

# Corporate Charging Policy

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SPORTIVE - RESPECTFUL



# Contents

1.	Introduction	<a href="#">1</a>
2.	Aims	<a href="#">1</a>
3.	Policy Principles	<a href="#">1</a>
4.	Review of Policy	<a href="#">4</a>
	Appendix A – Charging Framework	<a href="#">5</a>
1.	Introduction	<a href="#">5</a>
2.	Determine which services are/ should be charged for	<a href="#">6</a>
3.	Identify the policy objective of charging	<a href="#">6</a>
4.	Consider the costs of service provision	<a href="#">7</a>
5.	Consider information about service users and demand	<a href="#">8</a>
6.	Pricing options	<a href="#">8</a>
7.	Concessions/ promotions	<a href="#">9</a>
8.	Assess the impact	<a href="#">9</a>
9.	Forecast demand and potential income	<a href="#">10</a>
10.	Set the Charge	<a href="#">10</a>
11.	Monitor and review charges and their impact	<a href="#">10</a>
	Annex 1 – Proposed Concessions	<a href="#">11</a>



# Corporate Charging Policy

## 1. Introduction

- 1.1 This policy sets out the general principles to be applied in relation to setting charges for services provided by the Council and a Corporate Charging framework for determining charging levels, with due regard to corporate objectives, demand for services and legislation.
- 1.2 Charges for services should be reviewed annually as part of the budget setting process.
- 1.3 Where there are proposals to introduce new charges, or to vary charges, these should normally be presented to the Council as budget options as part of the budget setting process.
- 1.4 Authority to cease or introduce new charges outside of the budget setting process lies with the Leadership Panel.
- 1.5 Where for operational/ promotional purposes service managers see an opportunity to increase income by varying charges, approval would be by officers through the Council's Scheme of Delegation.
- 1.6 All services must adhere to this policy and the principles outlined.

## 2. Aims

- 2.1 The aim of this policy is to ensure that:
  - (i) charges are levied on a clear and consistent basis across the Council's services;
  - (ii) where concessions are given, they are offered in a consistent way across the Council;
  - (iii) recovery of charges is carried out efficiently and effectively; and
  - (iv) charges are imposed and implemented in line with Council objectives.
- 2.2 While consistency is important, uniformity need not be imposed rigidly. There will be occasions where it is right and justified for a particular service to depart from the guidelines contained in this policy. Where a departure is made, however, it will only be implemented if approved in line with the process outlined in the introduction above.

## 3. Policy Principles

### 3.1 *General*

- 3.1.1 Charges serve a variety of purposes. They bring a vital source of income to the Council and can be used to help deliver services and policy aims. The Council charges the users of its services through a variety of means:

- (i) Charges at the point of sale or admission;
- (ii) Charges paid up front for receiving services;
- (iii) Services charged/ billed for after they have been provided; and
- (iv) Services where a contribution is paid by the user depending on their eligibility or ability to pay.

3.1.2 The determination and collection of charges generates income that helps sustain our services. However, charges, if used properly can deliver benefits and outcomes that are more significant than income alone. Using charges properly has the potential, in addition to generating income, to:

- (i) Encourage certain behaviours that are in accordance with our objectives - for example, offering free or discounted leisure membership to certain demographic groups; and
- (ii) Discouraging behaviour we don't want – for example, the enforcement of fines for littering.

3.1.3 The reason for levying a charge, and the basis on which the charge is levied, should be transparent and must be considered against the Council's objectives.

## 3.2 **Financial Objectives**

3.2.1 The most common financial objectives are:

- (i) Cost recovery (full or partial);
- (ii) Recovery of the marginal cost (the extra cost of providing each additional unit of service); and
- (iii) Income generation.

3.2.2 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 (for example, the Road Traffic Act makes provision for surplus income if that surplus income is reinvested in related services).

3.2.3 Services provided on a 'commercial basis' must secure full cost recovery (full cost is as defined in section 4 of the charging framework) as a minimum and where appropriate will be subject to benchmarking to establish the correct market rate for the service.

'Commercial Basis' is defined as when services operate in a competitive market with the private sector.

3.2.4 If a service is deemed as being provided in a competitive environment and is significant then it may be considered a Trading Account in terms of the CIPFA Accounting Code of practice. Trading operations are defined as services provided to users on a basis other than a

straightforward recharge of cost, such as a quoted price or a schedule of rates. Disclosure in the Statement of Accounts then needs to be considered. whereby each significant operation in a competitive environment must be conducted so that revenue is not less than expenditure on a three-year rolling basis.

