

Works Profit Margin Policy

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Council

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1. Purpose and Intent of the Policy

To provide clear direction on the profit margin Council can add external works for the cost of supervision and administrative overheads.

This policy also ensures external works are priced to recover Council's full cost, apply competitive neutrality principles where required, and manage financial and governance risk.

2. Policy Objective

The policy for works profit margins was developed to guide pricing for private or external works undertaken by Council works units.

Margins are applied after initial costings are calculated to ensure compliance with the National Competition Policy.

This policy does not apply to internal Council works, statutory fees set by legislation or regulation, Council grants, emergency response, or community support arrangements approved under another Council policy.

3. Who this Policy Applies to

External Council works.

This policy does not apply to internal Council works, statutory fees set by legislation or regulation, Council grants, emergency response, or community support arrangements approved under another Council policy.

4. Definitions

National Competition Policy - The National Competition Policy aims to achieve the most efficient provision of publicly provided goods and services through reforms designed to minimise restrictions on competition and promote competitive neutrality.

The principal reform required under the policy is the application of a public benefit test to justify the maintenance of any public policy which prima facie restricts competition. Policies for which a public benefit cannot be demonstrated must be repealed or modified so that they do not reduce competition.

Competitive neutrality -

Council must not gain a net competitive advantage simply because it is publicly owned when undertaking significant business activities in a market where private providers may operate.

External works - Works, services, plant, labour, materials, supervision or related activities provided by Council to an external party for a fee or charge.

Full cost price - The price that reflects the true cost to Council of delivering the work, including direct costs, indirect costs, overheads and any required competitive neutrality adjustments.

5. Policy Details

5.1 Policy

That for all external works which Council submits quotations or tenders, a profit margin is added that considers low-cost risk factors (e.g. plant and material supply) and high-cost risk factors (e.g. labour costs) at a minimum of 10%. The minimum 10% margin must be added after the full cost price has been calculated.

Margins are to be calculated following adjustments of Council pricing to ensure compliance with the National Competition Policy.

National Competition Policy adjustments will be applied before the profit margin is calculated.

Where a direct, indirect or perceived conflict of interest exists, staff are required to sign a Conflict-of-Interest form.

5.2 Process

1. Full cost of external works is calculated
2. National Competition Policy adjustment calculated and applied
3. Profit margin is calculated at a minimum 10% of the total cost, including the NCP adjustment.

Staff may also seek approval from the Chief Executive Officer regarding a potential lower profit margin for works of significant value in consideration of low and high-cost risk factors.

Approval for external quotes or tenders must be sought and granted prior to lodging, at the following financial levels:

\$0 - \$15,000 – Work Supervisor

\$15,000 - \$50,000 – Works Coordinator

\$50,000 - \$200,000 – Manager Operations

\$200,000 - \$500,000 – Director Infrastructure

\$500,000 and greater – Chief Executive Officer

5.3 Principles

Council will apply the following principles when assessing works profit margins:

- Profit margins must represent fair commercial return without compromising public value
- Cost structures should be capable of explanation and verification

- Similar projects should attract comparable margin expectations
- Higher risk or complexity may justify higher margins

Margins should reflect prevailing industry benchmarks

6. Relevant Legislation / References

Local Government Act 2020

National Competition Policy

7. Gender Impact Assessment

A Gender Impact Assessment was not undertaken. The policy was deemed to not have a direct and significant impact on the public.

8. Human Rights Commitment

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights and Responsibilities Act (Vic) 2006.

9. Child safety statement

Moyne Shire is committed to being a child safe organisation and has zero tolerance for child abuse. We recognise our legal and moral responsibilities in keeping children and young people safe from harm and promoting their best interests.

We are dedicated to ensuring we provide a culturally safe environment, embedding well-being, psychological safety and empowering children about their rights, equity and respect. We ensure this is reflected across physical and online environments.

We aim to create enriching experiences for young learners and want all children to feel safe, happy and empowered. We have a commitment to the cultural safety of Aboriginal and Torres Strait Islander children, culturally and linguistically diverse children, and to the safety of children with a disability.

10. Policy Owner

11. Document History

Version

Date Endorsed

Reason for Change:

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It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. **However, any change or update which materially alters this document must be by resolution of Council.*