

Agenda Item	11
Report No	RES/41/24

The Highland Council

Committee: Corporate Resources

Date: 5 December 2024

Report Title: Corporate Charging Policy

Report By: Assistant Chief Executive – Corporate

1. Purpose/Executive Summary

- 1.1 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. The Council's budgeted income from fees and charges exceeds £60 million, thus making a significant contribution towards the overall cost of the Council's services.
- 1.2 This policy establishes the Corporate Charging Principles to be considered in the setting of fees and charges for services provided by the Council. It also outlines a Corporate Charging Framework for determining charging levels, having due regard to corporate objectives, demand for services and legislation.

2. Recommendations

- 2.1 Members are asked to:
- i. Consider and **note** the contents of this report
 - ii. **Approve** the Council's Charging Policy

3. Implications

- 3.1 **Resource:** Resource implications are detailed throughout the Charging Policy as at Appendix 2 to this report.
- 3.2 **Legal:** There are no legal implications arising directly from this report.
- 3.3 **Risk:** Although the Council has a positive track record in collecting income, including fees and charges, there is a risk that collection rates could come under greater pressure, especially for customers experiencing financial challenge. The Policy mitigates this risk through the social considerations, poverty, price elasticity and Integrated Impact Assessments.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** There are no implications arising as a direct result of this report.

3.5 **Gaelic:** There are no implications arising as a direct result of this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 An Integrated Impact Assessment screening has been undertaken and the conclusions have been subject to the relevant Manager Review and Approval.
- 4.4 The Screening process has concluded that there may be positive and negative impacts arising from this Policy. Given the high-level, strategic nature of the Policy, strategy, the expected impacts will be better understood when the associated fees and charges are determined by Elected Members as an integral part of the Council's budget. Members are asked to consider the summary in Appendix 1 to support the decision-making process. The Integrated Impact Assessment is published on the Council's website at the following link:
https://www.highland.gov.uk/downloads/file/29520/full_impact_assessment_-_corporate_charging_policy

5. Background

- 5.1 The policy aims 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 residents, taking account of our most vulnerable residents who may be experiencing poverty;
 - Promote consistency and fairness in the treatment of those who transact with the Council;
 - Be open and transparent regarding roles and responsibilities.
- 5.2 Elected Members will determine the appropriate charge to be applied as an integral part of the Council's budget. 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, not all fees and charges are determined by the Council. Rather they are determined nationally and are therefore not covered by this Policy.

- 5.3 New income streams will be assessed on an individual basis to determine whether the associated fees and charges are set in accordance with this Policy or by some other method, including legislation.

6. Policy

- 6.1 The Corporate Charging Policy comprises of two sections:

1. Policy including description
2. Implementation of Policy.

- 6.2 Section 1 outlines the Policy including a range of principles and objectives for charging. Section 2 sets out how this Policy is to be implemented across 9 key steps which are:

1. Determine which services are/should be charged
2. The objective of charging
3. Costs of service provision
4. Customers/Service Users
5. Charging Options
6. Impacts
7. Income
8. Setting the Charge
9. Monitor and review

- 6.3 Officers across Services will work closely with colleagues in Corporate Finance to implement this Policy for the fees and charges that they are responsible for. The Framework as detailed in Section 2 of the Policy provides a useful methodology to help deliver implementation and ongoing compliance.

Designation: Assistant Chief Executive – Corporate

Date: 15 November 2024

Authors: Allan Gunn, Assistant Chief Executive – Corporate
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Appendices: Appendix 1: Integrated Impact Assessment (summary)
Appendix 2: Corporate Charging Policy

Integrated Impact Assessment – Corporate Charging Policy

1. Equalities, poverty and human rights

This assessment considered the 9 protected characteristics, which are sex, age, disability, religion or belief, race, sexual orientation, gender reassignment, pregnancy and maternity, and marriage and civil partnership. The articles of the Human Rights were also considered in this regard.

The assessment identified that there could be positive and negative impacts arising from the Corporate Charging Policy, depending on the services and facilities being accessed. The assessment noted that the Policy aims 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;
- For any group negatively impacted, the Policy aims to strike a fair balance between addressing the financial needs of the Council through maximisation of income and the social needs of its residents, taking account of our most vulnerable residents who may be experiencing poverty;
- Promote consistency and fairness in the treatment of those who transact with the Council;
- Be open and transparent regarding roles and responsibilities.

