


STRATHFIELD COUNCIL

PRICING POLICY

	<h1>PRICING POLICY</h1>		
RESPONSIBILITY	Chief Financial Officer		
DATE ADOPTED	27 February 2024	MINUTE	19/24
REVISED	N/A	REVIEW	TBC
CM10 Record Number	23/77659		
ASSOCIATED POLICIES/ DOCUMENTS	<ul style="list-style-type: none"> • Strathfield Council Fees and Charges Document 		
ASSOCIATED LEGISLATION	<ul style="list-style-type: none"> • Local Government Act, 1993 • Local Government (General) regulation, 2021 • Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality, Office of the Local Government, July 1997 • Fees and Charges Operating Procedure [Draft] 		

10 Introduction

1.1 Background and Purpose of Policy

The pricing policy provides a transparent, consistent, and equitable framework for the setting of fees and charges under s608 of the Local Government Act 1993 (the Act), for services provided by Strathfield Municipal Council.

1.2 Definitions

The definitions of certain terms contained within this policy are:

- **Financial Sustainability**

Financial sustainability is defined as:

- Where Council it is able to generate sufficient funds to provide the level of services agreed with its community.
- Where planned Council services are maintained without unplanned increases in pricing or the need to cut service levels.
- Where increases to Council services do not negatively impact on its ability to deliver its operational plans.

- **Principle of Competitive Neutrality**

The principle of competitive neutrality is based upon the concept of “level playing field” between persons competing in a marketplace, particularly between private and public sector competitors. Essentially, the principle is that government businesses, whether commonwealth, State, or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.¹

¹ As defined in “Pricing & Costing for Council Businesses, A Guide to Competitive Neutrality, July 1997”

- **Full Cost Recovery**

Full cost recovery is defined as the recuperation of all costs incurred directly or indirectly (including depreciation of assets and reasonable corporate support overheads) in the provision of services via the pricing for that service.

1.3 Policy Statement

Council is committed to providing a high-quality and efficient service. In doing so, Council applies a principles-based approach in setting its prices for providing service by balancing the following:

- Financial sustainability (cost of providing services per s610D of the Act)
- Legislative obligations and statutory constraints
- Principles of Competitive Neutrality, and
- Councils' boarder obligation to the community.

1.4 Scope of Policy

This policy covers all pricing set by Council for its services, under s608 of the Local Government Act, 1993 (the Act).

2.0 Pricing of Council Services

2.1 Principles

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

1. Importance of the Service to the Community

Council seeks 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).

2. Financial Sustainability

Pricing for services is informed by:

- The true cost of providing services (per s610D pf the Act)
- The capacity of the user to pay
- Expected return on investment of community assets (where relevant)

3. Competitive Neutrality

Services provided on a commercial basis as part of defined Council business will be set at market price. This is to ensure that Council does not utilise its public sector position to gain an unfair advantage over private sector market participants.²

4. Legislative Compliance

Where applicable, pricing is in accordance with legislation and consideration is given to prices suggested (or defined) for those services by a relevant industry or legislative body (per s610D of the Act) such as, charges published by the Office of Local Government.

5. Customer Focused

² Refer to "Pricing & Costing for Council Businesses, A Guide to Competitive Neutrality, July 1997".

Pricing is set in a way that is:

- Consistent across Council services
- Presented in a way that is easily accessible and understood by the community
- Simple to administer
- Reviewed annually in conjunction with Council's budgeting cycle

2.2 Pricing Basis

Guided by the pricing principles set in section 2.1, Council determines an appropriate pricing methodology that is consistent with the level of individual and community benefit for the service.

Fees and Charges are classified according to the following pricing basis as outlined in table 1 below.

