



Mildura Rural City Council

Fees and Charges Policy

Policy – CP046

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Financial Services	SMT	Council	June 2020	2020/0190
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1. The purpose of this policy is

This policy provides guidance for Mildura Rural City Council in setting fees for its services, which are consistent, fair and equitable and comply with all relevant statutory requirements. It needs to take into account community benefit, user groups and corporate 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, easily understood, and provides value for money.

2. Policy Statement

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

The setting of fees and charges are to be set with reference to:

- user capacity to pay
- community service obligations
- cost recovery principles
- benchmarking of similar services
- utilisation
- statutory limitations.

Fees and charges must be determined and reviewed annually according to the responsibilities and principles documented in this policy.

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.

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

- Council Subsidy Pricing
- Full Cost Recovery Pricing
- Market Pricing.

To deliver appropriate community outcomes, Council may develop concessional fees for each service. These fees will be determined by taking the following into account:

- Type of service being provided
- Balancing individual and community benefit
- Users' ability to pay
- Market pricing - the pricing of comparable services offered by other providers
- Competitive neutrality (where relevant).

3. Principles

3.1 Setting Fees

It is the responsibility of Managers who charge fees and charges 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.

It is the responsibility of each Manager to review their fees and charges at least annually with reference to user capacity to pay, community service obligations, cost recovery principles, benchmarking of similar services, statutory requirements, expected utilisation of the service and also compliance with other Council Policies affecting the service in question.

3.2 Cost Recovery

The Cost Recovery Principles are designed to promote efficiency and equity. This will enable Council's fees and charges to be transparent and be calculated on a consistent basis. Cost recovery means the recuperation of all costs associated with those services or products. In addition to the costs directly associated with the service, full cost includes an appropriate allocation of indirect costs or overheads.

Allocating overheads means allocating expenses not directly associated with the service to the departments that benefit from these from expense. The method used to allocate these expenses is based on the Municipal Association of Victoria Overhead Model. This is to be done in conjunction with the Financial Services unit.

The overheads that Council will be apportioning include:

- Buildings and Equipment
- Finance
- Human Resources / Payroll / OHS & Training
- Information Systems
- Insurance
- Utilities
- Advertising
- Management.

3.3 Governance

When apportioning costs, a discount needs to be made for governance. Local government has additional layers of complexity required that non-government organisations are not required to have. So expenses which are for the benefit of Council and not the service, would be considered governance related and these costs should not be passed on to the end users.

3.4 Pricing Methods

3.4.1 Statutory Pricing

These prices are 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. Council will set prices at the maximum available.

3.4.2 Non-statutory Pricing

When choosing between pricing methods, consideration must be given to community expectations, the level of social need for a particular service, environmental and amenity considerations, and conditions of state and Federal government funding.

There are three non-statutory pricing options available when pricing Council's services.

3.4.2.1 Council Subsidy Pricing

a) Full Council Subsidy Pricing

Services provided under Council's community service obligations are funded from Council's rate revenue, and therefore receive a full council subsidy and have a zero cost to the ratepayer.

Situations where full council subsidy pricing is appropriate include:

- where the consumption is applicable to the community as a whole, rather than having an exclusive benefit to individual users

b) Partial Council Subsidy Pricing

Services provided by Council as part of a policy objective are often priced using a partial council subsidy. In this case, less than the full cost of providing a service is recovered from the price charged for that service. The subsidy is funded from Council's rate revenue and in some cases from external sources, such as government grant funding.

Situations where partial council subsidy pricing is appropriate include:

- 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)
- where there are a low number of other service providers
- where fees and charges are set at a level to encourage certain behaviours.

Partial cost pricing will always be based on knowledge of the full cost of providing a service. Subsidies will be based on a percentage of the cost of the service, and therefore, prices will move in accordance with the changes in the cost of providing the service each year. Volume and type of customers will also be monitored to ensure the objective of providing the service at a subsidised price is still relevant.

3.4.2.2 Full Cost Recovery Pricing

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.

3.4.2.3 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 surplus.

The price should be greater than full cost recovery and at 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 are subsidising a service for which no community service obligation has been identified.

The setting of these fees will also be undertaken in accordance with Competitive Neutrality Policy, National Competition Policy principles and the Trade Practices Act.

4. Who is responsible for implementing this policy?

Financial Services Branch	Responsible for: <ul style="list-style-type: none">• Reviewing policy and associated documents• Communicating policy• Advising and assisting managers when setting fees and charges
Managers	Responsible for: <ul style="list-style-type: none">• Charging fees and charges to ensure that their budgetary responsibilities are met• Reviewing their fees and charges on an annual basis

5. Definitions

National Competition Policy	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
Direct cost	Costs that can be readily attributed to a product or service because they are incurred for that particular service (ie labour)

Indirect cost	Costs that are not directly attributable to the production to an activity – often referred to as overheads
Competitive neutrality	A policy principle that involves achieving fair market environment by removing or offsetting any competitive advantages due to public ownership or government businesses

6. Legislation and other references

6.1 Legislation

For further information related to this policy see:

- *Local Government Act 1989*
- National Competition Policy
- Competitive Neutrality Policy (Victoria)
- *Trade Practices Act.*

6.2 Documents

This policy is implemented in conjunction with the following documents:

- Appendix A – Setting of fees and charges process
- Recreation Facilities Pricing Principles Policy
- Cost Recovery Guidelines January 2013 – Department of Treasury and Finance Victoria
- Victorian Guide to Regulations 2011– Department of Treasury and Finance Victoria
- Fees and charges – cost recovery by local government – Victorian Auditor-General’s Report 2010
- Overhead Model – Municipal Association of Victoria.

7. Risk Assessment Reference

Please tick the corporate risk(s) that this policy is addressing.

Risk Category	✓	Risk Category	✓
Asset Management		Financial Sustainability	✓
Committees		Human Resource Management	
Compliance – Legal & Regulatory	✓	Leadership & Organisational Culture	
Contract Management		Occupational Health & Safety	
Contract Tendering & Procurement		Organisational Risk Management	
Corporate Governance		Project Management	
Environmental Sustainability		Public Image and Reputation	

Appendix A

Setting of Fees & Charges process

