

Internal User Charging Policy

Section 1 - Internal User Charges

(1) There are no legal requirements for user charging to be applied to users within the University. However for resource allocation and financial management purposes, it may be appropriate in some circumstances for responsibility centres to charge each other for their goods and services.

(2) Vice-President (Finance) and Chief Financial Officer, is responsible for recommending to the Vice-Chancellor and President any proposals for internal charging. Such recommendation will be contingent upon the proper process for establishment of new or revised internal charges being undertaken by the responsible organisational area, according to the procedures in [User Charging Policy](#).

(3) At the completion of the annual review of user charges, a revised Register of User Charges is submitted via the Vice-President (Finance) and Chief Financial Officer, to the Vice-Chancellor and President for approval, after consideration by University Executive Committee.

(4) A proposed internal charge which is not approved and registered may not be levied.

Section 2 - Definitions

(5) An Internal User Charge is raised when:

- a. A faculty/division, department/school charges another area within the University for a good or service provided internally by the charging faculty/division, or procured from an external organisation by the charging faculty/division; and
- b. The good or service is not regarded as a routine administrative overhead of the University.

(6) An internal user is defined as:

- a. a person acting on behalf of the University, this includes;
 - i. employees of the University;
 - ii. members of Council; and
 - iii. affiliated persons as from time to time determined by the Vice-Chancellor and President.

(7) In some instances, the University will choose to organise its overheads in such a manner that one area is responsible for the administration of particular goods and services that will be utilised by various organisational areas across the University in the course of their normal business. Examples of such goods and services are postage, telephones, central stores and the purchase of furniture. In these cases, the reallocation of costs according to actual demand in each faculty or division is not regarded as internal user charging for the purposes of this Policy.

Section 3 - Principles for Internal User Charging

(8) Internal users are required to pay for goods and services supplied by the University. However, the University shall not require payment where:

- a. the good or service provided is non-routine and immaterial in amount;
- b. the ongoing administrative costs of user charging and revenue collection exceed the expected long term efficiency gains; and
- c. goods and services provided by an organisational area are funded in the area's base Operating Funds budget allocation.

(9) In addition charges should not be used between organisational areas as a means to achieve a reallocation of resources unless this is deemed to be in the best interests of the University by the Vice-Chancellor and President, or the service is outside the core business of the unit and establishment of the service is undertaken on a competitive basis.

(10) In establishing internal user charges for goods and services, all options for provision should be considered in full. That is, a thorough analysis must be undertaken including outsourcing options where suggested.

(11) The Financial and Performance Management Standard 2009 requires that in determining the appropriate level of charges, the following should be considered by the organisational area providing the good or service:

- a. the users have the capacity to pay for the goods or services;
- b. the users have a choice whether to accept the goods or services;
- c. the goods or services are available from a supplier other than the department or statutory body;
- d. supplying the goods or services is required or permitted by legislation;
- e. the goods or services are supplied for the benefit of the general public or for the benefit only of users who do not have the capacity to pay;
- f. the administrative costs of charging and collecting the charges are more than, or may be more than the revenue collected;
- g. an agreement exists between the department or statutory body and users about charging for the goods or services;
- h. charging for the goods or services improves, or may improve, resource allocation through more economical use of the goods or services; and
- i. other factors exist that the accountable officer or statutory body considers relevant.

(12) In deciding charges for the goods or services, that accountable officer can structure user charges to either cover full cost or decide to charge less than full cost if it is satisfied as appropriate.

(13) Further information in relation to these pricing requirements, including definitions of direct and indirect costs is provided in the [User Charging Policy](#). Information about methods of charge calculation for internal charges (including Category A, Category B, Category C, penalties and fines, and donations and contributions) is also available in the [User Charging Policy](#).

Internal Charging wholly within QUT (No Competition with External Suppliers)

(14) When a faculty or division offers a good or service on an internal charging basis, and the charge is not subject to competition with external suppliers, then the following conditions must be met:

- a. The good or service is for the exclusive benefit of internal clients and is not available to the general public;

- b. The good or service is regarded as a public good, and is therefore not a lucrative prospect for commercial suppliers.

(15) Where internal charges have no external competition the pricing method should be either Category A or Category B. No GST should be included in the pricing calculation for internal user charges in line with the [User Charging Policy](#).

(16) The following conditions must be adhered to for internal charges which are not offered in competition with external prices:

- a. the pricing policy should be based on all direct costs;
- b. internal clients should be required to use these services;
- c. no profit margin should be included in the charge pricing policy. As such, labour costs, where these are within the normal establishment costs of the organisational unit, are not to be factored into the price;
- d. any operating funds which subsidise provision of the good/service should be deducted from the cost of the service prior to calculating price per unit; and
- e. Any direct costs already funded from existing University funding sources are not to be factored into the price.

Internal Charging Offered on an Internal Basis, but in Competition with External Suppliers

(17) Where a good or service is to be offered to internal users in competition with other external providers, the internal provider must adhere to the principles of fair competition.

(18) For goods or services offered on an internal basis to QUT clients, and in competition with external suppliers, the appropriate pricing policy is Category C as outlined in the [User Charging Policy](#).

(19) The following conditions must be met:

- a. A profit margin in line with the market rate should be included in the rationale for the user charge proposal;
- b. The pricing policy should be based on " all costs of providing the good / service - including indirect costs " . That is, not only should the direct costs of labour and consumables be included in the pricing policy, the following should also be included:
 - i. rent on premises (or, where premises are provided by QUT, the opportunity cost of rent);
 - ii. the cost of QUT support services including personnel services, corporate services, etc.

(20) Further information on indirect costs, including examples is available in the Indirect Costs of the [User Charging Policy](#).

(21) Internal QUT clients should not be required to use the good or service, but should be allowed to obtain competitive quotes from external suppliers as required.

(22) Faculties and divisions may wish to offer internal users a discount on the price of the service to encourage their support for internal production of the good / service and make it a more viable prospect. In this case, internal clients should also be required to use the internal provider as the price is still below that which could be obtained outside the organisation.

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