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Chief Financial Officer: Julia Gallace

Linkage to Council Plan

Direction 1: A thriving and unique place

1.1 Identity and destination

Direction 2: An inclusive and healthy community

2.2 Diverse, inclusive and safe

Direction 3: A people-centred and future ready city

3.1 Community focus, connection and engagement

Purpose of Report

To seek approval for undertaking a public consultation on proposed fees and charges increases for Non-Statutory (User) Fees and Charges, Early Years Services, Stonnington Sports Centre car parking and the on-charging of Merchant Fees.

The proposed increases are a result of the outcome of a Phase 1 Non-Statutory (User) Fees and Charges review under both a cost recovery and benchmarking model.

Officer Recommendation

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That Council:

- 1. APPROVE the undertaking of a public consultation process on proposed fees and charges changes over the period of 3 weeks from 27 November to 15 December 2023.**
- 2. NOTE that a report will be provided to Council on the outcomes/responses from the consultation process at a briefing prior to the meeting to adopt the proposed fees and charges changes.**
- 3. NOTE that it is proposed that the re-charging of merchant fees for card payments for all transactions other than rate payments is to commence from 1 March 2024, with rates payments to start from 1 July 2024 following community consultation via Council's Connect Stonnington website.**
- 4. NOTE that it is proposed the fees and charge increases detailed in Attachment 3 are to commence from 1 March 2024 following community consultation via Council's Connect Stonnington website.**
- 5. NOTE that projected revenue increases for the 2023-24 Budget year, once approved, will be included in financial forecast from March 2024.**
- 6. NOTE the fees and charge review methodology developed as part of the project and its application to all Council fees and charges (both non-statutory (council determined) and statutory (State determined)) and any proposed new fees and charges within these service areas.**

- 7. NOTE the estimated increase in revenue from the proposed fees/charge changes and the on-charging of merchant fees totals approximately \$1.53 million per annum. The estimated increase in revenue for the 2023-24 Budget year is approximately \$0.29 million.**

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Executive Summary

1. Fees and charges form an important part of our revenue base and as part of the annual Budget process fee increases are determined based on various factors including CPI (Consumer Price Index), the cost to deliver the services, and the community impact and benefit.
2. Council's financial position, while sound, has been significantly influenced by COVID impacts on own-source revenue, rate capping, increased cost inflation and delivery of major capital works projects.
3. A review of non-statutory (user) fees and charges was promoted as an opportunity to improve Council's ability to fund future cost pressures and capital works requirements.
4. Council previously considered opportunities for generating revenue as part of the 2023-24 Budget process as detailed below.

Background

5. A project to review Stonnington Non-Statutory (User) Fees and Charges was discussed to Councillors during the development phase of the 2023-24 Budget, with a particular focus around future revenue generating opportunities for Council.
6. The areas of focus briefed as part of the Budget were:
 - Asset Protection
 - Existing off-street parking (multi-deck car parks)
 - Malvern Golf Course (MVGC)
 - Fast Track Permits (Planning)
 - Footpath Trading
7. The Net Benefits of the project were estimated at \$268k (2023-24) rising to \$305K (2025-26). The overall 10-Year Net Benefit was estimated at \$2.97 million (Presentation material for these briefings is provided at **Attachment 1**).
8. Council has the following policies which guide the setting of fees and charges (details of these policies are provided at **Attachment 2**):
 - Financial Management Principles 2021-2025 – Section 7 User Pays Principle
 - Revenue and Rating Plan 2021-2025 – Section 8 User Fees and Charges.
9. As outlined in the Revenue and Rating Plan, in providing services to the community Council should determine the extent of cost recovery for services is consistent with the level of both individual and collective benefit that the services provide and in line with the community's expectations. Services are provided based on one of the following pricing methods:
 - Market Pricing
 - Full Economic Cost Recovery Pricing
 - Accessible Pricing (Subsidised Pricing)

- Disincentive Pricing
10. A review project was initiated with the following deliverables:
 - Develop a business template for a consistent fee setting methodology for Non-Statutory Fees.
 - Consider how this would be used across the various fee categories based on our various pricing methods within the Revenue & Rating Plan.
 - Apply the fee setting methodology across the Pilot areas; and
 - Report any proposed changes through to Executive and Council for approval.
 11. In addition to the above, Early Years and carparking at the new Stadium at the Stonnington Sports Centre have been identified as services areas where fees and charges require assessment or implementation, with proposed changes being incorporated into this review process.

