

## **Orkney Islands Council**

### **Charges and Concessions Policy**

#### **1 Introduction**

- 1.1 Orkney Islands Council is committed to ensuring that the services it delivers are efficient and effective and are provided in a way which ensures equality for all. The Council is also committed to ensuring that the financial position of the Council is stable and secure.
- 1.2 Concessions are available on a range of discretionary chargeable services and this policy ensures consistency in their application. This policy applies to the concessions available on prices set by the Council.

#### **2 Purpose**

- 2.1 This policy establishes the Corporate Charging and Concession Principles which should feature in setting fees and charges for services provided by the Council and sets out a Corporate Charging Framework (Annex 1) for determining charging levels, with due regard to legislation, corporate priorities and demand for services.
- 2.2 This policy also establishes a consistent level of concession for discretionary chargeable services. The council strives to ensure that equality is embedded in all aspects of service delivery, and that all customers are treated fairly and openly at all times.
- 2.3 The Corporate Charging Working Group (CCWG) has been formed to consider:-
- Charging and Concessions Policy; and
  - New and existing charges, including concessions.
- 2.4 Charging decisions will be taken in the context of the Council's strategic objectives and statutory duties, as directed by current legislation or the latest version of the Council Plan.

### **3 Application of Corporate Charging Policy**

- 3.1 Services should use this policy when determining charges as part of the annual budget setting process for the forthcoming year, and any other ad hoc consideration of existing or new charges.

### **4 Authority to Set and Amend Charges**

- 4.1 Charges for services will be reviewed as part of the annual budget setting process and where the Council has the ability to amend these charges, an agreed budgetary uplift should be applied as a minimum. The Head of Finance will be responsible for recommending to the Council the appropriate annual uplift.
- 4.2 Where charges are set externally or other limitations apply, they will be determined by other agencies.
- 4.3 Where there are proposals to introduce new charges, or to vary charges other than by the agreed budgetary uplift, these should be presented to the Council as budget options as part of the budget setting process following consideration by the Services involved and the CCWG.
- 4.4 Authority to vary, cease or introduce new charges outside the budget setting process lies with the relevant Service Committee.

### **5 Monitoring and Review of Charging and Concession Policy**

- 5.1 Once agreed, this policy will form part of the Council's financial regulations and be subject to regular monitoring and review.
- 5.2 This will ensure that the process:
- Continues to be appropriate to the priorities of the Council
  - Is helping to support Council services
  - Demonstrates best value principles (i.e. it is efficient, economic etc)

### **6 Corporate Charging and Concessionary Principles**

The Council has, as a central objective, the delivery of Best Value services to the Orkney community. A key element of this strategy is that the Council should set equitable fees for chargeable services, which support the Council's corporate and service priorities, whilst promoting social inclusion.

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

## 6.1 Fundamental Principles

- 6.1.1 All Services must adhere to this policy and the principles outlined within. Any exceptions must have Council approval.
- 6.1.2 The Corporate Charging Policy is designed to create a consistent approach to charging across the Council Services and each Service Director is responsible for ensuring adherence.
- 6.1.3 How fees and charges are used, can have a positive impact on service delivery.
- 6.1.4 The rationale for levying a charge, and the basis on which the charge is calculated 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 it may also be used as a means to generate additional income.

## 6.2 Subsidised Services

- 6.2.1 Subsidised services relate to those services where there is full or partial support from public funds. The subsidy would apply across the board and would not relate to any particular social group, unless this is set in legislation. Equality for all service users will be delivered through the application of agreed concessions (see section 6.6).
- 6.2.2 There will be services that the Council simply cannot afford to subsidise in full or in part.

## 6.3 Restrictions to Charges

- 6.3.1 In addition to subsidised services, charging will not be applicable or 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
  - The needs of the individual or group are deemed to be such, that the charge should be waived or not pursued in accordance with the appropriate assessment and authority, in line with the principles set out under Section 15 of the Council's Financial Regulations relating to Debt Recovery and Write-offs, in order that the service can continue to be provided.

## 6.4 Other Charging Options

6.4.1 Where fees or charges are not restricted in these ways, each Service should set charging at a level where they will contribute to that particular service's financial objectives and strategic objectives, where feasible.

6.4.2 The most common financial objectives are:

- Cost-based pricing – to recover all or a proportion of costs providing the service as may be determined (including capital costs)
- Competition-based pricing – to reflect market rates (particularly relevant in certain commercial services)
- Demand-based pricing – to promote, control or limit uptake

6.4.3 The cost for provision of the service should not necessarily be treated in isolation for that individual service alone; it may be applicable to factor in the costs of related services. (e.g. the Road Traffic Act makes provision for surplus income if that surplus income is reinvested in related services)

6.4.4 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.

6.4.5 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 committee approval when proposing significant amendments to existing charging levels.

## 6.5 Setting Charges

6.5.1 In order to make informed decisions on charging, Services will ensure that appropriate information on service users, service usage and costs for each income stream are kept up to date.

