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The Chair and Members of Overview  
and Performance Scrutiny Forum

30 November 2015

Dear Councillor,

Please attend a meeting of the OVERVIEW AND PERFORMANCE SCRUTINY FORUM to be held on TUESDAY, 8 DECEMBER 2015 at 5.00 pm in Committee Room 1, Town Hall, Chesterfield, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers Interests relating to items on the Agenda
2. Apologies for Absence
3. Cabinet Member for Housing - Impact of the Summer Budget on the Housing Service (Pages 3 - 8)

5:05 – 5:35pm

4. General Fund Revenue and Capital Budget Monitoring Report and Updated Medium Term Financial Forecast – Second Quarter 2015/16 (Pages 9 - 22)

5:35 – 6:20pm

5. Scrutiny Project Group report on Concessions on Fees and Charges

(Pages 23 - 90)

6:20 – 6:50pm

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Randy', written in a cursive style.

Local Government and Regulatory Law Manager and Monitoring Officer

## **BRIEFING PAPER FOR OVERVIEW AND SCRUTINY COMMITTEE- IMPLICATIONS OF THE SUMMER BUDGET ON THE HOUSING REVENUE ACCOUNT**

### **BACKGROUND**

On the 8<sup>th</sup> July 2015 the Government in their Summer Budget announced several new policies which will have an impact on the delivery of housing services in Chesterfield and the financial viability of the Housing Revenue Account Business Plan.

Additional policies announced in the Comprehensive Spending Review Autumn Statement may further exacerbate these implications.

These policies include;

### **Welfare Reform and Work Bill**

- Freeze on working age benefits, including the Local Housing Allowances for 4 years from 2016-17 to 2019-20
- Removal of automatic entitlement to housing support for new claims in Universal Credit from 18-21 year olds who are out of work (exemptions include vulnerable young people, those who cannot return home to parents, those who were in work for 6 months prior to claim) from April 2017.
- Reduce rents in social housing by 1% a year for 4 years from April 2016, to ensure that Local Authorities and Housing Associations deliver efficiency savings, in order to make better use of the £13 billion annual subsidy (Housing Benefit) they receive and play their part in reducing the welfare bill.

This reduction, which moves us away from the 10 year certainty we were previously given for rents in 2015/16 (rises restricted to CPI + 1% each year), is confirmed as a 'rent freeze' at the 8<sup>th</sup> July 2015 with a 1% reduction from that rent in each of the next 4 financial years from April 2016/17 to 2019/20. It is also assumed at this stage that rents will no longer be allowed to move to target rent on re-let (and indeed those that have moved to target since 8<sup>th</sup> July may need to revert back), although this could change as the Welfare Reform and Work Bill is finalised in Parliament.

## Housing and Planning Bill

- An extension of the Right to Buy to Housing Association tenants.
- Local Authorities with a Housing Revenue Account being required to 'make a payment to the Government for a financial year, reflecting the market value of high value housing likely to become vacant during that year less costs, whether or not receipts are realised' from April 2017. This receipt will help fund the extension of the Right to Buy to Housing Associations and the provision of new housing.

Whilst unclear at the time of writing, it is likely that some properties will be exempt from this policy e.g. new build housing, rural housing and sheltered / supported housing.

The values had initially been set at a 'regional average', however this is still subject to change and 'regulations' will determine high value as applicable to different areas. The Government have started a data collection exercise which is likely to inform the calculation of the levy payable by local authorities (we need to return this information by 23<sup>rd</sup> December 2015). This information will initially be collected on an annual basis and ultimately the data provided will be audited along with the RTB receipts pooling returns, so it is critical that the information is accurate and error free.

As the payments will be based on assumptions about the receipts from void sales it may be the case that actual receipts will fall short of the payments due.

The local authority must consider selling its interest in the high value asset, however as the required payments will be formula driven and not based on actual sales, contributions could be met in part or solely by other means.

- Social Housing Tenants with household incomes of £30,000 and above (£40,000 in London) will be required to 'Pay to Stay' by paying a market rent or near market rent. Local Authority landlords will be required to pay the difference between the social rent and the market rent direct to the Treasury, whilst Housing Associations

will be able to retain the difference to contribute to the provision of new affordable housing.

It is likely that there may be a regulation to require tenants to provide information and evidence of their income and / or this may be provided through HMRC tax records. Guidance at present suggests that;

- A household relates to the tenant(s) named on the tenancy agreement and their spouse, civil partner, partner (where they reside in the accommodation)
- Income is the taxable income for the tax year ending in the year prior to the rent year (i.e. for 2017/18 this would be 2015/16 taxable income)
- Rents would be reviewed if the household experiences a sudden and ongoing reduction in income
- Household income takes into account the two highest incomes earned by the household

At the time of writing it is understood that the introduction of a taper is being considered, so that tenants earning just above the high income threshold may not have to pay market or near market rents. Instead, rent will be gradually increased as household income rises further above the threshold.

As a result of the policy, RTB might become more attractive for a household required to pay market rents, particularly with the recent increase in discounts available for tenants.

- A review of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs and ensure the best use is made of the social housing stock.

There will be no further consultation on this policy prior to its implementation as local authorities were given the flexibility to limit their use in the Localism Act 2011. It is expected that these fixed term tenancies will be for a period of between two to five years.

The review will only affect new tenants to social housing. There will be no change to existing tenants, as long as they remain in their current home.

## Comprehensive Spending Review – Autumn Statement

- Cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit, including the Shared Accommodation Rate for single claimants under 35 who do not have dependent children.

This reform will mean that Housing Benefit will no longer fully subsidise households to live in social housing and will better align the rules in the private and social rented sectors. The announcement at this stage does not state whether there will be any exemption for older people or those living in supported housing, where costs are usually higher due to service and support charges. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards

### **IMPLICATIONS ON THE HRA BUSINESS PLAN**

Since the Summer Budget, work has been and still is ongoing in terms of modelling these announcements in our Housing Revenue Account Business Plan. Initial findings show that;

The introduction of the rent reduction of 1% per annum for four years from 2016/17 to 2019/20, in addition to the base assumptions already included in the Business Plan, equates to a **loss of £10 million in rental income** in real terms. Over the life of the Business Plan (30 years) this is a **loss of £172.4 million** in rental income, assuming that rents are allowed to increase by CPI + 1% from 2020/21 onwards.

Assuming we continue to deliver services and invest in the housing stock as planned, we will need to **use up headroom and borrow up to the debt cap** of £155.6 million by 2018/19 and go **below the minimum HRA working balance** of £3 million in 2017/18. As the plans assume that we continue to set aside for the repayment of debt, we need to borrow up to the debt cap again in 2029/30

Despite this additional borrowing and use of the HRA working balance, there will still be a **shortfall on the Housing Capital Programme** of £12.671 million in 2018/19 and a further £1.991 million in 2029/30.

By 2019/20 the **HRA working balance will be negative** (-£1.291 million) and will remain negative until 2028/29 which is illegal and

therefore re-phasing of work and other policy changes / efficiencies will be required.

The outstanding debt at 2044/45 (year 30 of the Business Plan) will still be £124.047 million (despite having set aside for 30 years) and there will be insufficient HRA working balance reserves to repay this debt if required.

The above position will have impacts on our plans to remodel, dispose or demolish our surplus 1 and 2 bed flats as they become vacant as this will result in a further loss of income and the borrowing headroom that was available to do this has been lost.

In addition, due to the absence of new build / acquisitions within the Business Plan, there will be a requirement to repay 1-4-1 unused retained RTB Receipts to CLG with interest (4.5%) from 2017/18 to 2020/21 unless they can be used by another RP locally. This is also assuming that RTB's do not exceed the number assumed within the self-financing valuation (25) after year 6.

## **CURRENT POSITION**

Clearly the position described above is not financially viable, both in the short and medium term. Therefore the Housing Services Manager (Business Planning and Strategy) has been modelling changes within the HRA Business Plan in order to identify a viable position. A series of reports are currently being prepared which will be presented to Cabinet in January / February 2016. These cover the above announcements and the implications in more detail and include;

- The Annual Housing Revenue Account – Rent and Service Charge Review – due at Cabinet on 26<sup>th</sup> January 2016. This will set the now known 'rent decrease' and service charge increases for 2016/17.
- The Housing Revenue Account Business Plan – due at Cabinet on 9<sup>th</sup> February 2016. This report will cover the implications covered in this briefing paper on the Housing Revenue Account and will start to set out mitigating policy changes in order to develop a financially viable Business Plan. These mitigating changes may include changes in how we treat interest payments on contracts, manage our debt portfolio / borrowing, the disposal of assets / land our ability to acquire or develop new social housing and a re-profiling of our expenditure on the housing stock. It will also set

out that there will be a need to start to consider the types and levels of services we provide for housing tenants. Not all of the mitigating actions will be identified and agreed in this report, they will need to be considered and reviewed over time and on an ongoing basis as further details are released on central government policy.

- The Housing Capital Programme: New Programme for 2016/17 onwards – due at Cabinet on 9<sup>th</sup> February 2016. This report will set the capital investment programme in the housing stock for the new financial year and set a provisional programme for each of the following two years. In light of the Business Plan report above, this is likely to be significantly reduced.
- The Housing Revenue Account Budget 2016/17 – due at Cabinet on 9<sup>th</sup> February 2016. This report will set the day to day revenue expenditure budgets for 2016/17.
- The Housing Repairs Budget 2016/17 – due at Cabinet on 9<sup>th</sup> February 2016. This report will set the day to day responsive and cyclical repairs budgets for 2016/17.



## FOR PUBLICATION

## AGENDA ITEM

### REVENUE AND CAPITAL BUDGET MONITORING AND UPDATED MEDIUM TERM FINANCIAL FORECAST – J000

MEETING:	1. COUNCIL 2. CABINET 3. DEPUTY LEADER IN CONSULTATION WITH THE LEADER
DATE:	1. 16 DECEMBER 2015 2. 1 DECEMBER 2015 3. 24 NOVEMBER 2015
REPORT BY:	CHIEF FINANCE OFFICER
WARD:	ALL
COMMUNITY FORUM:	ALL
KEY DECISION REF:	566

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#### FOR PUBLICATION

#### BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: Working Papers	LOCATION: Accountancy
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### **1.0 PURPOSE OF REPORT**

- 1.1 To provide the Council with an update on the budget position at the end of the second quarter, covering:
- General Fund Revenue
  - General Fund Capital
  - Housing Revenue Account
  - Housing Capital Programme
- 1.2 To meet the requirement in the Financial Procedure Rules to provide the Council with regular updates on the Council's financial position.

