

## Council Policy

### Pricing Policy

#### Policy Statement

The Pricing Policy provides a transparent, consistent, and equitable approach to the setting of fees and charges, under s608 of the Local Government Act 1993 (the Act), for services delivered by Northern Beaches Council.

Council applies a principles-based approach to the pricing of services to balance recovering the cost of providing a service from users proportionate to its broader community benefit along with recognising competitive neutrality and legislative obligations.

#### Principles

The following five principles guide how Council sets fees and charges for its services:

1. **Financially sustainable:** price-setting is informed by the cost of providing the service (*per s610D of the Act*), the capacity of the user to pay and, where relevant, any expected return on the investment of community assets.
2. **Recognise the importance of the service to the community:** seek to promote fair, just and equitable access to services, promote the participation of service target groups and encourage positive health and wellbeing outcomes (*per s610D of the Act*).
3. **Recognise competitive neutrality obligations:** where services are supplied on a commercial basis as part of a defined Council business consider market prices to ensure the service does not utilise its public sector position to gain an unfair advantage over private sector competitors.
4. **Compliant with legislation:** where applicable, pricing is in line with legislation and consideration made of any price suggested for that service by a relevant industry body or in a schedule of charges published by the Office of Local Government (*per s610D of the Act*).
5. **Consistent, transparent, efficient to administer and regularly reviewed:** set in a consistent way across Council services, documented and presented in a way the community can understand, simple to administer and reviewed annually.

#### Pricing basis

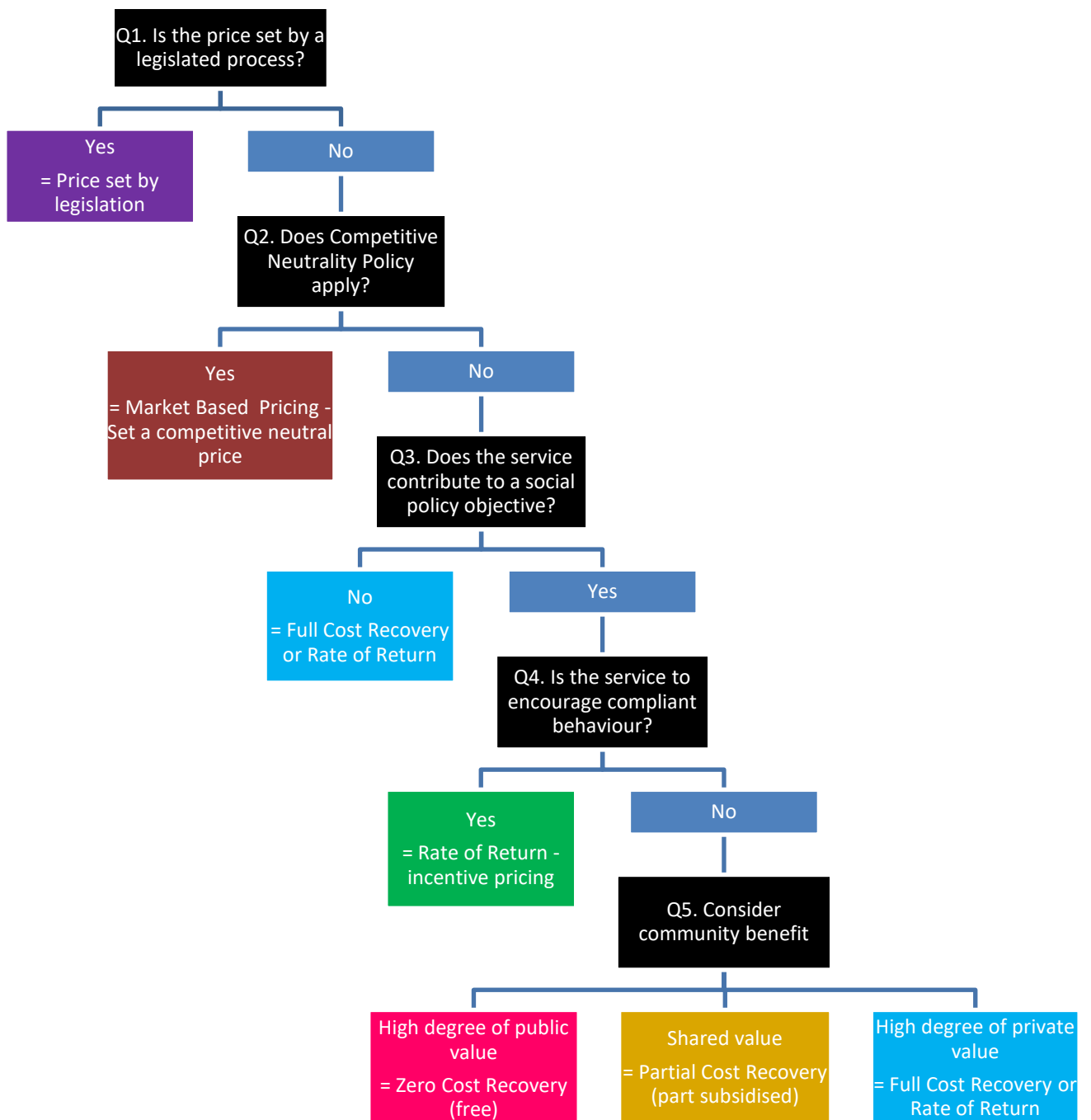
Informed by the principles listed above, Council determines an appropriate pricing methodology that is consistent with the level of individual and community benefit of the service. Fees and charges are classified according to the following pricing basis outlined below:

