

Audit and Governance Committee
20 March 2015**7. SALES, FEES AND CHARGES****Recommendation**

1. The Head of Finance and Business Support (Adult Services and Health) recommends that the report be noted.

Background Information

2. In May 2010 a review was commissioned to produce an "Income Diagnostic" report for the County Council. Whilst the Council receives income from a variety of sources, the report had a specific focus on income generated from sales, fees and charges.

3. A comparison was made of the level of income generated by Worcestershire County Council against other Counties. The conclusion was that although Worcestershire was performing better than average "it was not amongst the best performing authorities".

4. The initial report was based on information contained in government Revenue Outturn (RO) returns from the 2008/09 financial year.

5. The Committee received an updated report at its meeting on 12 September 2014, based on the 2012/13 returns. The Committee noted the report, but requested that further investigation be carried out on Adult Social Care, where Worcestershire County Council's income was low in the table of comparator counties. (Minute no. 314 refers)

**Adult Social Care
"Income Diagnostic"
Investigation**

6. The initial high level analysis completed by Council officers showed that in respect of Adult Social Care, income generated through sales, fees and charges as a percentage of total service expenditure had increased from 10.3% in 2008/09 to 10.92% in 2012/13. However, it was noted that in terms of ranking with other local authorities, Worcestershire's 2012/13 ranking was 26th out of 27 authorities. In 2008/09 it was 19th out of 34 authorities. The relative position (26 out of 27) for 2012/13 is shown in the graph in Appendix 1.

7. During the discussion at the meeting in September 2014, it was recognised that there were a number of variables that could impact on the results reported. These would include consistency of return completion, charging policies for service users, number of people paying higher charges, collection rates and total expenditure.

8. A number of areas were investigated to determine potential reasons why Worcestershire should be ranked low in

comparison to other comparator counties:

Consistency of Return Completion

9. The initial report noted that whilst the analysis gave a high level benchmark comparison, this assumed that the RO returns had been consistently completed across authorities. It was noted that the Income Diagnostic reports should therefore be viewed with caution.

10. The Revenue Outturn returns are required to be submitted to the Department for Communities and Local Government on an annual basis. The returns contain detailed information on expenditure and income across the range of local government services. Guidance notes are issued with the returns. It should be noted that there have been changes to this guidance annually, which also potentially hinders year on year comparison.

11. Within the 2012/13 RO returns, there were 10 separate returns as follows:

RO Reference	Description
RS	Revenue Outturn Summary
RSX	Revenue Outturn Expenditure Summary
RG	Specific and Special grants
RO1	Education Services
RO2	Highways and Transport
RO3	Social Care
RO4	Housing Services
RO5	Cultural, Environmental, Regulatory and Planning Services
RO6	Protective Cultural Central and Other Services
ROTSR	Trading Services

12. The investigation began with reviewing the data in Worcestershire County Council's return. Adult social care expenditure and income information is included in return reference RO3. The return requires income to be split separately between "sales fees and charges" and "other income". The 2010 Income diagnostic report noted that "there is a risk of miscoding between the two groups".

13. An examination of the source data for Worcestershire's return for 2012/13 has shown that income from non-residential charges was included in "other income" rather than "sales fees and charges". This was because the account codes were included in the incorrect classification as determined by the Chartered Institute of Public Finance and Accountancy. (CIPFA).

14. If the income from non-residential charges were shown in the sales fees and charges total, this would mean that the income as a percentage of total expenditure would rise from 10.92% to 14.03%, illustrated in the table below. This would

take Worcestershire nearer the median of the comparator authorities rather than the lowest.

Income Diagnostic 2012/13	£000
Gross Service Expenditure	175,146
Sales Fees and Charges (RO3)	19,126
Percentage of income v expenditure	10.92%
Include income from non-residential	5,454
Sales Fees and Charges (AMENDED)	24,580
Percentage of income v expenditure (AMENDED)	14.03%

15. Appendix 2 indicates that Worcestershire would then be 17th out of 27 authorities, rather than 26th as reported to this Committee in September 2014.

16. It has been quite difficult to gather information from other local authorities on the detail of what was included in their returns for 2012/13. However, a discussion with one local authority who was in the top quartile in the initial analysis of the 2012/13 returns has indicated that they have included "other income" in the sales fees and charges totals.

