

1. Statement

This Standard establishes rules for the development of user charges in accordance with the department's *User Charging Policy*.

2. Scope

Compliance with this standard is mandatory.

This standard applies to all employees, contractors and consultants within the Department of Health divisions and commercialised business units.

This policy does not cover the provision of goods or services to private/external parties and therefore does not consider 'competitive neutrality' requirements.

3. Content

3.1 Background

The department's primary aim for user charging for goods and services is to accurately attribute the costs incurred to produce a related product or service to the customer division/CBU. As such, a profit margin is not included within the department's user charges.

3.2 Recognised Charging Areas

DoH has a number of existing user charging arrangements with a recognised charging area. Examples include, but are not limited to Health Support Queensland (Queensland Pathology, Biomedical Technical Services and Pharmacy) and eHealth Queensland.

3.2 Method of Charge Calculation

The setting of internal charges is to be carried out in a consistent manner. This process must commence with simplified and well-defined products/services, which are provided on an ongoing basis, to ensure a common understanding amongst users.

User charges must reflect the actual cost of the product/service (e.g. actual computer costs) plus other direct costs, indirect costs/overheads and capital component associated with delivering the product/service. Capital charges are to reside with the customer utilising the product/service, however it is not intended that a charging area with existing minor capital funds will double charge for capital amounts for which they are currently in receipt of capital funding.

Cost transfers (such as the cost-on-charge Telstra and Smart Device accounts etc.) are not within the purpose of this standard and the *User Charging Policy*.

An open and visible process should be used when setting fees so that all of the cost elements used as the basis of calculation/derivation are recognised and made explicit. As part of this 'user pays' system, the customer/s should be clearly identified to assist with decisions on how they can best be charged (e.g. to determine appropriate cost drivers and cost allocation basis).

The agreed price must be arrived at in accordance with the full cost recovery and no profit margin principles of the *User Charging policy*. It is important to also ensure that there shall be minimal double counting in respect to the charging of labour and indirect costs/overheads across differing services e.g. same staff member spends time across a couple of services simultaneously.

The charge is designed to provide management information highlighting the true cost of products/services to enable users to manage demand, thereby promoting and enhancing service improvement and/or cost effectiveness. A charge provides a mechanism for growth and volume management - as demand increases the provider may find it necessary to engage other staff or incur additional costs.

Example:

Division X provides Product Y

Direct costs include – input purchase cost, salary/wages & on-costs, rent, electricity, hire fees

Indirect costs include – costs not directly attributable but support the operations of the charging area
Quality/Service standard – delivery within 14 days, timely & satisfactory closure of service call

3.3 Fee-for-Service

The ad hoc provision of a service by a charging area, that is at the specific request of a division/CBU and is unique to the division/CBU's needs, falls into the category of Fee-for-Service e.g. eHealth Queensland is asked to design a database to meet certain specifications. A 'one-off' quote shall be prepared by the charging area for acceptance by the customer division/CBU. The 'quote price' shall be arrived at following the full cost recovery only and no profit margin principles of the *User Charging policy*. It is important to ensure there shall be minimal double counting in the charging of labour and indirect costs/overheads across differing services e.g. same staff member spends time across a couple of quoted services simultaneously.

As each service request will differ, so too will the price. The following process for Fee-for-Service charging is to be adhered to:

- Customer division/CBU requests a unique service;
- Charging area prepares a quote/agreement that itemises the full costs (direct and indirect/overhead costs attributable to the provision of the service) it is recovering – this ensures transparency and assurance that no profit margin is included;
- Upon the customer division/CBU's acceptance of the quote/sign-off of agreement, the charging area commences the service;
- Customer division/CBU signs-off on completion of the service;
- Charging area attaches the accepted quote to the charge which is sent through for processing/payment; and
- Where an agreement is in place for the service to occur on a recurring, monthly basis the monthly charge is sent for processing with copies and details of the charges sent to appropriate contacts within the customer division/CBU.

3.4 Accounting Treatment

User charges may have two components, being an output component, and a capital component. There will be separate methods for processing the two different components. User charges **output component** are to be via a journal that is to be processed by the Finance Business Centre. This approach is highly efficient from a processing perspective, and is clearly effective in resulting in funds transfer being completed with limited transaction costs.

Capital component of user charges will be processed through an amendment window (AW). The capital component will be transferred via AW as a reduction in the customer's capital allocation and an equivalent increase in the provider's capital allocation. The department has a defined level of funding for capital acquisitions in any fiscal year. As a result of capital funding being fully allocated it is necessary to effect the capital component of internal charging through an AW so that it necessarily adjusts the Minor Acquisition budget.

3.5 Dispute Resolution Process

The Dispute Resolution Process is for instances where agreement cannot be reached between the customer (division/CBU) and the supplier (charging area).

Where fee-for-service quotes are accepted, there should be minimal disputes.

The following process for dispute resolution is to be adhered to:

- Monthly charges are to occur without delay even where aspects of the statement are to be contested;
- Constructive negotiation between the customer division/CBU and the charging area is to occur in relation to contested charges;
- Agreed corrections to the output component (i.e. over/under charges or omissions) are to be processed by the charging area in the subsequent month (except at end of financial year) – via adjustment journal or an offsetting credit in the next charging period;
- Agreed corrections to the capital component (i.e. over/under charges or omissions) are to be notified to Budgets and Analysis Unit within Finance Branch by the charging area and adjusted in the AW round subsequent to the disputed charge, or via an offsetting credit the next charging period.

4. Related legislation and documents

Legislative or other Authority

Financial Accountability Act 2009

Financial and Performance Management Standard 2009

Financial Accountability Handbook (Queensland Treasury)

Related Policy or Documents

Principles for Fees and Charges (Queensland Treasury)

Financial Management Practice Manual (FMPM) (DoH)

Funding and Reporting Guidelines (DoH)

Supporting Documents

User Charging Policy

5. Definitions

Term	Definition
Charging area	The Department of Health division/CBU that delivers the product or service, at a charge, to a Division/CBU within the department.
Cost Driver	A unit of activity that causes a change in the overall cost. For example, No of Installations of an IT program is directly related to the total cost of the IT program, and therefore an instance of IT installation can be used as a driver for the allocation of user costs.
Cost Allocation Basis	The basis upon which the costs of a service will be distributed. Usually based on an appropriate cost driver and/or levy.
Customer	The purchasing entity/recipient of the charged product or service. The customer is external to the Product/Service Provider and includes the departments' divisions and Business Units.

Term	Definition
Fee for Service	Ad hoc user charges to customers that relate specifically to provision of a service requested by the customer.
Levy	Charges to customers based on an allocation of total service cost.

Version Control

Date	Version No	Comments
28 February 2011	1.0	Internal User Charging Standard applicable to Queensland Health
30 June 2015	1.1	User Charging Standard applicable to the Department only. Reference to HHSs removed.