



Scottish Borders Council

EXTERNAL CHARGING POLICY

January 2025

Reviewed by: Chief Officer Finance & Procurement
Approved by: Scottish Borders Council January 2025
Next review due: January 2028

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1 INTRODUCTION

1.1 Income from fees and charges is one of the three main funding sources for local authority services. Those three sources are:-

- Grants from central government
- Local taxation (Council Tax)
- Fees and charges

1.2 The Chief Financial Officer (CFO) has responsibility, under Section 95 of The Local Government (Scotland) Act 1973, for the proper administration of the financial affairs of the Council. One such area of administration is that relating to external charging for goods and services provided by the Council.

1.3 Council Departments raise external charges to the general public or businesses for a range of goods or services such as:

- Rent of industrial and commercial land and property
- Trade and special waste collection
- Protective & Environmental services
- Weights & measures
- Building inspection & Planning fees
- Hire of leisure facilities
- Burials, allotments & Parks
- School Hall and room hire
- School meals
- Roads & infrastructure
- Licencing
- Registrar Services
- Residential care fees

1.4 The purpose of this policy is to set out the broad principles that govern charging for those services where the Council has discretion to set the charge. The application of this policy will bring greater clarity to the process of setting charges and will therefore assist the Council in achieving its corporate objectives.

2 POLICY AIMS

2.1 This policy applies to all areas of the Council that can apply charges to external customers, including residents, businesses and partner agencies. It excludes:

- Council Tax
- Non Domestic Rates
- Any fees and charges determined by statute or otherwise outside the Council's control

2.2 This policy aims to:-

- Establish broad principles to govern charging for those services where the Council has the discretion to set a charge.
- Ensure officers are aware of their responsibilities when setting charges for their service areas.
- Provide a framework within which to establish if a charge is generating full cost recovery.
- Ensure that all opportunities for charging are identified and reviewed on a regular basis in all service areas.
- Treat service users consistently and fairly across all Council services.
- Determine the most efficient channel for charging for goods and services e.g. on-line charging / invoice etc.
- Strike a fair balance between the financial needs of the council and the social needs of its customers

2.3 Fees and charges fall essentially into three categories:-

- Where there is a statutory prohibition on charges
- Charges that are set nationally (e.g. planning fees)
- Charges that are set locally by authorities (e.g. waste collection)

2.4 It is the Council's policy that service users should make a direct contribution to the cost of providing services at their point of use. When charges for services are reviewed it will be within this policy and it will be necessary to consider each case individually if exceptions are to be made.

2.5 The Council's general approach to charging for services offered on a discretionary basis is always to:-

1. Make a charge but only where the assessed income from charging is greater than the cost of charging.
2. Use a full cost recovery approach as the basis of charging whenever practicable unless the Council has endorsed a policy of partial cost recovery i.e. has agreed to subsidise a chargeable service.

2.6 The aim of the policy is to maximise the Council income. Even where charges are set nationally, there is much that we can do to improve income performance to:

- Ensure all service users are assessed and pay charges promptly.
- Have high quality transparent accounting and administration to recover a high proportion of income due on time.
- To maximise sundry debt income for the Council so that late and non payment are kept to an absolute minimum.

2.7 In addition to supporting the Council to manage its financial position, the external charging policy can also help the Council deliver its policy objectives in many service areas. However the Council needs to be realistic in its charging policies:-

- The Council needs to consider the impact of charges on residents and service users.
- The Council needs to consider the market within which it is operating when setting charges. Two factors are relevant – the extent to which there is private sector or third sector competition for the service and the level of charges made by neighbouring and other Councils. (An increasing number of Councils are participating in benchmarking exercises on local authority charges which allows helpful comparison of charging levels).
- Consider the current economic environment locally and nationally.
- Demand for the service.
- Affordability to the customer.

3 LINKS TO CORPORATE PRIORITIES AND OUTCOMES

3.1 Our External Charging Policy is aligned to the Council Plan in ensuring the Council is operating as effectively and efficiently as possible with this policy supporting the Council Plan theme of working together improving lives.