## **2.0 RECOMMENDATIONS**

- 2.1 To note the financial performance in the first half of the financial year and the revised medium term forecast (Section 4).
- 2.2 To approve the changes to the General Fund Capital Programme (Section 5).
- 2.3 To approve the new proposed uses of reserves (Section 6).
- 2.4 To note the changes to the HRA budgets (Section 8).

## **3.0 BACKGROUND**

- 3.1 The Council approved the original budget for 2015/16 on 26<sup>th</sup> February 2015. The Band 'D' Council Tax was frozen at £144.89. After allowing for planned savings of £586k, there was a forecast net budget deficit of £94k. Importantly, this position was only achieved after assuming that all the New Homes Bonus allocation (£616k) and the whole of the estimated gain from Business Rates Pooling (£404k) are used to support the budget.
- 3.2 All of the indications are that the medium term outlook will continue to be challenging. Provisional Government Grant allocations beyond 2015/16 were not announced as part of the 2015/16 settlement. Any announcement for 2016/17 and future years will follow the release of the 2015 Spending Review on 25<sup>th</sup> November 2015. The Medium Term forecast approved by the Full Council on 26<sup>th</sup> February 2015 showed deficits, before the savings targets are taken into account, of £1.4m in 2015/16 rising to £2.5m by 2019/20.

## **4.0 CURRENT YEAR'S BUDGET**

- 4.1 We started the year with a forecast deficit of £94k after allowing for £586k of savings. At the end of the second quarter adjustments to the savings target and other variances have produced a revised deficit forecast of **£393k**. A summary of the key variances is provided in the table below:

<b>2015/16 UPDATED BUDGET DEFICIT FORECAST – QUARTER 2</b>		
Deficit Forecast at the start of the year		94
<b><u>Budget Saving - increased income:</u></b>		
Sports Centres	(149)	
Building Control	(14)	
Planning (net of additional staffing costs)	(170)	
Reinstate THI grant written off in 2014/15	(70)	
Recovery of dangerous building costs	(24)	(427)
<b><u>Budget Saving - reduced expenditure:</u></b>		
Energy budgets (Sports Centres, Venues, Parks, Market Hall, Community Rooms)	(148)	
External Audit Fee	(20)	
Vacancy savings above profiled allowance	(90)	
Car Parking & CCTV merger	(26)	(284)
<b><u>Budget Increase - reduced income:</u></b>		
Property Rents	42	
SpirePride surplus	28	
Car Parking	27	
Open Market	54	
Market Hall	20	171
<b><u>Budget Increase - increased expenditure:</u></b>		
Card payment transaction costs	69	
Provision for Living Wage	60	
Back-dated income system maintenance	37	166
<b><u>Adjustments to savings Targets:</u></b>		
Reversal of original budget	586	
GPGS Team - prev to be met from savings	106	692
Net of all other variances		(19)
<b>Updated Deficit Forecast</b>		<b>393</b>

4.2 There are also two areas of ICT expenditure, PSN compliance and ICT project days, that are likely to produce significant budget overspends in the current financial year. The increases have not been included in the revised forecast above because the proposal is to fund them from the Budget Risk Reserve. A description of each overspend is provided below:

a) PSN compliance

The investment in the ICT network and hardware has been unexpectedly higher in 2015/16 because of the difficulty in achieving PSN compliance. The council should have achieved compliance in February 2015, but failure to tackle the most critical issues in time meant that most of the investment and work (project days) fell into the next financial year, 2015/16. The Cabinet Office granted some breathing space by allowing the council to address the replacement of its 2003 servers in time for the next submission in May 2016. Whilst this allowed us to receive our PSN certificate, it does mean that a significant programme of work continues throughout the remainder of 2015/16, creating, in effect, a double dose of PSN work within one financial year.

The picture is not entirely negative, however, and two things should be taken into account.

1. Much of the server and application replacement work was long overdue and would have to be done anyway – forming part of the total cost of ownership.
2. PSN compliance in previous years cost the council 25% more in terms of project days on a yearly comparison.

It is hoped that by 2016/17, the ICT network will be in a much more stable and managed position, and the council may even be in a position to achieve a two-year PSN certificate.

b) Project days

In addition to spend on hardware and software, a significant additional cost comes from spend on ICT project days. We are currently under the 500 days allocated as part of the contract. However, by the end of the financial year we will have exceeded the allocation by a significant amount. The volume of work required to achieve the double PSN compliance, replace the website, support the Town Hall and QPSC projects is likely

to take us over by about 300 days. Without this extra project work, the number of days would probably stay under 500.

Where possible, the number of project days is kept to a minimum. For example, rather than use arvato project days for the website migration, we will use cheaper, external freelance editors and a cost of £10k has been added in for this.

The table below provides details of how the combined over-spend of £246k has been calculated:

<b>PSN and ICT Project Days Budget Requirement</b>	
	<b><u>£'000</u></b>
PSN Compliance 2014/15 - expenditure and commitments to date in 2015/16	254
<u>Plus planned expenditure:</u>	
2003 Server Replacements	35
IT Health Check	15
Secure Certificate	10
Website	10
Project Days	61
QPSC Project Days	7
<b>Total Expenditure</b>	<b>392</b>
Less 2015/16 ICT Reserve budget	(146)
<b>Overspend in 2015/16</b>	<b>246</b>

- 4.3 The revised forecast includes an allowance of £60k for implementing the Living Wage for staff in 2015/16. The actual cost will, however, depend on what date it is effective from.
- 4.4 The updated deficit forecast must be reduced in the remaining months of the financial year to avoid or minimise any call on reserves to make up any residual shortfall. Failure to deliver the required savings in the current financial year will put even greater pressure on future years when the savings targets are already challenging and far greater than those for 2015/16. The actions being taken to reduce the forecast deficit include a freeze on non-essential expenditure and stricter vacancy control measures.
- 4.5 The first draft budget report for 2016/17, including revised estimates for 2015/16, will be presented to the Cabinet in December. The draft budget report will provide a more up-to-date and comprehensive budget forecasts.

## 5.0 GENERAL FUND CAPITAL PROGRAMME

5.1 Capital Receipts - To date, capital receipts of £256k have been received. The original forecast for the year was £5.6m but was revised down in the Quarter 1 budget monitoring report to just £2.9m. The £2.9m has now been revised down further to just £287k. This further reduction is due to having to move the four remaining high value sales (Newbold School, Whitebanks Sports Ground, 6 Ashgate Road and land at Winsick) into 2016/17.

5.2 General Fund Capital Spend –the original capital budget for 2015/16 was £14.7m. The revised forecast is £11.1m, the £3.6m reduction is due to:

- The removal of the Saltergate Offices acquisition - £1.7m;
- A reduction in expenditure funded from the Vehicle & Plant Reserve, ££0.6m;
- Re-profiling of expenditure on the new Queen’s Park Sports Centre £0.5m;
- Town Hall Alterations moving into 2016/17, £0.5m;
- The Car Parking Improvement scheme, which is to be financed from reserves, being moved into 2016/17, ££0.3m;

5.3 There is one further change to the Capital Programme to note. Due to continuing demand for Home Repairs Assistance the budget has been re-instated to its previous level of £275k per annum, from £200k currently. The increased budget will be financed by using grant monies repaid to the Council from previous grants.

5.4 Net Capital Financing – The original budget showed a surplus of £1.2m. The revised forecast shows that a break-even position could be achieved as follows:

	£ million
<b>Original forecast surplus</b>	<b>1.2</b>
Reduced capital receipts	(5.3)
Reduced use of reserves	(0.8)
Reduced borrowing	(0.6)
Reduced expenditure	3.6
Deferred debt repayment	1.1
Increased/re-profiled grants	0.8
<b>Revised forecast</b>	<b>0</b>

## 6.0 RESERVES

6.1 In addition to the General Working Balance, which is maintained at £1.5m, the Council operates a number of other reserves. Many of the reserves are earmarked and committed for specific purposes, such as property repairs and vehicle & plant replacements. There are three major reserves where the Council has wider discretion on how they are used – the Budget Risk Reserve, the Invest to Save Reserve and the Service Improvement Reserve.

6.2 **Budget Risk Reserve** – the Council maintains this reserve as a supplement to the Working Balance. It is also used to finance the severance costs arising from voluntary staffing reductions and the outcomes of service restructuring exercises. The table below shows the opening balance in the reserve at the start of the financial year and the currently approved or anticipated movements on the reserve. There will be other commitments to include as decisions on new VR/VER applications are determined. There are two new applications of the fund to note:

1. The buying-out of a lease for an IT system at a cost of £99k but this will produce an on-going revenue budget saving of £30k per annum. The revenue savings will be used initially to repay the funds allocated from the reserve.
2. The cost of implementing changes, including additional ICT project days from Arvato to achieve PSN compliance, as described in para. 4.2.

<b>Table – Budget Risk Reserve</b>		
	<b>Updated Forecast £'000</b>	
<b>Balance b/fwd 1<sup>st</sup> April</b>	<b>781</b>	
<u>Less Approved Commitments:</u>		
STWA tenants consultation exercise	<b>(30)</b>	
Land Charges claims - paid	<b>(35)</b>	
Land Charges claims – outstanding balance	<b>(9)</b>	
Land Charges claims – New Burdens grant	<b>64</b>	
Erin Road Pumping Station	<b>(50)</b>	
External legal advice re works in default	<b>(3)</b>	
Learning & Development - training	<b>(6)</b>	
15/16 Growth – private sector stock survey	<b>(26)</b>	
15/16 Growth – Data Custodian Officer	<b>(17)</b>	
14/15 carry forward – Local Plan	<b>(14)</b>	
14/15 carry forward – Env Services ICT system	<b>(4)</b>	

14/15 carry forward – Election expenses	(6)	
Alderman Celebrations	(5)	Cnl 22 July
Digital Content Officer post	(18)	Cnl 22 July
Contribution to group litigation claim for damages re incorrect VAT treatment	(14)	
Dilapidation costs Whitting Valley Road	(20)	
<b>Buy-out ICT system lease to save £30k pa</b>	<b>(99)</b>	Repay from 16/17
<b>PSN compliance and ICT Project Days</b>	<b>(246)</b>	
<b>CMT restructure – severance costs</b>	<b>tbc</b>	
<b>Uncommitted Balance</b>	<b>243</b>	

6.3 **Invest to Save Reserve** – The table below shows the opening balance in the reserve at the start of the financial year and the currently approved or anticipated movements on the reserve. The reserve is therefore almost fully committed so any future bids will have to be funded from one of the other usable reserves.

