

Fees and Charges Policy

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Service Unit	Finance
Directorate:	Customer Care and Advocacy
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1. Purpose

Fees and Charges represent an important source of income for Moorabool Shire Council (Council). This Policy provides guidance for Council’s approach in setting appropriate levels of fees and charges, taking into account community benefit, user groups and Council Plan objectives, and to provide for regular reviews of fees and charges within the overall service and financial planning process.

It encourages pricing that is simple to administer, equitable, easily understood, and provides value for money.

2. Definitions

Council / MSC	Moorabool Shire Council
Community benefit	The degree to which benefits are accrued to just the individual, household or business receiving the service (private value), or whether benefits may be simultaneously generated for the broader community (public value or mixed value).
Cost recovery	The recovery of some or all costs of service provision recouped through user fees and charges.
Direct costs	Costs that are directly related to the delivery of a specific service.
Fes and Charges Schedule	The list of fees and charges, submitted for approval to Council as part of the annual budget process.
Full cost	Total costs, both direct and indirect costs, incurred in delivering a service.
Indirect costs	Costs that cannot be directly related to the delivery of a specific service. Also called a ‘corporate overhead’.
Public Benefit	The value from services that are consumed collectively by the community rather than individually by the user. Examples include parks, street lighting. One person can

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consume these without reducing their availability to another person and nobody is excluded from consuming them.

Pricing method	The method for setting fees and charges which considers the costs of delivering the service, social policy objectives and community benefit. Pricing methods can be statutory or non-statutory.
Private Benefit	The value derived by the user (i.e. individual household or business/organisation) who is receiving a service in a direct and typically voluntary, as well as general economic exchange.
Services	The wide variety of services, activities, and facilities that Council provides to assist individual people, families, and groups in the Moorabool Shire. Some services enforce various federal, state, local laws and Council has autonomy to provide services that meet the needs of the local community.
Social policy objective	The responsibilities, or obligations of Council, that are informed by the local community's needs, values, aspirations, and priorities, and which are conveyed in strategic documents, for example the Council Plan.
Rate base	Council collects rates (or raises revenue) from residents and businesses to help fund local services and infrastructure. Property values are the basis for determining how much each property owner pays. The rate base to the revenue collected.

3. Scope

This Policy applies to all fees and charges that are listed in the Fees and Charges Schedule which is published in Council's annual Budget. This Policy also applies to any new fees and charges that Moorabool Shire Council is eligible to charge under the Local Government Act but has not previously been included in the Fees and Charges Schedule.

4. Policy

Section 3C of the Local Government Act provides some guidance on the pricing of Council's services and facilities. In addressing the Local Government Act, Council must ensure that resources are used effectively and efficiently, and that services and facilities provided by Council are accessible and equitable.

Council must minimise the burden on customers and ratepayers by pricing services that are at a level which maximises return, but also recognises the service user's ability to pay. National Competition Policy (Federal Government) and Competitive Neutrality Policy (State Government)

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also provide requirements regarding pricing.

Council provides a breadth of services to the community. In undertaking this role, Council assesses the needs of the community and is guided by Council's social policy objective to determine which services it will support. Some services are required due to statutory obligation while other services Council chooses to provide.

Council is required to price services that compete in the open market on a 'level playing field' basis and to be transparent regarding any decision to depart from a commercial basis for pricing. Competitive Neutrality requires that government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership. Where there are significant competitors in the marketplace, Council must consider and justify any subsidy in the case of significant services which compete with the private sector.

Fees and charges therefore are an important component of Council's revenue raising strategy and represent 6% of Council's budgeted recurrent revenue.

Fees and charges are raised by Council for several reasons:

- To increase revenue available to Council to support the cost of service delivery,
- To support Council's medium to long term service delivery objectives, and
- To help users of Council service understand the value and benefits they obtain when accessing those services.

In setting Fees and Charges, Council is guided by the following principles:

- **Efficiency** - the fees are simple to understand and administer.
- **Equity** - the fees are fairly applied across a range of users and consider users' capability to pay.
- **Effectiveness** - the fees provide appropriate signals to users, value for money and ensure that everyone contributes appropriately to the delivery of services.
- **Transparency** - the method of determining pricing is consistent

5. Pricing Methods

5.1. Statutory Pricing

Price at level set by legislation

For some fees and charges Council's role is to administer services and apply fees set or controlled under statute or funding agreement. These fees may only provide a partial recovery of the cost of providing the service.

Examples include specified Environmental Health and Statutory Planning Fees.

In addition, there are a range of conditions Council must consider when setting fees for certain purposes, for example under Funding and Service Agreements or Grant Agreements. In these cases, Council must comply with the relevant terms of the agreement, for example there may be an upper limit on the fee Council may charge.