### 3.3 **Subsidised Services**

3.3.1 Subsidised services relate to those services where Council funding meets part of the cost of provision with the balance recovered through charges. Equity in access to services will be delivered through the application of agreed concessions which is covered under 3.6.

### 3.4 **Restrictions on Charges**

3.4.1 Charging may not be applicable or restricted for those services where:

- (i) charges are not cost effective to collect or counter productive - for example, for an infrequently requested service where the cost of charging would be greater than any potential income (depending on charging objective); and
- (ii) the Council cannot legally impose a charge for provision of a service.

3.4.2 Specific exclusions from this policy are where a charge, or the basis of a charge, is set in statute or regulation.

### 3.5 **Setting Charges**

3.5.1 The introduction of new charges or changes to existing charges should either be brought forward for consideration as part of the annual budget setting process or by the Leadership Panel or with officers through the Scheme of Delegation.

3.5.2 All charges will be subject to an inflationary increase each year subject to taking into account other factors such as changes in service cost or demand, with any exceptions being considered as part of the annual budget setting process. It is the responsibility of Executive Directors/Directors to ensure this is carried out. Tolerance in setting charges and annual increases is acceptable for administrative efficiency – for example, £1.57 rounded up to £1.60 is sensible rounding up, and will be at the Executive Director's/ Director's discretion. Service users will be informed of proposals to amend charges with as much advance notice as possible.

3.5.3 Consultation regarding charging will be carried out in line with the Council's Guide to Consultation.

### 3.6 **Concessions**

3.6.1 For the purpose of this policy a concession refers to a discounted charge that could be based on a variety of factors across all protected characteristics and priority groups in terms of the Council's Equalities

Strategy. Further detail on concessions is provided in Section 7 of the Charging Framework contained in Appendix A.

- 3.6.2 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 via the Equalities Impact Assessment process.

### 3.7 **Promotions**

- 3.7.1 Promotions are a key tool in marketing services. Promotions are variations to standard prices and services that are designed to increase participation and/ or income. These could include for example two for the price of one offers or free swims for school children in holidays or corporate membership rates for gyms or a discount for using facilities at quiet times.
- 3.7.2 Promotions are particularly important in yield management, ie an approach that maximises overall income received rather than maximising prices, which can result in a reduction in income received.

### 3.8 **Payment Terms**

- 3.8.1 The preferred method for payment is for the payment to be received in advance of the receipt of the service and where appropriate be on-line via the Council's website in order to reduce administration costs and avoid costs associated with debt recovery. Services should adopt this method wherever possible.

### 3.9 **Charging Framework**

- 3.9.1 Appendix A sets out the stages a service shall follow in setting the charge for any service.

