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## Pricing Policy: Principles & Basis

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### 1. The purpose of this policy is

To enable a pricing basis determination based on guiding principles, with respect to fees and charges made by Council only under section 608 of the Local Government Act 1993 (the Act) and required to be shown in Council's Management Plan under S404 (1) of the Act, in order to attain consistent application across all Council services.

### 2. Policy statement

That fees and charges made under Section 608 of the Act be classified according to the following pricing basis (Department of Local Government Competitive Neutrality Guidelines, 1997) as outlined below:

- **Full Cost Pricing** Council recovers all direct and indirect cost of the service (including depreciation of assets employed).
- **Partial Cost Pricing** Council recovers less than the Full Cost (as defined above) (the reasons for this may include community service obligation or prioritises or legislative limits on charging).
- **Legislative Requirements** Price of the service is determined by Legislation and dependent on price may or may not recover Full Cost.
- **Market Pricing** The price of the service is determined by examining alternative prices of surrounding service providers (this also may or may not recover the full cost of the service). eg. Children's Services, Kimbriki Waste and Recycling and Glen Street Theatre.
- **Free (Zero Priced)** Some services may be provided Free of charge and the whole cost determined as a community service obligation and or may fall within class of a public good.
- **Rate of Return Pricing** This would include **Full Cost Pricing** as defined above in addition to a profit margin to factor in a return to Council for assets employed.

### 3. Factors considered when determining the amount of the fee for service.

In applying the above pricing basis to fees and charges made under Section 608 (Local Government Act, 1993), Council should take into consideration the following factors as outlined in section 610D of the Local Government Act:

- (a) The cost to the council of providing the service---The full cost pricing method being used as a benchmark in this instance.
- (b) The price suggested for that service by any relevant industry body or in a schedule of charges published, from time to time by the Department of Local Government.
- (c) The importance of the service to the community---This would need to be considered in determining any potential community service obligation under a Partial Cost Pricing or Zero Cost Pricing method but could also apply to services where other pricing methods were used
- (d) Any factors specified in the regulations---This would be applicable to the Legislative Pricing method but may also effect other pricing arrangements.

Other factors not specifically mentioned under Section 610D but also to be considered are detailed below:

- Whether services supplied on a commercial basis as part of a defined Council business---In such a case would likely to apply a Rate of Return Pricing Policy subject to market constraints.
- The capacity of the user to pay---In this regard services identified where by their commercial nature it is possible to build into pricing a rate of return for Council assets employed (Rate of Return Pricing)
- Market prices (Market Pricing Method)

### 4. Principles

Guiding principles have been developed and are attached to this policy.

### 5. Amendments

N/A

**6. Authorisation**

This Policy was authorised by Council on 11 April 2006

It is due for review on 11 April 2008.

**7. Who is responsible for implementing this policy?**

Manager Finance

**8. Document owner**

Director Corporate Services

**9. DataWorks Reference**

Subject: Policy Register

**10. Legislation and references**

Sections 404 and Sections 608-Section 610 (inclusive) of the Local Government Act 1993

Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality, Department of Local Government, 1997

