

City of York Council
Income Policy

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1. Introduction

Scope of the Policy

This policy has been developed to help meet the Council's corporate priorities and to contribute to the Organisational Effectiveness Programme (OEP).

The City of York Council relies on the generation and collection of income in order to deliver its services. The council raises income from statutory sources such as Council Tax and National Non Domestic Rates, but an increasingly significant contribution is made from the fees and charges that the council makes for the delivery of its services.

It is in the interest of all taxpayers and residents that the collection of income is undertaken in the most efficient way and that the amount of income due that is not collected is minimised.

This policy will cover the following aspects of income collection:

- Charges for services
- Setting the level of fees and charges
- Determining concessions
- Collecting income
- Recovery action for late or non-payment
- Performance and Reporting mechanisms

The policy draws on best practice and Audit Commission guidance including "Positively Charged – maximising the benefits of local public service charges".

Each section will be accompanied by Income Policy Guidance Notes to assist with implementation of the policy. The effectiveness and relevance of the policy and all annex and guidance notes will be reviewed annually.

Policy Objectives

- To ensure that charges reflect council and service objectives and priorities, the community strategy and local area agreement;
- To maximise income for the council;
- To offer choice and minimise exclusion;
- To protect tax payers interests by minimising debt and late payment;
- To ensure equality and consistency when dealing with customers;
- To ensure compliance with legal and statutory requirements;
- To implement appropriate recovery action.

Assessment and Impact of the Policy

The policy has been equality impact assessed and has a positive benefit to the council in improving consistency in the way that it sets charges and concessions, collects payment and recovers debt.

A risk assessment of the policy has been undertaken and existing risks identified, evaluated and recorded in the council risk register. The policy provides the council with a mechanism for controlling and managing those risks.

Application of the Policy

The policy applies to all council operations and activities. The key principles arising from the policy should also be applied to arms length organisations, including schools and partnerships, unless there are alternative regulations that govern these organisations.

The council's financial regulations set out the systems and procedures for managing income and expenditure. This policy sets out in more detail issues relating to income, but remains within the basic governing framework set out in the financial regulations.

Exceptions to the Policy

Exceptions to the requirements of the policy should be dealt with in the same way as exceptions to standing orders and financial regulations, using appropriate delegated powers. A record should be kept of all decisions to grant an exception.

Definitions

Discretionary Service – A service that the local authority does deliver, but is not statutorily required to deliver, and which could be discontinued if the authority chose to do so.

Statutory Service – A service that the local authority is statutorily required to deliver and cannot withdraw, irrespective of whether or not there is a charge.

Service that is essential for well being - A service that is not a statutory service, but which the local authority determines should be provided to improve the well being of customers, irrespective of whether or not there is a charge.

2. Charges for Services

Types of charge

There are different types of charges that the council makes as follows:

- Charges from statutory sources (such as Council Tax and Non Domestic Rates);
- Charges which are set nationally by government (such as planning fees);
- Charges for which there is a local choice about how much to charge, but which are restricted to recovering costs;
- Charges for services that may be operated on a trading basis, or for which there is no guidance.

This policy covers all charges to some extent, but parts of the policy are specifically aimed at services where there is an element of local choice in the setting of those charges.

Services restricted to recovering costs

Certain council services are restricted to recovering the costs of providing the service. Where this is the case, it is essential that the full service cost is identified and that all elements of cost taken into account are reasonable and justifiable. This is irrespective of the level of charge ultimately set.

Services that may be operated on a trading basis

Services that may be operated on a trading basis tend to be those that are not seen as essential for social well being or that are discretionary. By their nature they may also be available from a number of providers, thereby offering customers choice. For these services, customer demand will play an important role in deciding what the level of charge should be, although the cost of providing the service will also be relevant. The full cost of these services should be identified prior to setting charges.

Policy Guidance – Section 2 Charges for Services

- Where charges are made that are not pre-determined, the full cost of the service is quantified and taken into consideration in determining the charge to be made (Income Policy Guidance Note 1).

3. Setting the Level of Fees and Charges

Services restricted to recovering costs

The ability to recover the cost of providing the service does not mean that the council should automatically set the level of charge in order to recover all costs. It will depend on a wide range of complex views, perceptions and influences. The level of charge for each service will depend on the service objectives and priorities, customer demand, customer choice, and the need for income to support service delivery and development.