Table 1 – Pricing Basis

Pricing Basis	Description
Legislative Requirements	Price of the service is determined by legislation. Depending on the set price, this may or may not allow for full cost recovery.
Partial Cost Recovery	Pricing is set at an amount that recovers less than the full cost of providing these services. Pricing is often driven by boarder community service benefits.
Full Cost Recovery	Pricing is set an amount that recovers all direct and all reasonable indirect costs of providing the service (includes depreciation of assets and reasonable corporate support overheads).
Market Based Pricing	The pricing is determined by prevailing market conditions often informed by examining alternative prices of comparable surrounding services providers (i.e., other private service providers). ³
Zero Cost Recovery	Some Council services may be provided free of charge and the whole cost is determined as a community service or a class of public good.
Rate of Return	Pricing under this basis will include Full Cost Recovery (as defined) in addition to a profit margin to factor in a rate of return to Council for assets employed in providing the service or to provide an incentive to encourage compliant behaviour.

³ Council pricing set by reference to private market competitors may not always allow for full cost recovery for Council as cost factors for Council are often different to those applicable to the private sector. (e.g., NSW Government (State) Award).

Refer to the Pricing Basis Decision Tree (attached as appendix 1 to this policy) for the process of applying the pricing basis to fees and charges.

3.0 Policy Implementation

3.1 Policy Responsibilities

This policy applies to all employees, agents, officers, and Councillors of Strathfield Municipal Council (under s608 of the Act).

All Council officers who are responsible for determining pricing of Council's services will be responsible for the setting of fees and charges in accordance with this policy.

The Chief Financial Officer (CFO) has the responsibility of organising and implementing a process for the annual review of Council's fees and charges in accordance with legislative requirements and Council's annual budgeting cycle.

3.2 Procedures

Operational procedures that support this policy, may be approved by Council's Director of Corporate and Community, the General Manager or the Executive Committee from time to time and address such issues as:

- Administrative workflow for approvals
- Setting timeframes and assigning internal responsibility

3.3 Breaches

Non-compliance with this policy may constitute a breach of the Local Government Act and may result in punitive measures being imposed upon Council which will have implications on organisational reputation and community confidence.

4.0 Document Control

4.1 Review

This policy is to be reviewed at least once every three years and when relevant legislation changes.

The Director of Corporate and Community may approve non-significant and/or minor editorial amendments from time to time that do not change the substance of the policy.