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5.2. Non-Statutory Pricing

In determining fees and charges not regulated by statute, Council will consider the following factors in selecting the pricing method to meet its objectives for the service:

- Balancing individual and community benefit
- Users' ability to pay
- Market pricing - the pricing of comparable services offered by other providers
- Competitive neutrality (where relevant)
- Budget implications

The reason for the subsidy or return will assist in determining the method of pricing to select.

a. Private Benefit pricing

Price to cover direct and overhead costs

These are services provided by Council that benefit individual customers specifically, rather than the community. The aim is to recover the direct and overhead costs associated with providing these services:

- Provision of Information – involves Council giving access to information, subject to compliance with information privacy and freedom of information.
- Damage to Council's property.

b. Accessible pricing

Price set between Full Council Subsidy (no charge) and Full Cost Pricing (covering direct and overhead costs).

Accessible Pricing may be used where there are benefits to the community, including making a service accessible to low-income or disadvantaged users. As part of the annual review of pricing for these services, maintaining the overall net cost to Council for providing the service should be considered.

Fees and charges are subsidised by Council, and fees and charges are set to recover only part of the direct cost (as defined above), for example a service may be provided with fees set to recover 75% of direct costs.

Appropriate situations for partial pricing may be:

- Where the service benefits the community as well as the individual customer.
- Short term approach to stimulate demand for a service.
- Where charging prices at full cost may result in widespread evasion or inappropriate adoption.
- Where the service is targeted at those with an inability to pay. In this case, concession fees may be considered depending upon the type of service being provided and the needs of the customer.

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- Where there are a low number of other service providers; or insufficient quantity to meet the need; or prices that would make the service accessible to the community.

Prices can be set from Full Council Subsidy (no charge) to Full Cost Recovery with various levels of subsidisation in between. Minimal Cost Pricing will always be based on knowledge of the full cost of providing a service and subsidies will be based on a percentage of the cost of the service.

Example: Recreation facilities fees and charges.

c. Incentive pricing

Price set above Full Cost Recovery (covering direct and overhead costs at a minimum).

This pricing regime will be adopted where the Council have an applicable policy objective that supports disincentive pricing or where the Council performs the role to regulate and restrict certain behavior.

Example: Charging more for late health premise registration.

d. Full Cost-Plus margin pricing (Market Pricing)

Price set above Full Cost Recovery (covering direct and overhead costs at a minimum) in line with benchmarked market prices.

This category includes services that provide discretionary activities without strong social policy objectives. These activities may provide revenue support and complement other social policy actions.

Fees and charges are set based on benchmarking of similar services offered by other service providers or based on current market pricing. The reason for selecting this method of fee setting is that if fees are out of alignment with market it may result in a loss of patronage or sales that would reduce the overall level of income for the service.

Ideally, the price should be greater than Full Cost Recovery and a Market-Based price. The price charged by competitors depends upon the marketing strategy that has been adopted and can be determined through benchmarking.

If a price less than Full Cost Recovery is contemplated, Council should review whether it should provide the service, or reconsider whether there is a community service obligation. Otherwise, ratepayers may be subsidising a service for which no community service obligation has been identified.

Examples: Sale of goods through retail outlets, e.g. Visitor Information Centre, Art Gallery.

A flowchart in Appendix A outlines these principles.

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6. Process for Adoption of Fees and Charges

6.1. Annual Review

All prices are subject to a final review by the Finance Unit as part of the budget process. This is to ensure that the prices determined are administratively practical as per the above factors and pricing method.

6.2. Rolling Review

A detailed review of non-statutory fees and charges will be conducted on a rolling schedule with the fees and charges of one Service Unit per Directorate reviewed annually. This process is outlined in the flowchart provided as Appendix B.

6.3. Publication

Once adopted, Council's fees and charges will be publicised via Council's website, and relevant fees will be publicised at points of charge or sale, e.g. Customer Service Centers and landfills.

7. Roles and Responsibilities

Position	Responsibility
Council	<ul style="list-style-type: none"> Consider the Policy when considering fees and charges set by Council.
Directors	<ul style="list-style-type: none"> Ensure that the Policy is used as part of the budget development process to review fees and charges within each Directorate.
Managers	<ul style="list-style-type: none"> Undertake an annual review of all fees and charges they are responsible for, in accordance with the Policy. Identify any new fees and charges that should apply.
Chief Financial Officer	<ul style="list-style-type: none"> Ensure that the non-statutory fees and charges are identified during the budget development process and ensure implementation of this policy. Advise and support Managers in the application of Competitive Neutrality and the determination of the full cost of services.
Employees	<ul style="list-style-type: none"> Administer the fees and charges as contained in the Fees and Charges Schedule. Provide accurate information to facilitate an annual review of all fees and charges in accordance with the Policy.

