

---

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>24 March 2015</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/12/15/AP/LB</b>
<b>Contact Officer:</b>	<b>CHCP Finance Manager</b>	<b>Contact No:</b>	<b>01475 712257</b>
<b>Subject:</b>	<b>Corporate Charging Policy</b>		

---

## 1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee on the Action Plan previously agreed by Committee on 4 February 2014 and to seek approval of the Corporate Charging Policy for Inverclyde Council.

## 2.0 SUMMARY

- 2.1 Committee received on 4 February 2014 a report entitled Charging For Services: Are You Getting it Right? which identified the key messages from the Audit Scotland report of the same name. Committee approved an Action Plan (included at Appendix 2 for reference) which comprised 4 key areas for development to ensure the Council complies with best practice:

1. Develop a corporate policy for fees and charges, including concessions and waivers to be approved by the Policy & Resources Committee.
2. Develop a protocol for review of corporate policy and associated charges to be incorporated as an element of the annual budget review.
3. Develop unit cost management information to inform appropriate levels of charging which are set.
4. Recommend charges as part of the 2015/16 Workstreams exercise.

- 2.2 Committee should note that the action plan has been largely implemented and a detailed update on each element is included within the body of this report.

- 2.3 The Corporate Charging Policy is included at Appendix 1.

## 3.0 RECOMMENDATIONS

- 3.1 That the Committee approve the Charging Policy as identified at Appendix 1.
- 3.2 That the Committee note the progress against the actions as previously agreed on 4 February 2014.

## **4.0 BACKGROUND**

- 4.1 Audit Scotland publication “Charging For Services: Are You Getting it Right?” was published in October 2013, with a report on the key messages to the Policy & Resources Committee on 4 February 2014. This publication was the sixth in the series “How Councils Work: Are You Getting it Right?” and focused on:
1. Why charges are important
  2. Managing charges
  3. Cycle for managing charges
- 4.2 Based on this report an action plan was approved and is included at Appendix 2 for information. This action plan is now largely complete and progress on each of the 4 areas is discussed in further detail within section 5 of this report.
- 4.3 An Officer Working Group was set up to implement the action plan. In addition to the areas outlined in the plan, the group also reviewed the Council’s Bad Debts & Collections Policy to ensure consistency with the Charging Policy.
- 4.4 One key action was to produce a Corporate Charging Policy, for approval by the Policy & Resources Committee, and this is included at Appendix 1.

## **5.0 ACTION PLAN PROGRESS**

- 5.1 Progress on each of the 4 areas identified in the action plan are:
- 5.2 Develop a corporate policy for fees and charges, including concessions and waivers to be approved by Policy & Resources Committee. This policy is included at Appendix 1 and the key elements are:
- Authority to set a charge
  - Policy principles
  - Concessions and Waivers
  - Level of charge set
  - Debt write off
  - Guidance on setting and maintaining charges
  - Glossary of Concessions and Waivers
- 5.3 Develop a protocol for review of corporate policy and associated charges to be incorporated as an element of the annual budget review – this element is covered within Section 7 of the policy and provides guidance on steps to follow and things to consider when setting and reviewing charges.
- 5.4 Develop unit cost management information to inform appropriate levels of charging which are set – this element is covered in section 5 of the policy and provides guidance on various cost recovery options when identifying the cost of the service and the associated level of charge.
- 5.5 Recommend charges as part of the 2015/16 Workstreams exercise: the 2015-17 budget includes a target of £470,000 to be achieved from increasing existing and / or introducing new charges across the Council. The options were identified from the Officer Working Group, providing input from each Directorate and completing a template for each proposal. On 19 February 2015 the Council approved £140,000 of the options identified.

## 6.0 IMPLICATIONS

### Finance

6.1 There are no direct financial implications arising from this report.

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
N/A					

### Legal

6.2 There are no legal implications arising directly from this report.

### Human Resources

6.3 There are no human resource implications arising from this report.

### Equalities

6.4 An equalities assessment screening has been completed and this has found no direct discrimination. Individual charges will require a separate assessment of the level of impact on protected characteristic groups.

