

**Summary**

1. The Town Council's Television Licence Refund Scheme (TVLS) has come under recent scrutiny from i) those in receipt of the refund due to office capacity and limited availability for refunds, ii) those who support its administration due to increased demand following a temporary cessation, iii) the external auditor due to the accounting procedure, iv) members who question its benefit in comparison to the cost to the tax payer, v) due diligence of the proper officer in respect of spending under section 137 of the Local Government Act.
2. It is therefore necessary to debate the scheme in advance of setting the budget on 23<sup>rd</sup> January 2019.

**Background**

3. Prudhoe Town Council offers a refund of £30 towards the cost of a television licence which presently costs £150.50 (£50.50 for a black & white TV), to all residents who are in receipt of a state retirement pension. This has always been age 65 for men and is gradually increasing to age 65 for women. Once a person reaches the age of 75 a television licence is free, however, in June 2020 the Government will cease to fund this and the decision as to whether it continues will be taken by the BBC.
4. Presently, residents can receive a cash refund from PTC staff once a member of staff on the Karbon Homes desk has established i) that they are a resident, ii) that they are of pensionable age, iii) that they have paid for their licence in the current year. The arrangement with Karbon Homes is historical, passed over from ISOS Housing, and since 2012 there has been no charge for this service. In the past Karbon Homes had a customer service desk with two full time advisors; this is currently staffed part-time.
5. The clerk produces the paperwork for the scheme which is automatically numbered. Cash is withdrawn from the bank via a cheque presented for payment of cash to the clerk; this follows the usual dual authorisation process. Cash of up to £1,500 is held in a safe within the town council office and refunds are made from this cash holding. This year, the external auditor has questioned holding cash in this way and an alternative process needs to be established.
6. The Town Council commits £12,000 to the scheme and agrees the funding under section 137 of the Local Government Act (see appendix 1). The council has not previously overspent on this budget but can explicitly maintain that not every 65 - 75-year-old reclaims the money they are eligible for as the most recent census (2011) counts a population of 1,095 in this age category. We also frequently receive new claims from those who have been eligible for some time.
7. Due to office capacity access to refunds has been reduced to Tuesdays, Wednesdays and Fridays.

**Current Situation**

8. A new accounting system is required to meet the requirements of our external audit; we can no longer show money leaving the account in cash when it is still held. This requires a system similar to that of petty cash which we have never operated before.
9. Karbon Homes are ceasing their support of the scheme from 1<sup>st</sup> February. Therefore, PTC staff will have to carry out the eligibility checks and maintain all records (see appendix 2). This will pose a greater administrative burden and will necessitate having an area assigned to carry out eligibility checks that is different to where cash is held; a chair outside of the Town Council office can be used in the short-term. With regards accessibility, the Centre Manager is arranging for the lift to be reprogrammed to allow it to reach the 2<sup>nd</sup> floor.

10. Members must first and foremost be satisfied that their use of section 137 of the Local Government Act is proper. In deciding, members will be asked: *Are you satisfied that there is a direct benefit to the area or part of the area, or to some or all of the inhabitants? Are you satisfied that the benefit is commensurate with the expenditure incurred?* Only where a majority of members feel that both conditions are met should the council agree to spending under this power.

**Conclusion**

11. The operation of the TVLS scheme from an administrative, accounting and logistical point of view all require change but this is not insurmountable and it is the responsibility of officers to put effective changes in place.
12. Agreeing the budget for the scheme is at the discretion of the council, taking into account all of the above. In doing so, if changes are expected, it would be judicious to ensure there is a period of notice, given that the current system has been in place for some time.

**APPENDIX 1 - SECTION 137 SPENDING ON THE TVLS REFUND SCHEME**

Section 137 of the Local Government Act 1972 enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure.

Provided that there is no alternative power, whether limited or conditional or not, and no statutory prohibition, the council may incur expenditure under section 137. The council must first be satisfied that there is a direct benefit to the area or part of the area, or to some or all of the inhabitants. The council is the body to determine whether or not such benefit will accrue, and a decision by the council could only be challenged on the ground that it was wholly unreasonable. The use of "some" in relation to the inhabitants means that the council cannot use the power to benefit a single individual. It may be possible for the council to help an organisation to which the individual belongs, thus releasing funds for the organisation to help individuals. For example, a council could make a donation to a local organisation which provides grants to needy persons.

The council must secondly ensure that the direct benefit accruing to its area or residents is commensurate with the expenditure incurred. This means that a council should not spend a disproportionately large amount on something which has no or very little direct benefit. For example, spending the whole of the council's allowance under the section 137 which amounted to £10,000 for the benefit of two people would be unlikely to be confer commensurate benefit to the expenditure incurred.

The TVLS approves spending under section 137 of the Local Government Act, therefore, each time the budget is approved for this purpose Cllrs must agree that the conditions described above and set out in law are satisfied.

The first is most straight forward; those benefitting are indeed inhabitants of Prudhoe. The second requires more careful consideration.

Although the refund has been paid over for many years, if challenged, the council would need to show that the factors above have been considered. As Cllrs are collectively expressing an opinion as to the commensurate local benefit, the expenditure under section 137 must be properly authorised by resolution. Pursuant to s.137 (7), a separate account must be kept of expenditure under the section and spend to date under this section should be available on request.

The second condition is less straight forward and in order to allow Cllrs to be fully informed I present the following data. This data is being presented to inform Cllrs not to persuade or recommend a particular course of action.

1. Taking into account a £12,000 budget for the TVLS, we can calculate that 400 inhabitants' benefit. For the purpose of section 137 the population is the electorate (8,656), therefore 4.6% of the electorate benefit.
2. The limit of our section 137 spending, also called 'the free resource', is calculated using a figure from government; for 2018/19 the figure is £7.86 per elector – giving us as a council a total £68k free resource.
3. With a £12,000 budget agreed for the TVLS, in 2018/19 17.6% of the 'free resource' was agreed for this purpose, for 4.6% of the electorate.

When agreeing use of section 137 in the 2019/20 budget, Cllrs will be asked to consider both factors:

***Are you satisfied that there is a direct benefit to the area or part of the area, or to some or all of the inhabitants?***

***Are you satisfied that the benefit is commensurate with the expenditure incurred?***

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We will be advised of the government figure for section 137 spending in 2019/20 in March 2019. The electorate figure will also be confirmed at this time. Neither figure changes dramatically over the years.

**APPENDIX 2 - EMAIL FROM KARBON HOMES, CUSTOMER RELATIONSHIP MANAGER**

Hi Sarah

Following our conversation, a month ago, I've reviewed our requirements at our Prudhoe Reception and I can confirm that we are no longer able to support the TV licensing administration work. We will be withdrawing our support from the 1st February 2019.

I understand Karbon and formerly ISOS, have had no remuneration for this service since 2012, however in the spirit of maintaining a positive working relationship, we have decided not to seek recompense for work already completed.

As an additional gesture of goodwill, we hope to be able to offer support in emergency situations, following appropriate communication, however we are unable to complete the work on a regular basis.

As discussed today, [REDACTED] will be taking some time off in January and February. I have located cover for [REDACTED] time off, a lady named [REDACTED], who is already trained in this type of work, and who can support up until and including January 31<sup>st</sup> 2019.

Thanks again for your time today. Have a wonderful Christmas and best wishes for the New Year!

Warm regards