

# SETTING OF FEES AND CHARGES POLICY

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<b>Policy Reference No.</b>	POL/208
<b>File No.</b>	HCC15/190
<b>Strategic Objective</b>	5.3 Provide responsible and transparent governance, services and infrastructure which responds to and support community
<b>Adopted by Council</b>	27 March 2017
<b>Re-Adopted</b>	
<b>Date for Review</b>	February 2023
<b>Responsible Officer</b>	Manager Finance
<b>Department</b>	Finance

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## 1 POLICY STATEMENT

- 1.1** It is the responsibility of each Manager to determine and review annually their Fees and Charges during the Annual Budget process according to the responsibilities and principles documented in this policy.
- 1.2** The setting of Fees and Charges are to be established using an appropriate **pricing method** and **pricing category** which will require an assessment of the services to be provided and the recipient of those services with reference to:
- 1.2.1** equity of access to Council services and the user's capacity to pay
  - 1.2.2** Council's community service obligations
  - 1.2.3** cost recovery principles
  - 1.2.4** benchmarking of similar services, and
  - 1.2.5** statutory limitations.
- 1.3** It is the responsibility of all Directors and Managers to ensure that their budgetary responsibilities are met. This includes ensuring that all goods and/or services provided by Council are charged for at the level of fees and charges adopted during the Annual Budget.

## 2 PURPOSE

The purpose of this policy is to ensure that:

- 2.1** guidance is provided to each manager involved in setting and reviewing fees for its services, which are consistent, transparent, fair and equitable and comply with the Trade Practices Act and National Competition Policy (NCP)
- 2.2** the most efficient and effective provision of Council's services consistent with its social, economic and environmental policy objectives
- 2.3** appropriate recovery of costs associated with the supply of services
- 2.4** equity of access to Council services, facilities and programs to people with low or moderate incomes.
- 2.5** compliance with all other Council policies affecting the service in question is achieved.

## 3 SCOPE

This policy applies to all Hume City Council employees who are responsible for determining fees and charges for services (excluding rates) provided by Council.

## 4 OBJECTIVE

- 4.1** One of Council's Strategic Objectives is for a well-governed and engaged community achieved through providing responsible and transparent governance services and infrastructure which responds to community needs.

<b>Policy Reference No:</b>	POL/208	<b>Responsible Officer:</b>	Manager Finance
<b>Date of Re/Adoption:</b>	27 March 2017	<b>Department:</b>	Finance
<b>Review Date:</b>	February 2023		

Page 2 of 7

## SETTING OF FEES AND CHARGES POLICY

---

**4.2** The effective setting of fees and charges will contribute to this objective being achieved by maximising the income Council receives for providing services whilst ensuring access to community services particularly for essential services provided under Council's community service obligations.

**4.3** Council's role is to determine the extent of cost recovery for particular services consistent with the level of individual and community benefit that the services provide and with the community's expectations. Council's services are very diverse and there are widely differing levels of need and ability to pay among the various client groups. Council's role in pricing varies accordingly.

### 5 POLICY IMPLEMENTATION

This policy will be implemented by determining the most appropriate pricing method and pricing category to apply to fees and charges based on an assessment of the service to be provided and the recipient of that service.

#### 5.1 Pricing methods

Council's services are provided on the basis of one of the following pricing methods:

**5.1.1 Full Council Subsidy** (zero cost to users) - services provided under Council's community service obligations are funded from Council's rate revenue, and therefore receive a Full Council Subsidy.

**5.1.2 Partial Council Subsidy** - services provided by Council as part of a policy objective are often priced at less than the full cost of providing the service. The subsidy is funded from Council's rate revenue and in some cases from external sources, such as government grant funding. Other justifications for a partial Council subsidy may be:

- where the service benefits the community as whole as well as the individual customer
- as a short term approach to stimulate demand for a service
- where charging prices at full price may result in widespread evasion or inappropriate adoption
- where the service is targeted at low income earners (for example Pensioners and Health Care Card holders), and
- where there is a low number of other service providers and Council believes there is merit in the service being provided

**5.1.3 Full Cost Recovery** - services provided by Council that benefit individual customers specifically, rather than the community as whole, will be priced on a full cost recovery basis. Full Cost Recovery pricing will aim to recover all direct and indirect costs involved in providing a service.

<b>Policy Reference No:</b>	POL/208	<b>Responsible Officer:</b>	Manager Finance
<b>Date of Re/Adoption:</b>	27 March 2017	<b>Department:</b>	Finance
<b>Review Date:</b>	February 2023		

Page 3 of 7

## SETTING OF FEES AND CHARGES POLICY

---

**5.1.4 Market Pricing** - Services provided by Council that compete with the private sector may also be priced on the basis of the competitive prices of alternatives. These services will be priced on a full cost recovery basis as well as an allowance for profit. The setting of these fees will also be undertaken in accordance with National Competition Policy principles and the Trade Practices Act.