6.5.2 Proposals to introduce or to significantly amend existing charges will be submitted in the agreed format, as may be determined, and will be accompanied by a detailed impact assessment on the effect of the charges for the different service users, including the cumulative effect of several increases across a user group.

6.5.3 Any proposals for introducing new charges, or for amending existing charges, will be considered as part of the budget setting process, and should be included in service submissions as a Service contraction/saving.

6.5.4 Service users should be consulted on, and informed of all proposals to introduce new charges or to significantly amend existing charges, prior to the Council taking its final decision.

6.5.5 For the purposes of the Corporate Charging Policy 'significant' is defined as being above an annual inflation increase. Inflation is calculated on the CPI, or

other suitable industry alternative, as agreed by the Head of Finance. Where no increases have been applied to charges, justification of this must be provided by the Service.

6.5.6 The Council has an obligation to produce an annual Register of Charges. To this end Services are required to ensure that they update their part of the Register of Charges by 31 March annually.

## 6.6 Concessions

6.6.1 For the purpose of this policy a concession refers to either:

- 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.

6.6.2 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 through an Equalities Impact Assessment.

6.6.3 Concessions would not ordinarily apply:-

- Where age, gender or employment status etc. are irrelevant and so no concession is appropriate; and
- Where services are not core to the Council's priorities, or not something the Council wants to promote.

## 6.7 Charging Method

6.7.1 The method and cost of collecting charges must also be considered to ensure that the net financial impact is beneficial to the Council.

6.7.2 The preferred method for charging is for the payment to be received in advance or at the point of delivery. To reduce administration costs and avoid costs associated with debt recovery, Services should adopt this method wherever possible.

## 7 Corporate Charging Framework

### 7.1 Firstly, determine which services are/should be charged for

- The requirement to charge for a service, and what level the 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.

### 7.2 Identify the objective of charging

- Existing charges may be set for the full range of discretionary services provided and it should be recognised that there is scope for introducing new charges or above inflationary uplifts. Priorities for a service may have changed since charges were last reviewed, and identifying what new priorities are in place and how charging can be used to contribute to the delivery of these priorities is central when setting charges.
- The objective of a charge may be even 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 to be reinvested elsewhere to improve service delivery. This could also apply 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 charge to apply, and in advising service users of the rationale behind charging decisions.

### 7.3 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 the services they deliver, this often is not the case. This can be a problem when it comes to identifying what level charges should be set at, if the objective is full or partial cost recovery. 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 down into a unit charge and link this to the specific service and/or function bottom-line budget.

- The cost of collecting income for a service should also be identified. If demand for the service is below a certain point, it may not be cost effective.

#### 7.4 Consider information on service users

- The following needs to be considered when determining charges for a service
- 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 has service demand been affected by increases to existing charges, the introduction of charging for a similar service, or the introduction of charges by other Councils for the same service.
- 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 Committee approval would be required
- How much do residents/businesses value the service and how much would they be willing to pay for it (going or market rate)?
- Are there other providers of the same or similar services which service users could switch to?

#### 7.5 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 common 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.
- The basics of cost-based pricing are outlined above (6.4.2). Given the difficulties associated with identifying the unit cost of a discrete service element, services should ensure that the overall service function costs are established and considered when deciding of charging levels.
- Competition-based pricing involves benchmarking other providers' prices as a guide for setting service charges. It may not necessarily mean setting charges at an identical level to other organisations providing the same

service, but rather that charges are set which make sense given local comparisons with private providers of the same service, or national comparisons with other local authorities. Again the objective of the charge will 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 other times there is excess supply (not enough demand), and particularly where price is the central concern to potential or existing service users, introducing an off-peak discount, say mid-week or day-time, should increase the demand for the service at that time and perhaps divert some of that demand from the busier times.
- Once all potential options for charging have been identified, they should be appraised against a set of criteria which reflects 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.

## 7.6 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 Equalities Impact Assessment.
- If the assessment identifies that any adverse impact amounts to unlawful discrimination, the relevant provisions must be removed. You may consider taking action to address any other issues identified, such as mitigating any negative impacts, where possible. It is important that you record this consideration, as evidence that you have paid due regard 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.
- 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 a change to a 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.

## 7.7 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 in advance and monitored thereafter 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 forecasted. For services which customers value highly, their sensitivity to price changes may be less, 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 or a decision not to receive any service.

## 7.8 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 and introduce a concessionary scheme (whatever option you have determined to be the best in meeting your objectives without detrimentally affecting any particular groups of customers).

## 7.9 Monitor and review charges and their impact

- The extent to which charges are serving their purpose, with regard to the objective which they were intended to deliver, or priority they were to contribute to, should be monitored on a regular basis. Depending on the objective (e.g. if it is to assist in the delivery of a Service or corporate priority) the effect of the charge may be monitored through quarterly performance reports.
- The income received from charges should be monitored as part of the Service's own budget arrangements.
- Generally, charges should be reviewed 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.
- The Head of Finance and Finance Officers will be tasked with providing advice and assistance to services on all charging matters.

## Annex 1: Charging Framework