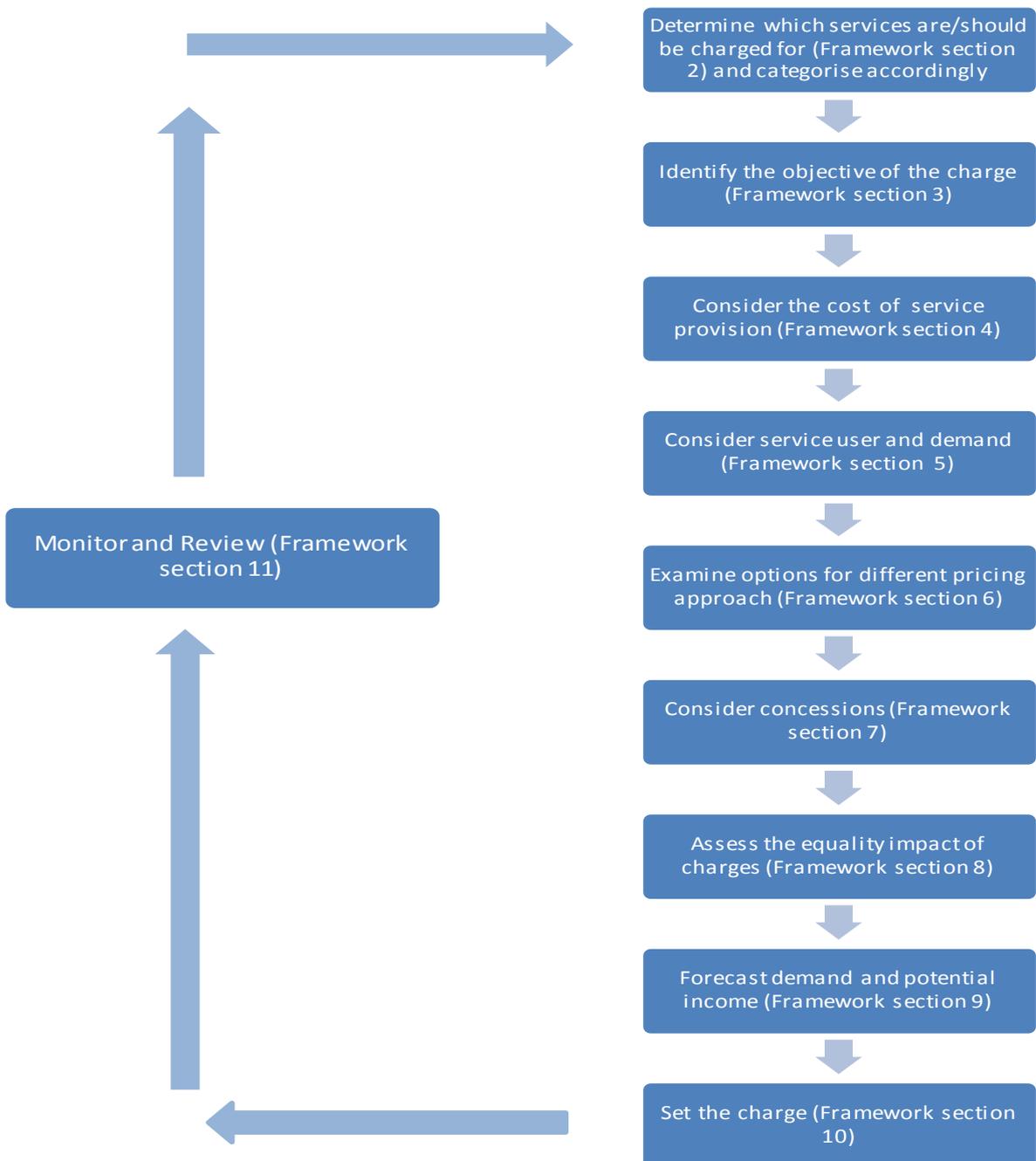
## 4. **Review of Policy**

- 4.1 The Corporate Charging policy will be reviewed in the light of any legislative changes, market trends or other factors that impact on the effectiveness of the policy.

# Appendix A – Charging Framework

## 1. Introduction

1.1 The purpose of this framework is to provide an agreed consistent approach to determining charges in any service. It will support Elected Members in considering what is charged for and why and the level of charge imposed. This framework sets guidance which will enable fees and charges to be set, reviewed and managed in a transparent way. Sections 2 to 11 below provide the detailed stages that should be followed in setting a charge. The flow chart below summarises the steps required.



## 2. Determine which services are/ should be charged for

- 2.1 The requirement to charge for a service, and what level that 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.
- 2.2 The following table provides examples of the different charging regimes for services:

**Table 1**

<b><i>Statutory (To be provided without direct charge)</i></b>	<b><i>Statutory guidelines (for example, recover costs)</i></b>	<b><i>Local discretion</i></b>
Children's Education	Planning and building control	Sports and Leisure
Personal care for people over 65	Non-residential care	Car Parking
Collecting and disposing of household waste	Commercial waste	Bulky waste uplift
Library book loans	Licensing	Burials and cremations
Street lighting	Pest control	Public toilets

Source: Audit Scotland

- 2.3 Where charging takes place within a service, the service should be categorised in to one of the regimes outlined in 2.2 above. Of the discretionary services identified, there may be existing charges set for the service(s) in question. If not, that does not mean that introducing a charge should be disregarded. Objectives for a service may have changed since charges for it were last reviewed, and identifying what the objectives are and how charging can be used to contribute to the delivery of that objective is central when setting charges.

## 3. Identify the policy objective of charging

- 3.1 It is essential that the objective for the current charge, or the introduction of a new charge, is clear. This will help when determining the level of the charge, and in advising stakeholders of the rationale behind charging decisions.
- 3.2 An objective may be one of, or a combination of, the following:
- (i) a Council objective;
  - (ii) a service objective; or
  - (iii) a financial objective.

3.3 A service providing 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.

3.4 Another potential 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.

#### 4. Consider the costs of service provision

4.1 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 for a service.

4.2 Each service where charges are applied should be categorised in to one of the following cost recovery categories to ensure transparency of purpose in terms of the cost recovery approach taken:

- (i) Full cost recovery;
- (ii) Partial cost recovery;
- (iii) Marginal cost recovery (the extra cost of providing each additional unit of service); and
- (iv) Income generation.