17. They had also included income from the NHS in the income totals of the RO3 return. However, Worcestershire's approach was to include income from the NHS in the RG return, which is the specific return for grants. This is because the income from the NHS is paid to the Council from a grant paid under Section 256 of the 2006 NHS Act.

18. This supports the view that there is inconsistency between the approaches taken across local authorities, which makes meaningful comparison challenging.

Charging Policies/People Paying Higher rates

19. Local Authority charging is a complex area. Some charging regimes are currently mandatory and there is no scope for discretion. A particularly complex area is adult social care charging. For example, the Council is currently under a duty to charge certain recipients of care (e.g residential and nursing care).

20. The Department of Health has issued statutory guidance, namely the Charging for Residential Accommodation Guide (CRAG) which is currently used to assess a resident's capital and income and what contribution they should make toward the cost of their accommodation. There is therefore no scope to consider increasing charges in this area.

21. Charging for non-residential accommodation is currently discretionary. Where the Local Authority is entitled to charge, there is a statutory framework setting out the approach to be used.

22. Charging for non-residential services has been in place in

Worcestershire since the mid 1990's. Whilst the charging policy was reviewed in 2002, up until 2010, the policy had not changed.

23. During the period September 2010 to November 2011 there were four separate reports to Cabinet and extensive consultation regarding proposed changes to the policy. It was agreed to remove subsidies from charging although noted that 77% of service users would not be adversely affected by the changes. Cabinet agreed to implement changes in charging levels for those existing service users affected over a period of 4 financial years from April 2012.

24. The 2012/13 RO return would have included the first year of the transition to implement the new charges. An analysis of the cohort receiving service as in June 2013 concluded that the number of service users assessed as being able to pay the full cost of services was only 4% and the number of service users who were assessed as a "NIL" charge (ie not contributing towards the cost of their care) was 44%.

25. However, Committee should be aware that the Care Act which comes into force from April 2015, gives local authorities the power to charge for services for care and support rather than a duty and replaces existing provisions. Cabinet on 5 February 2015 confirmed that the Council will continue to charge for care and support for service users in line with its powers under the Care Act and existing policy.

Collection Rates

26. This refers to the ability of the Council to collect income from charges. Firstly, for residential and nursing care, the Council does not physically collect income. When someone enters residential and nursing care, the current arrangements are that the care home collects income directly from the resident based on the financial assessment of the charges due, and the Council pays the care home provider net of these charges.

27. For non-residential charges, service users are invoiced monthly for the services they receive. The debt outstanding is monitored through the monthly budget monitoring reports. The 2012/13 and 2013/14 reports indicate that 92% - 95% of debt was collected at year end, with the remaining debt subject to further review.

28. The September report was based on the Revenue Outturn information from 2012/13. The 2013/14 analysis of the RO returns has recently been published, the results of which have been examined.

29. Following an adjustment to show charging income in the "sales, fees and charges" category, Worcestershire's position shows that in respect of Adult Social Care, income generated through sales, fees and charges as a percentage of total service expenditure had increased from 14.03% in 2012/13 to 14.21% in 2013/14. In terms of ranking with other local authorities, Worcestershire's 2013/14 ranking was 19th out of

13/14 Revenue Outturn information

Summary

27 authorities. This is shown in the graph in Appendix 3.

30. There has been further analysis to determine the possible reasons why Worcestershire's ranking was low in comparison to other local authorities. This has been very helpful in confirming the assertion that there are inconsistencies in return completion. In terms of Worcestershire's completion, the issue with incorrect code classification has been identified and resolved for this financial year.

31. The investigation has confirmed that charges for care are not subsidised but the amount of income will be influenced by the numbers of people assessed as being able to contribute towards their services. Collection rates and methods are very good and the Council maximises income for this service area.

Supporting Information

Appendix 1 – Adult Social Care initial graph 2012/13
Appendix 2 – Adult Social Care Amended graph 2012/13
Appendix 3 – Adult Social Care 2013/14 graph

Contact Points

Specific Contact Points

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List of Background Papers

In the opinion of the proper officer (in this case the Head of Finance and Business Support.) the following are the background papers relating to the subject matter of this report:

Income Diagnostic report May 2010
Audit and Governance Committee agenda papers and Minutes for the meeting on 12 September 2014