A charge set to recover cost will generate income that may enable a wider level of service delivery or service development, than would otherwise be possible. The impact of the charge can be addressed, as necessary by the use of different charges for different levels of service, or by granting concessions to target specific service users.

Services that may be operated on a trading basis

Services that are not restricted to recovering cost tend to be services that are not considered essential to the well being of residents. Even so, these services may be provided to encourage residents to participate in specific activities or to discourage or restrict the demand for particular services. The level of charges for these services will also be influenced by many factors and can be moderated by setting a range of charges for different levels of service and by granting concessions.

Figure 1 illustrates the main influences on service charging.

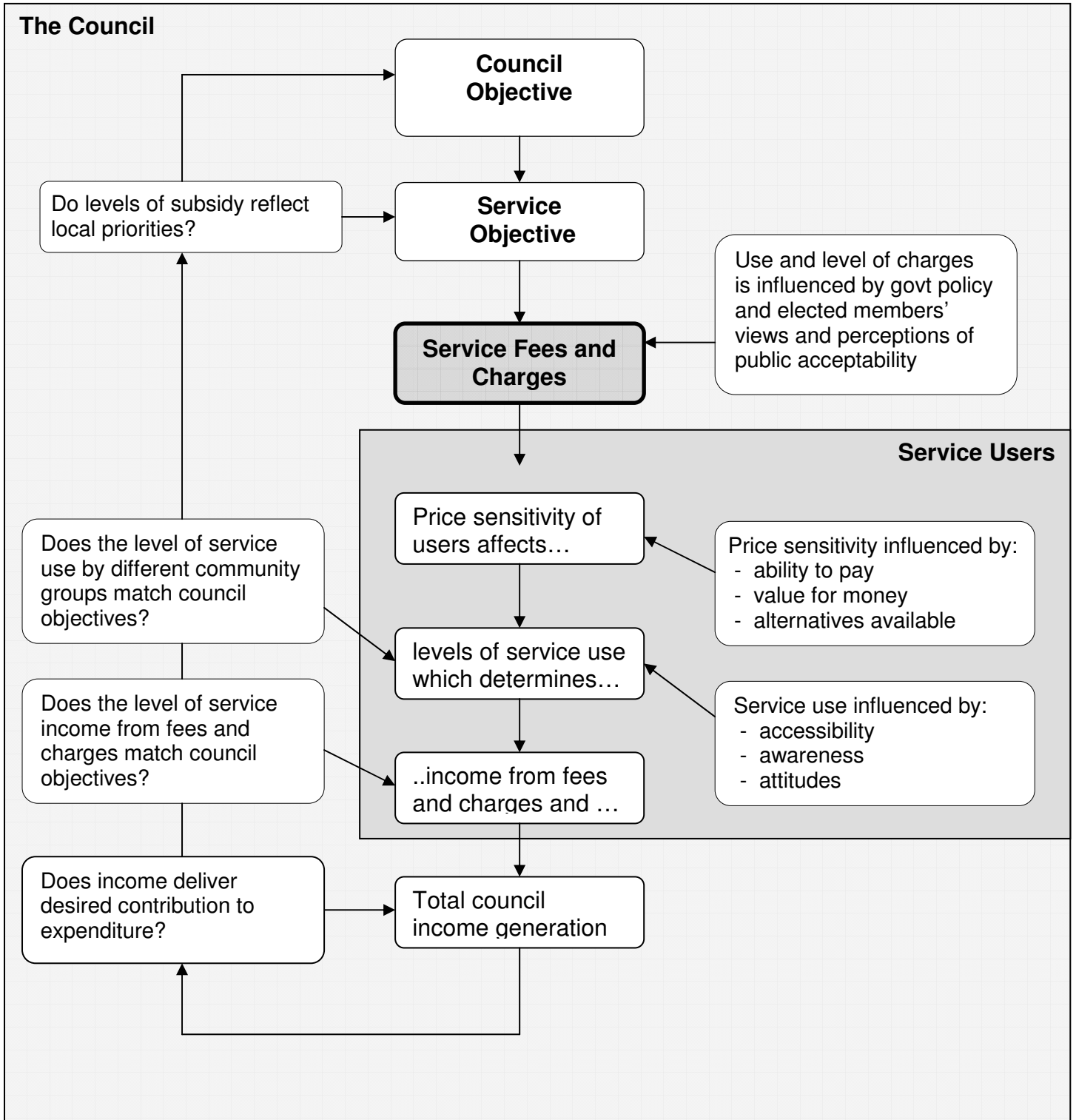
Policy Guidance – Section 3 Setting the Level of Fees and Charges

- The following factors must be taken into account in setting fees and charges:
 - Contribution to community strategy and local area agreement;
 - Contribution to council objectives and priorities;
 - Contribution to service objectives and priorities;
 - Customer profile;
 - Demand for service;
 - Service availability and accessibility;
 - Alternative services and prices.