PRICING POLICY: PRICING BASES, CODES AND PRINCIPLES				
0) WHY SHOULD I APPLY A PARTICULAR PRICING BASIS?			1) WHICH OPTIONS I HAVE AS TO THE WAY TO APPLY A FEE?	
Pricing Principles		Examples	Codes	Pricing Bases
private good	Service benefits particular user, making a contribution to their individual income, welfare or profits, without any broader benefits to the community.	Application fee for drainage easement.		
monopoly	Council has a monopoly over provision of the service and there is no community service or equity obligation.	Abandoned vehicles - removal and storage. Standard fee to be paid prior to release of the vehicle.	F	Full Cost Recovery:
development	Fee set will enable Council to develop and maintain a service.	Domestic Waste Management charge.		
contribution	Charges levied to compensate community for an increase in demand for service or facilities as a consequence of a development proposal.	Section 94 contribution plans.		
regulatory - non fixed	Fee charged to cover costs incurred in legislative requirements where no community service obligation exists.	Freedom of Information.		
shared benefit	the community as whole as well as individual users (Community Service Obligation).	Hairdressers, Beauty Salons and Skin Penetration Inspection fees.	P	Partial Cost Recovery
stimulus	A stimulus to the demand for the service is required. In the short term, only part of the cost of the service is to be recovered.			
evasion	Charging prices to recover full cost may result in widespread evasion.	Tree Preservation orders.		
equity	The service is targeted to low income users.	Youth Program Fee		
economic/social/community welfare	Service promotes or encourages local economic or social activity.	Community Centres		
regulatory - fixed	Fixed by legislation	Certificates for Classification of Council Land.	L	Legal Requirements (Regulatory):
				Price of the service is determined by Legislation and dependent on price may or may not recover Full Cost.
market	Service provided is in competition with that provided by another agency (private or public) and there is pressure to set a price which will encourage adequate usage of the service.	Copying of documents. Kimbriki Gate prices. Glen Street Theatre ticket prices.	M	Market Pricing (Reference Pricing):
in-house	Service provided predominantly for Council use but sale to external markets may defray costs.	-		
				The price of the service is determined by examining alternative prices of surrounding service providers (this also may or may not recover the full cost of the service).
public good	Service provides a broad community benefit. Inconceivable or impractical to charge for service on a user basis.	Internet - public access	F	Free (Zero Cost Recovery):
practical constraint	Service is a minor part of the overall operation of the Council, or the potential for revenue collection is so minor as to be outweighed by the costs of collection.	-		
				Some services may be provided Free of charge and the whole cost determined as a community service obligation and or may fall within class of a public good.
cost-plus activity	The service is a profit making activity and the price paid by users should recover an amount greater than the full cost of providing that service.		R	Rate of Return Pricing (IRR)
penalty	Fee charges is greater than cost of the service so as to act as a dis-incentive.	Dishonoured cheque fee.		
utility	Fee charges for possession, occupation, or enjoyment of Council Land, Public Land and Air Space by Gas, Electricity, Telecommunications and Water utilities.	Private pipeline Sn611.		
				This would include Full Cost Pricing as defined above in addition to a profit margin to factor in a return to Council for assets employed and this pricing would normally be used by Council defined business activities (Category 1)

## Existing Costing Model Example

						Resource Input											
Fee Description	Pricing Basis	Current Fee	GST	GST Words	Description of staff	Labour(hrs)-number of hours involved on average in processing each application)	Rate per week(from sheet to right)	Rate per hour	Total Labour Costs	Asset(vehicle) hrs	Vehicle rate per hour	Total Vehicle	Materials \$	Overhead (103%)	Total cost	Current margin - Profit/Loss (-)	
149 (Planning) Certificate	(b) Section 149 (2) & (5) Certificate Applications	L	100.00	n/a	GST not applicable	P1 officer 15 min process	0.25	919.11	26.260286	7.78		5.447142857	0		8.01	15.79	
	if additional classification of employee/s used put here----->					P1 officer 15min process	0.25	919.11	26.260286	7.78					8.01	15.79	
						manager review and sign 15min	0.25	1722	49.2	14.58					15.01	29.59	
						manager review and sign 15 min	0.25	1722	49.2	14.58					15.01	29.59	
	(b) Section 149 (2) & (5) Certificate Applications				Total costs					44.71					46.05	90.76	9.24
149 (Planning) Certificate	(a) Section 149 (2) Certificate Applications	L	40.00	n/a	GST not applicable	P1 officer 15 min process	0.25	919.11	26.260286	7.78		5.447142857	0		8.01	15.79	
	if additional classification of employee/s used put here----->					manager review and sign 15 min	0.25	1722	49.2	14.58					15.01	29.59	
	(a) Section 149 (2) Certificate Applications				Total Costs					22.36					23.03	45.38	-5.38
149 (Planning) Certificate (Urgency Fee)	(a) Section 149 Certificate Applications - Emergency Fee - Overnight	R	100.00	9.09	GST applicable, included in Rate	P1 officer 15 min process	0.25	919.11	26.260286	7.78		5.447142857	0		8.01	15.79	
	if additional classification of employee/s used put here----->					manager review and sign 15 min	0.25	1722	49.2	14.58					15.01	29.59	
	(a) Section 149 Certificate Applications - Emergency Fee -				Total Costs					22.36					23.03	45.38	54.62
149 (Planning) Certificate (Urgency Fee)	(b) Section 149 Certificate Applications - Emergency Fee - within 3 hours of Submission	R	150.00	13.63	GST applicable, included in Rate	P1 officer 15 min process	0.25	919.11	26.260286	7.78		5.447142857	0		8.01	15.79	
	if additional classification of employee/s used put here----->					manager review and sign 15 min	0.25	1722	49.2	14.58					15.01	29.59	
	(b) Section 149 Certificate Applications - Emergency Fee - within 3 hours of				Total Costs					22.36					23.03	45.38	104.62