<b>Table - Invest-to Save Reserve</b>		
	<b>Updated Forecast £'000</b>	
<b>Balance b/fwd 1st April</b>	<b>285</b>	
<u>Less Approved Commitments:</u>		
Customer Service Strategy - capital	(105)	
Local Collective Agreement	(10)	
Car park improvements	(111)	
Venues refurbishment	(33)	
Community Infrastructure Levy	(5)	
<b>Uncommitted Balance c/fwd</b>	<b>21</b>	

6.4 **Service Improvement Reserve** – The table below shows the opening balance in the reserve at the start of the financial year and the currently approved or anticipated movements on the reserve:



<b>Table - Service Improvement Reserve</b>		
	<b>Updated Forecast £'000</b>	
<b>Balance b/fwd 1<sup>st</sup> April</b>	<b>1,154</b>	
<b>Less Approved Commitments:</b>		
Linacre Master Planning	<b>(40)</b>	
Linacre Master Planning – second tranche	<b>(20)</b>	Cnl 22 July GF 2/3 share
Project Academy (balance)	<b>(52)</b>	
Venues refurbishment	<b>(20)</b>	
Car parking improvements	<b>(15)</b>	
Innov Centres – telephony system	<b>(204)</b>	
Innov Centres – telephony system - repayments	<b>25</b>	
Northern Gateway	<b>(100)</b>	
Open Market reconfiguration	<b>(23)</b>	
Contribution towards GPGS costs in 2015/16	<b>tbc</b>	
<b>Uncommitted Balance</b>	<b>705</b>	

6.5 The uncommitted balances in these three major reserves have now reduced to £0.9m, from £2.2m at the start of the year. There will be significant demands on these reserves to fund budget deficits, investment in transformation projects and to pay for severance costs from staffing restructures. The Cabinet should, therefore, continually review the commitments against these finite financial resources to ensure that they are used in the most effective way.

6.6 The General Working Balance has been reduced from £1.75m to £1.5m when the budget was set in February 2015 reflecting the perceived reduced risk at that time of the Business Rates Retention and the Localisation of Council Tax Support schemes. The risks and amounts retained in this and all other reserves are reviewed each year as part of the budget setting process.

## **7.0 MEDIUM TERM OUTLOOK**

7.1 The latest medium term forecast indicates significant deficits in all years. In 2016/17 the deficit has increased by £300k due to the Council's unfunded balance of the Business Rate Account deficit in 2014/15. The table below compares the latest forecast with the

original budget forecast (before savings targets) approved in February and the last monitoring report:

<b>Budget Deficit Forecasts</b>			
	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Latest Forecast*</b>	<b>393</b>	<b>1,560</b>	<b>1,702</b>
At Quarter 1	490	1,793	1,875
Feb 2015 Budget	680	1,379	1,760

\* NB: The “latest forecast” does not include any provision for an increase in Members Allowance costs that could be recommended by the Independent Remuneration Panel.

- 7.2 In the Summer Budget (July 2015) the Chancellor asked non-protected departments to exemplify savings of 25% and 40% in real terms by 2019/20. What this will mean for local government is difficult to predict. It is possible that ministers will want to ensure social care is protected which will then add further pressure to the remaining unprotected services. Ministers might also take the view that the level of reserves in local government suggest that authorities are not really feeling the pinch yet. Our medium term forecast assumes a 41% reduction in settlement funding by 2019/20 and this has contributed towards the large budget deficits we face in 2016/17 (£1.8m) and future years.
- 7.3 The cuts in Government funding might require more than just reducing Settlement Funding Assessments and could, for example, include changes to the New Homes Bonus (NHB) scheme. It is widely acknowledged that the NHB is too generous to authorities, particularly shire districts with housing growth, when they also benefit from the growth in council tax income. Some form of reduction in the incentive effect (e.g. to 50% rather than 100% of the national council tax used to calculate the payment) or a reduction in the shire district share (currently 80%) is possible. Our medium term forecast assumes that the scheme will continue unchanged, with the estimated NHB of £0.8m in 2016/17 being used to support the budget, rising to £1.1m by 2019/20. Any reduction in the grant could, therefore, have a serious impact on the Council’s finances.
- 7.4 The current medium term budget forecast also assumes that the Business Rates Pooling arrangement will continue into the future

and that the £0.4m gain will be used each year to support the budget. However, the Government approves pooling arrangements on an annual basis so there is a risk that the gain could be withdrawn at some point in the future.

7.5 It is also uncertain at this point in time to what extent our Business Rates income will be affected by the proposals in the Sheffield City Region Devolution Deal to allow any growth to be retained within the region and how this will compare with the £400k we currently get through the Derbyshire Pool.

7.6 The Spending Review which is due to be announced on 25<sup>th</sup> November 2015 will set out the departmental spending limits but what this means for individual local authorities will not be known until the Provisional Grant settlement is announced, perhaps some weeks later.

## **8.0 HOUSING REVENUE ACCOUNT (HRA)**

8.1 **Housing Revenue** - At the half year all major income sources, including housing rents, were on target. However, expenditure showed an under spend of £740k in the following areas:

- £466k on Housing Repairs planned works.
- £274k on Supervision and Management, mainly due to vacant posts and underspends on supplies and services.

The repairs budget also showed an under-spend in 2014/15 (£636k), and possible revisions to this budget are being considered as part of the Business Plan review (see paragraph 8.3 below).

8.2 **Housing Capital Programme** - The original HRA capital budget for 2015/16 was £22,866,000. This has now increased following the addition of approved carry forwards (£1,446,590) in relation to schemes not completed in 2014/15, and an additional £400,000 for the RTB Social Mobility Scheme. This gives a total budget of £24,712,590 for the year. At the end of September spend was just below the budget profile, and the indications are that the budget will fully spend by the year-end.

8.3 **Future Pressures on the HRA** – In the July 2015 Summer Budget the Chancellor announced a number of changes that will have an impact on the delivery of housing services and the financial viability of the HRA Business Plan. The most significant change is the

requirement to reduce social housing rents in England by 1% a year for 4 years from 2016/17. It is estimated that this change will result in a loss of £10 million of rental income over the 4 year period. Officers are currently modelling various options for the Business Plan and a separate report will be presented to Members shortly.

## **9.0 RISK MANAGEMENT**

9.1 Budget forecasting, particularly over the medium term, and in the current economic climate is not an exact science. Assumptions have to be made about possible changes where the final outcome could be very different e.g. government grants, pay awards, investment returns, etc. A full budget risk assessment will be included in the budget setting reports later in the process.

## **10.0 LEGAL CONSIDERATIONS**

10.1 There is a legal requirement for the Council to set a balanced budget before the start of each financial year and for the Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves. Clearly, there is lot of work to be done over the coming months to reduce the budget deficit forecast in the current financial year and to be in a position to set a balanced budget for 2016/17 in February 2016.

## **11.0 CONCLUSIONS**

11.1 We are facing a potentially significant budget deficit in the current financial year and some major financial challenges in the years ahead. It is possible that the current years' deficit could be reduced through tight budgetary control through the remainder of the year, with any residual deficit being met from reserves. But we have to maintain our focus on the medium term where the scale of the forecast deficits is such that some significant budget savings are going to have to be implemented. At the same time there are a number of risks that could add further pressure to the forecast deficits in future years e.g. New Homes Bonus allocations and Business Rates income.

11.2 The sooner the savings are made the better, as any delay will add further pressure to the future. For example, the £1.6m deficit forecast for 2016/17 will require savings equivalent to £133k per

month to be found if implemented from the 1<sup>st</sup> April 2016 but the monthly target will double to £267k if implementation is delayed by six months. Achieving savings of this magnitude will require some fundamental changes to the range and quality of the services the Council provides.

- 11.3 Delivering the required budget savings has to be the number one corporate priority.

## 12.0 RECOMMENDATIONS

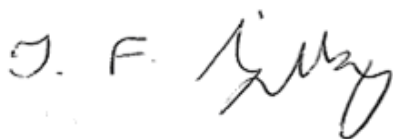
- 12.1 To note the financial performance in the first half of the financial year and the revised medium term forecast (Section 4).
- 12.2 To approve the changes to the General Fund Capital Programme (Section 5).
- 12.3 To approve the new proposed uses of reserves (Section 6).
- 12.4 To note the changes to the HRA budgets (Section 8).

## 13.0 REASON FOR RECOMMENDATIONS

- 13.1 To monitor the Council's finances.

**BARRY DAWSON,  
CHIEF FINANCE OFFICER**

Officer recommendation supported.



Signed:  
Cabinet Member  
Date: 24 November, 2015



Consultee Cabinet Member:  
Date: 24 November, 2015

You can get more information about this report from Barry Dawson Ext 5451.

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**CHESTERFIELD**  
BOROUGH COUNCIL

Overview and Performance Scrutiny  
Forum

Scrutiny Project Group

report on

*Concessions on Fees and Charges*

Date: December 2015

## **PROJECT GROUP MEMBERS:**

Councillors:

Lead	Jeannie Barr
Group Members	Ray Catt Kate Caulfield Kate Sarvent Andy Slack

### **1.0 INTRODUCTION AND REVIEW AIMS**

- 1.1 This review looked at how Chesterfield Borough Council offers concessions on the fees and charges it makes on chargeable services.
- 1.2 The services which the council charge for, where concessions are also offered include pest control, bulky waste collection, leisure services, theatres and venues. Other services do make charges such as parking but do not offer concessions. Charging for services can, and does only take place on non-statutory functions which the council is not obliged to provide
- 1.3 The review aimed to look at the consistency, fairness and objectives in the provision and application of concessions across these services.
- 1.4 The project group set out to achieve the following objectives:
  - To produce recommendations and guidance that will contribute to the development of a clear corporate policy on setting concessions that ensures equality of access to services but which also does not harm the financial position of the Council.
  - To ensure that services use a consistent approach to setting concessions on fees and charges.
  - To ensure equality of access to Council services to all residents and visitors.
  - For the policy on concessions and fees and charges to be informed by, and to reflect the changes to benefits happening with the introduction of Universal Credit in Chesterfield.



## **2.0 REASONS FOR THE REVIEW AND LINK TO PRIORITIES**

- 2.1 This issue of how the Council offers concessions on fees and charges was originally raised by Environmental Health Management as an area for Scrutiny to look at in 2012. The issue was again raised as an area for Scrutiny work in 2015 by the Deputy Leader of the Council, Councillor Terry Gilby and Executive Director, James Drury.
- 2.2 There is currently no corporate policy on the application of reduced rates (concessions) for chargeable services regarding the rate of discount or eligibility criteria. There is also no guidance available to managers on when it is appropriate to apply concessions.
- 2.3 Services have historically developed their own concessionary rates and criteria on how these rates are set. It is therefore opportune to review these in light of the need to raise income and reduce service costs in the current climate of increasing financial pressure on local government, and to ensure appropriate concessions are offered.
- 2.4 The review links into the following priorities in the Chesterfield Borough Council Corporate Plan 2015 – 2019:
  - I. To improve the quality of life for local people .To reduce inequality and support the more vulnerable members of our communities.
  - II. To provide value for money services. To deliver this, we will focus on a single objective: To become financially self-sufficient by 2020, so we can continue to deliver the services our communities need.

