

Corporate Charging Policy

Contents

	Page
1.0 Introduction	3
1.1 Application of Corporate Charging Policy	4
1.2 Authority to set and amend charges	4
1.3 Monitoring and review of Charging Policy	5
1.4 Evaluating this policy	5
1.5 Corporate charging principles	
1.5.1 Fundamental principles	6
1.5.2 Subsidised services	6
1.5.3 Restrictions to charges	7
1.5.4 Other charging objectives	7
1.5.5 Setting charges	8
1.5.6 Concessions	8
1.5.7 Advance payment	8
1.5.8 Consistency of charges	9
1.5.9 Charges for means-tested services	9
2.0 Corporate Charging Framework	9
2.1 Determine which services are/should be charged for	9
2.2 Identify the objective of charging	10
2.3 Consider the costs of service provision	10
2.4 Consider information on service users	11
2.5 Charging options	11
2.6 Assess the impact	12
2.7 Forecast demand and potential income	13
2.8 Set the charge	13
2.9 Monitor and review charges and their impact	13
Appendix A – Charging framework	14

1. Introduction

The Council has three main sources of income to support the delivery of its services: Government grant, local taxation (Council Tax for households and Non-Domestic Rates for businesses) and fees and charges levied for services provided. In 2019/20, total income from fees and charges exceeded £125 million, thus making a significant contribution towards the overall cost of the Council's services. It is important, however, to consider the role of fees and charges not only in the context of balancing the Council's budget and delivering Best Value to the citizens of Edinburgh but also how it may be used to support the achievement of wider social, economic and environmental objectives.

This policy therefore establishes the **Corporate Charging Principles** to be considered in the setting of fees and charges for services provided by the Council and outlines a **Corporate Charging Framework** for determining charging levels, having due regard to corporate objectives, demand for services and legislation. It also provides guidance for organisations operating on behalf of the Council either directly or through receipt of third sector funding.

The policy aims in particular to:

- Set out a broad framework within which to consider the setting and review of charges;
- Ensure that the appropriateness of existing charges, both in terms of the extent of cost recovery and any wider contribution to Council objectives, is regularly reviewed;
- Identify opportunities to introduce new charges where cost-effective to do so and/or consistent with wider policy objectives;
- Strike a fair balance between addressing the financial needs of the Council through maximisation of income and the social needs of its customers;
- Promote consistency and fairness in the treatment of service users;
- Ensure officers are clear as to their responsibilities.

While the principles outlined in the policy are applicable to most fees and charges levied by the Council, they exclude Council Tax and Non-Domestic Rates on the basis that, under statute, income received through these sources represents a general contribution to the provision of universal services rather than payments in respect of specific services. Similarly, charging for many housing- and social care-related services, including council house rents, is subject to separate guidance.

1.1 Application of Corporate Charging Policy

Services and relevant organisations should use the framework provided by this policy when determining charges as part of the budget-setting process for the forthcoming financial year(s) and for any other ad hoc consideration of service charges.

1.2 Authority to set and amend charges

As the Council's designated Section 95 Officer under the provisions of the Local Government Finance (Scotland) Act 1973, the Service Director: Finance and Procurement has overall responsibility for putting in place arrangements to secure the proper administration of its financial affairs. This responsibility includes the setting, administration and subsequent collection of fees and charges for services provided. The Council's default position is that, other than in cases where charging is prohibited, a charge should at least be considered unless there is a compelling case not to do so.

In accordance with the Finance Rules, charges for services should be reviewed at least annually as part of the budget-setting process. Unless otherwise prevented from doing so, for example if charges are set externally or other limitations apply, the baseline assumption is that all charges over which the Council has discretion should be increased annually by an agreed inflationary percentage. The Service Director: Finance and Procurement, as the Council's Section 95 Officer, will be responsible for recommending to Council the appropriate uplift to be applied. Before applying this annual uplift, however, a review of existing charges will be undertaken to identify any discretionary charges for which such an increase would not be considered appropriate. In addition, application of an inflationary uplift should not be seen as removing the need to review the efficiency of all services on an on-going basis.