### 5.2 National Competition Policy (NCP)

**5.2.1** For those Council services that are private in nature due to the user exclusively receiving the benefits, the market pricing of these services must be set in accordance with NCP. Therefore, Council is required to price services that compete in the open market on a 'level playing field' basis, and to make any decision to depart from a commercial basis for pricing of services, transparent.

In adhering to NCP principles, there are two independent and potentially conflicting requirements that need to be assessed in setting prices for private services.

**5.2.2 Competitive Neutrality Pricing** – The aim of Competitive Neutrality Pricing is to ensure that government businesses, including some Council services, do not enjoy any net competitive advantage simply by virtue of their public sector ownership. Competitively neutral pricing involves councils ascribing costs to their significant business operations, which would normally be paid by non-government businesses providing the same services. Such costs typically include rates, taxes and charges, and a rate of return on capital.

**5.2.3 Public Interest Test** – Competitive Neutrality Pricing as a part of NCP is not intended to override other social, economic or environmental policy objectives. Rather, it aims to foster better informed public policy choices based on a more transparent assessment of costs and benefits in the provision of services. Where Council believes that applying Competitive Neutrality Pricing could jeopardise the achievements of its policy objectives, it will need to conduct and document a Public Interest Test. Where required, Public Interest Tests involve consultation with the community to obtain their views on Council delivering or continuing to deliver a service at a subsidised price to achieve the documented community objectives.

### 5.3 Annual Review of Fees

The prices of all services will be reviewed on an annual basis as part of Council's Annual Budget process. This review will include an examination of the full cost of a service regardless of the method of pricing used. The review will also take into account all factors affecting the price including:

<b>Policy Reference No:</b>	POL/208	<b>Responsible Officer:</b>	Manager Finance
<b>Date of Re/Adoption:</b>	27 March 2017	<b>Department:</b>	Finance
<b>Review Date:</b>	February 2023		

Page 4 of 7

## SETTING OF FEES AND CHARGES POLICY

- increases in the labour and non-labour cost of the service
- increases in corporate overhead costs
- changes in the grant subsidy to the service
- CPI increases
- benchmarking of the price of any similar services provided by other Council's or organisations
- any changes in market conditions
- any improved quality in the service delivered.

All fees and charges should be determined on a GST exclusive basis. This is due to Council's cost base for services also being calculated on a GST exclusive basis. Where required, GST will be added to fees and charges.

### 5.4 Pricing Categories

The fees and charges setting process, as shown below, requires the selection of an appropriate pricing method after consideration of the pricing categories that best describes the service being offered by Council. This will require the classification of fees and charges by the type of service provided (public, private, mixed or merit) as follows:

- 5.4.1** Public Services - where the consumption is applicable to the community as a whole, rather than having an exclusive benefit to individual users (Full or Partial Council Subsidy Pricing).
- 5.4.2** Merit Services - where a service is provided in relation to legislation or Council's Social Policy objectives (any pricing method depending on legislation and Council's objective).
- 5.4.3** Private Services - where the consumption exclusively benefits the user of the service (Full Cost Recovery or Market Pricing).

The following table provides examples of the linking of the Pricing Category and Pricing Method that can be applied to particular services. It should be noted that the Pricing Methods below are only examples and another Pricing Method may be applicable to that service.

Pricing Category	Service	Pricing Method
Public Service	Library Service	Full Council Subsidy
	Public concerts and festivals	
	Swimming pool facilities	
Merit Service	Hire of Council facilities	Partial Council Subsidy
	Scheduled immunisations	Full Council Subsidy
Merit / Private Service	Health and Aged Services	Partial Council Subsidy
	Household garbage collection	Full Cost Recovery
Private Service	Preschool	Partial Council Subsidy
	Building Surveying Services	Market Pricing/ Full Cost Recovery
	Landfill fees	
	Gymnasium facilities	
	Room Hire (GLC)	
	Subdivision services	
Sale of valuation data		