### Repopulation

6.5 There are no repopulation implications arising from this report.

## 7.0 CONSULTATIONS

7.1 A representative from each Council Directorate was included as part of the Officer Working Group set up to implement the Action Plan and as such each Directorate is fully aware of all elements of the Charging Policy and Associated Workstream.

7.2 Once approved the Policy will be presented to each Directorate Management Team and where appropriate, Service Management Team.

7.3 The proposals identified for increasing existing charges and / or implementing new charges have been fully consulted on as part of the 20015-17 budget process.

## **8.0 LIST OF BACKGROUND PAPERS**

- 8.1 There are no background papers for this report. For reference the previous charging workstream reports presented were:  
Audit Scotland Report – Charging for Services: Are You Getting it Right?



## **CHARGING POLICY**

24 February 2015

## CHARGING POLICY – INDEX

<u>No</u>		<u>Page</u>
1.0	Purpose	2
2.0	Authority to Set Charge	2
3.0	Policy Principles	2
4.0	Concessions and Waivers	3
5.0	Levels of Charge Set	3
6.0	Debt Write Off	4
7.0	Guidance on Setting and Maintaining Charges	4
	Appendix 1	6
	Appendix 2 Part 1	7
	Appendix 2 Part 2	8

# **INVERCLYDE COUNCIL CHARGING POLICY**

## **1.0 PURPOSE**

- 1.1 This policy sets out the Council's Corporate Charging Policy which should be applied when setting fees and charges for services provided by Inverclyde Council and provides guidance for determining the level of charges set, recognising corporate objectives, and service demand along with associated legislation.
- 1.2 All Services should adhere to this Policy when determining charges as part of the budget-setting process in any given financial year, and/or any other ad hoc review or setting of service charges as required.

## **2.0 AUTHORITY TO SET A CHARGE**

- 2.1 Charges for services should be reviewed annually as part of the budget setting process and will include the corporate inflation uplift for all discretionary charges i.e. those not set by statute. The Council will set the level for the inflationary uplift, as part of the budget setting process.
- 2.2 Where there are proposals to introduce new charges, or to vary charges other than by the annual inflationary uplift, these should be presented to the Council as budget options as part of the budget setting process.
- 2.3 Any material variation to existing charges or introduction of new charges out with the budget setting process should be considered and if necessary approved by the Council's Corporate Management Team and approved by the relevant Service Committee.

## **3.0 POLICY PRINCIPLES**

- 3.1 The Council has an objective to ensure the delivery of Best Value services to the communities of Inverclyde. One element of ensuring that Best Value is achieved is to set fair and equitable prices for chargeable services, which support the Council's key strategic objectives and Service priorities.
- 3.2 The Corporate Charging Policy ensures a consistent and transparent approach to charging across all Council Services and each Corporate Director is responsible for ensuring the application of the policy.
- 3.3 How fees and charges are used can have a positive impact on service delivery and therefore should not be automatically considered detrimental or controversial. Charges can be used to influence behaviour to help meet the Council's objectives and should not be viewed in isolation as an income generator.
- 3.4 The reason for levying a charge, and the basis on which the charge should be levied, should be transparent and must be considered against the Council's corporate objectives. In some cases charges will be set at a statutory level per relevant legislation.
- 3.5 The level of discretionary charges should be benchmarked with neighbouring Councils and / or family benchmarking groups to ensure a test of reasonableness and should be incorporated within the charging proposals.
- 3.6 Subsidised services relate to those services where there is partial support from public funds, the subsidy would apply across the board and would not relate to any particular social group. The case for subsidised services must be clearly evidenced.

- 3.7 In addition to subsidised services, charging will not be applicable or will be restricted for those services where:
- charging would not be cost effective to collect
  - the Council cannot legally impose a charge for provision of a service
  - a charge or the basis of a charge is set in statute
  - charging would be counter-productive, e.g. for an infrequently requested service where the cost of charging would be greater than any potential income (depending on charging objective).
- 3.8 The preferred method for charging is for the payment to be received in advance of the receipt of the service. To reduce administration costs and avoid costs associated with debt recovery, Services should adopt this method wherever possible.

