

1. SCOPE

This policy applies to all fees and charges that are listed in the Fees and Charges Schedule which is published annually as part of the budget. This policy also applies to any new fee and charge that Council is eligible to charge under the *Local Government Act*, but has not previously been included in the Fees and Charges Schedule.

2. LEGISLATIVE REQUIREMENT

Section 3C of the *Local Government Act* provides some guidance on the pricing of Council services and facilities. In addressing its primary objective of endeavouring to achieve the best outcomes for the local community, Council must ensure that resources are used effectively and efficiently and that services and facilities provided by the Council are accessible and equitable. In other words, Council must minimise the burden on customers or ratepayers by pricing services at a level which maximises return but also recognises their service user's ability to pay.

3. COMPETITIVE NEUTRALITY POLICY

The State Government of Victoria is a party to the inter-governmental *Competition Principles Agreement* (CPA) which is one of the three agreements that underpin National Competition Policy (NCP). Under the CPA, the State Government is obliged to apply Competitive Neutrality Policy to local government.

The State Government's Competitive Neutrality Policy applies only to the significant business activities of Council, and not to Council's non-business non-profit activities.

It is the responsibility of Council to determine if its business activities are significant and fall within the scope of Competitive Neutrality Policy.

Neither the CPA nor the State Government's Competitive Neutrality Policy provides a definition of significant business activities. However, when making a determination whether any of its business activities are significant, Council should consider – the size of the business activity in relation to the size of the relevant market within the Shire and the competitive influence or impact of the business activity in the relevant market.

If Council determines that it has a significant business activity there are a range of possible measures that may be adopted to achieve competitive neutrality. These include corporatisation, commercialisation and full cost-reflective pricing.

4. PRICING CATEGORIES

The pricing of Council services can be separated into two key categories being Statutory and Non-statutory. For statutory fees and charges, Council's fees and charges will align with the relevant statute.

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
- Environmental factors
- Market pricing and Competitive neutrality (where relevant)
- Budget implications

5. PRICING METHODS

The following pricing methods are available to assist Council in meeting its objectives for an individual service:

Market Based Pricing

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. For these services, benchmarking/market testing must be undertaken at least once every three years and the review must be sufficiently documented. Consideration would also need to be given to recovery of direct costs when using this basis of charging.

Examples: swim school fees, gym fees, and saleyard fees.

Industry Guidelines

Fees and charges are set based on non-mandatory industry guidelines.

Example: building fees based on the building code.

Direct Cost Pricing

Fees and charges are set to recover all direct costs of providing the service (eg staff salaries, materials, contract costs, etc to directly provide the service). This method excludes indirect costs.

Example: Hall Hire.

Partial Cost Pricing

Fees and charges are set to recover only part of the direct cost (as defined above), eg a service may be provided with fees set to recover 75% of direct costs. Partial Cost 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 these services, maintaining the overall net revenue to Council for providing the service should be considered.

Example: youth services

Full Cost Pricing

Fees and charges are set to recover all direct and indirect costs of the service including oncosts, overheads and depreciation of assets used to provide the service. The use of this pricing method may be used where the service is outside of Council's normal operations and is provided on a discretionary basis.

Incentive Pricing

Fees and charges are set at a level to deter or encourage certain behaviours. This will generally involve subsidising the desirable behaviour in the public interest.

Example: Differential pricing for the registration of dangerous dogs breeds in comparison to other dogs.

Final review

All prices are subject to a final review as part of the budget process to ensure that the prices determined according to the factors and pricing method above are practical. Where a price determined is considered impractical, Council may amend that price subject to regulatory requirements.

6. ANNUAL REVIEW OF FEES AND CHARGES/BUDGET PROCESS

Statutory fees and charges are reviewed regularly to ensure alignment with latest gazetted prices. These changes can occur throughout the financial year.

Non-statutory fees and charges will be reviewed as part of the annual budget development process. Council Managers must nominate which pricing method (see section 5) that they are using when submitting their fees and charges for the next financial year.

To ensure that revenue from fees and charges maintains parity with the rising costs of corresponding services and facilities, Council aims to increase fees and charges at in-line with the costs of providing the services. From time to time there may be external government and/or commercial factors that may result in significant changes to pricing that Council may be obliged to pass on to users. Also one off adjustments may be required where there is a change to the pricing method used for a service.

In making recommendations to change non-statutory fees and charges, Council Managers are also considerate of situations where significant increases in price, may put a particular user of the service at a dis-advantage that necessitates recommending to their Director a phasing in the changes over a number of years.

Council's annual fees and charges will be adopted by Council as part of the annual budget and will take effect on 1 July each year or the day after adoption by Council if it occurs after 1 July.

The process is outlined in the flowchart provided as Appendix A.

7. DISCOUNTS

Discounts

Discounts are currently applied for situations where multiple facilities are booked together e.g. multiple meeting rooms in the same facility, where extended facility use occurs and a price distinction is also made between commercial user groups and not for profit user groups.

As a guide the following percentages are recommended as a starting basis for the provision of discounts and the distinction between commercial and not for profit user groups:

- Discounts for purchasing multiple facilities e.g. two rooms in the same building– 10% across all purchased facilities;
- Discounts for extended use of a facility at 10% for half day usage and an additional 10% for whole day usage; and
- Discounts for not for profit organisations on full price – 25%

Each discount situation will be based on the features and characteristics of individual service being provided and will require discretion of managers to recommend to their Directors appropriate discounts and pricing distinctions between commercial and not for profit user groups. These discounted prices will be reviewed annually and incorporated into the fees and charges listing that is approved by Council as part of the annual budget.