## **3.0 INTRODUCTION TO RECOMMENDATIONS**

- 3.1 Throughout the group’s research stage and during their discussions with members and officers, the project group were always conscious of the Chesterfield Borough Council Corporate Plan 2015 – 2019 objective of providing value for money services and the aim of becoming financially self-sufficient by 2020, so that services can continue to be delivered to the community.
- 3.2 The Council’s transformational programme “Great Place Great Service” also identifies critical performance needs relating to income

generation. Within this it is acknowledged that a more commercial approach to service delivery should be considered where appropriate. The need for price balance and community wellbeing priorities being met should however be maintained in the charging philosophy.

3.4 Project group members were keen to discover how Cabinet Members and officers were working towards these objectives of increased commercialisation and financial self-sufficiency. The project group noted significant differences between services in their approach to generating income and reducing the need for subsidies.

3.5 With regard to these objectives the project group makes the overarching recommendation:

**That concessions made on fees and charges should be used as part of a dynamic and agile pricing approach for services, where the overall objective is that total costs are covered.**

3.6 All the services provided where a concession is offered on the full charge are non-statutory services and the project group does not see a situation where non-statutory services are subsidised as sustainable in the long, or even the short to medium term.

## **4.0 RECOMMENDATIONS**

**The Project Group recommends:**

4.1 **That the concession on bulky waste and pest control services be reduced from 50% to 20%.**

- This would bring the concession into line with the concessions offered by leisure services (average 16% concession) and by theatres (between 10 – 20% concession), and thereby help to make these services more financially sustainable.

4.2 **That the cost of providing concessions along with the provision of less popular or costly services should be supported by higher demand and popular services, along with revenue generated from services paid for at the full rate.**

- 4.3 That Leisure Services and Theatres should continue to have the freedom to vary the rate of concessions offered to manage demand. The project groups notes with approval the approach taken by these services to offering concessions and their focus on the overall cost of providing all services.**
- 4.4 That services should establish the unit cost of providing a service before setting a price. The costing of services should include all possible applicable costs, both fixed and variable involved in delivering a service such as buildings, staff, materials and IT.**
- 4.5 That where appropriate, services should only advertise that concessions are available rather than listing all concessionary categories at the point of a service being enquired about. Also, that those services should only grant concessions after entitlement of eligibility has been confirmed.**
- 4.6 That the concessionary categories for all services should be updated to include the categories of:**
- I. Universal credit, with no earned income**
  - II. Universal Credit with a housing element included**
- to reflect the changes to benefit delivery created by the introduction of Universal Credit.**
- 4.7 That the Sports and Leisure Manager should review the published list of categories giving entitlement to concessionary rates so that the list is shorter, clearer and easier to understand by service users.**
- 4.8 That concessions should not be offered on the basis of being aged 60 or over. The project group notes that in the current climate of local government cuts, this category of concession is neither sustainable nor fair. Anyone who is financially disadvantaged who is 60 or over would still receive a concession based on one of the other concessionary categories.**

## **5.0 REVIEW APPROACH**

5.1 The review was carried out by:

- a) Reviewing and analysing the current range of concessions and the type of entitlements to concessionary rates offered by Chesterfield Borough Council.
- b) Reviewing and analysing the current range of concessions and the type of entitlements to concessionary rates offered by comparable authorities (North East Derbyshire, Bassetlaw, Mansfield and Gloucester).
- c) Project group meetings to review findings.
- d) Meetings and discussions with Cabinet Members and officers including:
  - Councillor Sharon Blank, Cabinet Member for Governance
  - Councillor Chris Ludlow, Cabinet Member for Health and Wellbeing
  - Councillor Amanda Serjeant, Cabinet Member for Town Centre and Visitor Economy
  - Mick Blythe, Sports and Leisure Manager
  - Anthony Radford, Arts and Venues Manager
  - Fran Rodway, Customer Services and Revenues Manager
- e) Consultation with residents via a questionnaire which was sent to all Community Assembly members asking for their views on how Chesterfield Borough Council offers concessions. This allowed the group to gain the views of residents so that these could be fed into the group's considerations. **(The Community Assembly feedback form can be found at Appendix A and a Summary of responses at Appendix B)**

5.2 The Project Group members met with Chesterfield Borough Council officers and used the council's website to gather primary data on concessions offered by the council. This data was then collated and analysed both quantitatively and qualitatively.

5.3 Cabinet and Council reports on Fees and Charges and the Council's budget, as well as the Council's Equality's policy were used to inform the project's group's considerations.

- 5.4 The project group selected four other comparable local authorities from Chesterfield's "family group" to gather data from on how they offered concessions and on what services they offered concessions. This data was then analysed both quantitatively and qualitatively. The data that the project group used can be found at **Appendix C**.
- 5.5 The information received from the responses from the questionnaire that was sent to Community Assembly members, was collated and analysed for trends. The information received was then considered by the project group members and assisted them in formulating their recommendations.
- 5.6 The project group also referred to and used as a basis for their research, the 2008 Audit Commission report "Positively Charged". This report, subtitled "Maximising the benefits of local public service charges", sought to assess the effectiveness of the approach taken by councils to charging for services. A summary of the report can be found at **Appendix D**

## **6.0 REVIEW FINDINGS AND ANALYSIS**

- 6.1 The project group members carried out research to collate and determine information on the level of charges made and the amount and type of concessions offered by both Chesterfield Borough Council and by the comparator authorities. The information received was then analysed with members looking at the reasons concessions were offered as well as the amount of the concessionary discount.
- 6.2 Concessionary discounts varied greatly between different services and different authorities. Chesterfield theatres and leisure services had variable concessionary discount amounts, but the range of concessionary reductions was 10 – 20% for theatres and there was an average reduction of 16% offered by leisure services. Pest control and bulky waste collection offered a fixed 50% concessionary discount across all services.
- 6.3 The comparator authorities looked at had several different approaches to concessions. Notable differences included Bassetlaw District Council who did not offer a pest control service, and who did not offer any concessions on bulky waste collection (however the full charge was lower than other authorities) and Mansfield District

Council who offered variable concessions of 20 – 30% off the full charge for pest control services and 50% off peak discount for leisure services to residents on income related benefits or aged over 60.

- 6.4 Project members were keen to discover the reasoning on how and why concessionary rates were arrived at. The concessionary discounts for Chesterfield theatres and leisure services were set with regard to encouraging participation, but also with regard to market forces, with prices and concessions set at what the local market could stand. For pest control and bulky waste collection services the 50% concession had been in place for many years and had not been reviewed. On speaking to the comparator authorities, group members found that the concessionary discount rates offered on these services were also long established and had not been changed for many years.
- 6.5 The large differences in the amount of concessionary discount offered by services at Chesterfield prompted members to consider whether a uniform rate of concessions should be offered across all services at a fixed rate. However from discussions with the Sports and Leisure Manager and the Arts and Venues Manager, the project group acknowledged that this would be impractical and financially detrimental for the council. As previously noted concessions for leisure services and theatres are set and reviewed with a focus on managing demand, and with regard to prices that the market can stand locally, with activities priced accordingly. Having a fixed concessionary rate for these service areas could also limit potential income generation opportunities from services where the market can stand a lower concessionary reduction being applied. For example some classes provided by leisure services are more popular than others and therefore provide an opportunity to generate income as they will be fully subscribed or oversubscribed without the need to offer large discounts.
- 6.6 There is no statutory duty upon the Council to provide a pest control treatment service and a 50% reduction for residents in receipt of housing benefit and council tax support is currently applied to the charges made for treatments.
- 6.7 The report to Cabinet on 10 March, 2015 on Environmental Health Fees and Charges estimated that for pest control, income for 2015-16 would be £19,000 with a further £4,000 received from commercial work. The service costs about £46,000 per annum to operate

including all support costs. For example the treatment of rats at a domestic property typically costs the customer between £45 and £65. With VAT, full cost-recovery would mean a charge of £54 to £78.

- 6.8 The prices charged by pest control, even at the full rate do not cover the costs of providing the service and just over half of full operating costs are recovered over a year. Changes introduced to the pricing of pest control services have shown that charges made at the full price are sensitive to customer choice and have resulted in a proportional increase of all treatments being carried out at the concessionary rate. (Report on Environmental Health Fees and Charges 2015/16 to Cabinet 10 March, 2015)
- 6.9 Bulky waste collection charges are also subject to a 50% reduction for residents in receipt of housing benefit or council tax support. The charges made for the collection of bulky waste depend on the number of items collected with one item costing £14.20 and six to ten items costing £28.60 (full charge). The council makes a small surplus on the cost price on charges made to collect items of bulky waste; however this does not offset the loss made by offering a 50% concession.
- 6.10 With the cuts in the council's budgets and the requirement for all departments to make savings, the practice of offering a reduction of 50% which results in the council incurring a significant loss is not sustainable in the long term. The project group acknowledges concerns that increasing charges or withdrawing services could increase incidents of fly tipping or pest infestations but is of the opinion that residents who are going to act irresponsibly by fly tipping or allowing infestations would do so regardless of the charges made. The project group discovered from their research that many authorities have withdrawn pest control as a service altogether and do not offer any concessions on bulky waste collections.

## **RECOMMENDATION**

**That the concession on bulky waste and pest control services be reduced from 50% to 20%.**

- **This would bring the concession into line with the concessions offered by leisure services (average 16% concession) and by theatres (10 – 20% concession) and**

**thereby help to make the services more financially sustainable.**

- 6.11 As part of the project group's research of this council's services, members analysed the amount of concessionary discounts offered by different services in order to ascertain if there were any trends in the discounts offered. Bulky household waste and pest control had a uniform discount of 50% on all services; however the situation was very different for leisure and theatres. Leisure offered concessions varying from 10 to 50% with no concessions on some services at all. The project group notes the wide range of diverse services offered by leisure including the councils' leisure centres as well as outdoor playing pitches. Theatres and venues also offered varying rates of concessions on tickets as well as for the hire of different venues.
- 6.12 The average concessionary discount offered on leisure services was 16%, with concessions offered by theatres and venues ranging from 10 -20%. For theatres concessions are offered to both hirers of the venues, and to customers who purchase tickets for the programme of arts and entertainment.
- 6.13 There are three tariffs for venue hire: the Community rate, Private Dance School rate and the full Commercial rate. The general principle for the setting of these charges is that the Community hire fees are set at a minimum level to cover the direct costs of operation such as staff and heating costs. The Private Dance School tariff is set at a higher level than the Community hire charges. The Commercial hire fees are set at a level to generate a surplus over the direct costs of operation. The setting of the tariffs also takes into account local competitor pricing and wider Council budget requirements.
- 6.14 Concessions offered on ticket prices are agreed with the external promoter of the event, if a concession can be negotiated concessions are offered using the concessionary categories set by Chesterfield Theatres. The amount of concession offered can vary from production to production as well as by varying between the different venues. For visiting productions the Council will only receive between 20% and 30% of the ticket income with the balance going to the production company, and depending on the level of business, the Council's share of the income can be more or less than the cost of providing the venue. Concessionary rates do not cover all the costs of operating a venue; however the charges are set with a minimum objective to



cover the marginal costs of opening up a venue to hire, such as staffing, and utility costs. Market factors, competition and local benchmarking are also considered when setting ticket and venue prices.

