



Policy

26 USER FEES AND CHARGES POLICY

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1. POLICY STATEMENT

Berrigan Shire Council offers a range of services for which it is entitled to charge a fee or charge. This policy provides guidance to Council and its staff regarding the setting of those user fees and charges – inside the statutory restrictions of the *Local Government Act 1993* and other legislation.

The setting of user fees and charges is the only major revenue source over which the Council has full and free influence. As such, the setting of fees and charges play an important part in the Council's budget, long term planning and financial sustainability.

2. PURPOSE

The purpose of this policy is to:

- Develop a framework for setting user fees and charges in a systematic, transparent, consistent and justifiable manner, based on relevant, reliable and robust costing information
- Provide guidance to Council staff on:
 - principles for fee and charge setting and their relationship to service delivery objectives;
 - appropriate fee and charge setting methods, including factors to be considered in determining the required level of cost recovery;
 - procedures for assuring compliance with competitive neutrality requirements;
 - procedures for monitoring service costs and fees and charges

3. SCOPE



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This policy applies to all user fees and charges set by the Council with the exception of the rates and annual charges set under Chapter 15, Part 1 of the *Local Government Act 1993*

4. OBJECTIVE

This policy is developed to assist the Council with Delivery Plan Objective 2.2.2.3:

Coordinate Council investments, financial management, financial operations and processing.

5. DEFINITIONS

Competitive Neutrality is aimed at eliminating any net competitive advantages accruing to government businesses as a result of their public sector ownership. Such action removes potential market distortions and promotes an efficient allocation of resources between public and private businesses.

Full Cost represents the value of all the resources used or consumed in the provision of a service. In addition to the costs directly associated with the service, full cost includes an appropriate allocation of indirect cost, including capital costs.

6. POLICY IMPLEMENTATION

6.1 General principle

Where legally possible, the Council intends to charge users for the provision of **all** goods and services that it provides.

As a general rule the Council will set its fees and charges at a rate to generate the maximum amount of revenue possible to offset the cost burden of the provision of services borne by other sources of revenue such as rates and untied grants.

Therefore, the Council will at a minimum seek to recover the full cost of service provision from its customers and clients. This general principle will only be modified where the other specific fee and charge setting principles apply,

6.2 Specific principles

The following principles will be considered by the Council when setting their fees and charges:



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- Efficiency: the fees are simple and not cumbersome to administer
- Legality: the fees are set in line with legislation and/or other legal restrictions.
- Transparency: the nature and use of the service is understood by users
- Effectiveness: the fees provide value for money for users
- Clarity: users are clear about when & how fees apply
- Equity: the fees are fairly applied across a range of users
- Ethics: users with special service needs are not charged exorbitant fees directly in accord with the cost of higher servicing requirements

6.3 Costing and recovery

The Council will review and where necessary, enhance its current cost allocation practices by developing a costing model and related processes to allocate indirect cost and recognising and reporting the full cost of their services.

While full cost recovery represents the optimum pricing outcome, it is important to note that there will be situations where it is appropriate for the Council to recover less than the full cost, or not to recover costs through fees and charges at all.

For example, where:

- users receive only some of the benefits of the service, with the balance going to external, unrelated third parties
- social policy or access considerations outweigh the objectives of full cost recovery

Fee setting decisions must be evidence based and demonstrate consideration of:

- both the direct and indirect cost of goods and services to establish the full cost and
- "Best Value" principles including:
 - accessibility,
 - affordability, and
 - the efficient cost of services.
- The level of commercial risk, if any, borne by the Council.

6.4 Rationales

Every fee or charge set by the Council will be based on a clear fee setting rationale. This rationale will be shown for each fee in the Fees and Charges Register.

The rationales applicable include:

- **Statute Limited** – Priced at the figure stipulated by law as applicable to this activity



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- **Cost Recovery** – Priced so as to return full cost recovery for the activities provided
- **Commercial Basis** – Priced to cover the cost of the item plus a commercial mark-up
- **Community Service Obligation** – Priced at below the cost of providing this activity as provision of the activity meets a social or economic objective of the Council

The Council will also identify those fees where the maximum amount charged does not cover the cost to the Council of providing the service.

6.5 Price setting model

Taking into account the above, The Council will use the following price setting model when setting its fees and charges.

$$P = C - G + M - S - D$$

Where:

- P** – The price ultimately charged by the Council to the user
- C** – The full cost (direct and indirect) of providing the goods or service
- G** – Any grants provided by third parties to fund the provision of the goods or service
- M** – A commercial margin (may be zero)
- S** – Any subsidy provided by the Council to meet a social or economic objective.
- D** – A mandatory discount applied to reduce the fee to an amount mandated by law

6.6 Goods and Services Tax (GST)

The Council will use its best endeavours to determine the Goods and Services Tax (GST) status for each user fee and charge that it sets. However there may be fees and charges for which the Council is unable to confirm the GST status.

Accordingly, if a fee that is shown as being subject to GST is subsequently found not to be subject to GST, then that fee will be amended by reducing the GST to nil.

Conversely, if the Council is advised that a fee which is shown as being not subject to GST becomes subject to GST, then the fee will be increased but only to the extent of the GST.

6.7 Council services provided by delegated authorities



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The Council has delegated care, control and management of some of its facilities such as Recreation Reserves, Swimming Pools and Public Halls to volunteer committees of management established under the provisions of s355 of the *Local Government Act 1993*.

The delegation to these committees includes the power to set the fees and charges relating to the use of these facilities.

While these committees are not expected to follow the fee setting model established in this policy, they should be guided by the general principle of full cost recovery where possible and the other specific fee setting principles where appropriate.

7. RELATED POLICES AND STRATEGIES

7.1 Legislation

- *Local Government Act 1993*
- *Local Government Regulation 2005*
- *Environmental Planning and Assessment Act 1979*
- *Roads Act 1993*
- *Companion Animals Act 1998*
- *Government Information (Public Access) Act 2009*
- *A New Tax System (Goods and Services Tax) Act (Cwth) 1999*
- National Competition Policy guidelines

7.2 Other plans, policies and strategies

- Long Term Financial Plan
- Financial Strategy 2012
- Social Justice Framework
- Commercial Credit Policy