2. Vulnerable Groups

This assessment considered the 7 vulnerable groups which are unemployed, lone parent families, young children, older people, homeless, looked after children and low-income families (in-work poverty).

The impact assessment identified that these groups could be positively and negatively impacted by this Policy depending on the services and facilities being accessed. The desired aim of this Policy includes striking a fair balance between addressing the financial needs of the Council through maximisation of income and the social needs of its residents.

3. Human Rights

Having considered Articles 8-12 inclusive, Article 14 and Protocols 1 of Articles 1-3 inclusive, no impacts were identified.

4. Children's rights and wellbeing

No impacts were identified in respect of Article 12, 28 and 29. Positive and negative impacts were identified in respect of Articles 3, 23, 27 and 31. These are best interests of the child, children with a disability, adequate standard of living, and leisure, play and culture, respectively.

The Corporate Charging Policy aims 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;
- For any group negatively impacted, the Policy aims to strike a fair balance between addressing the financial needs of the Council through maximisation of income and the social needs of its residents, taking account of our most vulnerable residents who may be experiencing poverty;
- Promote consistency and fairness in the treatment of those who transact with the Council;
- Be open and transparent regarding roles and responsibilities.

The assessment did not identify impacts on any other UNCRC articles not listed in this section.

Corporate Charging Policy

December 2024

Version 1

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1. Policy

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. The Council's budgeted income from fees and charges exceeds £60 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 the Council's budget and delivering Best Value to the residents of the Highlands but also how it may be used to support the achievement of wider social, economic and environmental objectives. Elected Members will determine the appropriate charge to be applied as an integral part of the Council's budget setting process.

This policy therefore establishes the Corporate Charging Principles to be considered in the setting of fees and charges for services provided by the Council. This policy outlines a Corporate Charging Framework for determining charging levels, having due regard to corporate objectives, demand for services and legislation.

The policy aims 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 residents, taking account of our most vulnerable residents who may be experiencing poverty;
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- Promote consistency and fairness in the treatment of those who transact with the Council;
- Be open and transparent regarding roles and 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, not all fees and charges are determined by the Council. Rather they are determined nationally and are therefore not covered by this Corporate Charging Policy. These account for approximately 15% of all fees and charges levied by the Council, and include Building Standards, Planning and Registration fees (weddings, etc). This Policy does not apply to the setting of Council House Rents and non-residential properties on the Housing Revenue Account.

As new income streams are introduced, they will be assessed on an individual basis to determine whether the associated fees and charges are set in accordance with this Policy or by some other method, including legislation.

1.1 Application of Corporate Charging Policy

Council Services should use the framework provided by this policy when determining charges as part of the budget-setting process for 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 Chief Officer - Corporate Finance has overall responsibility for putting in place arrangements to secure the proper administration of its financial affairs.



The Chief Officer - Revenues & Commercialisation is responsible for ensuring policies and systems are in place for Council Tax, Non-Domestic Rates, Sundry Debt income and corporate Charging through fees and charges.

The setting, administration and subsequent collection of fees and charges for services provided are an important component of the Council's budget for the provision of local services. The Council's default position is that other than in cases where charging is prohibited, a charge should be applied, unless there is a compelling case not to do so.

In accordance with the Council's Finance Regulations, 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. While this may typically be full cost recovery, there may be other approaches that are more appropriate for various reasons including price elasticity.

Elected Members will determine the appropriate charge to be applied as an integral part of the Council's budget. Before applying full cost recovery or other principle, however, there will be regular review of existing charges by Officers to ensure the fees and charges levied are in accordance with this policy. Furthermore, application of full cost recovery should also be considered as part of the efficiency of services being delivered on an on-going basis. This would be led by respective Service leadership, supported by Corporate Finance.

Where there are proposals to introduce new charges, or to vary charges other than agreed as part of the annual budget setting process, these shall be presented to Council or the respective Strategic committees at the appropriate time.



When assessing charges, as a minimum, the following details shall be considered by Officers:

- The aim or objective of the charge and how the proposals contribute to the Council's priorities;
- The basis of the charge i.e. whether it is set by statute 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 informed decision-making and consistency 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. 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 shall be the responsibility of Council or the respective Strategic Committee.