4 ROLES AND RESPONSIBILITIES

- 4.1 The Council is responsible for the setting of fees and charges as part of the annual budget setting process. Any proposal to introduce a new source of income must be approved by Council. The Council's Executive Committee can approve changes to existing fees and charges.
- 4.2 The Chief Financial Officer shall be responsible for maintaining a Corporate directory of fees and charges listing all relevant fees, charges and concessions and the arrangements to review charges.
- 4.3 Appropriate income budgets shall be set for each element of service activity for which a fee or charge is levied. Where appropriate income from fees and charges should be identified in the Council's Financial Plan. Estimates of external fees and charges for 2024/25 are detailed in Appendix 1.
- 4.4 The Council will produce and publish on its website an annual register of charges following the financial planning approval.
- 4.5 A more detailed breakdown of roles and responsibilities can be found in Appendix 2.

5 CHARGING POLICY

- 5.1 Charges should be considered wherever it is legally and practically possible. The Local Government (Scotland) Act 2003 provides powers for local authorities to charge for discretionary services and enables full cost recovery. However the aim of the act was **not** to provide a new source of income for local authorities, but to encourage new and enhanced discretionary services that promote economic, social or environmental wellbeing.
- 5.2 In general charges should be considered where only some members of the public benefit from the service provided. This policy is based on the assumption that "the user pays" and that in general non-users do not subsidise users through Council Tax. Service users should make a direct contribution to the cost of providing services at their point of use. When charges for services are reviewed it should be within this policy.
- Where a Council service is delivered to all residents or householders equally this could therefore be considered to be funded from Council Tax.
- 5.3 The decision on whether to make a charge is not always within the control of the Council. Where it is, it is important that the implications of the charging decisions being taken are fully understood and the elected members have the appropriate information they need to make informed decisions.

- 5.4 It is the Council's policy that unless there is good reason why an exception should be made, a charge should be made for all discretionary services and statutory services where the Council has control, in accordance with this policy.
- 5.5 Charges implemented should be both lawful and in line with the Council's corporate strategy and priorities.
- 5.6 A review of market conditions should be undertaken and considered when setting and reviewing charges. Integrated Impact assessments will be completed for all proposals to introduce charges or amend existing charges prior to the Council taking its final decision.

5.7 **Administration of fees and charges**

The basic principles of administering fees and charges shall be:-

- The most economic, efficient and effective method of external charging shall be used and shall comply with the Council's Financial Regulations.
 - Wherever it is reasonable to do so, charges shall be collected either in advance or at the point of service delivery to minimise the risk of non-payment and to assist customers manage their liabilities to the Council.
 - The council retains the right to charge retrospectively for services utilised without the correct fee having being paid in advance.
 - Providing goods and services before securing payment provides the potential to increase the value of debt outstanding and consequentially places the Council at risk in terms of bad debt and potential write-off of bad debt.
 - Only where it is considered unreasonable to demand payment in advance, or at the point of delivery, should income be collected by raising a formal debtors account.
 - Where credit is extended to customers, payment by direct debit should be promoted as the preferred method of payment.
 - Charges shall be easy to understand and administer.
 - Charges shall be transparent and well promoted to service users.
 - Where customers fail to pay for fees and charges, they shall be made liable for the additional costs of enforcement. Customers must be clearly aware of this additional liability.
- 5.8 All external charges must be despatched within 5 days of the charge being incurred where practical. Charges raised erroneously, or raised not in accordance with this policy and found to be not collectable shall be cancelled immediately or a credit note raised (ensuring an audit trail) by the department. Charges raised erroneously shall NOT be written off to the Council's bad debt provision.

Where an incorrect charge to a customer has been made, the Department that originated the charge must inform the Accounts Receivable within 3 days of discovering the error and provide instructions as to how the error is to be resolved.

It is not acceptable for any department to raise an invoice and ask for collection not to be pursued.

