1. **Statement**

A user charge is a mechanism whereby divisions/commercialised business units (CBUs) within the Department of Health (DoH) can recover costs for providing products and/or services to other divisions/CBUs within the department. The primary purpose of user charging is to encourage efficiency in the consumption of goods and services through the provision of transparency in regards to the full cost of services as provided by divisions/CBUs to the department.

2. **Purpose**

The **User Charging Policy** has been established to provide a cohesive framework in relation to user charging. The policy aims to:

- identify the DoH Chief Finance Officer (CFO) as the accountable officer for policy development in relation to user charging;
- clearly define user charging;
- ensure rules governing user charging are clearly established and are applicable to all divisions/CBUs proposing a charge for their goods/services;
- provide a mechanism to send a price signal to users to prevent unnecessary use of products and services;
- provide the opportunity for users to obtain value for money through enhanced transparency of fee structures;
- protect the rights of users via a model that is based on full cost recovery and not profit; and
- ensure that the full cost of providing services/products are attributed to the end customer division/CBUs.

3. **Scope**

This policy applies to all employees (permanent, temporary and casual), contractors and consultants within the Department of Health divisions and commercialised business units. Additionally, the policy may be used as a guide for HHSs.

4. **Principles**

The Department of Health is committed to applying the following principles for the management of User Charging:

- The user charging process is:
  - simple,
  - transparent,
  - provides accountability; and
  - is equitable;
- A user charge must be on the basis of **full cost recovery** only;
- A user charge must only include:
  - direct costs;
Basis of the User Charge

In order to ensure that the full costs for providing services/products are attributed to the end customer division/CBU, a user charge must be raised. The user charge must be based on a full cost recovery premise. The user charge, therefore may have two components,

1. an output component whereby all relevant direct costs and any attributable indirect costs may be included, and
2. a capital component (if required).

The allocation of any costs, to form a user charge, will be determined by the application of an appropriately selected cost driver and/or levy.

Components of the User Charge

Output Component - Direct Costs

Direct Costs are those costs that can be directly attributed to the division/CBU that is raising the user charge.

Typical direct costs include (but are not limited to):

- Item’s actual purchase cost (inputs from external suppliers);
- Salary and wages;
  Note: this policy does not include the recovery of salary costs as part of employee secondments.
- Labour on costs;
  For example, superannuation, workers compensation, payroll tax, annual recreation leave, long service leave.
- Non-labour costs; and
  For example, consumables, equipment hire, licence fees, power/electricity, accommodation/rent, lease/hire fees, transport/vehicle charges, fuel, postage maintenance, cleaning, etc.
- User charges from other divisions/CBUs.

In determining the direct cost of a good/service, reliable pricing mechanisms should be used, for example, actual expenditure from the general ledger over the previous 12 months. Cost transfers (such as the cost-on-charge Telstra and Blackberry accounts etc) are not within the purpose and scope of this policy.

Output Component - Indirect Costs (Overheads)

Indirect costs include costs that are not directly attributable but support the operations of the division/CBU that are raising the user charge.
Capital Component

The capital component of the user charge is to ensure that there is coverage in respect to costs pertaining to the utilisation of equipment (or other capital items) directly related to providing a service e.g. Metro Linen washing machines etc. It is not intended that a charging area with existing minor capital funds will double charge for capital amounts. It is however the intention that the utilising customer (division/CBU) take ownership of the capital component via the user charge process, if the charging area is not in receipt of the capital allocation.

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 Standard

6. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Charging Area</td>
<td>The Department of Health division/CBU that delivers the product or service, at a charge, to a division/CBU within the department.</td>
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<tr>
<td>Cost Driver</td>
<td>A unit of activity that causes a change in the overall cost. For example, number 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.</td>
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<tr>
<td>Cost Allocation Basis</td>
<td>The basis upon which the costs of a service will be distributed. Usually based on an appropriate cost driver and/or levy.</td>
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<tr>
<td>Customer</td>
<td>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 CBUs.</td>
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<tr>
<td>Fee for Service</td>
<td>Ad hoc user charges to customers that relate specifically to provision of a service requested by the customer.</td>
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<tr>
<td>Levy</td>
<td>Charges to customers based on an allocation of total service cost.</td>
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Version Control

<table>
<thead>
<tr>
<th>Date</th>
<th>Version No</th>
<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>28 February 2011</td>
<td>1.0</td>
<td>Internal User Charging policy applicable to Queensland Health</td>
</tr>
<tr>
<td>30 June 2015</td>
<td>1.1</td>
<td>User Charging Policy made applicable to the department only. Information applicable to cross-entity charging (i.e. charges from department to a HHS) removed.</td>
</tr>
</tbody>
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Senior Director, Statutory and Advisory Services
User Charging Policy
Corporate Services Division
30/6/2015

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