



Government of Western Australia
Public Sector Commission

PUBLIC SECTOR COMMISSIONER'S CIRCULAR

Enquiries To: Peter McMullen, 9222 9358
Assistant Director
Department of Treasury
& Finance

Number: 2009-12
Issue Date: 09 July 2007
Review Date: 23 March 2011

Supersedes: Premier's Circular 2007/11, 2004/05

TITLE: COSTING AND PRICING GOVERNMENT SERVICES

POLICY

All public sector agencies are required to accurately determine the cost of their services. Determining the full cost of services enhances:

- Resource allocation within agencies;
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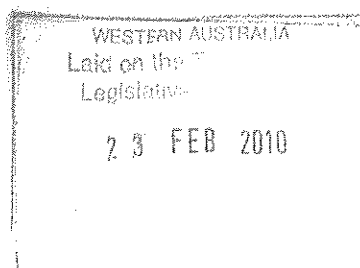
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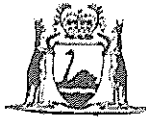
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Significant changes in this fifth edition include:

- expanded discussion of the policy issues surrounding pricing of services, e.g. when fees should be set to recover cost;
- further guidance on salary on-costs;
- simplified discussion of the opportunity cost of capital;
- referral to the State Supply Commission for latest policy and methodology regarding competitive tendering and contracting; and
- inclusion of a real-life case study on pricing/fee setting.

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The following principles should be applied generally to costing exercises:

- all costs should be verifiable;
- full cost includes not only direct costs but indirect costs, i.e. an allocation of those costs which are shared between the production of a number of services;
- capital costs should include both depreciation (where appropriate) and the opportunity cost of capital;
- the cost of each agency's services includes the cost to government of resources received free of charge from other agencies; and
- for determining competitive neutrality or benchmarking with the private sector, the cost to government should be adjusted for advantages and disadvantages of government provision compared to private sector provision (e.g. any exemption from Commonwealth, State or local government taxes and charges).

While costing of services requires the identification of all costs associated with service delivery, the pricing of services relates to the amount customers will be required to pay for each service. Unless Government approves otherwise, prices should be set at levels that reflect the full costs of providing the services

Officers from the Department of Treasury and Finance are available to provide advice and assistance concerning the use of the Guidelines. Further enquiries should be made to agencies' contacts in the Strategic Policy area.



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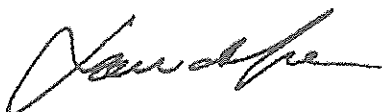
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