**Table 1 Pricing Basis**

| Pricing Basis            | Description  |
|--------------------------|--|
| Full Cost Recovery       | Council recovers all direct and indirect cost of the service (including depreciation of assets employed).                          |
| Partial Cost Recovery    | Council recovers less than the full cost (as defined above) - the reasons for this may include broader community service benefits. |
| Legislative Requirements | Price of the service is determined by legislation and dependent on price may or may not recover the full cost.                     |

| Pricing Basis        | Description  |
|----------------------|--|
| Market Based 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). e.g., Children’s Services and Glen Street Theatre. |
| Zero Cost Recovery   | Some services may be provided free of charge and the whole cost determined as a community service or a class of public good.   |
| Rate of Return       | This would include Full Cost Recovery as defined above in addition to a profit margin to factor in a return to Council for assets employed or to provide an incentive to encourage compliant behaviour.      |

### Pricing setting process



## Scope and application

This policy applies to all employees, agents, officers, and Councillors of Northern Beaches Council in determining fees and charges under s608 of the Act.

## References and related documents

- Local Government Act 1993 - s405 and ss608 – 610 (inclusive)
- Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality, Office of Local Government, July 1997

## Definitions

Nil

## Responsible Officer

Executive Manager Financial Planning and Systems

## Review Date

March 2026

## Revision History

| Revision | Date       | Status   | TRIM Ref    |
|----------|------------|--|-------------|
| 1        | 13/12/2016 | First draft Pricing Policy   | 2016/386055 |
| 1        | 28/03/2017 | Adopted by Council – no changes to draft policy  | 2016/386055 |
| 1.1      | 02/08/2019 | Approved by CEO – minor wording changes  | 2019/435456 |
| 2        | 10/01/2022 | Revision draft – formatting changes to update policy template, dates, legislation references and minor wording changes | 2022/017537 |

