same overall objectives for cost recovery that were identified in Guideline 5.

7.1 Charging at short run marginal cost

In some circumstances, charging at less than full (or long run) cost may be efficient.

7.1.1 Efficiency gains

Assess the case for charging at short run marginal cost, as opposed to long run or full cost.

Charging at short run marginal cost can promote efficient decisions about the consumption of the output, and about the level of its production over the short term. Whether it does so will depend on the extent to which demand and/or supply are sensitive to charges.

It is important to identify which are the more significant "marginal" decisions associated with the output. Are they short-term decisions on use (for given levels of capital and overhead), or are they long-term decisions on investment and business entry or exit?

7.1.2 Revenue shortfall

Examine whether the revenue shortfall from charging at short-run marginal costs could be recovered from fixed charges; or whether it would need to be recovered from general taxation.

One efficient option that is available for club goods is a two-part tariff. A variable charge for "use" can be set to recover short-run marginal costs, while a fixed charge for "access" recovers the shortfall.

If a shortfall from charging at short-run marginal cost cannot be made up in this way, however, it has to be met from general taxation. Taxation has economic costs and also affects budget constraints.

7.1.3 Net benefits of charging at short-run marginal cost

Consider:

- *the costs resulting from poor short-term decisions if charges differ from short-run marginal costs; and*
- *the costs resulting from poor investment decisions and/or higher taxation if charges differ from long-run marginal costs.*

Assess the trade-off between them.

7.2 Charging at more than full cost

Assess whether there is a case for charging at more than full cost.

Charging more than is necessary to recover the full cost of an output is equivalent to imposing a selective tax on the output. The economic case for such a step would have to establish that the costs involved were less than the economic and administrative costs of existing, broad based taxes. This is a matter of tax policy (and also a constitutional issue - Guideline 5.2.1, page 18), and beyond existing selective taxes is unlikely to apply.

The following section deals with one set of circumstances in which charges might initially be set at more than full cost.

7.2.1 Charges and capital costs

Assess whether the Government should recover capital costs as they are incurred, by initially setting charges at more than full cost.

The general presumption is that when full costs are recovered by charges, these charges should recover current costs as they are incurred, and recover any capital expenditure by means of depreciation over the life of the asset. Under this approach the initial financing of the capital expenditure has to be undertaken by the Government.

Recovering capital costs as they are incurred, through higher charges early in the life of the asset, can be seen as inequitable treatment of current and future users. This approach could, however, be justified when there is a high degree of overlap between current users and the future users who will eventually benefit from lower charges.

7.3 Variations in charges

Assess whether, for reasons of equity and/or administrative simplicity, charges should be standardised across locations, throughout the day or week, or across different levels of service.

Costs often vary by the location or time of the service provided, or with the extent of the service provided. Varying charges to reflect costs can help manage peaks in demand and promote the efficient allocation of resources.

However, complex fee structures involve costs, which have to be taken into account. Also, a uniform fee may have benefits.

Some aspects of the desired outcome (for example, providing uniform access to the service) may suggest a single fee (even if costs vary).

The way in which charges are set is related to decisions on how overheads will be allocated (Guideline 6.2, page 19).

7.4 Under- and over-recovery of costs

Identify whether any steps need to be taken to "smooth" the recovery of costs from year to year.

Charges are often set prospectively, on the basis of projected costs and volumes. They are in consequence likely, after the event, to under- or over-recover costs. The introduction of memorandum accounts in 1995 provides a mechanism for departments to smooth the recovery of costs from charges over a period of years.

Figure 4: Guideline 7

7 How to charge

Charging at short-run cost	Can promote efficient use decisions if demand is sensitive to prices. If the revenue shortfall cannot be recovered from fixed charges, it has to be met from general taxation.
Charging at more than full cost	Equivalent to a selective tax; unlikely to be relevant. May, though, be a case for temporarily higher charges in order to fund capital expenditure.
Disaggregated charging	Where costs vary by location, time, or otherwise, then varying charges will signal this to users and can assist in managing demand. Trade-off with costs of complexity.
Under- and over-recovery of costs	May be necessary to balance out, over time, under- and over-recoveries of costs.
Overall assessment	Assess against objectives in Guideline 5.1, page 16.

8 Consultation and Cost Control

For most goods and services, market mechanisms determine critical issues such as who decides on standards or levels of service, and how far costs are reflected in charges. When outputs are supplied by a monopoly provider, however, other mechanisms become important. The issue then becomes whether users/payers are able to influence the quality, quantity and cost of outputs.

8.1 Keeping costs down

Identify ways of holding down costs. Provide assurances and, where possible, evidence that these mechanisms will be effective.

While requiring users to pay for an output can help to hold down costs, this is inevitably limited by the fact that monopoly outputs are not subject to market disciplines. Both Ministers and the public need to be confident that departments and agencies are not:

- "gold plating" investments (recovering their costs through building higher depreciation and operating expenses into charges); or
- opting for user charges simply because the users are not able to exert effective pressure to reduce costs.

While it is often difficult to "benchmark" the costs of non-contestable outputs against external standards of comparison, there may be elements of the output where this is feasible.

8.2 Output standards and levels

Identify how the levels and standards of an output are determined, whether by user demand, or by the public-sector provider. If it is the provider who determines them, what role do users play?

The provider needs to give users confidence that the levels and standards of an output are not simply determined by internal requirements, but do take adequate account of user needs. This is particularly important when users are paying.

8.3 Consultation

If the cost recovery policies now proposed have been the subject of consultation, report the results.

Consultation and openness are important in making charging policies acceptable to the public. When the people who are paying for an output are both informed and sufficiently organised, they can exert pressure to help keep costs down.

The consultation process should genuinely strive for feedback on costs and charges, and on service standards and levels. It should avoid unreasonable delays or costs. The public should have easy access to both the charging policies themselves and the cost data from which they have been formulated.

Users should have more effective power than simply the right to lobby and complain. There are legal standards for what constitutes adequate consultation, and these should be observed.

Users should have ready access to actual and prospective cost data and a say in setting standards and output levels. The department or entity should help set up user groups where these do not already exist. In some Crown entities, user groups have a direct role in governance. Even where this is not practicable, some form of Advisory Board should be considered.