- 6.15 Despite the theatres and venues operating at a loss the project group noted with approval the reduction in subsidy required by the venues over recent years and the mindfulness to the full costs required of providing services shown by the management team.
- 6.16 Leisure services provide the largest number and greatest diversity of charges for services, and subsequently the greatest number of concessions of any of the services looked at by the project group. Investigations by the project group showed a situation and approach to managing costs, prices and concessions that was considerably different to the approach taken by some other council services in both its flexibility and in the amounts of the concessionary reductions offered.
- 6.17 Concessions on leisure services are offered not only to make them more accessible to those residents who may be financially disadvantaged, but also to promote healthy lifestyle choices for residents by trying to positively influence behaviour. With the significant variances in deprivation, and consequently health and life expectancy across the borough the project group understands the need to promote healthy lifestyles, and that offering concessions on leisure services is one way of addressing this. The creation of the cabinet member position for health and wellbeing, and the formation of the corporate health and wellbeing group highlights that improved health and increased activity levels for residents are a high priority for the council.
- 6.18 Prices for leisure services and the subsequent concessionary rates are all set individually and reflect market sensitivity to the different services offered. Benchmarking is also carried out with other authorities and also with private sector provision to assist with the setting of charges and concessions. When prices are reviewed some will go up, some will decrease and others will remain the same as a reflection of benchmarking and market considerations
- 6.19 Across leisure services there is no set percentage rate of concession, with concessionary discounts ranging from 10 – 50%. On very

popular services, the concession offered is less with larger discounts offered on less popular activities. The Sports and Leisure Manager advised the project group that figures showed that users who have a concession tend to use facilities more during off peak times, therefore the offering of concessions can encourage the use of facilities and generate income at times when they could otherwise be empty.

- 6.20 Leisure services, like many council services require a subsidy to function, however it should be noted that the subsidy received by leisure to run its services has reduced by half in recent years. The introductions of policies such as reducing hall bookings from 1 hour to 45 minutes have also increased income. The pricing of services and the monitoring of numbers accessing services, along with the number of concessions granted has been an integral part of the reduction in subsidy needed. In leisure there is a major focus on encouraging and maintaining memberships as these not only encourage participation and healthy lifestyle choices but also provide a sustained and predictable income level that allows for effective planning and budgeting. Leisure services are also aiming to reach the council plan objective of being financially self-sufficient by 2020.
- 6.21 At the outset of the project, members considered that having a uniform rate of concessionary discount across all council services would be a clear and transparent way of offering concessions, this solution however would not be suitable for leisure as it could mean offering larger concessions than were needed to encourage participation for services, and therefore reducing the opportunity to generate income.
- 6.22 The project group notes with approval the dynamic and agile approach taken to concessions and the consequent understanding and focus on all the costs of providing services taken by the Sports and Leisure Management team.
- 6.23 In leisure services the cost of providing some services such as swimming pools will never be able to be covered by charges made due to high fixed costs, and in this situation the project group acknowledges the need for surplus income to be generated on other services where market factors allow, offsetting the losses made on costly services. In order to maximise revenue on popular services it is important that the setting of prices and any concessionary reductions is flexible in order to achieve maximum revenue to enable

the leisure services to continue to reduce the subsidy it receives and to support the provision of the most costly of services.

## **RECOMMENDATION**

**The cost of providing concessions along with the provision of less popular or costly services should be supported by higher demand and popular services, along with revenue generated from services paid for at the full rate.**

and the subsequent recommendation of:

**That Leisure Services and Theatres should continue to have the freedom to vary the rate of concessions offered to manage demand. The project group notes with approval the approach taken by these services to offering concessions and their focus on the overall cost of providing all services.**

6.24 Chesterfield Borough Council has guidelines referred to in the annual fees and charges reports, which govern the Council's approach to charging and includes the requirements for departments to consider the following principles:

- I. Fees and charges should aim to recover at least the full cost of the service except where:
  - a. there is an opportunity to maximise income;
  - or
  - b. Members determine a reduction or subsidy should be made, for a specific reason.
  
- II. To make a charge wherever non-statutory services benefit an identifiable group as opposed to the entire community.

The Council states its approach to fees and charges is now principally focussed on ensuring that services are sustainable, and operated in a business-like manner, to maximise delivery efficiency and affordability. This more business-like approach to charging is welcomed by the project group; however the group is concerned that not all costs are being fully considered by all departments when setting charges and any subsequent concessions.

- 6.25 As noted previously the project group approves of the business-like approach taken by leisure services with regard to the setting of both charges and the subsequent concessions. Members were also impressed with the firm grasp, good understanding shown regarding consideration of all the fixed and variable costs involved in providing services.
- 6.26 If council services are going to be sustainable into the future it is vital that this understanding of costs is used by all departments. Any subsequent concessionary charges made may indeed not fully cover the cost of provision if deemed that a concession has a benefit to residents, but it is essential that services know the full cost of service provision first so that costs can be controlled and monitored. The project group notes that all costs involved in providing a service should be reviewed annually so that decisions regarding prices and any concessions are based on up to date figures. This is especially important with regard to the calculation of "overheads" or "on-costs" and these must be based on a regularly reviewed consistent calculation and information.
- 6.27 It was not clear from cabinet reports on fees and charges, or from discussions with service areas at both Chesterfield and at the comparator authorities that all possible costs of providing a service were factored in when arriving at a unit cost. For a true unit cost of providing a service to be established all possible costs, both fixed and variable need to be included. Costs that should be factored should include, but should not be limited to; buildings, staff, IT, all materials, equipment, heating and other utility provision, vehicles and all related running costs, depreciation of assets and insurance .
- 6.28 This approach would provide services with a better understanding of the real costs related to service provision, and also show that if the provision of a service had very high fixed costs per unit, that action may be needed to increase service up-take to help spread this cost and help ensure the service remains sustainable.

## **RECOMMENDATION**

**That services should establish the unit cost of providing a service before setting a price. The costing of services should include all possible applicable costs, both fixed and variable**

**involved in delivering a service such as buildings, staff, materials and IT.**

- 6.29 The project group's initial research involved contacting departments within the council and also at the comparator authorities to enquire about the concessions on fees and charges that they offered. Whilst conducting this research the project group noted different approaches taken by different services and councils to informing customers that concessionary rates were available.
- 6.30 Chesterfield services were notable for listing all possible concessionary categories on the council website and on leaflets, with concessionary categories ranging from two for pest control and bulky waste, to eighteen for leisure services. Other authorities such as Mansfield District Council and North East Derbyshire District Council used much broader terms regarding concessionary categories, such as "disabled" or "claiming certain benefits", which encouraged those residents who may be entitled to a concession to contact the service for more details. The project group considers this a much better approach in regard to income based concessions as it simplifies published information, making it clearer and easier to understand.
- 6.31 The project group acknowledges that for concessionary discounts designed to positively influence behaviour, especially with regard to leisure services it may be appropriate to publish fuller details of the concessionary categories to encourage certain groups to participate, for example concessions aimed at the young, students or those with health problems.
- 6.32 With regard to considerations of fairness and equality and to ensure that only those entitled to a concessionary reduction receive a discount, the project groups considers that proof of entitlement to a concessionary rate is confirmed at the point that a service is requested, and that a concession should not be granted if entitlement cannot be confirmed.
- 6.33 For services requested via the council's contact centre, the customer service adviser will check entitlement to a concession by using the council tax and housing benefit systems, this is a simple and straightforward method of confirming entitlement. For other services such as leisure and theatres checking entitlement is more difficult as these services do not have access to the same systems as the contact

centre. Also as other benefits are paid directly into bank accounts, residents may not have an up to date award letter regarding their benefits. In such situations the project group notes that some documentary proof confirming entitlement for concessionary rates based on receipt of benefits must be seen and before any concessionary discount is applied.

- 6.34 To ensure good customer service customers should not be repeatedly asked to prove entitlement every time they access a service, the fact that entitlement has been confirmed, and also how long this entitlement lasts for should be recorded by service areas. Information on the website and displayed in council buildings regarding concessionary rates should always state that proof of entitlement is required in order to receive a concession. The project group notes that information advising that proof of entitlement is required is not always stated by services.

## **RECOMMENDATION**

**That where appropriate, services should only advertise that concessions are available rather than listing all concessionary categories at the point of a service being enquired about. Also, that those services should only grant concessions after entitlement of eligibility has been confirmed.**

- 6.35 Universal Credit (UC) was introduced in areas of Chesterfield by the Department of Work and Pensions (DWP) for new single claimants of working age previously eligible for Jobseeker's Allowance from March 2015. It replaces a range of benefits and tax credits for people of working age. It is a single monthly payment which will eventually replace income support, income related job seeker's allowance, income related employment support allowance, working tax credit/child tax credit and housing benefit. Council tax support will continue to be administered locally by the Council.
- 6.36 Universal Credit was introduced in Chesterfield in March, 2015 with initially just for those who would have made a single person's claim for income based job seekers allowance claim being transferred onto the new benefit; further changes to the scope of Universal Credit are expected in April 2016 and 2017. Currently in Chesterfield there are people claiming Universal Credit along with people claiming the benefits that Universal Credit will replace.

- 6.37 Services including pest control, bulky waste, leisure and theatres use entitlement to housing benefit, job seekers allowance, income support and other benefits that will eventually be replaced by Universal Credit as an entitlement to receive a concessionary rate on their services.
- 6.38 Leisure Services have taken steps to take into account the introduction of Universal Credit by updating their list of concessionary categories with the addition of the category of being in receipt of Universal Credit with no earned income.
- 6.39 Chesterfield Theatres have also taken the introduction of Universal Credit into account by updating their list of concessionary categories with the addition of the categories of being in receipt of 'Universal Credit with no earned income', and being in receipt of ' Universal Credit with a housing element included'.
- 6.40 Other services such as pest control and bulky waste have not amended their concessionary categories to reflect the changes to benefit delivery. The project group believes that it is very important that categories of entitlement to a concession reflect the current and changing benefit delivery system, and that all services offering a concession need to respond to these changes.