- 5.9 The Council's standard terms require payments to be made within 30 days upon receipt of invoice and these terms apply to all external charges raised by all departments of the Council. Payment by monthly direct debit should be promoted as a preferred method of payment where appropriate and by agreement with Accounts Receivable as part of an agreed instalment plan.
- 5.10 Where practical and legally allowable advance payment should be requested for goods and services thus minimising financial risk to the Council. Unless obliged to do so contractually, for example peppercorn rents, officers must not raise an invoice for a debt less than £20.00 as per the debt recovery policy, as it is uneconomical to collect.
- 5.11 All departments have a responsibility to ensure income due from external charges is collected in a timely and efficient manner. The Council's Debt Recovery Policy (approved by Executive on 13/02/2024) and Income Management Policy (approved by Executive on 17/08/2021) provide details on collecting external charges. The Debt Recovery Policy sets out to ensure that customers are provided with a fair, consistent and transparent income collection policy striking a fair balance between the financial needs of the Council and the social needs of the customer.
- 5.12 Charges should not be levied where:-
- The administration costs associated with making a charge would outweigh any potential income.
 - Making the charge for the service would be directly contrary to achieving one of the Council's corporate objectives.
 - Where it would be counter productive, e.g. where it would result in a substantial reduction in usage of the service (unless that is the objective of the charge). However the use of price mechanisms to influence behaviour provides scope for development in the future.
- 5.13 In addition to being a key funding stream to the Council, the income obtained from fees and charges can play a significant role in other areas such as :-
- Demonstrating the value of a service.
 - Discouraging abuse of a service.
 - Contributing to the achievement of service and corporate objectives, by managing demand or promoting certain behaviours.
 - Promoting and encouraging access to services.

5.14 We will not raise external charges unless:-

- The fee or charge has been set by the Council
- The charge could not have been obtained in advance.
- The charge is collectable. Customers must be clearly aware they have a liability for the charge and where they fail to pay for fees and charges they will then be liable for the additional costs of enforcement.
- The charging department has evidence to support the raising of a charge (i.e. order, written contract, statutory obligation etc.)

Where charges for services are not made, or a full cost recovery approach is not used, then this should be justified and documented.

5.15 Within the service and financial planning process, each fee or charge should be identified to one of the following charging policy categories and the appropriate charging policy adopted.

(Charging policy category, policy objective and points for consideration detailed in Appendix 3).

CHARGING POLICY CATEGORY:-

- Full commercial
- Full commercial with discounts
- Fair charging
- Cost recovery
- Cost recovery with discounts
- Subsidised
- Nominal
- Free
- Statutory

6 NEW FEES AND CHARGES

6.1 The Council will aim to maximise income from fees and charges by ensuring that charges to users reflect the full cost of the service provision, unless covered by concessions, or where there are legal or contractual reasons.

6.2 The first step in creating a charge for any service should be to calculate the full cost of providing the service, inclusive of overheads and capital costs.

6.3 The basis of charging in the Council varies widely both by service area and within service areas. Methods included:-

- Agreed rates
- Charges set following a consultation exercise
- Recommendations by a Director / Head of Service
- Nominal charge to cover part of the cost
- Historic cost plus inflation
- Percentage mark-up on cost
- Calculation of inflationary pressures combined with need to balance budget / meet income budgets.

Many factors affect the level of charges, including:-

- Historical, political, legal and financial considerations.
- The cost and quality of the service.
- Charges made by other councils and the private sector.
- Users' ability to pay and their views on the service.

6.6 Each Director shall be responsible for setting charges in their respective service area and for ensuring that the rates at which charges are set achieve *full cost recovery* wherever practicable.

Financial Services will support this process through the provision of advice and analysis relating to costs incurred in the discharging of services and income received.

Proposals for introducing charges, or for amending existing charges should be considered as part of the budget setting process and submitted in an agreed format by service managers, accompanied by an Integrated Impact Assessment.

6.7 External charges should be based on full cost recovery where practicable. Full cost recovery means recovering the total costs of an activity, including the relevant proportion of all overheads (indirect costs).

Each service has costs directly associated with it, such as the cost of staff or equipment (direct costs). It will also draw on the rest of an organisation's resources. For example it may occupy corporate property, and draw resource from central functions such as Finance, Legal or Business Support.

Full cost recovery works on the premise that both direct costs and a relevant portion of overheads are integral to the delivery of a service. By calculating the full costs of a service, the Council can make more informed decisions about both managing the costs and allocating funding to recover them.