The minimum requirement will be the identification of clear links to objectives and priorities (Income Policy Guidance Note 2).

- The factors determining a charge should be reviewed whenever the level of fees and charges are reviewed, or every two years if fees and charges are not reviewed in that time scale (Income Policy Guidance Note 3).

Figure 1 Influences on Service Charging



Source: - adapted from figure 7 in the audit commission report 'Positively Charged'

4. Determining Concessions

The council may wish to target certain services at specific groups of residents or visitors and in doing so it may decide to apply discounts or concessions.

The decision about whether and how to apply concessions must be taken with full information about the demand for the service and the contribution that the service makes to council and service priorities. In other words, there must be a reason why the concessions are relevant and a positive decision that the concessions should be offered to specific customer groups.

Examples of customer groups that might be eligible for concessions in order to satisfy service priorities and objectives are:

- Children (of various age ranges)
- Students (or people in full time education who are not children)
- Young people other than children (of specific age ranges)
- Homeless persons
- People on low incomes (or people in receipt of benefit)
- The over 60s (or other ranges of older customers)
- People with particular disabilities
- Ethnic groups
- Residents
- Visitors
- Commercial sector / Small businesses
- Employers
- Staff

The list is not exhaustive, but in every case where a concession is granted, there should be a sound reason why the concession has been made. This will assist the council to achieve consistency, equality and inclusion in the delivery of services.

In some cases there may be nationally prescriptive concessions and where this is the case, there is often government support to help fund these (for example concessionary bus fares). However, these concessions should be subject to the same principles as all other concessions.

In other cases there is comprehensive government guidance on the financial assessments that need to be carried out to determine the contribution that customers' should make towards charges, such as 'Charging for Residential Accommodation' (CRAG) guidance.

Policy Guidance – Section 4 Determining Concessions

- The reason for all concessions should be identified in terms of the service objectives and priorities they aim to achieve and blanket concessions (those that apply to all services and all types of fees and charges) should be avoided (Income Policy Guidance Note 4).

- Any concession that is made over and above the level of a nationally prescriptive concession should be subject to the same scrutiny as non-prescriptive concessions (Income Policy Guidance Note 5).
- The service outcomes of granting concessions should be monitored and the decision reviewed at least every two years (Income Policy Guidance Note 6).

5. Collecting Fees and Charges

Income collection

The way that income is collected and the timing of income collection both determine how quickly the income is recovered, the extent to which there is scope for non-payment and the costs of collection.

The way that income is collected involves the method that a customer uses to pay the charge and how they do so:

method of payment (cash, cheque, debit/credit card, bank transfer)

channel of payment (face to face, by mechanical device, by telephone, at a bank or post office, over the internet).

The **timing of income collection** will depend on the nature of the service being delivered, the customer group and the service objectives and priorities.

Where services are **discretionary**, they are likely to depend on the collection of income in order to be sustained, or they may contribute to the delivery of other statutory services. In these cases income should be collected in advance of, or at the same time as the delivery of service. This will help to ensure that the occurrence of debt is minimised.

Where services are delivered to commercial organisations in a competitive environment, income should be collected in advance of the service delivery in order to minimise debt.

If the service is **statutory** or **essential for well being**, income should be collected in advance where practicable, but the delivery of the service may be such that the recovery of income can only take place after the service has been delivered. In these circumstances, there is always a higher risk that the income may not be recovered and that debt arises which is ultimately written off.

As taxpayers ultimately fund the write-off of bad debt, it is fundamental that the 'payment in advance' policy is adopted wherever possible and reasonable.

