Australian Government Charging Framework

Information Session

July 2015
Today’s Presentation

- The Australian Government Charging Framework
- What it means for entities
- Questions
GGS entities reported:

• $22.9 billion in total non-taxation revenue
  - $14.8 billion in government charging
  - of this, $1.9 billion was cost recovery revenue

• There were more than 7,000 charging activities undertaken by over 90 entities

• The Cost Recovery Guidelines apply to a small number of charging activities
There is a need for:

- a charging framework
- better charging information
- charging to be considered as a funding option
- more consistent charging
The Framework consists of:

- a charging policy statement
- charging considerations
- charging principles
Old

Activity funding source = **Budget revenue**

New

Activity funding source = **Budget revenue** → **Charging revenue**
Government Charging Activities

Framework does not apply

General Taxation

Fines and Penalties

Other charging (e.g. Govt to Govt)

Regulatory (Cost Recovery)

Resource

Commercial

Framework applies
Examples

• Approvals
• Registrations
• Monitoring, investigation and enforcement

• Licences for use that only Government can provide
• Charging for access

• Sale of government goods or services
• Accepting advertising or sponsorship
• Entry to institutions
Out-of-scope charging activities

General Taxation

Examples
- Statutory marketing levies
- Custom duties
- Goods and services tax

Fines and Penalties

- Court fines
- Contractual penalties
- Debt charges

Other

- Inter or intra-government charging
- Co-funding or partnership arrangements
- FOI charges
- Charging by Commonwealth companies
In-scope entities

96 non-corporate Commonwealth entities
- Departments of State
- Parliamentary departments
- Listed entities

68 corporate Commonwealth entities
- 6 Government Business Enterprises
  - Defence Housing Australia

16 Commonwealth companies

2 public non-financial corporations
- eg. ANU, RBA

Public non-financial corporations

Australian Postal Corporation

Public financial corporations
- 4 GBEs

Governance and Resource Management Group
Implementation

- The Government agreed to introduce the Charging Framework from 1 July 2015
- Further support to come:
  - entity workshops
  - consultation and testing of tools with entities
  - government policy order
- Final guidance for the Framework by 1 July 2016
The Charging Framework

**Charging Policy Statement**
Where specific demand for a government activity is created by identifiable individuals or groups, they should be charged for it unless the government has decided to fund that activity. Where it is appropriate for the Australian Government to participate in an activity, it should fully utilise and maintain public resources, through appropriate charging. The application of charging should not, however, adversely impact disadvantaged Australians.

**Charging Considerations**
Considerations to determine when it is appropriate to charge for a government activity.

**Charging Principles**
Transparency, efficiency, performance, equity, simplicity, policy consistency.

**Charging Activity Categories**
- Regulatory
- Resource
- Commercial
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Charging Considerations

- Entities should take into account:
  - policy considerations
  - specific charging considerations
- Some activities for which the Government does not charge, such as law enforcement
- Government is the decision maker
To charge or not to charge

Three questions:

1. Does the activity involve delivering a good, service or regulation?

2. Is there an identifiable individual or group that creates the demand for the good, service or regulation?

3. What would be the impact of charging for the good, service or regulation?

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Regulatory Charging

Where the government seeks to control or influence behaviour, manage risk and/or protect the community

• Involves applications, registrations, enforcement or compliance
• May not involve user discretion
• Legislation required
• Pricing is either full or partial cost recovery, depending on the policy objectives of the Government or Accountable Authority
• Cost Recovery Guidelines apply
Key Elements of Cost Recovery

**Principles**
- Efficiency and effectiveness
- Transparency and accountability
- Stakeholder engagement

**Requirements**
- Australian Government policy approval to cost recover
- Statutory authority to charge
- Alignment of expenses and revenue
- Up-to-date, publicly available documentation and reporting
- Portfolio charging review
Resource Charging

Where the government seeks to fully utilise public resources

• Involves:
  - bestowing specific rights, privileges
  - enabling access to public assets

• User discretion varies

• May have a regulatory component and require legislation, or may involve commercial contracts and not require legislation

• Pricing usually value-based
  - other pricing models can be used depending on policy objectives of the Government or accountable authority
Commercial Charging

Where the government provides goods or services and there are actual or potential competitors

- Involves provision of goods or services
- The user has discretion and alternatives
- Charging may not require statutory authority and usually involve commercial contracts
- Pricing models - usually market driven
  - other pricing models can be used depending on the policy objectives of the Government or accountable authority
## Categorising Charging Activities

### Regulatory

**Rules or requirements imposed by Government**
- Applications
- Monitoring
- Enforcement (e.g. Commercial fishing regulation)

$E > R$ or $E = R$

### Resource

**Natural resources**
- Rights and privileges – generally only Government can supply
  
  $E$ and $R$ need not align

**Public property and infrastructure**
- Asset or service exclusive to government (e.g. RV Investigator)
- May be substitutable with private sector (e.g. Specific building hire)
  
  $E$ and $R$ need not align

### Commercial

**Government goods and services**
- Generally substitutable with private sector (e.g. Training, gift shops)
  
  $E$ and $R$ need not align
Process of the Policy Decision

Entity considers policy and charging characteristics and objectives

Charging Proposal (NPP)

Documentation (e.g. CRIS for Regulatory charging)

Portfolio Charging Review

Design and Approval

Government

Policy decision

Implementation

Review

Accountable Authority

Business case to charge (internal document)
Considerations:

• whether government policy approval is required
  - material or sensitive commercial and resource charging may require it
  - all regulatory activities
  - activities that require legislative change

• whether statutory authority is required

• the most appropriate pricing model
  - is there a need to align expenses and revenue?
Portfolio Charging Reviews

- All charging activities must be reviewed at least every five years
- Schedule of Portfolio Charging Reviews
- Department of State coordinates
- Examines all existing charging activities
- Identifies new charging opportunities
Roles and responsibilities

- Finance Minister
- Responsible ministers
- Accountable authorities
- Entity staff
- Finance
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RMG 302 – Australian Government Charging Framework

RMG 304 – Australian Government Cost Recovery Guidelines

Fact Sheets
- Accountable Authorities and entity staff
- Ministers

Information Sheets
- Sponsorship
- Advertising
- [ Charging for data – coming in 2015-16 ]
- [ Resource charging – coming in 2015-16 ]
- [ Specialist services – coming in 2015-16 ]

[Updated Accountable Authorities Instruction on Charging]

Templates and Tools
- Charging Risk Assessment and CRIS templates
- [ Q and A’s – coming in 2015-16 ]
- [ PCR guidance and templates ]
Further information and questions

Charging information is available at: www.finance.gov.au/resource-management

Questions on charging to either your Agency Advice Unit in Finance or email chargingpolicy@finance.gov.au