- 6.9 Proposed changes to fees and charges should consider the following information:-
- The aim or objective of the charge and how it links to the Council's priorities.
 - The basis of the charge, i.e. statutory or discretionary
 - The current year charge, the proposed charge and the percentage increase
 - Details of any proposed subsidies, concessions or exemptions, with details of justifications and how they link to the Council's priorities
 - The full cost of providing the service (in line with full cost recovery principles) and the estimated income from the charge.
 - Forecast surplus / subsidy (if applicable).
- 6.10 In setting charges, any relevant government guidance relating to the service making the charge shall be followed.
- 6.11 If the income from a service does not meet its costs, the service is effectively being subsidised by Council taxpayers. Where this occurs it will be a conscious choice and should be consistent with Council objectives. Where charges for a service are not at a full cost recovery level, Council should be made aware of the reasons and the income being foregone.
- 6.12 The Council's external charging policy also applies to one-off charges.
- 6.13 Charges must be balanced against participation targets to ensure price increases do not impact on overall income.
- 6.14 Commercial operators should pay the full cost of any service they receive from the Council. Services received by commercial organisations should not be subsidised by other users or Council taxpayers.
- 6.15 Legal advice should be obtained when new charges or revisions to existing charges are being considered.

7 DISCOUNTS AND CONCESSIONS

- 7.1 There are those in our community who are disadvantaged and should be provided with assistance to overcome such disadvantage. The Council has a major role to play in this regard and there are areas where the Council can offer assistance, either because central government has dictated such a policy or because councillors believe they have a moral responsibility to meet such needs in the community.
- 7.2 Concessions cover a wide range of differing perceptions. A concession can be a reduction in the cost or charge, the provision of a subsidy or grant to offset the full cost, or a

discretionary rate offered to a selected organisation or group. As an example the Council may wish to apply a concession to a geographical area or to a particular age group.

7.3 Concessions are a cost to the Council, and as such need to be managed in a consistent manner.

7.4 In offering discounts or concessions in relation to particular activities or customer groups a basis should be applied which is consistent with achieving the Council's overall objectives.

The use of concessions to service users can also help to deliver service access with concessions being offered to :-

- Ensure the use of services among particular groups of people.
- Allow continued access to services by people who are financially disadvantaged.
- Reflect different levels of need for the service amongst users.

Specific points to consider when establishing or reviewing the level of any discount or concession offered for a particular service include:

- Are we benefiting local residents?
- Can a discount policy contribute to wider policy objectives aimed at maximising access to services from disadvantaged groups?
- Is the policy to target specific groups with discounts still valid?
- To what extent is there evidence that the discount policy is successful in benefiting the target groups?
- Are there other groups that should be considered for discounts?

7.5 The need for a clear policy on concessions will increase when the full cost recovery of a service provision is passed on to the customer. Blanket concessions (or subsidy) should only be considered where the Council considers that the benefits to the community outweigh expenditure or loss of income.

7.6 An assessment of the desirability of offering concessions (and the financial implications) needs to form part of the evaluation of an appropriate charge for a given service.

8 REVIEWING FEES AND CHARGES

8.1 In order to ensure that charging levels are maintained and to assist in the service and financial planning process, charges should always be subject to an annual review in line with the categories set out in Appendix 3. When reviewing a charge it is not normally satisfactory to simply add an inflationary increase to the previous year's charge as some

cost components may alter by a different rate from others. The unit cost of the service should be calculated and should reflect the actual cost of service provision.

- 8.2 Reviews of all charges including consideration of current charges and the potential for new charges shall be undertaken as an integral part of the service planning and budget setting process each year and presented to the Council for consideration.
- 8.3 Charges set outside the charging framework, such as one-offs should also be reviewed as part of the service planning and budget setting process and presented to Council. These should normally be subject to full cost recovery.
- 8.4 Charges may be reviewed to reflect general inflation. Where inflation is not an appropriate indicator of price rises, the level of charges can be varied in line with other specific factors.
- 8.5 When reviewing charges it is important to consider:-
- The legal basis on which the charge is made
 - The reason for charging and the rationale for providing the service
 - The impact of charging on service users
 - Equalities and environmental impacts
 - Effects of charges on demand and on total income
 - Administration cost of raising and collection of the charge
 - The relationship of the service to Council objectives
 - The wider market and what competitors or neighbouring authorities are charging
- 8.6 The cost of changing charges can be considerable. This may include:-
- Consulting users (sometimes a statutory requirement)
 - Publicising the changes
 - New stationery
 - Administration and finance time

These costs should be factored into any evaluation when reviewing charges.

