

1 PURPOSE

The purpose of this policy is to inform users, public and other stakeholders of the purpose of charging for services and the rationale used in determining those charges.

The policy sets forth the basis used by the City of Darwin in determining fees and charges made for the provision of a range of services provided by Council. The policy also provides guidance for revenue management procedures within Council. In this regard the policy is not prescriptive by nature but provides management with guidance in developing a structured approach to setting an appropriate fee for individual services.

For the avoidance of doubt the policy is not limited to fees and charges and can also be used as a general guide to revenue funding in the absence of any other more specific or relevant Council revenue policies or procedures. Ultimately Council should make the decisions on fees and charges based on what it considers as the merits at the time after considering the principles and rationale in this policy.

2 SCOPE

Council provides a broad range of services and has developed a suite of over 450 separate charges designed to ensure that the overall cost of service delivery is covered.

The Council will levy a range of fees and charges each year as detailed within the Annual Schedule of Fees and Charges. In accordance with “user pays” principles, fees are introduced to offset the cost of service provision, or in the case of commercial activities to realise a reasonable rate of return on assets employed by Council, in order to support the provision of services and to alleviate the burden that would otherwise be placed upon general ratepayers.

The legislative basis for fees is found in s157 of the *Local Government Act 2008* (NT), and associated Regulations and By-Laws, which provide that Council may charge and recover an approved fee for any service it provides, including the following:

- supplying a service, facility, product, or commodity
- supplying information
- providing a service in connection with the exercise of Council’s regulatory functions – including receiving an application for approval, granting an approval or consent, inspecting, and issuing a certificate, licence or registration
- allowing admission to any structure or place
- undertaking private works.

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3 POLICY STATEMENT

3.1 GUIDELINES FOR FEE SETTING

In accordance with “user pays” principles, fees are introduced to offset the cost of service provision, or in the case of commercial activities to realise a reasonable rate of return on assets employed by Council, in order to support the provision of services and to alleviate the burden that would otherwise be unfairly placed upon general ratepayers.

Therefore, in setting the price for each fee or charge, Council will give due consideration to the following factors:

- whether or not the service is for private works
- whether or not the price is dictated by legislation
- whether or not the primary purpose is to promote law and order
- whether the goods or services are provided on a commercial basis and if so market prices for similar services
- whether or not the goods and services are provided on a non-commercial basis i.e. as part of a normal function of Council.

In all cases Council will give regard to:

- the importance of the service to the community
- the capacity of the user to pay
- the actual cost of providing the service including both direct and indirect costs.

Council will then classify the fee or charge in accordance with the following pricing policies:

- legislative - Prices are dictated by legislation
- market - Council provides the good/service in a competitive environment. Market Price in relation to Council is normally full cost recovery plus an element of surplus to a prescribed level (however it is not precluded that the Council may not achieve full cost recovery and based on the particular merits it may make a decision to continue with that particular service).
- full Cost - Council intends to fully recover the direct, indirect and overhead cost of provision
- partial Cost - Council intends to partially recover the cost of provision
- free Cost - The good/service will be delivered free of charge.

The pricing policy (see immediately above) adopted in each case is disclosed each year in the Schedule of Fees and Charges.

All fees are quoted in “GST inclusive” terms as this is the relevant price to the customer. However, many fees have been specifically exempted by the GST legislation or have been assessed under the Australian Taxation Office guidelines as being exempt from GST.

Fees that are exempted from GST are disclosed each year in the Schedule of Fees and Charges.

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3.1.1 Classification of Fees and Charges and Pricing Policies

The following provides information for stakeholders and guidance for Council revenue management procedures as to the general classification of fees and charges and the pricing policy that generally is adopted for each classification. In general, the quantum of each fee reflects as far as, and as accurately as possible, the actual cost of providing the services and facilities.