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 as well as changes in legislation and/or corporate strategies.



1.4 Evaluating this Policy

This policy will be reviewed annually by the Chief Officer – Revenues and Commercialisation and decided by the Corporate Resources Committee. This will ensure that the process:


- is sufficiently flexible to support Council services and contribute to key strategic outcomes;
- demonstrate Best Value principles (i.e. the arrangements take due account of efficiency and effectiveness of service delivery);
- reflect 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 a responsibility to deliver and demonstrate Best Value services. A key element of this Charging policy established 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 Officers must adhere to this policy and the principles outlined within it. Most exceptions must have Council/Committee approval;
 - The Corporate Charging Policy is designed to create a consistent approach to charging for Council services and each Assistant Chief Executive, Chief Officer and budget holder is responsible for ensuring ongoing compliance and application of this Policy;
 - The reason for levying a charge, and the basis on which the charge is then levied, should be transparent and must be considered in line with 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
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generate income or to support changes in behaviour, including reducing the Council 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 relevant Service. A credit note must never be used as a means of writing off debt. There is a separate process for writing off irrecoverable debts due to the Council.

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 paragraph 1.5.6 (Concessions) to this Policy;

1.5.3 Restrictions to Charges

- Charging may not be applicable, or may 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 may be waived or not pursued, resulting in the service continuing to be provided.
- It may be considered that implementing a system of invitation to pay/voluntary payments is appropriate.



1.5.4 Other Charging Objectives

- Where fees or charges are not restricted as set out in 1.5.3, they should be set at such a level as to contribute to the Council's financial objectives and overall Programme.

- The most common financial objectives are:
 - Recovery of full costs (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
 - 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;
 - Services provided on a "commercial" basis must secure full-cost recovery as a minimum;
 - Charging is a legitimate way to manage service demand and to reduce the cost to the Council Taxpayer of providing the service. Determining the partial recovery of costs in these circumstances will need careful consideration.

This list is not intended to be exhaustive.

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 and review of corporate and service priorities as part of the annual corporate and financial planning process. It is the responsibility of Assistant Chief Executives, and their respective Chief Officers, to ensure these reviews are carried out. Information relating to changes will be publicly available.



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 Assistant Chief Executives' recommendation for Member consideration.

In cases where, following review, a material increase in the level of charge is proposed, it may be appropriate to consider transitional arrangements. These may involve, for example, phasing in a change over a period to avoid undue financial hardship for those impacted. In such cases, the impact on the overall income received should be clearly identified and set out for the approval process. Similarly, when introducing a charge, an Integrated Impact Assessment should be undertaken. In line with standard practice, changes to charging considered as part of the budget proposals will be subject to an Integrated Impact Assessment.

1.5.6 Concessions

For the purposes of this policy, a concession refers to a discounted charge that may be based upon a range of factors which may include but not be limited to age, employment status, income or disability, and would be applied, for example, to promote social inclusion or one of the Council's objectives and priorities.

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. An Integrated Impact Assessment should be undertaken. (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 promotes;



- Where concessions would be perverse e.g. applying a concession rather than full cost recovery of damage caused to the Council and its assets.

1.5.7 Payment

Payment should be received in advance of receipt of the goods or services to maximise income for the Council, reduce administration costs and costs associated with subsequent income management and debt recovery. The Council's approach to the collection of fees and charges was approved at The Highland Council on 7 March 2019 following recommendation by the Redesign Board. Where Services consider it appropriate to apply discretion to the Council's policy of advance payment, then such matters must be agreed with the Chief Officer - Revenues & Commercialisation.

1.5.8 Consistency of charges

In setting the charge for a particular service, due regard should be applied to charges for similar, or complementary, services to promote consistency of approach and to 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 to avoid where possible, or to mitigate unintended consequences that may then serve to undermine wider Council policies.

1.5.9 Charges for person-centred services

While the general principles set out within this policy are intended to apply to most charges levied by the Council, it is recognised that in some cases, a person-centred approach to setting fees and charges is recommended (such as bereavement services).



2.0 Corporate Charging Framework – Implementation

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 responsibility for assessing the precise level and scope of charges rests with Officers in the respective Service cluster, these need to be made within a corporate framework to maximise the contribution to overall Council objectives.