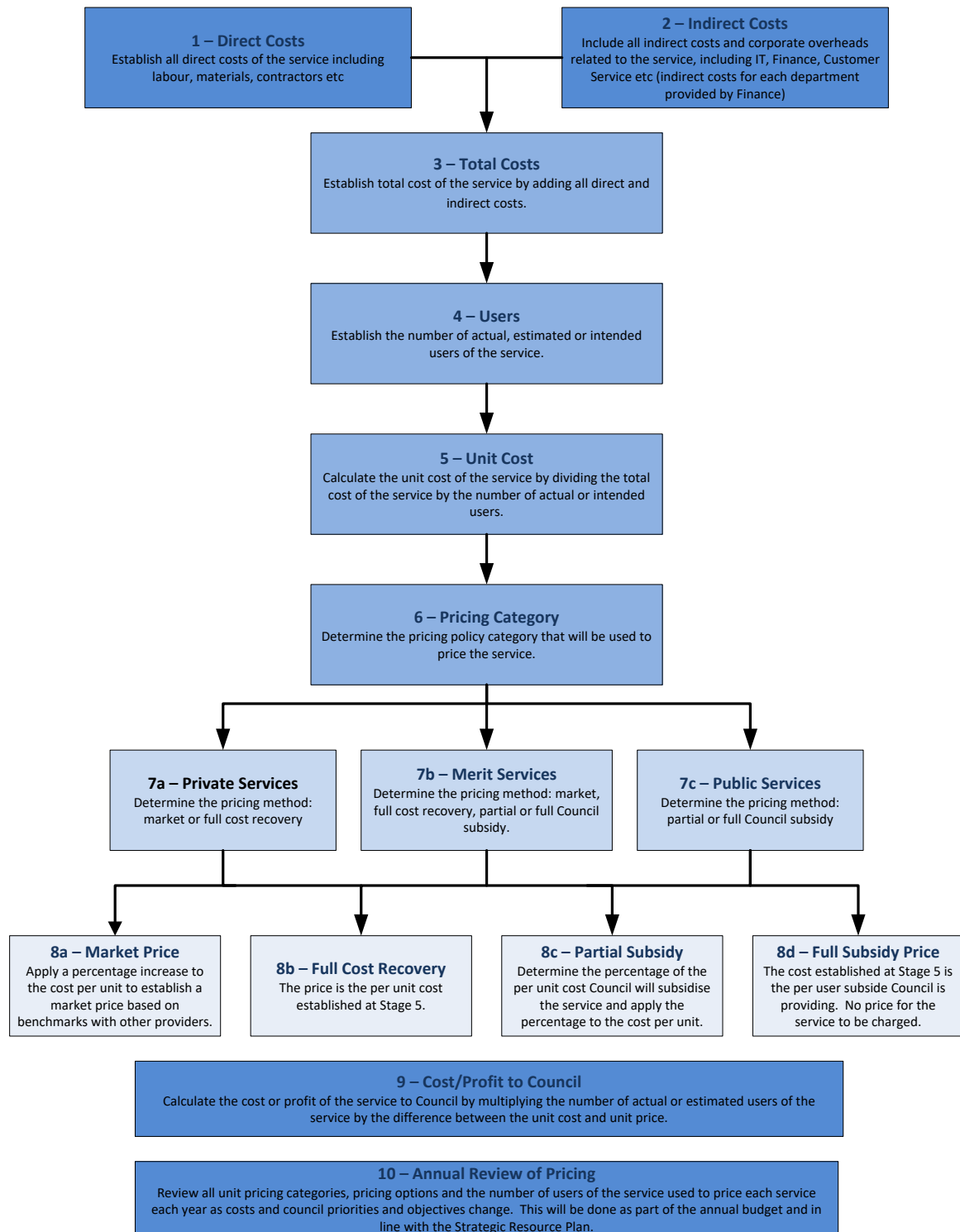
### 5.5 Setting of Fees & Charges process

<b>Policy Reference No:</b>	POL/208	<b>Responsible Officer:</b>	Manager Finance
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<b>Review Date:</b>	February 2023		

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The following decision making flowchart should be used to determine pricing.

## Setting of Fees and Charges Process



## 6 DEFINITIONS AND ABBREVIATIONS

<b>Policy Reference No:</b>	POL/208	<b>Responsible Officer:</b>	Manager Finance
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---

**Accounts Receivable**—an area within the Finance Department of Council responsible for the issuing of invoices and assisting with the collection of monies from customers provided with Credit for the provision of goods and / or services.

**Coordinator**—a member of staff who directly reports to a Manager and has the responsibility of staff below them.

**Corporate Overhead costs**—this represents the costs associated with the management of the Council service and other internal service providers (eg Finance, Human Resources, Records, IT) which are not directly charged to the service provider. An estimate of 12.5% of direct costs can be used as a proxy for corporate overhead costs.

**CPI**—this refers to the Consumer Price Index as published by the Australian Bureau of Statistics.

**Goods and Services Tax (GST)**—a 10% consumption tax on most goods and services.

**Indirect Costs** – this has the same meaning as corporate overheads.

**Manager**—a member of staff who directly reports to a Director.

**National Competition Policy**—NCP is a federal policy agreed to by the states of Australia. The main aim of the policy is improved economic efficiency through greater competition.

**Services**—where the term services is used it also includes any goods Council provides.

### 7 RELATED DOCUMENTS

- Sundry Debtors Management Policy
- Lease and Licence policy
- Best Value Principles
- Compliance Guide, Trade Practices Act

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