Key Issues and Discussion

Review Methodology and Insights

12. A template was developed to assess the current level of each fee and charge based on the following evaluation:
 - Full Economic Cost Recovery (FECR) – Costs were attributed based on drivers of activity to each fee/charge. Costs allocated included both direct staff/operating and asset/overhead expenses related to the provision of the service charge; and
 - Competitive Pricing (CP) – Market assessments were undertaken for each fee/charge through sourcing both external providers and/or surrounding councils pricing which offer similar/like services.
13. In evaluating the current charges using both FECR and CP analysis, the extent to which the approved fees reflect Accessible and Disincentive Pricing (where applicable) was also considered in assessing the benefits of maintaining the existing price structure for each fee/charge.
14. Activity drivers were determined with each service area, with existing budget cost/revenue data being used as a starting point for the FECR analysis.
15. External pricing data was obtained through reviews of neighbouring council budgets and internet searches for like service charges by external organisation.
16. For Early Years Services, market analysis/benchmarking on the level of fees and charges for their activities by both private and public providers in the City of Stonnington and surrounding areas has been undertaken. Increases in these fees and charges resulting from this review are outlined below.
17. In addition to the above, the review of off-street carparking has been used to support a new fee and charge for the Stonnington Sports Centre carpark being proposed. Validation of parking for centre users to obtain free parking is also being implemented.
18. The above analysis identified the following insights and improvement opportunities:
 - Setting Pricing Objectives – the reasons for setting various fees and charges have either not been developed or formally articulated if defined. In determining pricing outcomes, a set of objectives for service prices would focus both the evaluation and fee setting process while also allowing this to be a provided to the public in support of how fees/charges are determined. Details of this could be included in

unit service plans each year, thus linking service performance to revenue outcomes.

- **Historic Precedent** – Many fees and charges have been set using past pricing history as a guide which is then adjusted for inflation. Units would need assistance to review fees/charges early in the budget process to progress any proposed change for adoption by 30 June each year.
- **Comparative Fees/Charges Data** – Given non-statutory fees are set at the discretion of councils, finding comparable fees and charges for surrounding municipalities is sometime difficult or not exactly correlated.
- **Opportunity for new fees** – The analysis focused on the existing fee/charge structure and the ability to adjust those values based on FECR or CP outcomes. There is significant opportunity to also look at new fees to recoup costs where existing statutory and non-statutory fees do not reflect the level of service benefit received by the user.
- **Use of analysis for new fee proposals** – The analysis could be used as a foundation for the charging of new fees in the areas reviewed to date. Additional off-street carparking fees and charging for the car park at the Stonnington Sports Centre can be determined from using this analysis as a starting point. Variations from this price level would be assessed relative the achieving the pricing objectives set for the facility/location.

Assessment Outcomes – Focus Areas

19. In assessing the five original areas identified above, Fast Track Permits was not able to be undertaken given changes in State Government Planning processes which has limited council's charging discretion.
20. In the assessment of the current fees and charges rates for the remaining 4 focus areas, the main driver influencing the recommendation for charges are:
 - a. MVGC – CP based on the average charge for the 4 closest and comparable 18-hole public courses;
 - b. Car Parks – FECR and CP based on either close competitor or median charges for car park in the municipality, improving net returns for short-stay parking and reduced utilisation of short-term parking where existing council At-Grade options are cheaper when compared to existing multi-desk pricing;
 - c. Footpath Trading – FECR and CP based on surround council (mainly Port Phillip and Yarra) charges and improving net returns for Roadside Dining; and
 - d. Asset Protection – FECR, CP and Disincentive Pricing based on surround council (mainly Port Phillip, Glen Eira, Boroondara and Yarra) charges, improving net returns for Commercial Trade-person Parking Permits and create greater revenues to fund compliance actions around Work Zones.
21. For the 4 focus areas evaluated above, the following fees/charge changes are proposed:

Focus Area	Recommended Fee Changes	Projected Revenue Outcome (p.a.)
MVGC	5 of 14 charges to increase by between \$1.50 to \$250 (annual membership) or 4.6 to 20.8%	\$98.5k

	<p>7 charges to be removed and consolidated into the existing fee categories</p> <p>Introduce new on-line only weekday fee (at a discount to the new proposed fee) which is projected to improve player numbers</p>	
Car Parks	<p>35 of 44 charges to increase by between \$0.20 and \$5.10 or 3.9 and 60%</p> <p>Elizabeth St, King St, and Prahran Square changes focus mainly on 0 to 2hrs charges.</p> <p>MacFarlan and At-Grade changes impact all charges</p>	\$440.5k
Footpath Trading	<p>8 of 38 charges to increase by between \$20 to \$630 or 4.2 and 47.7%</p>	\$76.3k
Asset Protection	<p>10 of 26 charges to increase by between \$1.00 to \$1,000 or 6.9 and 80%</p>	\$213.1k

22. Total projected revenue from the proposed changes totals \$0.83 million per annum.
23. Should proposed increases be implemented starting 1 March 2024, the projected revenue increase for the 2023-24 Budget year totals \$0.18 million.
24. The At-Grade Carparks at Darling, Murphy, Powell, and Caroline Streets are currently the subject of a separate public consultation process regarding changes to the operating hours. Given this consultation is yet to be completed, it is proposed to delay fee increases for these sites to a later date by including the proposed changes into the 2024-25 Budget fees and charges process for a 1 July 2024 start date.
25. Other pricing options were assessed in developing these proposed increases, which produced higher revenue outcomes. Further assessment of prices in line with prevailing market pricing is proposed to be undertaken as part of the annual budget process in future years to mitigate larger once-off changes resulting from these reviews and better align council service pricing with both cost and external pricing factors.

