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Responsible Officer:	Manager Financial Strategy
Owner:	Financial Strategy
Responsible Director:	Corporate Performance
Relevant Legislation/Authority:	Local Government Act 1989
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1. PURPOSE

Fees and Charges represent an important source of income for the City of Greater Bendigo (The City).

This policy provides guidance for the City's approach in setting appropriate levels of fees and charges, taking into account community benefit, user groups and Community 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. SCOPE

This policy applies to all fees and charges that are listed in the Fees and Charges Schedule which is published in the annual Budget. This policy also applies to any new fee and charges that the City is eligible to charge under the Local Government Act, but has not previously been included in the Fees and Charges Schedule.

3. PRINCIPLES

This policy seeks to ensure that the following key objectives are met:

- 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.

4. LEGISLATIVE REQUIREMENTS

Section 3C of the *Local Government Act* provides some guidance on the pricing of the City's services and facilities. In addressing the Local Government Act, the City must ensure that resources are used effectively and efficiently and that services and facilities provided by the City are accessible and equitable. The City must minimise the burden on customers or 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) also provide requirements regarding pricing.

The City is required to price services that compete in the open market on a 'level playing field' basis and to be transparent in regard to 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, the City must consider and justify any subsidy in the case of significant services which compete with the private sector.

5. PRICING METHODS

5.1 Statutory Pricing

Price at level set by legislation

For some fees and charges the City'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.

Examples include Home and Community Care service charges.

5.2 Non Statutory Pricing

In determining fees and charges not regulated by statute, the City 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.

The four types of non-statutory pricing are:

a. Full Cost pricing

Price to cover direct and overhead costs.

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

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

b. Accessible pricing

Price set between full City 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 the City for providing the service should be considered.

Fees and charges are subsidised by the City 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 a whole 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.
- 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 City subsidy (no charge) to full cost recovery with various levels of subsidisation in between. Partial 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).

Fees and charges are set at a level to encourage certain behaviours, and to reflect the effort on the City's behalf to collect the fee.

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, the City 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.

6. PROCESS FOR ADOPTION OF FEES AND CHARGES

6.1 Final review

All prices are subject to a final review by the Financial Strategy 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 Annual review

Non-statutory fees and charges will be reviewed as part of the annual Budget development process. The 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, for example Customer Service Centres, landfills and theatres.

7. ROLES AND RESPONSIBILITIES

Position	Responsibility
Council	To take into account the Policy when considering fees and charges set by Council.
Directors	Ensure that the Policy is used as part of the Budget development process to review fees and charges within each Directorate.
Managers	Undertaking an annual review of all fees and charges they are responsible for, in accordance with the Policy To identify any new fees and charges that should apply.

Position	Responsibility
Manager Financial Strategy	Ensure that the non-statutory fees and charges are identified during the Budget development process and to 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	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 Policy.

8. RELATED DOCUMENTS

Readers are encouraged to access relevant documents and/or resources which are available as per the below.

These include:

Appendix A - Pricing Policy Principles Flowchart

Appendix B – Review Process of Non Statutory Fees and Charges

Further information or advice on this policy should be directed to the Financial Strategy Unit.

9. HUMAN RIGHTS COMPATIBILITY

The implications of this policy have been assessed in accordance with the requirements of the Victorian Charter of Human Rights of Responsibilities Charter.

