

Pricing Policy

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1. Purpose

To provide a set of guiding principles that will enable Council to set fees and charges on a consistent basis for all services.

Whilst Council must consider its overall revenue requirements from a strategic perspective taking into account the needs of the community as a whole, it is important that Council have a mechanism to set prices for its services.

2. Background

Council is empowered under the Local Government Act 1989 to raise revenue by way of fees and charges for services. Council's fees and charges are reviewed and approved as part of the annual budget process.

3. Scope

This policy will apply prices to Council services based on a costing framework, including the assessment of direct, indirect and overhead costs. Pricing of goods and services will be assessed annually and documented within Council Schedule of Fees and Charges.

4. References

- Annual Budget and Schedule of Fees and Charges
- Local Government Act 1989
- Pricing Guidelines

5. Definitions

Full cost recovery pricing – price to fully recover direct and overhead costs.

Partial cost recovery (subsidy) – application of a subsidy to charge a price less than the full cost recovery price.

Statutory pricing – Service fee is set or controlled by legislation or pursuant to a funding agreement.

Market pricing – price set in line with benchmark market prices (may and may not be full cost recovery).

Rate of Return pricing - price set above full cost recovery to include a profit margin.

6. Legislative Provisions

Council is required to prepare an annual budget pursuant to Section 127 of the Local Government Act 1989. The annual budget is to include a Schedule of Fees and Charges.

7. Council Policy

7.1 Pricing Principles

That fees and charges are to be classified according to the following pricing basis:

Full Cost Pricing – that Council recovers all direct and indirect costs of a service.

Partial Cost Pricing (subsidy) - that Council recovers less than the full cost of a service.

Statutory Pricing – The price of a service is determined by legislation.

Market Pricing – that Council sets a price of the service by examining alternative prices of surrounding service providers.

Rate of Return Pricing – that Council sets a price above full cost recovery to include a profit margin.

7.2 Factors considered when determining the amount of the fee for service

In applying the above pricing basis to fees and charges, consideration should be given to the Pricing Guidelines and include an assessment of:

- The cost to Council of providing the service – the full cost of the service that includes direct and indirect costs.
- The importance of the service to the community determining any potential community service obligation under a Partial Cost Pricing – the Pricing Guidelines identify an assessment matrix for Community Service Obligations (CSO).
- Whether services are supplied on a commercial basis – this would likely apply a Rate of Return Pricing Policy subject to market constraints.
- Factors specified in legislation – This would include statutory pricing and Council's obligations arising as a result of the National Competition Policy.
- Market Pricing - examining alternative prices of surrounding third party service providers.
- Relative capacity to pay of service users.

8. Related Documents

- Pricing Guidelines
- Annual Budget
- Schedule of Fees and Charges
- Audit Reports & Audit Advisory Committee
- Council Plans, including Annual Plan