## Attachment 1. Pricing principles and methodology guidance

| Pricing principle                   |  | Example   | Code | Pricing methodology                      |   |
|-------------------------------------|--|---|------|--|---|
| Private Good                        | Service benefits a particular user, making a contribution to their individual income, welfare or profits without any broader benefits to the community.                              | Application fee for drainage easement   | F    | Full Cost Recovery                       | Council recovers all direct and indirect cost of the service (excluding depreciation of assets employed).   |
| 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 |      |  |   |
| Development                         | Fee set will enable Council to develop and maintain a service.   | Domestic Waste Service Management Charge  |      |  |   |
| Regulatory – non fixed              | Fee charged to cover costs incurred in legislative requirements where no community service obligation exists.  | Information request under the Government Information (Public Access) Act 2009                     |      |  |   |
| Shared benefits                     | The community as a whole as well as individual users (Community Service Obligation).   | Hairdressers, Beauty Salons and Skin Penetration Inspections                                      | P    | Partial Cost Recovery                    | 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). |
| 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.  | Introduction of a new service item  |      |  |   |
| Evasion                             | Charging prices to recover full cost may result in widespread evasion.   | Tree preservation orders  |      |  |   |
| Equity                              | Service is targeted to low-income users.   | Youth programs  |      |  |   |
| Economic/ social/ community welfare | Service promotes or encourages local economic or social activity.  | Community centre hire   |      |  |   |
| Regulatory - fixed                  | Fixed by legislation.  | Certificates for Classification of Council Land   | L    | Legal Requirements (Regulatory)          | Price is determined by legislation (may or may not recover costs).  |
| 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, Glen Street Theatre tickets   | M    | Market Based Pricing (Reference Pricing) | Price determined by examining alternative prices of surrounding service providers (may or may not recover the full cost of the service).                                    |
| In-house                            | Service provided predominantly for Council use but sale to external markets may defray costs.  | Human Resources training  |      |  |   |
| Public Good                         | Service provides a broad community benefit inconceivable or impractical to charge for service on a user basis.   | Public access to the internet   | Z    | Zero Cost Recovery (free)                | Services may be provided free of charge and the whole cost determined as a community service obligation or may fall within a class of a public good.                        |
| 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.                  | Participation in workshops, markets or events   |      |  |   |
| 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.                                   | Civil works on behalf of developers, the public & other third parties                             | R    | Rate of Return (RoR)                     | This would include Full Cost Recovery as defined above in addition to a profit margin to factor in a return to Council for assets employed.                                 |
| Penalty                             | Fee charged is greater than cost of the service so as to act as a disincentive.  | Dishonoured cheque fee  |      |  |   |
| Utility                             | Fee charged for possession, occupation or enjoyment of Council Land, Public Land and Air Space by Gas, Electricity, Telecommunications and Water Utilities.                          | Annual compensation fee for telecommunications facility on Council controlled land                |      |  |   |

## Attachment 2. Competitive Neutrality Principles explained

In 1995 the NSW Government agreed, along with the Commonwealth and other State and Territory Governments, to implement competitive neutrality principles as part of its commitment to National Competition Policy (NCP).

The purpose of competitive neutrality policy is the elimination of resource allocation distortions arising from public sector ownership, where significant publicly owned business activities compete with the private sector. The intention is that publicly owned businesses should not enjoy any net competitive advantage as a result of public sector ownership. Such action removes potential market distortions and promotes an efficient allocation of resources between public and private businesses.

Typically, the application of competitive neutrality principles may require adjustments to the price of a good or service that make allowance for the following:

- taxes that may not be paid by a government business but would be paid by a private sector competitor;
- the cost of capital; and
- any other material costs not borne by a government business purely as a result of its public ownership status.

Accordingly, when Council competes in the market place it should do so on a basis that does not utilise its public sector position to gain an unfair advantage over a private sector competitor. The principle of competitive neutrality applies to council business activities only. It does not apply to non-business, non-profit activities.

Council has a discretion as to whether it will treat an activity as a business. One of the first matters for consideration will be the objectives that Council has for the activity. Other factors are listed below. They are not exhaustive. Nor is a council obliged to consider an activity as a business because it satisfies one or more of the criteria. However, Council must be able to justify any decision if requested by the community (or if a complaint is made in relation to unfair competition). The issues include:

- **Is the activity intended to make a profit?** An activity which is intended by council to make a profit clearly has a strong business element to it.
- **Does council bid for external contracts?** Any activity in which council bids for external contracts should be regarded as a business activity. For example, Council's staff may tender for external contracts as well as providing internal services. Despite the in-house element of the activity, the decision to tender externally means that the Council should regard the whole of the activity as a business, unless the internal unit and external bidders are completely separate.

Similarly, if a Council unit intends to or has participated in a competitive tendering process called by Council, the activity of the unit should be regarded as a business activity.

- **Is the activity provided on a fee for service basis?** A wide range of activities could be included in this. Once again, Council will need to balance this element with others in any decision.
- **What economic impact does the activity have?** For example, a small scale activity, possibly included within a larger function, may not have a significant effect on the local or regional economy. It may also be inefficient to separate it from the larger function.
- **What is the nature of the activity and how important is it to customers?** A particular type of activity may be difficult to treat as a business, for example some community service functions. The reverse may also be true in relation to some activities.