## **RECOMMENDATION**

**That the concessionary categories for all services should be updated to include the categories of:**

- I. Universal Credit, with no earned income
- II. Universal Credit with a housing element included

**to reflect the changes to benefit delivery created by the introduction of Universal Credit.**

- 6.41 As part of their research the project group looked at the categories for entitlement to concessionary rates offered by Chesterfield Borough Council as well as those used by the comparator authorities. The categories for entitlement to concessions varied considerably between services and authorities, with just two concessionary categories offered by Chesterfield Borough Council for pest control

and bulky waste collection to eighteen different concessionary categories offered to users of Chesterfield's Leisure Centres.

- 6.42 Concessions are offered by leisure to assist the less well-off and disadvantaged groups in society with prices and concessions set with regard to local demographics and to take into account that according to the 2015 indices of multiple deprivation, Chesterfield is the second most deprived area in Derbyshire. Leisure also offers concessions to clients referred from the Health Service to encourage participation and a healthy lifestyle. Though there hadn't been any specific study conducted, the project group was informed by the Sports and Leisure Manager that concessions, especially those offered to health referral clients, do improve attendance and use of facilities and classes during off peak times, and also that many of these users continue attending after their referral programme has ended.
- 6.43 The project group agreed that while concessions did increase participation in sport and leisure positively affecting the health and wellbeing of residents, the actual list of concessionary categories was too long and very confusing. The list of concessionary categories offered at Chesterfield's Leisure Centres was the longest list of categories for any service across the five authorities looked at.
- 6.44 The list of concessionary categories used by leisure services was adopted in 2014 when new categories were added. The list has also been added to to take into account the introduction of Universal Credit in Chesterfield in March, 2015.
- 6.45 The list of concessionary categories for leisure services showed no separation of concessionary categories relating to income and of those relating to influencing behaviour, or targeting specific groups in society. Members reviewed other authorities' concessionary categories for leisure services and found them to be shorter and more concise, using broader terms such as "disabled", rather than listing individual disability benefits. The list used at Chesterfield included many benefits that have been superseded and that few people will now be claiming, such as Incapacity benefit, as well as its replacement Employment and Support Allowance being included on the list of concessionary categories.
- 6.46 The project group considered that such a long list could actually put service users off claiming a concession as the list was so lengthy and



that a shorter list using broader terms would be clearer and easier to understand.

## **RECOMMENDATION**

**That the Sports and Leisure Manager should review the published list of categories giving entitlement to concessionary rates so that the list is shorter, clearer and easier to understand by service users.**

- 6.47 Chesterfield Theatres and Leisure Services offer concessionary rates to people aged 60 and over who access their services. The rate of concession varies depending on the specific service offered, and for some theatre productions no concessionary rates are offered at all. Bulky waste and pest control do not offer any concession based on age.
- 6.48 The concession offered to those aged 60 and over by Leisure Services is only available to residents of the borough. The concession offered to those aged 60 and over by Chesterfield Theatres is available to anyone.
- 6.49 When the project group looked at the approach to offering concessions to those aged 60 and over by the comparator authorities, similarities to Chesterfield Borough Council were found with discounts being offered to those aged 60 or over on both leisure services and theatres. There were however differences in approach, with Mansfield District Council offering a 50% off-peak concession to residents aged 60 and over on leisure services, and North East Derbyshire District Council, offering a discount to all over 60's, but also offering a larger discount to those aged over 60 in receipt of an income related benefit.
- 6.50 Regardless of these differences the principle of offering concessions to those aged 60 and over appears widespread and accepted as normal practice with concessions for those aged over 60 offered by many private providers of leisure and cultural services with concessions offered to over 60's at Chatsworth, Haddon Hall and the Midland Railway Centre, amongst many others. The National Trust does not offer concessions on admissions to those aged over 60.

- 6.51 The project group notes that while private businesses do offer concessions to over 60's this is a considered business decision in order to attract visitors and encourage additional spending while at the attraction, and that such concessions are not offered as a result of equalities considerations or assumptions that older people are financially disadvantaged.
- 6.52 On researching the reasons behind the practice of offering concessions, the project group were advised that for theatres the main concessionary groups had been established many years ago, and had been designed to make theatre more accessible to senior citizens and those on low incomes, as well as to encourage attendance from children and schools. There appears to be an assumption that the over 60's are financially disadvantaged and require a concession in order to access services. For leisure services, concessions are offered to address health problems and to improve the health and wellbeing of local people.
- 6.53 Leisure services and Chesterfield theatres both operate at a loss, requiring substantial subsidies from the Council to be able to provide services. The project group notes that both leisure services and Chesterfield theatres have reduced the amount of subsidy required greatly over recent years by reviewing charges, creating efficiencies and responding to local market conditions.
- 6.54 As part of their research the project group carried out a consultation with Community Assembly members to gather their opinions on how the council currently offers concessions along with how concessions could be offered. The group analysed the responses received and a clear trend regarding concessions being offered solely on being aged 60 and over became clear. A summary of the comments are shown below.
- **“Concessions should not be based solely on age but on disability and income, there are lots of well off pensioners.”**
  - **“Concessions should be given on the basis of need by the customer.”**
  - **“(Concessions should only be given to those on a) low income only. Although my wife and I are OAP's we and many other elderly people can afford to pay the full price.”**
  - **“There is at this time limited finances available (to local government), and we think that concessions should only be**

**made available on necessities and then only to those who genuinely cannot afford them”**

- **“Concessions for those on low income. Seems to be an assumption that elderly are financially disadvantaged, this is not necessarily so. ”**
- **Concessions should only be offered to children and students in full time education on leisure and theatres.**
- **I don’t generally agree with concessions for the elderly. A large number of over 65s are better off than younger people. It does include, though, those who are living solely off of state pensions who should definitely receive concessions**

It should be noted that some respondents did think that concessions for those aged 60 and over were a good idea, but the services mentioned were services such as bulky waste and pest control where no age based concession currently exists.

6.55 The responses highlighted two issues to the project group. Firstly that many people aged over 60 were financially more secure than younger people, and secondly that in the climate of cuts in local government funding concessions should be targeted at essential services, young people and those on low incomes.

6.56 The Council’s Equality Diversity and Social Inclusion Policy statement advises that:

“Chesterfield Borough Council is committed to advancing equality of opportunity, and providing fair access and treatment in employment and when delivering services. ”

The project group does not believe that offering a concession solely based on being aged 60 or over is compatible with the council’s equalities statement, and that offering this concession the council is creating inequalities with regard to accessing services.

6.57 People of pension age have also been less affected by welfare reform than those of working age, with entitlement to working age benefits such as tax credits being reduced greatly. The 2015 summer budget proposed legislation that would freeze the main rates of the majority of working age benefits, tax credits and Child Benefit for two years from 2016 to 2017. All these reforms affect people of working age, whereas pensioners have been protected, with the State Retirement

Pension increasing and entitlement to universal benefits such as winter fuel allowance, free prescriptions, free bus travel and free TV licences being unaffected by welfare reforms.

- 6.58 As a result of welfare reforms those of working age have been more adversely affected, and have become more financially and socially disadvantaged as a consequence. Due to these changes it is arguable that residents of working age are more in need of concessionary rates to give them access to services than those aged 60 and over. The responses received from the consultation with Community Assembly members clearly showed support for offering concessions to younger people in difficult financial circumstances, over older people without regard to their financial need. **(Summary of Community Assembly responses Appendix B)**
- 6.59 With regard to equalities considerations and to the ability of residents to access services the project group strongly believes that any concessions offered should be based on income and receipt of income related benefits.
- 6.60 State Retirement Pension (SRP) age has been increasing for several years with both men and women reaching SRP age at 66 years of age by September 2020. SRP age is currently 65 for men and 62 ½ years old for women. The project group notes that even disregarding all other considerations on whether pensioners should receive a concession, as well as the state of local government finances, the practice of offering concessions based solely on age to a group of people who are still of working age to be very hard justify, especially when the council aims to ensure fair access to services to all residents.
- 6.61 The project group notes that in light of the current climate of reductions to local government funding and the strain this will put on the council's finances, offering a concession, solely based on age to such a large sector of residents would be financially un-sustainable.
- 6.62 The Chief Finance Officer's report to Council on 14 October, 2015 stated that:

"Our medium term forecast assumes a 41% reduction in (central government) settlement funding by 2019/20 and this has contributed

towards the large budget deficits we face in 2016/17 (£1.8m) and in future years. "

- 6.63 In this climate of severe budget reductions the project group feels it is more important than ever that the council's reduced resources should be focused on those residents in real financial or social need, and that those concessions offered should be based on receipt of income related benefits, or focused towards specific groups of residents such as students or those with health problems.

## **RECOMMENDATION**

**That concessions should not be offered on the basis of being aged 60 or over. The project group notes that in the current climate of local government cuts, this category of concession is neither sustainable nor fair. Anyone who is financially disadvantaged who is 60 or over would still receive a concession based on one of the other concessionary categories.**

## **7.0 RECOMMENDED NEXT STEPS**

- 7.1 As a result of its work the project group also makes the following recommendation -
- 7.2 **That a member and officer working group be established to develop a corporate policy on concessions.**
- To produce a corporate policy on concessions that managers should use when setting concessionary rates for their services so that a corporate approach is taken when setting concessions
  - A corporate policy on the application of concessions would ensure greater consistency and fairness in the application of discounts, and greater transparency on the extent to which service costs are covered by the charges.
  - That a corporate policy on concessions on fees and charges includes all the recommendations made by the project group.

- That the members of the scrutiny project group on concessions on fees and charges be included in the member and officer working group.

## **8.0 REVIEW CONCLUSIONS**

- 8.1 That the current way in which concessions on fees and charges are offered are based on long standing practices which do not meet the councils commitment to equalities or the council plan objectives of Chesterfield Borough Council becoming financially self-sufficient by 2020 and to provide sustainable services to residents of the borough.
- 8.2 That services need to have a thorough and detailed understanding of all costs involved in service provision so that decisions taken on pricing and concessions of individual services are well informed and are made as part of an overall charging and concessions policy that results in costs being covered and subsidies being reduced.
- 8.3 The Chesterfield Borough Council Corporate Plan 2015 – 2019 states that a key objective is:

“To provide value for money services. To deliver this, we will focus on a single objective: To become financially self-sufficient by 2020, so we can continue to deliver the services our communities need.”