Fees for the provision of Private Works

Council can undertake limited works on private land in relation to clearance of overgrown allotments. Whilst council does such work when requested, it does not openly solicit such business. Other works are the initial installation or remediation of existing driveways, although these works provide a benefit to private land, they are usually carried out on Council controlled land adjacent to private land.

Pricing Policy

Council will recover the Full Cost of performing such services.

Fees for services that are Legislated

Legislated fees are those that are set by an Act or Regulation. Examples are the exclusive right of burial fee which is governed by the Cemeteries Act, or provision of information (Freedom of Information) governed under the Information Act.

Council has no option but to charge the prescribed rate for these charges. However, Council should attempt to ensure that costs in relation to the administration of the fee and performance of the underlying service are recovered. If the cost of the service exceeds the total fees earned Council will consider lobbying the Government or relevant statutory authority to increase the fee.

Pricing Policy

Council will charge the legislated fee

Fees for services that are related to Public Law and Order

These fees relate to services provided primarily to maintain law and order. An example of this type of fee is animal registration and related fees. In setting these fees Council will consider the effectiveness of the existing fees in regulating behavior, maintaining law and order and the balance between each of the fees charged.

Pricing Policy

Council will recover the Full Cost of administering and enforcing the related laws.

Fees for services that can be provided by alternate Commercial Providers

These fees relate to services provided by Council however where the public can obtain similar services from commercial service operators. These services can be further classified as:

Core Services

These are services which the Council is legally required to provide but which can also be outsourced to competitively priced local commercial operators. Council will need to consider the full cost of providing the service compared with the costs of outsourced service provision.

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Pricing Policy

Council will charge a Market Price aimed where possible to recover full cost plus an element of surplus.

Non-core Services

These are discretionary services that can also be provided directly to the public by several commercial organisations. Examples are the photocopying, and faxing services offered by the Library. Council needs to review the need for continuation of non-core services and the equivalent commercial fees when setting prices.

Pricing Policy

Council will charge a Market Price aimed to recover full cost plus an element of surplus.

Fees for services provided as a normal function of Council

These fees relate to services provided by Council for which there are no viable commercial operators.

These services can be further classified as:

Compulsory Services – Requiring Significant Council Infrastructure

These are services that require the support of significant infrastructure and which the public are required to use as there are no significant commercially operated alternatives.

An example is the residential waste disposal service. In setting fees for this service Council will consider the ultimate cost of replacement of the asset and the utilisation of the service provided by the facility.

Pricing Policy

Council will charge Full Cost including a provision for asset replacement.

Elective Services – Requiring Significant Council Infrastructure

Elective services are those which members of the public use as a matter of choice. Examples are fees charged for the use of the Council’s sporting facilities. Council needs to consider the long-term replacement of these facilities as well as the need to encourage or limit the use such facilities.

Pricing Policy

Council will charge Full Cost up to a level of perceived fee resistance. If Full Cost is not recovered, then the fee is classified as Partial Cost.

Community Service Obligations

Many of the services provided by Council are by way of community service obligations and as such are funded by rates, grants, or contributions. The public uses these services on an elective basis and as such there is the opportunity to recover a portion of the cost of providing these services by implementing user charges. An example is the provision of public swimming pool facilities. Council will consider the full costs of delivering the services, the level of usage, the opportunity for grants or other subsidies, alternative service providers and comparability with other jurisdictions when setting charges for these services.

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Pricing Policy

Council will charge Full Cost up to a level of perceived fee resistance. If Full Cost is not recovered, then the fee is classified as Partial Cost.

Guidance provided in this policy as to the classification and pricing policy should be used as a flexible tool for developing a structured approach to setting an appropriate fee for individual services, rather than a prescriptive methodology.

Procedures for Proposing and Reviewing Fees and Charges

Fees and Charges will be reviewed annually to coincide with the preparation of Council's Municipal Plan and Annual Budget.

Goods and Services Tax, (GST)

The application of GST on each fee and charge will be in accordance with the *A New Tax System (Goods and Services Tax) Act 1999* and associated guidelines and rulings.

