

**FILE NO:** PSC2009-02488

**TITLE:** PRICING POLICY

**OWNER:** FINANCIAL SERVICES SECTION MANAGER

**1. PURPOSE:**

- 1.1 This Pricing Policy ('policy') outlines the principles to be used when setting fees and charges. It needs to be read in conjunction with Council's annual fees and charges document and any guidelines developed by Council's Financial Services Section to assist Council staff in calculating the amount of fees and charges.

**2. CONTEXT/BACKGROUND:**

- 2.1 In accordance with Sections 608 – 610 of the Local Government Act 1993 and other relevant legislation, Council charges and recovers approved fees and charges for any services it provides as contained within Council's annual fees and charges document.

**3. SCOPE:**

- 3.1 This policy applies to all fees and charges levied by Council, its 355c Committees and others as authorised by Council to levy fees and charges on its behalf and/or for the use of facilities and provision of services. These are known as discretionary fees.

**4. DEFINITIONS:**

- 4.1 An outline of the key definitions of terms included in the policy.

**Discretionary fees/charges** Fees that are set by Council itself for services provided, as opposed to fees mandated from time to time by other levels of government.

**Community Service Obligation (CSO)** Recognition that facilities have been provided using community resources (via Council) for the benefit of the community. This recognition often takes the form of discounted user fees for residents / ratepayers.

## **5. STATEMENT:**

### 5.1 Objectives of the policy:

- a) To provide a decision-making framework for the determination of fees and charges.
- b) To enable determination of fees and charges that is equitable, consistent, timely and accountable.
- c) To provide opportunities for cost recovery whilst meeting Council's community service obligations.
- d) To meet Council's statutory requirements under the Local Government Act 1993 and other relevant legislation in relation to setting fees and charges.
- e) To assist Council staff, when reviewing existing fees and charges and/or considering new fees and charges for recommendation to Council.

### 5.2 Principles of the policy:

- a) Council has a charter under the Local Government Act 1993 for fair imposition of fees and charges.
- b) Council has a charter under the Local Government Act 1993 to effectively account for and manage the assets for which it is responsible.
- c) Council will strive to provide equitable access to its facilities and services.
- d) Council recognises that as a monopoly provider of some facilities and services it has a duty to deliver value for money to ratepayers and residents.

### 5.3 General

- 5.3.1 Port Stephens Council recognises that it has community service obligations which are non-commercial requirements for identified social purposes, and that these obligations constitute a significant component of the social policies of Council. The concept of community service obligations informs Council's Pricing Policy.

### 5.4 Pricing Policy

- 5.4.1 Sections 608 – 610 of the Local Government Act 1993 authorise Council to charge and recover fees and any service it provides apart from services for which the charging of a fee is prohibited. Council may waive all or part of a fee unless it is a fee regulated directly by the State Government. In determining whether a fee should be charged for a service Council will consider a number of principles, firstly, whether the service provides a public benefit or private benefit.
- 5.4.2 A 'public' service is one where there is a general benefit to the community and where there is limited opportunity of collecting a fee, for example, roads and parks.

5.4.3 A 'private' service is one which provides a discernible private benefit to persons and which offers an opportunity of collecting a fee, for example processing a rezoning application. Where a service generates a private benefit then recovery of costs through a fee is appropriate.

5.4.4 In determining the cost of providing a service, Council will:

- a) Identify and quantify the full absorbed cost including appropriate overheads, which reflect the proportion of 'centralised' support cost that should be recovered.
- b) Consider any community service obligations (CSO) where there are clear social or equity objectives in the provision of the service.

5.4.5 In assessing the existence and level of a CSO, Council will consider:

- a) The social or community objectives achieved or assisted by the consumption of the service.
- b) The social or community values promoted by wider availability of the service.
- c) Whether the direct consumers are unable to purchase a socially desirable level of service.
- d) Whether direct beneficiaries of the service are deserving of favourable pricing.

5.4.6 If it is determined that a CSO is present, then Council will consider setting a fee below the level of full cost recovery. In determining the amount of discount or subsidy, Council will consider:

- a) The level of CSO in the service.
- b) The objectives of the service.
- c) The consumers' ability to pay.
- d) Price sensitivity of the service.
- e) The application of a suggested industry reference price.

