

User Charging Policy

Section 1 - Policy Overview

(1) QUT's policy on user charging for goods and services, outside or ancillary to its mainstream services, is governed by the Financial and Performance Management Standard 2009 (issued pursuant to the [Financial Accountability Act 2009](#)), the National Competition Policy principles, and the [Higher Education Support Act 2003](#).

(2) The policy aims to ensure a price structure which reflects the true cost to the University of producing goods and services and aims to encourage:

- a. Users to be economical in their demand for the goods and services (e.g. users may vary the amount of goods or services consumed, or may procure similar goods and services from other suppliers and/or close substitutes of the goods and services); and
- b. QUT suppliers to be more efficient in the provision of goods and services (e.g. the University supplier is faced with competition from suppliers in the marketplace), and to make known to users the cost structure upon which fees or charges are based.

(3) The Vice-President (Finance) and Chief Financial Officer is responsible for implementing procedures to ensure that QUT complies with these requirements. These procedures are outlined in this Policy.

(4) Finance Business Solutions is responsible for maintaining a current Register of User Charges. The Register contains details of all user charges (i.e. external, internal and student charges). The Register is reviewed annually providing faculties and divisions with the opportunity to amend, delete or propose new user charges to be managed by their particular organisational area.

Section 2 - Identification of the Good or Service for which A Charge Will be Levied

(5) Faculties and divisions should clearly identify the good or service in the context of the core responsibilities of the unit. The good or service is to have a description that clearly explains the nature of the product.

(6) [External User Charging Policy](#), [Internal User Charging Policy](#) and [Student User Charging Policy](#) provide guidelines for determining the types of charges which can be raised in either the external, internal or student charges categories. External legislative requirements and QUT's internal policies and procedures vary across these three charging categories.

Section 3 - Rationale for Proposed User Charge

(7) When a new user charge is proposed, a rationale must be prepared, outlining the purpose and nature of the charge. In this instance a faculty or division is required to:

- a. outline the extent to which the charge is outside the scope of an organisational area's core business activities

- which are funded on an ongoing basis; and
- b. provide a case for the proposed charge to be approved.

(8) Faculties and divisions are required to complete a standard proforma template when a new user charge is proposed. The template, when completed, should contain information relating to the scope and pricing structure of the charge. In addition, staff contact information should also be included in the template, so that an organisational area can be readily contacted if further clarification or information is required. The [user charging proforma template](#) is available on the Digital Workplace.

Section 4 - Method of Charge Calculation

(9) Each good or service is to be priced according to one of the following calculation methods:

Charge Calculation Method	Actual item cost	Other Direct Costs	Indirect Costs	Profit Margin
Category A	X			
Category B	X	X		
Category C	X	X	X	X

(10) Note: Definitions for charge calculation methods are provided in Section 5 below.

Category A

(11) Category A charges reflect the pure recovery of an item's cost. The price of the charge should reflect exactly the cost of the good/service being provided plus GST, if applicable. In the case of a good, the price should be the actual cost charged by the provider of the good, with the cost incurred being passed on without change to the consumer. Where a service is offered on a Category A basis, the user charge may only include salary and related on costs for a staff member's time. No additional charges, whether direct or indirect, are associated with this category of user charging.

(12) QUT is required to adhere to the requirements and principles of the National Competition Policy in terms of full cost pricing of the good/service offered and competitive neutrality. However as Category A charges relate predominantly to the reallocation of organisational costs, these charges are exempt from the competitive neutrality principles. The Category A pricing policy is considered to be appropriate for goods/services that are assessed as being more efficiently provided from a central unit of the University, and the use of existing staff/facilities used in the provision of the good/service are provided for from within existing funds.

(13) Examples include staff recruitment advertising charges and consumables.

(14) Category A calculations are applicable to internal user charges offered on an internal basis only, and not in competition with external suppliers, as noted in the [Internal User Charging Policy](#), and also can be applied as appropriate for student and external charges. GST may be applicable.

Category B

(15) The price of charges within this category reflect the actual cost of the good/service (as identified in the Category A pricing detailed above) plus other direct costs associated in delivering the good/service. Indirect costs (e.g. corporate service charges) are not to be included in a Category B charge. Examples of direct costs are provided in Section 5 below.

(16) This pricing policy is appropriate where the provision of the good/service is considered to be required by users,

but the demand needs to be managed through a pricing policy that accurately reflects the cost of provision. As demand increases it may be necessary to engage additional staff and/or purchase capital equipment. The aim of this pricing policy is to ensure the delivery unit does not incur additional costs or make a profit through the delivery of the good/service. QUT is required to adhere to the requirements and principles of the National Competition Policy in terms of full cost pricing of the good/service offered and competitive neutrality. However as Category B charges relate predominantly to the reallocation of organisational costs, these charges are exempt from the competitive neutrality principles.