4.3 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 total cost of a service includes all costs which relate to the provision of the service. This can be defined as follows:

**Table 2**

<b>Total Cost (comprising)</b>	<b>Cost Heading</b>
Direct costs	Direct employee costs
Indirect costs	Other employee costs, premises, transport, supplies and services, administration costs and third party payments and transfer payments
Overheads	Directorate support costs, financing costs (depreciation and impairment)

\*for the purposes of cost recovery, central support cost for example, Employee Services, Legal, Property, Finance and ICT are excluded from the total cost calculation in order to avoid over complex calculations.

4.4 The amount of overheads recovered as part of the charge should be in proportion to its expenditure as compared to that of the total directorate. It should be noted

that, although the calculation of the charge should not be overly complex, it would be unrealistic to expect total accuracy due to a number of different variables. In most cases, it would be appropriate to gauge the proportion of departmental to the direct cost and then use this percentage as the recovery rate for overheads.

- 4.5 The cost of collecting income for a service should also be identified, if for example, an invoice would have 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 worthwhile to levy a charge if the process of recovering the charge costs more than would be received as a result.

## **5. Consider information about service users and demand**

- 5.1 The following needs to be considered when determining charges for a service:

- (i) Who are the service users?
- (ii) How often is the service used?
- (iii) 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?
- (iv) How have increases to an existing charge, the introduction of charging for a similar service, or the introduction of a charge by other Councils for the same service affected customer demand for a service in the past?
- (v) Are there other providers of the same or similar services which users could switch to?

- 5.2 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.

## **6. Pricing options**

- 6.1 There may be several pricing options available to deliver the same objective. The charge 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.

- 6.2 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/ market-based pricing and demand-based pricing.

6.2.1 The basics of cost-based pricing were outlined above in paragraph 4 and involve establishing the cost of the service and then determining a price per unit of service provision (i.e. 1 round of golf) that will at least recover the cost based on estimated usage of the service.

6.2.2 Competition/ market-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 which make sense given local comparisons with private providers of the

same service, or national comparisons with other local authorities for example. 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.

6.2.3 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), introducing an off-peak discount, say mid-week or day-time, could increase the demand for the service at that time and perhaps divert some of that demand from the busier times.

6.3 Once all potential options for pricing have been identified, they should be appraised, to determine which would achieve the desired objective.

## **7. Concessions/ promotions**

7.1 Concessionary discounts can be applied to encourage particular groups of customers to use a service in line with policy objectives, for example to encourage young people to establish exercise habits that will help to keep them healthy throughout their lives.

7.2 For some services, there may be statutory concessions for customers in receipt of specified benefits. Where there is no statutory right of concession, other considerations or circumstances may result in concessions being awarded.

7.3 Annex 1 provides the details of proposed concessions that the Council will apply when charging for services.

7.4 Services should consider the use of promotions to increase participation and/ or income and monitor their impact carefully when deciding whether to repeat, extend, alter or cease them. Promotions by their nature need to be responsive, and so it is important that service managers maintain an awareness of competitors actions or other events. For example if a private gym is offering a promotion that is taking custom away, services should consider responding to that with their own promotion.

## **8. Assess the impact**

8.1 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. To ensure that the proposed charges will not have a detrimental effect on any particular individuals or groups the service must carry out an Equalities Impact Assessment.

8.2 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 impact is mitigated as far as possible.

**9. Forecast demand and potential income**

9.1 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 and achieve the objective set.

**10. Set the charge**

10.1 Informed by the results of the previous stages a charge can be introduced, an existing charge can be increased/ decreased, a concessionary scheme introduced - essentially whichever option has been determined as the best in meeting the needs of the identified objectives.

**11. Monitor and review charges and their impact**

11.1 The extent to which charges are serving their purpose, with regard to the objective which they were intended to deliver should be monitored on a regular basis. The effect of the charge and the income received from charges should be monitored as part of the service's own budget monitoring arrangements and service performance monitoring.

11.2 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. Any such review would be by approval of the Leadership Panel or by officers through the Scheme of Delegation.

## Annex 1 – Proposed Concessions

**Notes:** The charges for halls and lets exclude Ayr Town Hall and Troon Concert Hall. These are primarily entertainment and event venues and need to have a commercial charging approach.

The prices below for which concessions are offered are core prices. There may be surcharges or additional charges for example, equipment hire, additional cleaning costs for events with a liquor licence; additional costs for janitation or cleaning if the building is to be opened specially for that let and so on.

Alterations to current concessions are noted in the Notes column. There is currently a concession for charities for uplift of commercial waste and it is proposed to discontinue this.