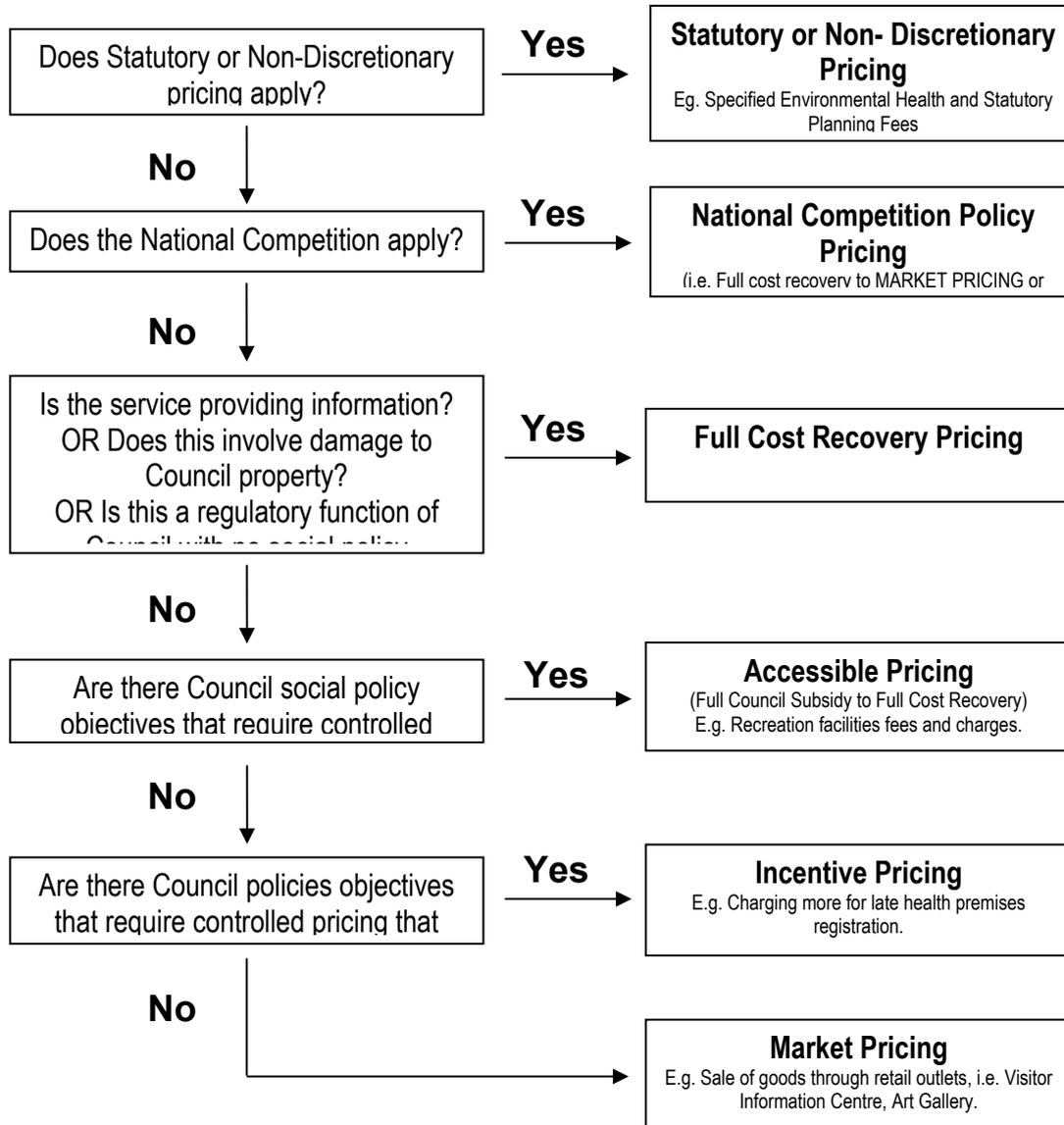
10. ADMINISTRATIVE UPDATES

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this, such a change may be made administratively. Examples include a change to the name of a Council unit, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be made through consultation with the staff Consultative Committee and with the approval of EMT or where required, resolution of Council.

6. DOCUMENT HISTORY

Date Approved	Responsible Officer	Unit	Change Type	Version	Next Review Date
Jan 2018	LM / BP / NM	Rates & Valuations	Review and Update	1.2	Jun 2021

Pricing Policy Principles - Flowchart



Review Process of Non Statutory Fees and Charges