In order for services to be sustainable in this new challenging financial environment it is important that all services operate with consideration to costs if high quality and trusted council services are going to be maintained and delivered in the future.

- 8.4 The research carried out for the review involved input from local residents with the consultation with Community Assembly members. Their input has been directly reflected in the project group’s focus and its recommendations. The project group would like to note the benefit of involving residents and that this should be seen as best practice for all scrutiny reviews.

## **APPENDICES:**

- A. Community Assembly Feedback form.**
- B. Summary of Community Assembly responses.**
- C. Summary of quantative data used by the project group in their considerations.**
- D. Summary of the Audit Commission report "Positively Charged".**

**Contacts:**

**Project Group Lead** – Councillor Jeannie Barr

**Committee and Scrutiny Co-ordinator** - Martin Elliott

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## **APPENDIX A**

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# CHESTERFIELD BOROUGH COUNCIL

## **Scrutiny Project Group on Concessions on Fees and Charges**

### **Request for Community Assembly input.**

Councillors Jeannie Barr, Kate Caulfield, Ray Catt, Kate Sarvent and Andy Slack are carrying out a review looking at how Chesterfield Borough Council offers concessions on fees and charges on services including Bulky Waste Collection, Pest Control, Leisure Services and Theatres.

The group have been having meetings with Cabinet Members and Senior Officer at the Council to get an understanding of how and why Chesterfield Borough Council offers concessionary rates on services. The group would now like to hear your views and opinions on how Chesterfield Borough Council offers concessions.

- Should Chesterfield Borough Council offer concessions?
- Is it right for the Council to offer concessions when it is having to save money and is receiving less money from Central Government?
- On what basis should concessions be offered? Age, income? etc.

To submit your comments please complete the attached form and return by either email or by post.

***We look forward to receiving your comments and input.***

***Councillors Jeannie Barr, Kate Caulfield, Ray Catt, Kate Sarvent and Andy Slack***



# CHESTERFIELD BOROUGH COUNCIL

## Scrutiny Project Group on Concessions on Fees and Charges Community Assembly Feedback Form

1. Were you previously aware that Chesterfield Borough Council offers concessionary rates on the following services?

<b>Bulky Waste Collection</b>	Yes/No
<b>Leisure Services</b>	Yes/No
<b>Pest Control</b>	Yes/No
<b>Theatres</b>	Yes/No

2. Which services do you think Chesterfield Borough Council **should** offer concessions on?

<b>Bulky Waste Collection</b>	Yes/No
<b>Leisure Services</b>	Yes/No
<b>Pest Control</b>	Yes/No
<b>Theatres</b>	Yes/No
Other (please specify)	.....

3. If you think concessions should be offered, on what basis should they be offered? e.g. age, low income

.....  
.....  
.....  
.....

4. If you think concessions **should not** be offered on services why is this?

.....  
.....  
.....  
.....

Please return your completed questionnaire by 30 September, to:

**Martin Elliott, Committee and Scrutiny Coordinator**  
**Chesterfield Borough Council**  
**Town Hall**  
**Chesterfield**  
**S40 1LP**

or by email to: martin.elliott@chesterfield.gov.uk

## **Appendix B**

### **Summary of the Community Assembly responses**

#### **Question 1**

**Were you previously aware that Chesterfield Borough Council offers concessionary rates on the following services?**

	<b>Yes</b>	<b>No</b>
<b>Bulky Waste</b>	40%	60%
<b>Leisure</b>	55%	45%
<b>Pest Control</b>	40%	60%
<b>Theatres</b>	65%	35%

#### **Question 2**

**Which services do you think Chesterfield Borough Council should offer concessions on?**

	<b>Yes</b>	<b>No</b>
<b>Bulky Waste</b>	85%	15%
<b>Leisure</b>	70%	30%
<b>Pest Control</b>	80%	20%
<b>Theatres</b>	70%	30%

### **Summary of Comments to the questions:**

**If you think that concessions should be offered, on what basis should they be offered?**

and

**If you think concessions should not be offered on services why is this?**

- Concessions should be given on the basis of need by the applicant.
- Concessions should not be based on age solely but on disability and income, there are lots of well off pensioners.
- I think bulky waste and pest control should be paid for in full regardless of income or age.
- Concessions should be given on the basis of need by the customer.
- Low income only. Although me and my wife are OAP's we and many other elderly people can afford to pay the full price.
- There is at this time limited finance available, and we think that concessions should only be made available on necessities and then only to those who genuinely cannot afford them.
- Concessions should only be offered to children and students in full time education on leisure services and theatres. Except for children and students all other people have an income from wages allowances, pensions.
- Bulky waste collection should be reduced for the disabled, also for older people.
- Concessions for those on low income. Seems to be an assumption that elderly are financially disadvantaged, this is not necessarily so.

- Concern that removing concessions for bulky waste and pest control will lead to infestations and fly tipping.
- Support for concessions for disabled for bulky waste and pest control.
- We must keep the Winding Wheel and Pomegranate open at all costs
- Theatres are for pleasure and not an essential service.
- I think bulky waste and pest control should be paid for in full regardless of age.
- Support for concessions over 60, under 18 and on low income <£15,000.
- Theatres, its only entertainment. But support for concession based on being 60+.
- Concessions should only be offered to children and students in FTE on leisure and theatres.
- I don't generally agree with concessions for the elderly. A large number of over 65s are better off than younger people. It does include, though, those who are living solely off of state pensions who should definitely receive concessions.
- It should be based on income – and not just for those out of work. I'm not sure how you would evidence that though for people who are working and on low income (a sector which should be given high priority!) I assume that under-18s would receive concessions on Theatre / Leisure services.
- (Concessions) only for over 65's in the case of disability and or low income, some pensioners are financially very well off.

- To stop fly tipping offer concessions to all age groups on bulky waste collections. Also pest control as building infestations could spread if not controlled.
- Low income only.



## **APPENDIX C**

**Summary of quantative data used by the project group in their considerations.**

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Service	Standard rate £	Concessions offered (Yes/No)	Concession Reason e.g. receipt of certain benefit	Concessi onary rate £	Percentage
<b>Swimming</b>			All Change for life		#DIV/0!
Adult	3.4	Yes		2.8	-18%
Junior	2.4	No		2.4	0%
Family	8.25	Yes		6.7	-19%
30 Min junior lesson	5.15	Yes		4.65	-10%
40 min junior lesson	6.2	Yes		5.6	-10%
1 - 2 - 1 lesson	18	Yes		16.2	-10%
Adult lesson	6.95	Yes		6.25	-10%
Full pool hire	81.9	No		81.9	0%
<b>Fitness Room</b>					
Casual Adult	5.75	Yes		4.2	-27%
Adult Induction	20	Yes		10	-50%
Health MOT	25	No		25	0%
<b>Main Hall Activities</b>	0	No		0	
No concessions					
<b>Squash</b>					
No concessions	0	No	0		
<b>Courses</b>					
Trampoline Junior	5.15	Yes		4.65	-10%
Gymnastics Junior	5.15	Yes		4.65	-10%
Badminton Adult	5.15	Yes		4.65	-10%
Badminton Junior	5.15	Yes		4.65	-10%
Other	4.25	No		4.25	0%

<b>Classes</b>					
60 Minute	4.55	Yes		3.75	-18%
Indoor Cycling	5.15	Yes		4.25	-17%
45 Minute	3.75	Yes		3.15	-16%
Health Class	2.6	No		2.6	0%
90 Minute	5.15	Yes		4.55	-12%
QPSC Swim Party	75	Yes		63.75	-15%
QPSC Activity Party	70	Yes		60	-14%
HLC Swimming Party	70	Yes		60	-14%
Climbing	4.75	No		4.75	0%
Monkey Club	5.15	Yes		4.65	-10%
Chimp Club	9	Yes		8.1	-10%

### **Other questions**

1. Does the full rate you charge for services cover the costs of providing those services?
2. Does the concessionary rate you charge for services cover the costs of providing those serv
3. Do local Chesterfield Borough Council residents get a cheaper rate than people outside the (
4. Is there a private sector alternative to the service provided by the Council?

ices?

Council area (Theatres/Leisure Services)?

## **Note**

Potential reasons for offering a concession which are currently used by Chesterfield Borough C

- Receiving Council Tax Support or Housing Benefit
- Students in full-time education
- Foster carers
- Care leavers, aged 17 and over
- Young people in supported accommodation
- Homeless
- Disabled
- A carer or buddy for a disabled person
- Unemployed school leavers aged 16 to 18
- Unemployed asylum seekers
- Members of Her Majesty's armed forces
- Claiming employment support allowance
- Claiming personal independence payment
- Claiming incapacity benefit
- Claiming attendance allowance
- Claiming disability living or care allowance
- Aged 60 and over
- Claiming job seeker's allowance or income support.
- On Universal Credit with no earned income
- Children under 16
- Universal Credit with a housing element included

ouncil Services






## Note

To get your bonus card you must be a resident of Mansfield district and

- Receiving job seekers allowance
- On an employment training scheme
- Receiving income support (also known as minimum income guarantee)
- Receiving working tax credit
- Receiving incapacity benefit
- Employment and Support Allowance
- Receiving disability living allowance (Personal Independence Payment)
- Receiving industrial disablement benefit
- Receiving working tax credit: disability credit element
- Receiving war disablement pension
- Armed Forces Compensation Scheme
- Receiving severe disablement allowance
- A senior citizen (over 60)
- A full time student over 16

**nd:**

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**Note**

We have membership packages (Leisure / Concessionary Pass) which give eligible people discounts on ac

- Aged 60 or over
- Suffering ill-health and have been advised to exercise by your doctor
- A full-time student (aged 16 or over)
- Unemployed or on a low income
- Disabled

activities, with no monthly fee to pay. You qualify if you're:









**Percentage**

-51%  
-51%  
-51%  
-29%  
-51%  
-29%  
-21%  
-21%  
-21%  
-8%  
-8%  
-29%  
-50%  
-50%  
-50%  
-50%










# LGIU Local Government Information Unit

Independent Intelligent Information

## Positively charged: Audit Commission report (LGIU)

28/1/2008

Author: Janet Sillett

Reference No: PB 1724/08L

This covers: England

### Overview

Fees and charges are a significant part of local authorities' income - English councils raised £10.8 billion from charges in 2006-07, excluding council rents. County councils raise the most from charges, but charges make the greatest contribution to service delivery in district councils.

The Audit Commission report, published on 22 January, 2008, shows that the majority of councils are not clear how charges contribute to their overall spending and have little understanding of how their approach to charging compares with other councils. The findings also show that councils often do not demonstrate clearly to the public the rationale for charging or having to increase charges.