The review of existing charges should extend beyond mere application of an inflationary increase and consider, for example, any relevant changes in service cost, demand, competitor pricing (where applicable) and Council policy since the previous review. Failure to respond in full to changes in the cost base may, for example, unintentionally increase the level of subsidy being applied to particular services.

Where there are proposals to introduce new charges, or to vary charges other than by the inflationary amount above, these should be presented to Council as budget options as part of the budget-setting process, with further consideration and scrutiny by the Finance and Resources Committee and/or relevant Executive Committee as appropriate. These proposals should include, as a minimum, details on:

- The aim or objective of the charge and how the proposals contribute to the Council's priorities;
- The basis of the charge i.e. is it statutorily-set or discretionary;
- The existing charge (where applicable), proposed charge and the percentage increase this represents;
- Any associated concessions, subsidies or exemptions and how these relate to the Council's priorities;

- The full cost of providing the service, including an appropriate share of relevant service overheads, and how this relates to the projected level of income generated, clearly stating the resulting surplus or subsidy. All decisions on service subsidy should be the result of conscious choice and consistent with Council objectives.

In cases where services operate in competition with external providers, commercial confidentiality considerations may mean that a lower level of disclosure, along with greater flexibility in the charging structure, is appropriate. In order to demonstrate Best Value in the use of resources, however, there should nonetheless be clarity as to the broad pricing strategy being adopted.

Authority to vary, cease or introduce new charges outside of the budget-setting process lies with the relevant Executive Committee and will be reported to the Finance and Resources Committee.

The Service Director: Finance and Procurement will maintain a corporate directory of all fees and charges and associated concessions and co-ordinate arrangements to ensure that these are subject to regular review.

1.3 Monitoring and Review of Charging Policy

Once agreed, this policy will form part of the Financial Regulations and, as such, be subject to regular review as part of the Council's overall governance framework. This review will include consideration of on-going alignment with other related corporate documents such as the [Corporate Debt Policy](#), as well as changes in legislation and/or corporate strategies.

If a service wishes to vary from the principles set out within this policy, approval from the Policy and Sustainability Committee will be required.

1.4 Evaluating this Policy

The policy outlined in this document will be reviewed annually. This will ensure that the process:

- is flexible enough to support Council services and contribute to key strategic outcomes;
- demonstrates Best Value principles (i.e. the arrangements take due account of efficiency and effectiveness of service delivery);
- reflects as appropriate relevant changes in legislation, policy and/or the wider environment within which the Council is operating.

1.5 Corporate Charging Principles

The Council has as an overarching objective of the delivery of Best Value services to the citizens of Edinburgh. A key element of this strategy is that the Council should set

equitable prices for chargeable services, which support the Council's corporate and service priorities, whilst also promoting social inclusion.

The following principles apply to the setting of fees and charges by the Council:

1.5.1 Fundamental Principles

- All services must adhere to this policy and the principles outlined within it. Any exceptions must have explicit Committee approval;
- The Corporate Charging Policy is designed to create a consistent approach to charging across Council services and each Executive Director is responsible for ensuring the application of it;
- How fees and charges are used can have a positive impact on service delivery and should not therefore automatically be considered detrimental or controversial;
- The reason for levying a charge, and the basis on which the charge is then levied, should be transparent and must be considered against the Council's corporate objectives. Charges should first and foremost be in accordance with legislative or regulatory requirements and be set to deliver policy objectives. Where appropriate, they may, however, also be used as a means to generate income (or to support changes in behaviour such as reducing the Council or wider city's carbon footprint);
- Where charges are raised erroneously, or raised not in accordance with this policy and thus found not to be collectable, these shall be cancelled immediately or a credit note raised (ensuring an audit trail) by the Sundry Debtors team. A credit note should never be used as a means of writing off debt.

1.5.2 Subsidised Services

- Subsidised services relate to those services where there is partial support from public funds, with the subsidy generally applying across the board and not relating to any particular social group. Equity of access to services will be delivered through the application of agreed concessions as covered under 1.5.6;
- Decisions on services to be subsidised should be made in full knowledge of the cost of those services and, by extension, the level of the resulting subsidy and the groups benefiting from the subsidy. Subsidies should not offer perverse financial incentives to encourage behaviour contrary to wider Council objectives and/or the delivery of Best Value in the use of public resources. All proposed subsidies should be agreed in advance with the Service Director: Finance and Procurement (in consultation with the Convener of the Finance and Resources Committee).