#### **4.0 CONCESSIONS AND WAIVERS**

- 4.1 For the purpose of this policy a concession refers to a discounted charge that could be based upon a variety of factors including, age, employment status, income or disability, charitable status and would be applied for example to promote social inclusion.
- 4.2 Services must ensure any proposed concessions are in accordance with any relevant legislation or guidance, and that the potential impacts of any proposed concessions are considered.
- 4.3 For the purpose of this policy a waiver refers to the full or partial waive of the charge i.e. the individual or group will make zero or partial payment of the full charge.
- 4.4 The detail of Service specific concessions and waivers will be identified as part of the annual charging document published by the Council, however to ensure consistency in approach and application these must conform to the principles set out in Appendix 1 Glossary of Terms.

#### **5.0 LEVEL OF CHARGE SET**

- 5.1 Where discretionary fees or charges are applied, each Service should set charging at a level where the charge will contribute to that Service's strategic and financial objective.
- 5.2 The most common financial objectives are:
- Recovery of full cost
  - Percentage recovery of full cost
  - Recovery of the marginal cost (the extra cost of providing each additional unit of service)
  - Contribution to costs
- 5.3 The cost for provision of the service should not necessarily be treated in isolation for that individual Council service alone. It may be appropriate to factor in the costs of other Council services.
- 5.4 Charging is a legitimate way to ration or manage service usage and to reduce the cost to the Council Tax payer of providing the service. Determining the partial recovery of costs in such circumstances will need careful consideration and the relevant Service should seek committee approval when proposing amendments.



- 5.5 Services provided on a “commercial basis” must recover as a minimum the marginal cost, plus make a contribution towards fixed costs unless agreed by the Chief Financial Officer and relevant Corporate Director.
- 5.6 A degree of common sense / tolerance should be applied when setting annual charges e.g. £1.28 rounded up to £1.30 is a sensible rounding up which will reduce administration, similarly £2.26 should be rounded down to £2.25. This will be at the Corporate Director’s discretion. Service users will be informed of proposals to amend charges with as much advance notice as possible.
- 5.7 Where VAT is applicable to a charge the rounding up / down should apply to the total payable (i.e. inclusive of the VAT element). VAT will be calculated on the basis of the rounded figure thereafter.

**6.0 DEBT WRITE OFF**

- 6.1 A debt should only be written off once all options for collection have been fully explored and followed, in line with the Council’s Sundry Debtors Policy.
- 6.2 A debt can only be written off by the Council’s Chief Financial Officer.

**7.0 GUIDANCE ON SETTING and MAINTAINING CHARGES**

- 7.1 As part of a series of improvement reports on how councils work Audit Scotland published the report “Charging for services – are you getting it right?” in October 2013.

The following eight step process is based on the cycle for managing charges included within that report.

Step	Things to consider
Identify which charges should be set and reviewed	Service user feedback Financial pressures and opportunities Alignment with corporate objectives
Assess constraints and understand legislation	National guidance Users ability to pay Use of surpluses Target service user groups
Collect and analyse information	Service uptake and user profile Customer satisfaction Other providers Unit costs and cost recovery Impact of previous charging decisions <b>Impact of multiple charges</b>
Examine options for charges and concessions	Impact on service users Forecast demand and income <b>Impact of attrition</b> Impact on other services and local businesses Consistency with corporate policy
Consult on proposals	Workshops with service users Residents surveys Sessions with councillors Staff feedback

Revisit options as appropriate	Adjust options as required Appraise all options Councillors to approve selected option
Implement the new charge	Timing and phasing Communication of changes Monitoring arrangements
Monitor and review the impact	Were the intended aims met? Impact on uptake and income Unintended consequences

7.3 As part of the annual budget process Services should review all charges and complete Appendix 2 Templates for new / existing charges.

## GLOSSARY OF TERMS

In order to ensure that concessions and waivers are consistently applied the following checklist must be adhered to within any Service policy. The following definitions should be used when establishing criteria for a concession or waiver policy:

**A charity:** To have charitable status in Scotland, that is to be a Scottish charity or a charity registered in Scotland an organisation must be entered in the Scottish Charity Register.

**A voluntary organisation:** is a not for profit and non-governmental organisation that carries out social activity or services. This sector is also called the third sector, in contrast to the public sector and the private sector.