The report does include examples from councils of good practice and highlights how councils can use charges more strategically, for example, to influence behaviour and consumption, such as to shorten parking stays.

The Audit Commission wants councils to review their approach to charging and to how they communicate with the public on their charging policies. It also wants to see central government regularly review their rationale for national charging frameworks, including nationally set fees.

There is a list of questions in the report that councillors should be asking about charging. This could be particularly useful as the basis of a scrutiny review.

The Audit Commission rightly recognises that decisions on certain charges can be highly sensitive, and councils may need to balance different and sometimes conflicting objectives in making them. It does not perhaps give enough recognition to the context: councils are facing tough financial settlements and an inflexible and centralised finance system - it may sometimes be necessary to raise charges to meet funding gaps. However, it must be correct that councillors make these decisions with proper information about the consequences of what they are doing on individuals and services and within a properly considered policy framework.

### Briefing in full

#### Background

The Audit Commission undertook research in 2007 into councils' use of their powers to charge for services. The report is particularly useful for both executive and scrutiny

councillors, and for finance and service managers.

The Commission published alongside the report a charging directory, with examples of charging from a range of councils; a household charges calculator, to help councils understand the financial impact of charges on different households; and a charging income comparison tool, to compare charges with other councils.

The aims of the research were:

- to assess the contribution of charging to the funding, efficiency and strategic effectiveness of local government, and to participate in the national debate on these issues
- to help councils improve their approaches to charging to support their strategic objectives better
- to examine the impact of charging on equity and to help councils manage this impact.

## **The importance of charging**

Councils generated £10.8 billion from fees and charges in 2006-07. This is around eight per cent of their total income and equivalent to just over £210 for every person in England. In over a quarter of councils, income from charges exceeds that from council tax.

In 2006-07, three service areas accounted for 58 per cent of all councils' charging income: social services (£2.3 billion); education (£2 billion); and highways, roads and transport (£1.5 billion). County councils collected the largest proportion of charging income nationally and district councils the smallest, but for districts, charging provided the greatest contribution to service delivery, equal to nearly one-fifth of their total service spending.

The researchers found that there are large variations in charging income between councils of the same type. District councils, for example, generated income that ranged from 2 to 67 per cent of their total service spending. The variations appear unrelated to council performance or local factors such as deprivation.

## **Strategic uses of charging**

Charging has the potential to be a significant policy instrument. Structuring charges in different ways can, for example, encourage particular patterns of use. This can be clearly seen in how parking charges can be used to increase or decrease lengths of stay in a car park.

Councils can target services towards specific groups by setting different charges or offering concessions. The report gives several examples from local authorities.

More than half of councils say that they use charging as a tool to achieve strategic policy objectives. However, the Audit Commission says that few councils can claim to have been successful: in many cases, changes that have been implemented following charging reviews have not been in place long enough for their effects to be discernible. Most councils lack suitable data to show they have achieved what they set out to do.

## **Constraints on charging**

### **The national framework**

There have been powers to charge for specific services, such as for a range of arts activities, for many years. The position was, however, complex and confusing. Section 2 of the Local Government Act 2000 and section 93 of the Local Government Act 2003 were introduced to reduce the complexity and to give councils greater flexibility to charge for local services

There is little evidence that councils have made much use of the greater autonomy to develop new discretionary services funded by charges. However, three in five councils report introducing new charges for services that they have previously provided at no charge. Charges for pre-application planning advice is the one most commonly cited.

Although the 2003 Act did provide greater local discretion to charge, the report highlights other aspects of law that reduce flexibility. This is the case where councils are:

- prohibited from charging for services, such as education in schools or the collection of household waste
- restricted to recovering the costs of providing specific services. The restriction also prevents charges being used to raise surplus revenue.
- required to charge at a level determined by central government rather than local councillors, for example, for determining planning applications or licensing premises.

The Audit Commission believes that, although there are valid reasons for these restrictions, they create difficulties for councils, particularly that councils and the public are not always clear about the rationale that lies behind them, or that the original reason no longer remains valid for the restriction.

Even where the rationale is clear for nationally set fees, such as for planning applications, there can be significant financial consequences for councils. Planning fees often fail to provide the full recovery costs of the activities councils are required to undertake.

The authors conclude that there should be greater local discretion to allow councils to vary charges:

*“If councils are to fulfil their place-shaping responsibilities, they need to be empowered to use charging to support local policies and priorities and to be responsive to local circumstances. Central government should ensure that, in regularly reviewing the restrictions on charging within service areas, the impact on local councils’ flexibility to charge in ways appropriate to local circumstances is considered alongside national policy objectives”.*

### **Local barriers**

The report describes barriers to the effective use of charging over which councils do have influence. Where the contribution of charging income to service expenditure is unclear, or where councils have insufficient data about who is using services, they cannot be sure of the extent to which different activities and service users are being subsidised.

How charging contributes to the achievement of council objectives is often unclear. Four in ten councils report that they do not have a written corporate policy on charging that makes what the council intends to achieve through use of charging powers explicit, and makes links to other corporate strategies such as social inclusion.

Information about the financial contribution of charging to councils’ budgets is limited. Information for the public also tends to focus on council spending and council tax with less

attention to where the rest of the council's income comes from, or where subsidy is provided.

Managers can be unaware of how charging income contributes to overall service expenditure. Some councils report difficulties in identifying the costs of services. Where costs or income are not correctly allocated, councils will recover a greater or lesser proportion of expenditure through charging than they intend, resulting in more or less subsidy being directed to those services.

Councils have little understanding of how their approach to charging compares with other councils providing similar services to similar populations.

Councils believe that local public opinion is a major obstacle to making more use of charging. Ipsos MORI's research into public views on charging appeared to support the perception that the public were hostile to charges being introduced or increasing. Ipsos MORI concluded that public resistance to paying charges is most likely where services have been traditionally provided free at the point of delivery such as waste collection, or where there are particular political sensitivities around the introduction of charges, such as congestion charges.

Resistance, however, varied depending on the service under discussion and on local circumstances. People are less tolerant of charges that relate to services they need, rather than those they choose to use. Many people were aware of the link between what they pay and the quality of service that councils provide. MORI's survey found that, for most charged-for council services, most people who had paid a charge agreed that they had received value for money.

## **What councils can do**

### **Setting the right charge**

This section of the report sets out in a diagram 'the charging system' how councils can make sense of a complex system of which charging is an important part. The set of charges that is right for a particular service or group of services in a local authority area at a given time will be affected by several factors. The charging system shows how these factors operate together and highlights for councils where they can take action to make the most of opportunities to charge for services.

The main factor that determines the impact of charges on service use is the price sensitivity of current and potential service users. People will have different levels of price sensitivity for different services, influenced by:

- their ability to pay
- perceptions of value for money
- the availability of alternatives.

Other factors that influence individuals' levels of service use include accessibility, awareness and attitudes. Councils must understand and, where possible, control the effects of these factors. As the amount of use made of services at different levels of charge will determine whether councils achieve their service objectives, the financial impact of charges on individual users and the income that councils receive.

### **Questions for councillors**

The report sets out a useful list of questions that councillors can ask to examine their council's approach to charging and to identify opportunities to maximise the benefits. It reminds councillors that from 2009, the Audit Commission's judgements on use of resources will take account of the extent to which councils are using charging to further their strategic objectives.

The questions focus on establishing how charges support the council's objectives; what the current picture of charging looks like; what the public's perception is of current charges; and what changes should be made to charges and how these can be evaluated.

## Key recommendations

### Councils should:

- undertake regular reviews of their approaches to charging, both within service areas and across the whole council
- finance managers should ensure that the income from charges, and the level of subsidy this provides for service areas, are transparent for councillors and inform the decision-making process
- service managers should collect and use information on who is and is not using services and how service users and non-users respond to changes in service charges
- finance and service managers should thoroughly understand the costs, including overhead and capital costs, of services for which charges might be applied
- service managers should benchmark with the public, private and voluntary sectors the level of charges made for services and the costs of service delivery, levels of cost recovery, priorities, impact achieved and local market variations
- engage service users and taxpayers more in decisions about whether and at what level to charge for services
- collect and use information on service usage and the take-up of concessions, and examine the impact of charges on individual households, to assess whether their equality and diversity objectives have been achieved.

### Central government should:

- periodically review the rationale for national charging frameworks, including nationally set fees
- in doing so, it should consider the effectiveness of national frameworks in achieving their objectives, and their impact on councils' flexibility to use charges to meet their local objectives.

## Comment

This is a practical report. The emphasis on councillors taking the lead in setting a strategic framework for charging is particularly useful. The questions for councillors could also form the basis for a scrutiny review of charging.

Given the current financial constraints and increasing pressures on services, it is clearly crucial that councils use charging effectively to maximise income, whilst understanding the implications for their wider policies and objectives.

The Audit Commission recognises that there can be sensitive considerations in relation to which services are charged for and how charges are made. There are legitimate political

choices to be made that can be difficult due to conflicting interests and objectives.

The authors state that the report does not judge councils on these choices, although it does emphasise that councils should compare their charges with others. It must be right for councils to understand the basis for their decisions, so that they are rational and can be justified, but the report does not perhaps give enough recognition of the difficult choices councils have to make. With a poor financial settlement over the next three years for some councils and an inflexible local government finance system, councils will often need to decide between increasing council tax or charges, or indeed making service cuts.

The report highlights the tensions between local and central government over charging. It rightly comes down on the side of maximum local discretion. It does raise, however, issues that are politically difficult, particularly those around charging for adult social care. Whether there should be an element of uniform charging may well be part of the debate in the government's proposed review of the system.

Charges are a major part of the income of many councils and can have a serious impact on individuals. It is clear that not enough attention is given to charging. Indeed, some of the Commission's findings are not that different from those they reached in a 1999 report 'The Price is Right' about the lack of strategic direction. Councils should not wait for the 2009 Use of Resources judgements on charging strategy to review their charging policies.

## Additional Information

LGIU seminars that may be of interest

[Use of Resources 2009, 31 January](#)

[How to finance carbon reduction, 5 February](#)

## Covers

- Adult social care
- Finance, Charging and trading
- Equalities, Social inclusion, Community cohesion
- Democracy, Governance, Councillor issues, Standards board, Neighbourhood governance, Regional governance, Local government information
- Corporate management, Audit and Inspection, Evaluation, Targets, Procurement
- Community planning and well-being
- Children's services

## Question

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## Related links

- [Positively charged](#)
- [Charging directory](#)
- [Charging Income comparison tool](#)
- [Key findings from the research](#)



## Related briefings

- [Charging for discretionary services: new research](#) 

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