8. Related Legislation

- Local Government Act (Victoria) 1989
- Whistleblowers Protection Policy
- Records management Policy
- Local Government Best Practice Guide Revenue & Rating Strategy Department of Transport, Planning and Local Infrastructure 2021.*
- National Competition Policy (NCP).*

9. Council Plan Reference

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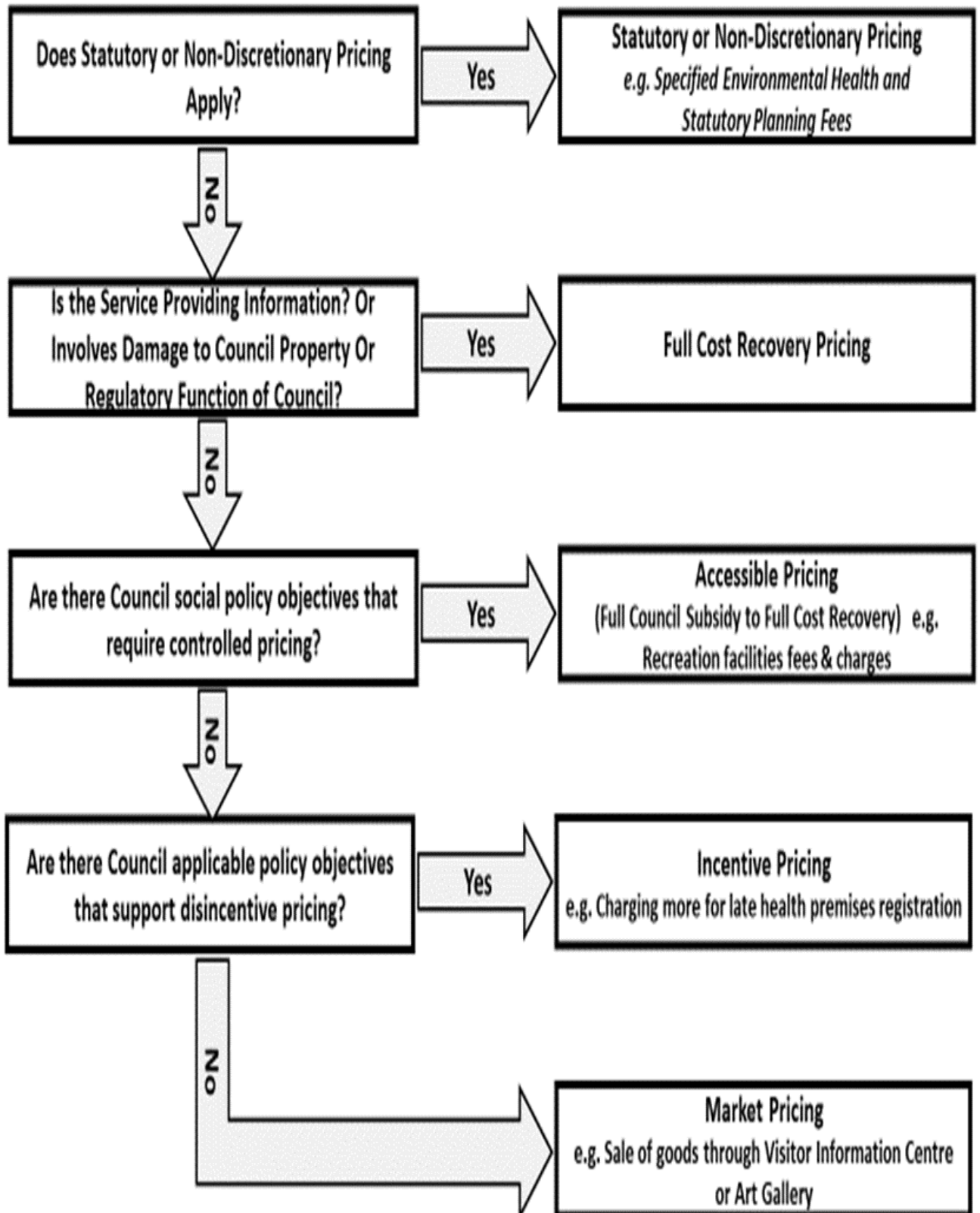
Objective: A Council that listens and adapts to the needs of our evolving communities
Context: Focus resources to deliver on our service promise in a sustainable way

10. Review

As a minimum, this Policy will be reviewed every four years.

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Appendix A – Pricing Policy Principles flowchart



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Appendix B – Review process Non-Statutory Fees & Charges