Merchant Fees On-charging Option

26. In addition to the analysis above, Council has the option under existing Federal Government laws to on-charge merchant fees to customers. As the Reserve Bank notes on their website "Merchants have the right to impose a cost-based surcharge on card payments, but any surcharge is limited to the amount it costs the merchant to accept that type of card for that transaction."
27. In the 2022-23 financial year, Council was charged \$608.9k in merchant fees.
28. Council has previously not placed a surcharge (on-charge) for merchant fees on transactions.
29. To implement the change, the various point-of-sale, finance systems and online payment options that support the receipting of money for each service area would need to be reviewed to determine the extent to which these surcharges can be included at the time of payment.

30. The placement of a surcharge for merchant fees would need to be implemented over two stages. The reason for this staging relates to rate notices having already been sent, with around 50% of payments being received in February each year (statutory full payment date). Notices sent did not have any details on the surcharge.
31. The following surrounding Councils have already implemented the on-charging of merchant fees: Yarra, Melbourne, Bayside, Port Phillip and Boroondara. These charges range from 0.33 to 1.03 percent for Visa and Mastercard transactions. Different rates are applied to various card option based on council's costs.
32. The proposed fee structure is:

Card Type	Rate	Payment Option
Visa/Mastercard	0.80 per cent	Online, Customer Service Centre
American Express	0.65 per cent	Online, Customer Service Centre
Eftpos and Debit Cards	0.20 per cent	Online, Customer Service Centre
Visa/Mastercard	0.50 per cent	Australia Post

33. The rates above are proposed to be applied to all transactions other than rates from 1 March 2024, with rate payments to be included from 1 July 2024.
34. The projected revenue increases from this change are projected to be around \$550k per annum and \$75k for the remainder of the 2023-24 Budget year.

Assessment Outcomes – Early Years and Stonnington Sports Centre Carparking

35. Early Years Services fees and charges are recommended to increase by \$5 for all price categories starting from 1 March 2024. This change equates to a 3.48 to 3.77% increase on existing fees and remains within the median and average charge levels for both Community and Local Government run services, while remaining significantly lower than the charges for private service providers.
36. It is proposed to introduction of a \$3 per hour charge for use of the carpark at the Stonnington Sports Centre. Validation of parking for centre users to obtain free parking is also being proposed.
37. The projected revenue increases from these changes are projected to be around \$152k per annum and \$38k for the remainder of the 2023-24 Budget year. The vast majority of this change relates to increases in Early Years Service prices.

Governance Compliance

Policy Implications

38. The proposed Fees and Charges increase are consistent with Council's adopted Revenue and Rating Strategy and Financial Management Principles.

Financial and Resource Implications

39. As noted above, the estimated increase in revenue from the proposed fees/charge changes and the on-charging of merchant fees totals approximately \$1.53 million per annum. The estimated increase in revenue for the 2023-24 Budget year is approximately \$0.29 million.

Conflicts of Interest Disclosure

40. No Council officer and/or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Decision Making Connection Disclosure

41. No external parties, including companies or consultants, were paid during this process.

Legal / Risk Implications

42. There are no legal / risk implications relevant to this report.

Environmental Implications

43. There are no environmental implications relevant to this report.

Community Consultation

44. There is no definitive requirement for community consultation, however a community consultation of the fees and charges changes is proposed as outlined in the report. The public consultation process on proposed changes is planned to occur over the period 27 November to 15 December 2023.
45. The consultation process is proposed to be undertaken through council's website and through notification of these changes at specific venues (e.g. Malvern Valley Golf Course, Customer Service and Early Learning centers); with feedback to be provided via online submission.
46. A proposed consultation would include the following elements:

Purpose	Targeted consultation with impacted community groups (e.g. MVGC users) to see comments and feedback on the proposed increases.
IAP2 Goal:	Consult – seeking feedback
Exhibition period	27 November to 15 December 2023
Method:	Web Pages Specific communication at impacted venues (where appropriate).
Reach:	Connect Stonnington page view with ability to provide a formal submission to the proposal on-line only.
Summary of feedback:	The consultation will seek feedback on the proposed fee/charge changes. Feedback will be included in the final report to council prior to adopt the fee increases.
Impact:	Community feedback will be utilised to gain understanding of the level concern in the number and level of fee/change increases prior to seeking formal adoption of these increases.

Human Rights Consideration

47. Complies with the Charter of Human Rights & Responsibilities Act 2006.

Attachments

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