<b>Service</b>	<b>Concession</b>		<b>Details</b>	<b>Notes</b>
Sport, Golf and Leisure – individual admissions to all activities	Access to Leisure Card Scheme - Income related	50% off individual adult and child prices  50% off on family ticket prices	Any person who receives income related benefits  Any person age 16 or under whose parent or guardian receives income related benefits  Any person in receipt of state pension <b>and</b> income related benefits  No charge made for card.	Current concessions are 25% for selected activities for those on income related benefits and card is charged at £10.  No discounts are offered on a family ticket currently.  Under 12 free golf would stop. Instead customers would pay child prices and those on income related benefits would pay 50% of child prices.
	Access to Leisure Scheme – Age related	25% off adult price	Any resident in receipt of state pension  Students - ie any person age 16 and over in full time education  No charge made for card.	Current concessions are 25% for those aged over 60 and card is charged at £10.  The change would restrict the discount to those in receipt of state pension rather than those aged over 60. From 2019, the State Pension age will increase for both men and women to reach 66 by October 2020 and then 67 between 2026 and 2028.  Current concession is 25% for students and card is charged at £10.

<b>Service</b>	<b>Concession</b>		<b>Details</b>	<b>Notes</b>
	Access to Leisure Scheme - Disabled	50% off adult and child prices	Specific eligibility criteria will be developed further. No charge made for card.	Current concessions are 25% for selected activities for those on income related benefits and card is charged at £10.
	Access to Leisure Scheme - Council staff	15% off adult prices	Any employee of South Ayrshire Council No charge made for card.	Currently there is a 15 % discount for members of Unite and Unison unions. This would extend that benefit to all staff and encourage usage of facilities and healthy living for all staff.
	Access to Leisure Scheme – looked after and accommodated children	Free for child; 50% off full adult price for accompanying adults; or 50% off family ticket	LAAC identified via Social Work and issued with Access to Leisure Cards. No charge made for card.	This is to support looked after and accommodated children. There is no current discount for this group.
Leases of Council Land and Property	Charity/ 3rd sector concession	50%	Eligible parties are not for profit organisations such as community/ voluntary groups, arts and sport related groups.  Concession subject to conditions – for example, suitable constitution, satisfactory accounts, etc.	Current concession rates are £1 per annum if asked for senior citizens and non-profit making organisations; 90% discount off full market rental for registered charities, church groups, youth groups, arts etc organisations; 50% discount for sports clubs if they do not have a liquor licence.  The new concession rate would be phased in once the lease agreements come to an end. This could be over next 5-10 years depending on the duration of the original lease.
Car parking	Blue Badge	Free	Holders of Blue Badge Cards park free	This is current position.
Instrumental music service	Free School meals	Free	Available for children and young people entitled to a free school meal	We do not charge currently for IMS.

<b>Service</b>	<b>Concession</b>		<b>Details</b>	<b>Notes</b>
	SQA course concession	Free	Available for children and young people who are following an SQA music subject after S2	We do not charge currently for IMS.
Hire of neighbourhood services sports pitches/ school sports pitches/ school classrooms/ games halls/ gym halls/ assembly halls. Excluding Troon Walker and Concert Halls and Ayr Town Hall	Youth concession	25% off full price	For groups whose members/ target market is predominantly those younger than 18.	<p>Current lets are categorised into three groups with different prices:</p> <p>Category A – free – eg South Ayrshire Council organised activities, Councillors when involved in Council business, Senior Citizen groups, Health related self help groups, Pre-5 groups, all activities run under auspices of the Council's Youth Strategy.</p> <p>Category B - eg regular community meetings, eg youth organisations, out of school care clubs, community association meetings, Opportunities in Retirement, recreational commercial lets run on a regular basis targeting young people, community or private events run for social not financial gain, eg weddings, club socials etc.</p> <p>Category C – all commercial events run for gain or profit, eg fashion shows, car boot sales etc; any event with a liquor licence; MPs when involved in parliamentary business</p> <p>Other – lets related to elections, when charges are set in accordance with National provisions.</p>
	Elderly concession	25% off full price	For groups whose members/ target market is predominantly those in receipt of state pensions.	
	Disabled concession	25% off full price	For groups whose members/ target market is people with disabilities	
	Community Council/ Tenants and Residents Associations Concessions	Free	Free use of rooms to a maximum of 12 meetings per year.	
	Councillor concessions	Free	Free use of rooms for surgeries. If the premises are open at the time of the requested let, the let is free. If we have to open the building specifically, normal let charge is applicable	
	Council activities	Free	Free use for Council organised activities. If the premises are open at the time of the requested let, the let is free. If we have to open the building specifically, normal let charge is applicable	