Choice and options

It is always desirable to give service users some choice about the method of payment and / or the channel of collection, to help avoid inequity or exclusion of any particular customer group. However, the type of service and the service objectives and priorities will determine how much choice. Statutory services are likely to allow the most choice whereas discretionary services may offer the least choice. This is because they are driven by different service objectives.

There are instances where certain choices may not be possible because they are uneconomic or because of the need to improve efficiency. For example, the option to pay by cash, or the ability to pay face to face. Where one method or channel of payment is not possible, there will always be an alternative option that allows all potential customers to benefit from the service in question.

This applies equally to the timing of payment. If payment is required in advance, the preferred method of payment will be by electronic means, but customer may have the option to pay by alternative methods and alternative channels.

Creating Debt

Services that do not require payment in advance are usually paid for by raising a bill that is sent to the customer for payment after the service has been delivered. This automatically creates a debt that the council has to recover. If debts are not collected they ultimately become bad debts and will be written off at a cost to the taxpayer. In the case of housing rent arrears that are written off, it is the council tenants who ultimately pick up the cost. The debt recovery process is covered in section 6.

The creation of debt needs to be managed and guidance given about the way that debt is created in order to help with this management process. Small sums are much harder to recover and so the incidence of small value debt must be reduced as much as possible to minimise bad debt. By placing a lower limit on the value of bills raised, this will help with debt management. Where small value bills have previously been created, options for addressing this will need to be identified.

Cancellation and Refund

Some council services are responsive and require customers to make a request for service. In many cases, payment will be required in advance of the service being delivered, otherwise a bill will be raised in respect of the service.

There are occasions when customers subsequently need to cancel the service request and a refund of payment may be required. In these circumstances, a minimum time period will be required for cancellation of a service, in order to be eligible for a refund.

Accountability

The availability of customer choice should not mean that the customer has the ability to delay payment or not to pay at all.

No charge that is legitimately due should be waived or cancelled unless every attempt has been made to collect the income due.

No debt should be written off unless there is a reason why recovery is not possible, and this reason is recorded and subject to the appropriate authorisation. The principles for recovery action are contained in section 6, although there are separate policies for recovery and write-off of debt.

Policy Guidance - Section 5 Collecting Fees and Charges

- Payment in advance or at the same time the service is delivered should apply for all discretionary services and for commercial organisations (Income Policy Guidance Note 7).
- A choice of payment method and payment channel should be offered to customers in most cases (Income Policy Guidance Note 8).
- A lower financial limit should be applied to raising bills and creating debt (Income Policy Guidance Note 9).
- A minimum time period will be required for cancellation of a service paid for in advance, in order to be eligible for a refund (Income Policy Guidance Note 10).
- No charge that is legitimately due should be waived or cancelled unless every attempt has been made to collect the income due (Income Policy Guidance Note 11).

6. Recovery action for late or non-payment

Late payment

When a bill or other request for payment is sent out it should always contain clear and unambiguous information about the charges made so that the customer can understand the payment due. If payment is required in advance, but this is done by way of a bill, the bill should be sent out in sufficient time to allow payment to be made by the due date or within the timescales specified.

If payment is not received by the due date, it then becomes a late payment. Depending on the type of payment, a recovery process will be put into action once the payment is late by more than a prescribed time. The recovery process should be followed for all late payments, unless there is a specific reason why not, which is authorised and recorded.

Once a payment is late, it becomes an outstanding debt and it should be monitored and recorded in performance statistics. (Section 7 deals with performance and reporting mechanisms.)

Applying sanctions

Depending on the nature of the outstanding debt, sanctions may be applied. This will depend on the type of service, the nature of the payment, whether arrangements can be agreed and the legal framework within which a bill is raised. Sanctions may take the form of a withdrawal of service, where this is possible and reasonable. This should be the course of action taken for all discretionary services and services provided to commercial organisations.

In the case of council tax and business rates, there are specific regulations that govern the recovery action that is available to the council, as withdrawal of service is not an option.

Where the service is statutory or it is essential for health and/or well being, it may not be possible or desirable to withdraw the service. In these cases, the recovery process may need to be adapted to deal with late payment.

Recovery action

Recovery action will commence once a payment becomes late and a specified length of time has passed. The first recovery action for most debts will be a reminder. This should be sufficient to prompt payment for all debts where the payment has been genuinely overlooked or misinterpreted.