1.5.3 Restrictions to Charges

- In addition to subsidised services, charging will not be applicable, or will be restricted, for those services where:
 - it would not be cost-effective to administer and/or 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 would be greater than any potential income (depending on charging objective) and
 - the needs of the individual(s) are deemed to be such that the charge should be waived or not pursued, resulting in the service continuing to be provided. Appendix 8 of the Corporate Debt Policy outlines some of the circumstances in which this may apply.

1.5.4 Other Charging Objectives

- Where fees or charges are not restricted in these ways, each service should set these at such a level as to contribute to that particular service's financial objective. Existing charges should therefore be detailed at the beginning of each financial year as part of the budget process.
- The most common financial objectives are:
 - Recovery of full cost (including capital costs);
 - Income generation (i.e. generating total income in excess of the costs incurred in providing that service);
 - Percentage recovery of full cost and
 - Recovery of the marginal cost (the extra cost of providing each additional unit of service).
- The cost of provision of the service should not necessarily be treated in isolation for that individual service; it may be applicable to factor in the costs of related services (e.g. the Road Traffic Regulation Act 1984 makes provision for surplus income if that surplus income is then reinvested in related services).
- Services provided on a "commercial" basis must secure full-cost recovery as a minimum and where appropriate will be subject to benchmarking to establish the correct market rate for the service (see also 2.5).
- 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 these circumstances will need careful consideration and the relevant service should seek Executive Committee approval when proposing significant amendments.

1.5.5 Setting Charges

- The introduction of new charges or material changes to existing charges should be brought forward for consideration alongside the development / review of corporate and service priorities as part of the annual corporate and financial planning process. It is the responsibility of Executive Directors to ensure this review is carried out. Tolerance in setting charges and annual increases is acceptable for administrative efficiency, e.g. £1.18 rounded up to £1.20 is sensible rounding up, and will be at the Executive Director's discretion. Service users will be informed of proposals to amend charges with as much advance notice as possible.
- Consultation with service users regarding charging will be on a broad basis via the budget engagement process.
- In cases where, following review, a material increase in the level of charge is proposed, it may be appropriate to give consideration to transitional arrangements. These may involve, for example, phasing in a change over a period of time to avoid undue financial hardship to particular groups. In such cases, the impact on the overall income received by the service should be clearly set out in the report seeking approval of the change. Similarly, an assessment should be made of the potential impact on service users of introducing a charge for the first time.

1.5.6 Concessions

- 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 and would be applied, for example, to promote social inclusion.
- Services must ensure any proposed concessions are in accordance with relevant legislation or guidance, and that the potential impacts of any proposed concessions are considered, for example, via an Integrated Impact Assessment (see 2.6).
- Concessions would not ordinarily apply:-
 - Where age, gender or employment status are irrelevant to the service being provided and no concession is therefore appropriate;
 - Where services are not core to the Council's priorities, nor something the Council wants to promote;
 - Where concessions would be perverse e.g. charging for damage caused.

1.5.7 Advance payment

The preferred method for charging is for payment to be received in advance of receipt of the service. To reduce administration costs and costs associated with subsequent debt recovery, services should adopt this method wherever possible and practicable for the service concerned.

1.5.8 Consistency of charges

In setting the charge for a particular service, due regard should be paid to charges for similar, or complementary, services to promote consistency of approach and avoid any contradictory charging policies. This might occur, for example, where services necessary to support an otherwise-commercial operation are being subsidised. The effects of introducing new, or amending existing, charges should also be kept under close review in case they result in unintended consequences that may then serve to undermine wider council policies.

1.5.9 Charges for means-tested services

While the general principles set out within this policy are intended to apply to all charges levied by the Council, it is recognised that in some cases, particularly for housing support, [home](#) and [residential care](#), the application of means-testing results in a more complex position taking much greater account of an individual's circumstances. In cases where individuals have specific needs, it may furthermore be appropriate to restrict the total level of charges made, provided this is done in a consistent and transparent manner.