Promotional Discounts

Fees and charges for some Council services may be discounted for promotional purposes. For example, planned promotional discounts across aquatic and leisure centres are implemented in accordance with the annual Marketing Plan which forms part of the business plan. Promotional discounts will be targeted and have clear defined timelines for specific set periods and hence will result in some fees & charges being lower than those listed in the budget for the period approved. Any promotional discounts will be approved by the Director of the program applying the discount.

Other Discounts

On occasions other products and services may be provided at reduced rates to not for profit groups for the purpose of donations, sponsorship or to ensure community goodwill. Any requests for further reductions in hire fees by commercial or community groups are subject to approval from the relevant Director including trial/introductory nature discounts to assist a prospective hirer in establishing a new service within our facilities.

8. CHANGES TO FEES AND CHARGES OUTSIDE OF THE BUDGET

For statutory fees and charges, Council's fees and charges will align with the relevant statute. From time to time this may result in some fees and charges being out of alignment with those included in the budget.

Aside from discounts outlined in section 7, non-statutory fees and charges can only be changed outside of the budget by a resolution of Council.

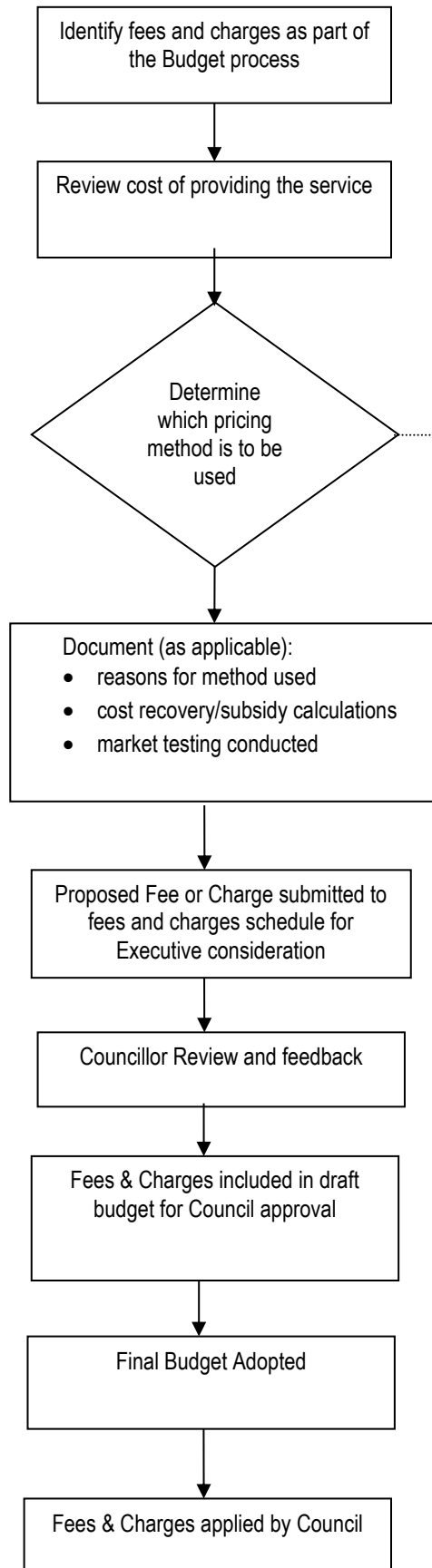
9. ROLES & RESPONSIBILITIES

Position	Responsibility
Councillors	<ul style="list-style-type: none"> To review Council's fees and charges as part of the budget process, taking into account this policy
Directors	<ul style="list-style-type: none"> Ensure that the Fees and Charges Policy is used as part of the Budget development process to review fees and charges within their Division.
Managers	<ul style="list-style-type: none"> Undertaking an annual review of all fees and charges they are responsible for, in accordance with the Fees and Charges Policy To identify any new fees and charges that should apply and seek approval from the Council Executive as part of the budget process.
Manager Finance	<ul style="list-style-type: none"> Ensure that the non-statutory fees and charges are identified during the Budget development process and to ensure implementation of this policy.

	<ul style="list-style-type: none"> • To advise and support Managers in the application of Competitive Neutrality and the determination of the cost of services.
Employees	<ul style="list-style-type: none"> • Administering the fees and charges as contained in the Fees and Charges Schedule • Providing accurate information to facilitate an annual review of all fees and charges in accordance with the Fees and Charges Policy.

APPENDIX A

Review of Non Statutory Fees and Charges



Remember:
Consider the following factors when deciding the pricing method to use:

- Balancing individual and community benefit
- User's ability to pay
- Environmental factors
- Competitive Neutrality (where relevant)
- Market pricing
- Budget implications

Remember:
Consider the reason for the subsidy or return, as it will assist in determining the method of pricing to select.

Example - Is the fee to:

- Create a return to Council (Full cost/market pricing) or
- Subsidise access by certain customers (Partial Cost pricing) or
- To provide an incentive for certain desired behaviours? (Incentive pricing)