After a reminder has been sent, if the debt remains unpaid, further recovery action will be taken and this will depend on the nature of the debt and the legal framework within which the payment is due. The sanctions for non-payment can be a court summons, liability order, court judgement, attachment of earnings or benefit, bailiff recovery, bankruptcy, eviction or imprisonment.

If legal action is taken to recover debt, court costs will be incurred and these will be passed on to customers.

Co-ordinated Recovery Process

An individual customer or business may have a number of different debts outstanding at any one time and it is desirable that the recovery action takes into consideration all the relevant debts and deals with them in a co-ordinated way, rather than dealing with them separately. The council is working towards better co-ordination of debt recovery in order to improve the recovery process and make it easier for customers to manage their debt in a way that is acceptable to the council. The council will work more closely with partners to ensure that guidance is provided to those with multiple debts.

Priority Debt

There are many types of debt, but 'priority' debts are those where the strongest legal action can be taken against the person who does not pay. It is better for customers if debt is settled on the basis of priority, because this will help them to avoid the most serious action.

Priority debts for the council are as follows:

- Rent arrears, because it could result in eviction;
- Council tax and business rates, as failure to pay can result in bailiff action, attachment of earnings/benefits, bankruptcy or imprisonment;

The principle will be adopted that the priority debts of council tax and housing rent arrears will be given equal weight.

Subject to any limitations imposed by the data protection act and human rights legislation, access to debtors' information contained on different systems will be made available, in order that customers' full indebtedness to the council can be established.

Irrecoverable debts

It is recognised that not all debts are recoverable and when a situation is reached in which all legitimate recovery action has been taken and there is no prospect of collecting a debt, it will be classed as irrecoverable.

Separate policies and procedures exist for recovery and write-off of debt and these policies and procedures will be followed from the point that a debt becomes overdue.

In relation to debt recovery and write-off, it has been identified that small value debts may be uneconomic to collect (see Income Policy Guidance Note 9).

Policy Guidance – Section 6 Recovery Action for late or non-payment

- When a bill or other request for payment is sent out it should contain clear information about the payment due (Income Policy Guidance Note 12).
- The relevant recovery process should be followed for all late payments (Income Policy Guidance Note 13).
- All outstanding debt should be monitored and recorded in performance statistics (Income Policy Guidance Note 14).
- Services should normally be withdrawn where outstanding debt arises for discretionary services or services provided to commercial organisations (Income Policy Guidance Note 15).
- Recovery action should aim to take into consideration all a customer's debts and deal with them in a co-ordinated way (Income Policy Guidance Note 16).

7. Performance and Reporting Mechanisms

Setting Targets

In every case where charges are made and income is collected, performance targets should be set and monitored and this should be part of the service planning process where income is significant.

When individual charges are made for services, a clear link should be identified between income generation, charging and collection and service objectives and priorities (see Section 3, setting the level of fees and charges).

Targets are automatically set for the total amount of income to be generated each year for each service in the budget setting process. Where income is significant, performance targets should also be set to monitor usage levels, collection information and debt levels.

Performance Monitoring

Monitoring income collection performance is necessary in order to assess the success of charging in service delivery and in achieving council and service objectives and priorities. A clear distinction should be made in all reports between income that has been billed and that which has been collected.

Effective monitoring can only take place if clear targets are set and information is collected and analysed on a regular basis. Better performance monitoring will enable better reporting and this in turn will improve the basis on which decisions about income generation, charging and collection are made in future.

Reporting

Where income generation is central to achieving service objectives and priorities, up to date reporting on income performance can help to identify and address related service issues.

Finance and performance monitoring reports should include information on current performance against the income targets set for the service in question and identify whether performance has improved or is worsening. They should also offer proposals for dealing with poor performance, both short term measures and longer term proposals. This may include varying charges.

Annual fees and charges reports are a crucial element of income generation and charging policy as they set the level and scope of charges. They should include information about recent performance against targets and how income contributes to service objectives and priorities. This will assist the decision making process, particularly where there are proposals for significant changes to fees and charges.

Policy Guidance – Section 7 Performance and Reporting Mechanisms

- Performance targets should be set for all income generation, charging and collection activities (Income Policy Guidance Note 17).
- Finance and performance monitoring reports should include information about performance against income targets (Income Policy Guidance Note 18).
- Fees and charges reports should contain information about the contribution that income makes to service and council objectives and priorities (Income Policy Guidance Note 19).