- 8.7 When reviewing fees and charges it is often useful to undertake a benchmarking exercise. However the history of charging in the local authorities, variations in service delivery expectations and political considerations will restrict the value of benchmarking.

9 REVIEWING THIS POLICY

- 9.1 This policy will be reviewed every 3 years by the Chief Officer Finance & Procurement and approved by the Council's Executive Committee. It will be updated to take account of changes in legislation, service improvements or changes to the Council's Financial Regulations.

Stakeholder	Key Role & Responsibilities
Council	The Council is responsible for the setting of fees and charges. Proposed new charges must be approved by Council.
Executive	Accountable for the effective management of external charging by officers of the Council and approval of the External Charging policy every 3 years. Variations of existing charges can be approved by the Executive committee
Directors & Chief Officers including (s95 Officer)	<ul style="list-style-type: none"> • To be accountable for the effective management of external charging by Officers of the council. Ensure that Financial Regulations and the Scheme of Delegation in relation to the charging for goods and services are adhered to. • Ensure the parts of Corporate Policy & Strategy that apply to their Directorate are correctly followed. • Proactively support the achievement of corporate targets for External Charging. • Ensure that Service Managers are fully aware of their external charging responsibilities. • Ensure that relevant information on the cost of providing the service, the users of the service, and the income to be collected from the service are held by the service. • Ensure that employees involved in the external charging process are appropriately trained and the quality of training is kept under continuous review. • Appropriate benchmarking should be undertaken within departments to support fees and charges being levied by the Council.
Chief Financial Officer	<ul style="list-style-type: none"> • Advising and providing guidance on setting the policy and ensuring that the policy is implemented. • Responsible for the proper administration of the financial affairs of the Council, one such area being external charging of goods and services provided by the Council.

Anyone that processes external charges	<ul style="list-style-type: none">• Raise the charge on a timely fashion either prior to or immediately following the provision of the goods or service.• Ensure that charges raised are accurate and timely and that evidence to support the charge is retained for audit purposes.
Accounts Receivable Team	<ul style="list-style-type: none">• Debt recovery and the provision of reports and reconciliations.• Liaison with service users in departments with regards to business processes, disputed invoices and recovering arrears.
Customer	To make payment for goods and services received within the terms and conditions of the service provision.

Appendix 3

CHARGING POLICY OBJECTIVES AND CONSIDERATIONS

Charging Policy	Policy Objective	Points for Consideration
Full commercial	The Council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service.	<ul style="list-style-type: none"> • Are the charges high enough for the business to be profitable? If not, consider whether we should be providing this service. • Are competitors charging similar prices? • Do we offer any premium in terms of service levels that customers would be prepared to pay more for? • How would changes in pricing structure affect demand for the service and potentially its profitability? • How does the proposed fee structure fit in with the long-term business plan for this service?
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service.	
Fair charging	The Council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure. Alternatively, a full commercial rate may not be determinable or the Council may be a monopoly supplier of services.	<ul style="list-style-type: none"> • How do our charges compare to other providers of similar services? • Has the loss of income from not charging on a full commercial basis been evaluated? • Is the policy constraint justifying this charging policy still valid?
Cost recovery	The Council wishes to make the service generally available, but does not wish to allocate its own resources to the service.	<ul style="list-style-type: none"> • Do charges recover the full costs, including overheads, capital charges, recharges and cost of collection?

		<ul style="list-style-type: none"> • Is it possible to charge on a full commercial basis and if so has the loss of income from not charging on a full commercial basis been evaluated? • Are members aware of the effect on demand for this service from this charging policy? • What would be the effect of changing the policy to a different one e.g. subsidised?
Cost recovery with discounts	As above, but the Council is prepared to subsidise the service to ensure disadvantaged groups have access to the service.	<ul style="list-style-type: none"> • Has the cost of the subsidy been evaluated? • What has been the impact on demand and on service levels from adopting this approach? • Does this approach fit in with the requirements of other funding streams i.e., grants? • Is this approach legally required? • Is there a problem of frivolous use of the service?
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.	
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage frivolous usage.	
Free	Council policy is to make the service fully available for no charge.	
Statutory	Charges are set in line with legal obligations.	