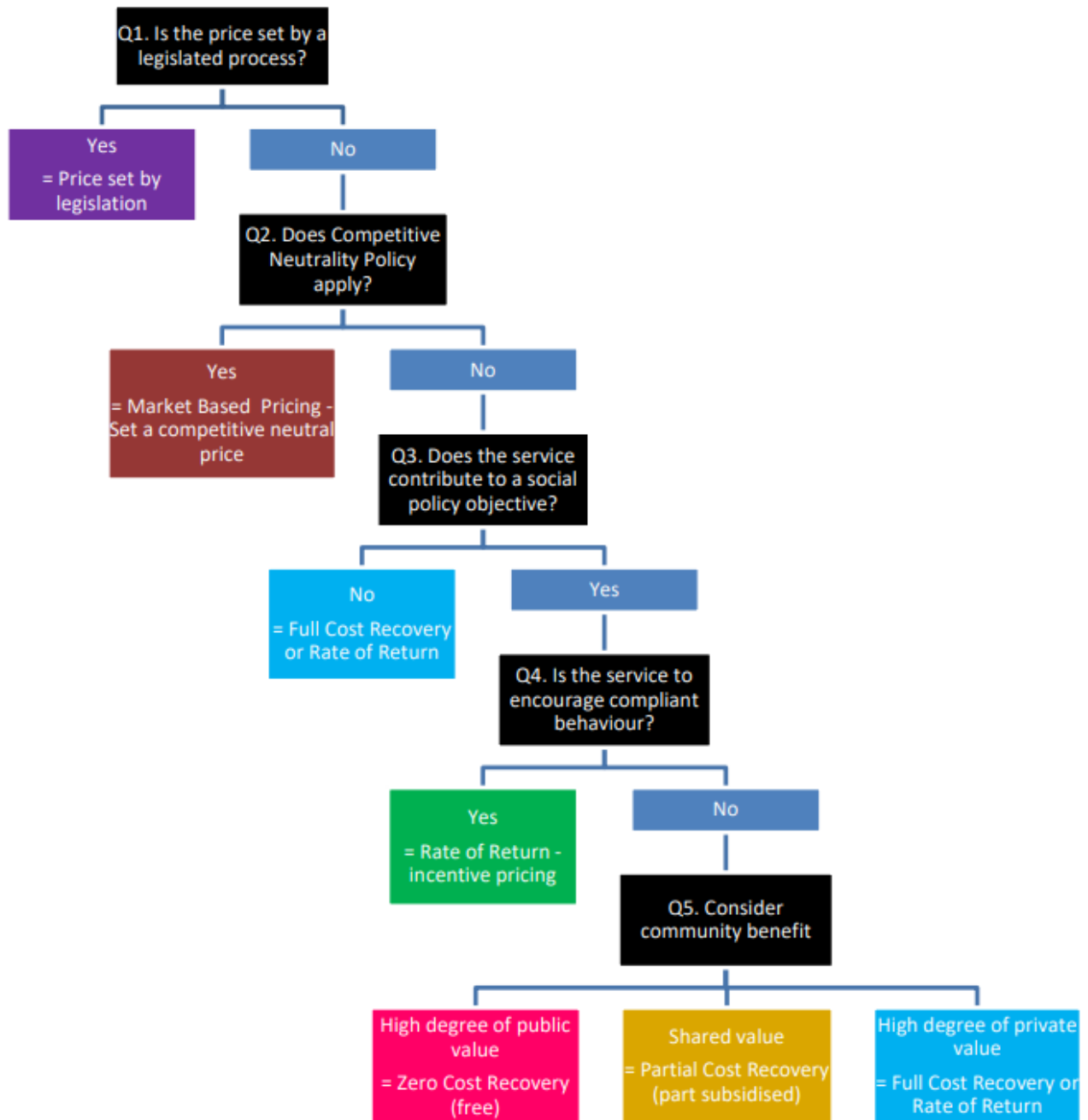
4.2 Related Documents

- Local Government Act, 1993
- Local Government (General) regulation, 2021
- Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality, Office of the Local Government, July 1997
- Fees and Charges Operating Procedure [Draft]

4.3 4.0 Version Control

Version	Date	Details [Author]	Council Meeting Date
1	December 2023	Creation of document [Chief Financial Officer]	27/02/24

Appendix 1 – Pricing Basis Decision Tree



Appendix 2 – Pricing Principles

Pricing Principle	Pricing Basis
Public Good Service provides a broad community benefit. Inconceivable or impractical to charge for service on a user basis	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	Zero Cost Recovery
Shared Benefit Benefits from provision of the service accrue to the community as a whole as well as individual users (Community Service Obligation)	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	Partial Cost Recovery
Evasion Charging prices to recover full cost may result in widespread evasion	Partial Cost Recovery
Equity The service is targeted to low-income users	Partial Cost Recovery
Economic/Social/Community Welfare Service promotes or encourages local economic or social activity	Partial Cost Recovery
Private Good Service benefits particular users, making a contribution to their individual income, welfare or profits, without any broader benefits to the community	Full Cost Recovery
Monopoly Council has a monopoly over provision of the service and there is no community service or equity obligation	Full Cost Recovery
Development Fee set will enable Council to develop and maintain a service	Full Cost Recovery
Contribution Charges levied to compensate community for an increase in demand for service or facilities as a consequence of a development proposal	Full Cost Recovery
Regulatory: Non-Fixed Fee charges cover costs incurred by legislative requirements where no community service obligation exists	Full Cost Recovery
Regulatory: Fixed Fee fixed by legislation	Regulatory
Market Service provided is in competition with that provided by another council or agency (private or public) and there is pressure to set a price which will attract adequate usage of the service	Market Reference Pricing
In-House Service provided predominantly for Council use but sale to external markets may defray costs	Market Reference Pricing
Entrepreneurial 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	Rate of Return Pricing
Penalty Fee charges is greater than cost of the service so as to act as a dis-incentive	Rate of Return Pricing
Utility Fee charges for possession, occupation or enjoyment of Council Land, Public Land and Air Space by Gas, Electricity, Telecommunications and Water Utilities	Rate of Return Pricing