The advent of Self-Directed Support (SDS), giving much greater control to individuals in how their care needs are met, has hastened a need to develop a whole new policy in this area. In addition, COSLA has issued guidance on charging for non-residential social care services, account of which should be taken in framing the Council's own charging structures. Links to relevant documents will be added to this policy as they become available.

2.0 Corporate Charging Framework

There are many elements to be considered when deciding whether to charge for a service and what the level of that charge should be. While decisions on the precise level and scope of charges are devolved to individual services, these need to be made within a corporate framework to maximise the contribution to overall Council objectives.

Appendix A shows the various stages a service should follow in setting the fee or charge for a service. For each stage in the diagram there is corresponding guidance in the following sections.

2.1 Determine which services are / should be charged for

- The requirement to charge for a service, and what level that charge should be set at, is in some cases set in statute. Similarly, there are some services which cannot by law be charged for. When reviewing charges for a service, any legislation relating to the service must be considered, as it may rule out the need for any further work in setting or revising charges.
- Aside from those charges influenced by legislation or delivered to the majority of Council citizens, charges could, in theory, be set for all discretionary services provided by a local authority.

2.2 Identify the objective of charging

- Of the discretionary services, there may be existing charges set for the service(s) in question. If there are not, that does not mean that introducing a charge should be disregarded. Priorities for a service may have changed since charges for it were last considered and identifying what the current and future priorities are, and how charging can be used to contribute to the delivery of these wider service priorities, is paramount when setting charges.
- The objective of a charge may be more straightforward than this. A service which is being run at a loss could introduce or increase a charge to ensure that all costs are recovered or a surplus generated. This can then mean resources are freed up to expand a service or can be reinvested elsewhere to improve service delivery. This could also be the case where the Council wishes to reduce the level of subsidy awarded to a service.
- Another potential charging objective could be to rationalise the use of a service, if there are more effective alternatives. The introduction of a nominal fee could be used to manage demand on the service. In addition, the introduction of a charge would mean that costs of delivering the service to those customers who still requested it would be partly met.
- It is essential that the reason for introducing the charge is clear. This will help when determining the level of the charge, and in advising service users of the rationale behind charging decisions.

2.3 Consider the costs of service provision

- Depending on the objective of charging, the costs for delivering a service will have to be considered. While it would be best practice for services to know the accurate recharge rate / unit cost for all the services they delivered, this is sometimes not the case. Where cost information cannot be clearly established, services wishing to recover costs will have to take into account the total cost of all inputs and break this back into a unit charge.
- The cost of collecting income for a service should also be identified, including, for example, an invoice having to be raised and sent to the customer. If it later transpires that demand for the service is below a certain point, it may not be cost-effective to levy a fee if the income generated is lower than the associated administrative cost. While the Council does not currently have a specific policy on a minimum invoice value, payment in advance, or at the point of delivery, should be used wherever practicable.

2.4 Consider information on service users

- The following questions need to be considered when determining charges for a service however each charge may have discrete issues which will also require consideration. Generic questions include:
 - Who are the service users?
 - How often is the service used?
 - When (days and times of day) is the service used? When is there excess demand for the service? When is there excess supply of the service?
 - How have increases to an existing charge, the introduction of charging for a similar service, or the introduction of a charge by other councils or organisations for the same service affected customer demand for a service in the past?
 - How much do residents / businesses value the service and how much would they be willing to pay for it?
 - Are there other providers of the same or similar services which users could switch to?

- Where demand for services provided on a discretionary basis is very low, the provision of that service should be reviewed to establish if it is meeting the objective(s) for which it was introduced. Should a review find that an adjustment to, or cessation of, a service be recommended, the appropriate Executive Committee approval would be required.

2.5 Charging options

- There may be several charging options available to deliver the same objective. The fees for the use of a service at busy times could be increased to discourage use at those times. Concessionary discounts could be applied to encourage particular groups of customers to use a service to achieve social objectives or provide equity of access.