**Community Associations / Neighbourhood groups are:** an organization of people and groups working for the common good of a neighbourhood or community, usually operating under a written constitution registered with the Scottish Charity Register

**Uniformed Organisations:** will cover a wide spectrum of organisations such as Scouts, Girl Guides, and Boys Brigade as well as benevolent organisations supporting people who belonged to a uniformed group be it military or civil. Examples would be RAF Benevolent Fund or Retired Nurse Group (Royal college of Nursing)

**A child is:** between 0 and 17 years of age though depending on legislation this can extend beyond 18.

**An adult is:** someone aged between 18 and 64 years of age. This may be impacted by certain legislation

**An older person is:** any person aged 65 years or older. In terms of charging we may wish to refer to when an individual is eligible to State pension This is currently 65 years of age but will increase to 67.

**A commercial let is:** a hire of a property or premises for business purposes.

**A carer is:** anyone, who provides unpaid care to a relative; partner; family member; neighbour or friend who has a physical or learning disability, mental illness or addiction issue.'

**A financial assessment is:** when we assess your income to see how much you can pay towards the cost of your service.

A financial assessment will be carried out if you receive a chargeable service. The officer is required to have proof of all income and capital held. You should therefore have available for inspection any Pension or Benefit statements, and bank or savings books relating to your financial affairs.

If your assessable weekly income is less than your income threshold figure you should not be charged for a service.

If your assessable weekly income is more than your income threshold figure you may be charged for a service.

**CHARGING TEMPLATE – PART 1**

1. DIRECTORATE	
----------------	--

2. NAME OF CHARGE	
-------------------	--

3. POLICY AIM
Detail the Service policy

4. COST RECOVERY BASIS
Service / Finance to confirm that fundamental principles of charging policy have been adhered to. Any subsidised services or restrictions to charges to be detailed in full.

5. EQUALITY IMPACT / CONSULTATION PROPOSALS

**CHARGING WORKSTREAM**

Directorate CHCP

Name of Charge

Please complete template for either 1a or 1b. Please complete all areas shaded green.  
Please note all areas shaded grey contain a formula.

**1a POTENTIAL NEW CHARGE**

Description of the charge	Proposed £ value per unit	Annual Units	£ annual income	% drop off	£ annual income	Highest £ unit	Lowest £ unit
			-		-		

**1b REVIEW EXISTING CHARGE**

Description of the charge	Current £ value per unit	Annual Units	£ annual income	Proposed £ value per unit	% increase	% drop off	Revised Annual Units	£ annual income	£ increase /(decrease)	Highest £ unit	Lowest £ unit
			0		0%		0	0	0		

**Benchmark data against agreed group.**

	£ unit	Year
1 Renfrewshire		
2 East Renfrewshire		
3 North Ayrshire		
4 East Ayrshire		
5 West Dunbartonshire		
6 Glasgow		
Other (per any family groups etc.)		
7		
8		
9		
10		
11		
12		

**Notes to Benchmarking comparisons**

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	

No	Council Action	Responsible Officer	Implementation by
1	<p>Develop a corporate policy for fees and charges, including concessions and waivers, to be approved by Policy &amp; Resources Committee</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• service specific requirements including links to passported benefits and assessments on ability to pay</li> <li>• review of process for writing off of debts</li> </ul>	CHCP Finance Manager and Corporate Charging Group	<p>February 2015 (Report to P&amp;R)</p> <p>May 2015. Rollout to DMT's</p>
2	<p>Develop protocol for review of corporate policy and associated charges to be incorporated as element of annual budget review</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• annual benchmarking review of charges</li> <li>• review of inflation uplift factors</li> </ul>	CHCP Finance Manager and Corporate Charging Group	<p>February 2015 (Report to P&amp;R)</p> <p>Complete</p>
3	<p>Develop unit cost management information to inform appropriate level of charging are set.</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• a pro form for standardised approach</li> <li>• protocol for annual review</li> </ul>	CHCP Finance Manager (lead) , Finance Managers as required	Implemented as part of the 2015/17 budget and to be part of the annual budget exercise.
4	Recommend charges as part of the 2015/16 Workstreams exercise	Chief Financial Officer	<p>November 2014</p> <p>Complete</p>