(17) As part of the annual review of user charges, each division is required to submit a Statement of Financial Performance, disclosing the net operating result for the previous year, and a forecast for the current year, for all charges or groups of charges designated as Category B. Examples of Category B charges include telephone moves and charges, digital printing and photocopy charges.

(18) Category B calculations are applicable to internal user charges offered on an internal basis only and not in competition with external suppliers, as noted in the [Internal User Charging Policy](#), and also can be applied as appropriate for student and external user charges. GST may be applicable.

Category C

(19) The pricing policy should include recovery of all costs of producing the good/service. These include:

- a. The actual cost of the good/service;
- b. Direct costs (Section 5 below);
- c. Indirect costs (Section 5 below); and
- d. A profit margin in line with the market rate.

(20) QUT is required to adhere to the requirements and principles of the National Competition Policy in terms of competitive neutrality through full cost pricing of the good/service offered on a competitive basis. Inclusion of all costs will ensure the price is comparable to external providers of a similar good/service.

(21) Examples of goods/services in this category include the hire of campus services by external clients, parking fees for external clients, external printing charges, and external consulting and testing.

(22) Category C can be applied to internal user charges offered in competition with external suppliers, external user charges and student user charges. GST may be applicable.

Penalties and Fines

(23) A fine or penalty may be charged where the charge is levied principally as a disincentive and not in order to raise revenue or cover administrative costs. This can be applied to external, internal and student user charges.

Donations and Contributions

(24) Refers to access to a facility/display for a nominal entry fee (e.g. a museum). Currently there is only one charge of this nature.

Section 5 - Identification of the Costs to be Included in the Charge Calculation

(25) The faculty/division should detail the costs which make up the total cost of production of the good or service. Importantly, all inputs to the activity must be fully costed. Examples of costs to be included are:

Direct Costs

(26) Salaries, wages and on costs.

(27) Goods and services, for example:

- a. Supplies/consumables;
- b. Administrative overheads (e.g. equipment hire, licence fees, transport, postage);
- c. Other overheads (e.g. maintenance, fuel);
- d. Professional fees;
- e. Service fees; and
- f. Leasing/buyback arrangements.

(28) Depreciation/amortisation costs associated with equipment used in the provision of the good/service.

(29) It should be noted that Capital Purchase Costs are accounted for over the life of the asset through depreciation charges.

(30) While the above list is not exhaustive, it does provide a guide to the major components of costs and the level of detail required. Within these major components, key items involved with the provision of a good or service should be identified.

(31) In determining the direct cost of a good or service, reliable costing mechanisms should be used, for example, actual expenditure from the general ledger system, quotations from suppliers, Operating Grant funds provided for the good/service etc. All costs should be able to be readily justified.

Indirect Costs

(32) Rent on premises (or where premises are provided by QUT, the opportunity cost of rent).

(33) Electricity, rates, water costs and other utilities.

(34) The cost of QUT support services including personnel services and corporate services.

(35) Indirect costs should only be included in the charge calculation for goods / services offered on a Category C basis, as per Section 4 above. Category C is applicable to internal user charges offered in competition with external suppliers, and may be applicable to external user charges and student user charges.

Goods and Services Tax (GST)

(36) If GST is applicable then the amount/rate of the user charge should include the GST. It should be noted that GST can only apply to external and student charges, not to internal charges.

Section 6 - Cost of Service Less Than or Greater Than \$500,000 per annum

Less than \$500,000 per annum

(37) If the annual cost of producing a good/service is less than \$500,000 per annum, faculties/divisions should develop a user charging proposal which presents the rationale for charging, and the pricing policy based on actual costs and market conditions, in accordance with Sections 3 and 4 above. This information must be entered into the standard

user charging proforma template, supplied by Finance Business Solutions.

Greater than \$500,000 per annum

(38) If the cost of a good or service is greater than \$500,000 per annum, a more comprehensive analysis is required. Faculties/divisions will need to submit to the Vice-President (Finance) and Chief Financial Officer, a full project proposal in accordance with the [Project Proposal Framework](#). The following information is required from faculties and divisions:

- a. A case for review of the faculty/division operational budget in light of identified shifts in demand, or lack of external providers, and whether to continue/commence production of the good or service on a free to user basis. (This is likely to be appropriate where the shift in demand is considered to be a once-off shift);
- b. A case for the organisational area implementing a system of internal user charges (not in a competitive environment) for the good or service. (This is likely to be considered appropriate where a continuing upward trend in demand shifts is likely);
- c. A case for the organisational area implementing a system of user charges in competition with external suppliers;
- d. A case for outsourcing provision of the good or service to a private organisation; and
- e. The "status quo" gives a picture of the current environment, and provides a base against which to assess all other options presented. The "status quo" is seldom acceptable on the basis that it does not meet the needs of the organisation. Nevertheless, it is an essential component of the evaluation and must be provided.