To assist in this process the following Schedules are attached:

- Schedule 1 – GUIDELINES FOR DEVELOPING FEES AND CHARGES – Provides a decision tree to assist budget holders and managers in determining whether the fee and/or charge is to be at, Full Cost, Partial Cost or Market Cost

The process for determination of Annual Fees will be:

ACTION	RESPONSIBILITY
1. Finance Section will initiate the review of Fees and Charges as part of the Business Plan/Annual Budget Process	Executive Manager Finance
2. Schedule 1 – Classification of Fees and Charges will be reviewed for modification to the proposed classification of individual charges	Executive Manager Finance
4. Officers will review the charges for which they are responsible in accordance with the classification of the charge and with reference to previous years' charges	Responsible Officer
5. Schedule 3 – Guidelines for Developing Fees Strategies will provide assistance to responsible persons of the considerations that should be made when determining the appropriate fee for the coming year.	Responsible Officer
6. If a new fee is proposed, or if it proposed that an old fee be discontinued, then the responsible person will make a proposal justifying the action which will be endorsed by their General Manager and forwarded to the Chief Financial Officer for review by the Strategic Development Group and recommendation to Council as part of the Annual Budget process	Responsible Officer
7. When completed, the Finance Section review the proposed charges and compile the Schedule of Fee and Charges for endorsement as part of the Budget Approval process.	Executive Manager Finance
8 Assistance should be sought from the Executive Manager Finance at any time during the year in determining appropriate fees, particularly in relation to inclusion of appropriate asset replacement costs	Executive Manager Finance

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Schedule 1

GUIDELINES FOR DEVELOPING FEES AND CHARGES

TYPE						
Is the Fee Legislated →		Y	→	Review the cost of providing the relevant service, including administration costs. If the cost of the service exceeds the total fees earned, consider lobbying the Government or authority for an increase Compare the equivalent fee and fee volume with other jurisdictions and consider using this information in the lobbying process	→	Attempt to obtain full cost recovery
↓ N						
Is the primary purpose to promote law & order →		Y	→	Consider the importance of guiding the behaviour of the public by evaluating the level of public nuisance or safety risk and the potential infringements in an unregulated environment Evaluate the effectiveness of the existing fee in regulating behaviour Identify the challenges and costs involved in regulating the behaviour Determine the costs of enforcement Consider the impact of penalties on limiting undesirable behaviour and balancing revenue between fee/charges/licences and fines or penalties	→	Attempt to obtain full cost recovery of administration and enforcement
↓ N						
Are Commercial service providers competing to provide this service? →		Y	→	Compare the costs of outsourced service provision with the direct costs of in-house service provision. Ensure that the in-house costs include directly allocated overheads and appropriate provisions for asset replacement Ensure that all potential users of the service are identified Develop pricing schedules based on service usage	→	Aim to recover full cost plus element of <u>surplus</u> .
Is this a fee that is charged as a normal function of Council →		Y	→	Consider whether the service/function is compulsory. Consider the extent to which Council infrastructure is being used. Consider of there is an element of choice by the end-user. Consider whether there are elements of community service obligations Consider the extent to which is the service/function pertains to the public good compared to the portion that aligns to user pays principal,	→	Initially aim to recover full cost plus an element of surplus. Where this is not practicable or deemed not feasible then the recovery will be as partial cost



4 DEFINITIONS

Nil

5 LEGISLATIVE REFERENCES

The *Local Government Act 2019* (NT) provides the basis for City of Darwin to occupy a broad role in promoting the social, economic, environmental, and cultural wellbeing of its local community and for community participation in such activities.

A New Tax System (Goods and Services Tax) Act 1999

6 PROCEDURES AND RELATED DOCUMENTS

Nil

7 RESPONSIBILITY AND APPLICATION

The Chief Financial Officer is responsible for managing implementation of this policy. This policy should be reviewed once in the term of each Council or more often as required.

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