- There are three broad pricing structures which can be applied either individually or in some combination when setting charges. These are: cost-based pricing, competition-based pricing and demand-based pricing. It is acknowledged, however, that there may be social pricing implications where community benefit may offset some of the actual costs – this is particularly relevant to high-cost services with people-centred outcomes.

- The basics of cost-based pricing were outlined in 2.3. Given the difficulties associated with identifying the unit cost of some services, charging in terms of units of input, rather than units of measured output, could be considered. Where an accurate unit cost is available, however, charges could be set according to output.

- Competition-based pricing involves benchmarking other providers' prices as a guide for setting the service's charge. It may not necessarily mean setting charges at an identical level to other organisations providing the same service, but rather that charges are set at a level which takes account of market conditions, comparisons with private providers of the same service or with an appropriate

range of local authorities. The objective of the charge will again have some bearing on the level of charges being considered, as will the quality of the service being offered in comparison to that of other providers. The Best Value option will consider all of these elements.

- Setting charging levels based on demand for a service is largely concerned with the extent to which customers value a service and what they perceive to be value for money with regard to that service. Where a service is over-subscribed at certain times of the day or the week, while at other times there is excess supply (i.e. less demand than capacity available), and particularly where price is the central concern to potential or existing service users, introducing an off-peak discount, such as mid-week or day-time, should increase the demand for the service at that time and potentially divert some of the demand from the busier times.
- Once all potential options for charging have been identified, they should be appraised against a set of criteria which reflect the objective of the charging to determine which would achieve the desired outcome, bearing in mind the potential impact of charging on groups of customers.

2.6 Assess the impact

- The Equality Act 2010 sets out a general public sector equality duty which requires public authorities to pay due regard to the need to eliminate discrimination; advance equality; and foster good relations across a range of protected characteristics. These requirements apply across the 'protected characteristics' of age; disability; gender reassignment; pregnancy and maternity; race; religion and belief; sex and sexual orientation. To ensure that the proposed charges will not have a detrimental effect on any particular individuals or groups, the service should carry out an Integrated Impact Assessment.
- If the assessment identifies that any adverse impact amounts to unlawful discrimination, the relevant provisions must be removed. The Council may consider taking action to address any other issues identified, wherever possible mitigating any negative impacts, and promoting and/or maximising positive benefits. It is important that this consideration is recorded as evidence that due regard has been paid to the general duty. In relation to disabled people this should include considering steps to take account of disability and it will not be unlawful if this results in more favourable treatment of disabled people. It is also important to recognise the cumulative impact of changes affecting particular user groups in any such assessment.

The sustainability impact of any charging decisions must also be considered. Any potential social, environmental or economic impact that the introduction of a charge, or change to an existing charge, may have must be identified and any subsequent decisions must ensure that any negative or unfair impact is mitigated or removed. In instances where a negative impact is the objective of charging, e.g. a charging objective designed to reduce demand, this must be identified and managed through mitigating action where possible.

2.7 Forecast demand and potential income

- Depending on the objective of the proposed charge, the demand for the service and subsequent income received must be estimated to ensure charges will have the desired effect.
- Through having accurate and up-to-date user information, future demand and income can be more effectively forecast. For services which customers value highly, their sensitivity to price changes may be lower, and increases in charges will not necessarily lead to a huge drop in demand. Conversely, for services which are not valued so highly by customers, an increase in the cost of those services may result in a shift in demand away from the Council, towards alternative and cheaper providers.

2.8 Set the charge

- Informed by the results of the previous stages, the Council will be in a position to introduce a charge, increase/decrease an existing charge or introduce a concessionary scheme – whichever option is determined to be the most effective in meeting its objectives without detrimentally affecting any particular group of customers.

2.9 Monitor and review charges and their impact

- The extent to which charges are serving their purpose should be monitored on at least an annual basis. The income received from charges should be monitored as part of the service's own budget arrangements.
- Charges should also be reviewed at least annually as part of the budget-setting process. However, there may be other reasons why they should be reviewed more frequently or at other times of year, such as the service being subject to a Best Value review, or the charges not having the desired effect.

Appendix A

Charging Framework