Section 7 - Grouping of Charges

(39) Where goods/services of a similar nature are offered by a faculty or division, these charges need not be approved individually and recorded as separate entries on the Register. Instead they can be allocated to a group charge on the Register with a specified price range. In this instance, a detailed charge list (subsidiary register) of the individual charges must be maintained at the delivery unit level. These charges must be reviewed annually at the delivery unit level. Examples of charge groupings include laptop rentals and paper sales.

Section 8 - Process for the Establishment and Approval of User Charges for Internal, External and Student Users

(40) Procedures outlined in this section should be read in conjunction with [External User Charging Policy](#) , [Internal User Charging Policy](#) and [Student User Charging Policy](#) which define and outline the policy for external, internal and student user charging respectively.

(41) The Vice-President (Finance) and Chief Financial Officer, is responsible for recommending to the Vice-Chancellor and President any proposals for external, internal and student user charging. Such recommendation will be contingent upon the proper process for establishment of new charges being undertaken by the responsible organisational area, according to the guidelines outlined in this Policy.

(42) Prior to submission to Executive Leadership Team and the Vice-Chancellor and President, Finance Business Solutions will review the user charging proposal and provide comment and recommendations.

(43) Finance Business Solutions will examine each proposed user charge in line with the requirements outlined in the policy.

(44) Where the Vice-President (Finance) and Chief Financial Officer, endorses a proposed user charge, the Director will submit the user charging proposal to the Vice-Chancellor and President for approval, after consideration by Executive Leadership Team.

(45) Following approval by the Vice-Chancellor and President, Finance Business Solutions will update the Register of User Charges and ensure an updated copy is readily available to all interested internal, student and external parties.

(46) Faculties and divisions can submit a request for a new user charge or an amendment to a current user charge to the Vice-President (Finance) and Chief Financial Officer. These requests for a new or amended charge should be submitted as part of the annual review process. Submissions outside of the annual review process should only occur in exceptional circumstances.

(47) All user charging proposals must be submitted with a completed user charging proforma template attached.

Section 9 - Annual Review of User Charges

(48) Each year the University undertakes a complete review of the Register of User Charges for external, internal and student charges. The purpose of this review is for faculties and divisions to identify current user charges which require amendment, current user charges which are to be deleted, and any proposed new user charges. Explanations of these categories are provided as follows:

- a. Current user charges which require amendment: due to changes in the scope or pricing rationale of a charge, or minor changes to unit name and responsibility centre details following organisational restructure. Amendments include annual price increases due to CPI/EBA and are shown as a percentage increase over the previous years' charge;
- b. Current user charges to be deleted: charges may need to be deleted where the charge is deemed to be no longer relevant to the scope of an organisational area, where organisational change has resulted in a major restructure of charging categories, where an organisational area's base funding has been adjusted to include funding for the provision of these goods or services, or where a decrease in demand has resulted in the cost of administration exceeding any efficiency gains;
- c. Proposed new user charges: where new charges to be added to the Register are identified.

(49) Finance Business Solutions is responsible for coordinating the annual review of user charges. The review process requires Finance Business Solutions to provide each faculty and division with:

- a. A summary of its current external, internal, and student user charges; and
- b. A standard user charging proforma template into which all user charging amendments, deletions and proposed new charges must be entered.

(50) Faculties and divisions are then required to review their external, internal, and student user charges and submit their completed proforma templates, detailing amendments, deletions and any proposed new user charges, to Finance Business Solutions. Submitted templates must include details of amended, deleted and new user charges. The user charging proforma template is available on the [Finance - Cost Management](#) website.

(51) For each user charge, or group of user charges (Section 7 above), offered on a Category B basis (Section 4 above), an Income Statement disclosing the net operating result for the previous year, is to be provided at each annual review.

(52) A rationale must be provided for all new user charges. A rationale is also required for amended user charges where there has been a change in the scope or pricing structure of the charge (Section 3 above).

(53) Finance Business Solutions will collate all responses and review the faculty and division submissions in accordance with the provisions outlined in this Policy. Where clarification or further information is required, Finance Business Solutions will contact the relevant organisational area as necessary.

(54) Finance Business Solutions will then provide a summary report of the amended, deleted and proposed new user charges to the Vice-President (Finance) and Chief Financial Officer, providing comments and recommendations where necessary. The summary report will then be provided to Executive Leadership Team and the Vice-Chancellor and President for approval.

(55) Following approval, Finance Business Solutions will publish an updated copy of the Register of User Charges, ensuring that this updated copy is readily available to all interested parties.

Status and Details

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Effective Date	4th February 2011
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Policy Owner	Cynthia Hanley Director, Finance Strategy and Planning
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