5.4.7 In case of fees set by statute, the fee will be set in accordance with the relevant statute.

## 5.5 Pricing methods

5.5.1 Fees and charges made by Council will be classified according to the pricing structures as outlined below. Full cost pricing will apply to all of Council's fees and charges, except in the circumstances outlined in the alternative pricing structures.

### 5.5.2 Full cost pricing

5.5.2.1 Council will recover all direct and indirect costs of the service (including on costs, overheads and depreciation of assets employed).

## 5.5.3 Partial cost pricing

5.5.3.1 Council will recover less than the full cost (as defined above).

5.5.3.2 Partial cost pricing may be used if shared benefits are derived from the provision of the service that accrue to the community as a whole as well as to individual users. It may also be applied where charging full cost recovery pricing will result in widespread evasion.

5.5.3.3 The price structure may also be used to stimulate demand for a service in the short term, although foregoing full cost recovery must be for a defined term only.

## 5.5.4 Statutory pricing

5.5.4.1 The price of this service is determined by legislation and dependent on that price, Council may or may not recover its full costs, but has no discretion to do so.

## 5.5.5 Market pricing

5.5.5.1 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).

5.5.5.2 This pricing structure should also apply in cases where the service is in competition with that provided by another council, agency or commercial provider and there is consequent pressure to set a price that will attract adequate usage of the service.

5.5.5.3 Market pricing should also apply where a service is predominantly provided for Council's in-house use, but sale to external markets will defray costs.

## 5.5.6 Free (zero priced)

5.5.6.1 Some services may be provided free of charge and the whole cost determined as a community service obligation and may fall within the class of public good. This price structure may be used where the services provide a broad community benefit, and/or it is impractical or inconceivable to charge for the service on a user basis.

5.5.6.2 The price structure may also apply where the service is a minor part of the overall operation of Council and the potential for revenue collection is so minor as to be outweighed by the cost of collection.

## 5.5.7 Financial Sustainability

5.5.7.1 Price setting is informed by the cost of providing the service (per Section 610D of the Local Government Act 1993), the capacity of the user to pay and, where relevant, any expected return on the investment of community assets.

## 6. RESPONSIBILITIES:

6.1 The Financial Services Section Manager is responsible for implementing, complying with, monitoring, evaluating, reviewing and providing advice on the policy.

## 7. RELATED DOCUMENTS:

- 7.1 Local Government Act 1993 (NSW).
- 7.2 Office of Local Government Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality (2014).
- 7.3 A New Tax System (Goods and Services Tax) Act 1999 (Cth) and regulations.
- 7.4 Council’s annual Fees and Charges document.

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## CONTROLLED DOCUMENT INFORMATION:

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<b>EDRMS container No.</b>	PSC2009-02488	<b>EDRMS record No.</b>	23/75945
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<b>Author</b>	Financial Services Section Manager		
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<b>Adoption date</b>	26/06/2012		

## VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1.0	26 June 2012	Corporate Strategy & Planning Manager	Review with no change	155
2.0	12 August 2014	Corporate Strategy & Planning Manager	Review with no change	209
3.0	13 September 2016	Corporate Strategy & Planning Manager	Responsibility changed from Corporate Strategy & Planning Manager to Financial Services Section Manager. Change to name of Competitive Neutrality Guide. Name change from Division of Local Government to Office of Local Government. Revised Policy developed in new format.	258
4.0	9 October 2018	Financial Services Section Manager	Policy reviewed and formatted into the new template. References to RM8 updated to EDRMS. 5.1 – Removed ‘are as follows’. 5.2 Removed ‘are as follows’. 6.1 – Updated to ‘Financial Services Section Manager’. 7.1 – Added ‘(NSW)’. 7.3 – Removed ‘(Federal)’ and inserted ‘(Cth)’. 7.4 – Added ‘Council’s annual fees and charges document’.	122

5.0	27 October 2020	Financial Services Section Manager	<p>Policy reviewed and formatted into the new template.</p> <p>5.4.5.2 - Removed '5.4.5.2 The social or community objectives achieved or assisted by the consumption of the service;'</p> <p>Updated EDRMS file number in version history.</p>	222
6.0	14 February 2023	Financial Services Section Manager	<p>5.5.7 - Added new clause - Financial Sustainability.</p> <p>6.1 – added 'is responsible for implementing, complying with, monitoring, evaluating, reviewing and providing advice on the policy' to ensure consistency in formatting.</p> <p>Controlled document information:</p> <p>Amended review timeframe to 3 years in accordance with Council's policy and management directive review process.</p>	006