Appendix A details the various stages Officers should follow in proposing 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 or determined at a national level, such as Planning. Similarly, there are some services which cannot by law be charged, for example, housing benefit application.

2.2 Identify the objective of charging

For discretionary services, there may be existing charges set for the service(s) in question. Where this is not the case, that does not mean that introducing a charge should be disregarded by Officers before assessing the service and giving charging due regard. Priorities for a service may have changed since charging for that service was 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, are important when setting charges.

A service which is currently being subsidised from the Council's budget, could introduce or increase a charge to ensure that all or increased costs are recovered, or a surplus is generated. This can then mean resources are freed up to expand a service or can be reinvested elsewhere to improve service delivery and the Council's overall service provision or support the Council's responsibilities to deliver a balanced budget.



Another potential charging objective could be to manage service demand. The introduction of a fee could be used to manage demand on the service.

It is essential that the reason for introducing a new charge is clear. This will help when determining the level of the charge, and in informing those choosing to access the service the rationale for charging decisions. This approach will also assist when undertaking the Integrated Impact Assessment.

2.3 Consider the costs of service provision

The costs for delivering a service are one of the considerations that influence fees and charges. While it would be best practice for services to know the accurate recharge rate/unit cost for all the services they are responsible for delivering, the range of variables involved may mean that actual costs may not always be fully available. Where cost information cannot be clearly established, Officers seeking to recover costs will have to consider the total cost of all inputs to establish the unit cost and then the unit charge.

Local Finance Returns (LFRs) are a series of detailed returns that collect final, audited expenditure figures for all local authorities. LFRs should be considered and understood when establishing charging to ensure that decisions are informed, and costs are understood.

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.

The Council's policy on issuing invoices, Appendix 10 of the Financial Regulations, is that they will only be issued for sums that are considered economical to pursue. Invoices will not be issued for sums less than £12.50 unless there is a legal requirement to do so. In these



circumstances the Service should contact the Revenues & Commercialisation section so that an alternative means of recovering the sum payable can be implemented. Payment in advance, or at the point of delivery, should be used wherever practical.

2.4 Consider information on customers

The following questions provide a guide for Services regarding the types of information that Services may consider relevant to inform setting fees and charges.


- Who will be accessing the service?
- How often is the service used?
- When is the service used?
- Price Elasticity
- Are there other providers of the same or similar services which those accessing the service could switch to?
- Are there wider impacts on Community Planning Partners?

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 spread demand across the operational provision.

Concessionary discounts could be applied to encourage particular groups to use a service to achieve social objectives or provide equity of access.

There are four broad pricing structures which can be applied either individually or in some combination when setting charges. These are:

- cost-based pricing,
 - competition-based pricing;
 - demand-based pricing; and
 - dynamic pricing for one-off events.
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Cost-based pricing

The basics of cost-based pricing are outlined in paragraph 2.3 of this Policy. Given some of the potential challenges 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


Competition-based pricing involves benchmarking other providers' prices as a guide for setting the charge. It may not necessarily mean setting charges at an identical level to other organisations providing similar services, but rather that charges are set at a level which takes account of market conditions, price elasticity, 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. Best Value principles will consider all these elements.

Demand-based pricing

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 for 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 central to potential or existing customers, 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 busier times.

Dynamic-based pricing

Dynamic pricing is similar to some extent to demand-based pricing and in particular could be used for one-off events. Decisions relating to dynamic pricing will be the responsibility of the respective Assistant



Chief Executive following discussions with the respective Strategic Committee Chair, having due regard to input costs, price elasticity, and the purpose of the event.

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, lead officers should carry out an Integrated Impact Assessment.

2.7 Forecast potential income

Depending on the objective of the proposed charge, the forecast income should be estimated to ensure charges will have the desired effect.

For services which are highly valued, sensitivity to price changes may be lower, and increases in charges will not necessarily lead to a huge decline 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 providers.

2.8 Set the charge

Most charges will be set annually as an integral component of the budget setting process, or where a charge is to be introduced during a financial year, charges will be agreed by the relevant Strategic Committee or Council.

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 budget arrangements, and the contribution to, and impacts on, the Council's budget.

There may be reasons why charges should be reviewed more frequently or at other times of year, and this will be determined by the respective Services.



Appendix A

Charging

Framework

