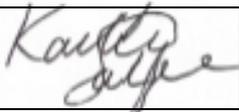




Murrumbidgee
COUNCIL

Fees & Charges Pricing Policy

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Contents

1. Objective	3
2. Scope	3
3. Policy	3
A. Subsidised or Community Services Obligation	4
B. Determined By Legislation	4
C. Market	5
D. Cost Recovery	5
4. Review	5

1. Objective

This policy guides Murrumbidgee Council in setting fair and equitable fees and charges that are consistent and comply with all relevant statutory requirements.

It needs to consider community benefits, user groups, and corporate objectives; and provide for regular review of fees and charges. It encourages pricing that is simple to administer, easily understood, provides value for money, and optimises the utilisation of Council's assets.

2. Scope

This policy applies to all facilities and services directly managed by Council, for which a fee or charge is applicable. Rates are not considered in this policy.

It is to be used by all Murrumbidgee Council employees responsible for determining fees and charges for services (excluding rates) provided by Council.

3. Policy

Fees and charges are to be set with reference to the following:

- type of service
- user capacity to pay
- community service obligations
- balancing individual and community benefit
- cost recovery principles
- benchmarking of similar services
- utilisation
- statutory limitations
- competitive neutrality (where relevant)

Fees and charges must be determined and reviewed annually according to the responsibilities and principles documented in this policy. The review will include an examination of a service's full cost, regardless of the pricing method used. The review will also take into account all factors affecting the price, including:

- increases in the labour and non-labour costs of providing 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 Councils 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, consistent with Council's cost base for services. Where required, GST will be added.

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.

Services are to be priced using one of the following methodologies:

A. Subsidised or Community Services Obligation

Method: The service is provided at zero cost to the ratepayer (full subsidy pricing) or less than the full cost of the service (partial subsidy pricing). The subsidy may be covered by cross-subsidisation (use of general revenue) or specific purpose funding (such as Government grant funding).

Situations where this methodology may be appropriate:

- the service is consumed by the community as a whole rather than having an exclusive benefit to individual users
- as a short-term approach to stimulate demand for a service
- where a market or cost recovery approach may result in widespread evasion or inappropriate adoption
- where the service is targeted at low-income earners; or it is known that customers are unable to pay, but should nevertheless have access to the services on social justice grounds
- where there is a low number of other service providers and Council believes there is merit in the service being provided
- it is impractical to start collecting more (for example, due to the historical development of the facility, service or goods)
- to encourage certain behaviours

Partial subsidy pricing will always be based on knowledge of the full cost of providing a service. Where the full cost is unknown, the default position will be to continue with the historical pricing structure.

Subsidies will be based on a percentage of the cost of the service. Therefore, prices will vary each year depending on the changes to the service's cost.

B. Determined By Legislation

Method: The price is set by legislation (usually State Government legislation), and Council does not have the opportunity to vary the cost. Where there is discretion within the statutory requirements, Council will set statutory prices at the maximum available.

Situations where this methodology may be appropriate:

- there is a statutory or legislative requirement to set the fee or charge at a particular level

These fees may only partially recover the cost of providing the service.

C. Market

Method: Services are priced on a full cost recovery basis, plus an allowance for profit. The setting of these fees will also be undertaken following National Competition Policy principles and the Trade Practices Act: competitively neutral pricing requires Councils to ascribe costs to their significant business operations that would normally be paid by non-government businesses providing the same services (e.g., rates, taxes and charges, and a rate of return on capital).

Situations where this methodology may be appropriate:

- where the service provided competes with the private sector
- to provide facilities, services or goods for customers at a price that enables Council to make a profit or to reduce losses to maintain financial viability

If a market price less than full cost recovery is contemplated, Council should review whether it should provide the service and reconsider whether there is a community service obligation.

D. Cost Recovery

Method: Full cost recovery pricing will aim to recover all direct and indirect costs in providing a service, or as much as reasonably practicable, where the cost is less than market rates.

Situations where this methodology may be appropriate:

- to provide facilities, services or goods for customers at the actual cost of delivering them, where the cost is less than market rates
- where it is known that customers are willing and able to meet cost recovery, but it is viewed as inappropriate for a public authority to seek to profit from it

Services provided by Council that benefit customers specifically, rather than the community as a whole, will be priced on a full cost recovery basis.

Private works will be charged on a cost recovery basis, including associated on-costs and minimum hire and delivery charges.

4. Review

This Policy:

- is to be reviewed within the first year of the new Council term;
- may be reviewed and amended at any time at Council's discretion (or if legislative or State Government policy changes occur).