



Australian Government

[Insert portfolio name]

[Insert responsible entity name]

COST RECOVERY IMPLEMENTATION STATEMENT

[Insert title of the regulatory activity being cost recovered]

[Insert current budget year]

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities.

Guide:

Government entities must document regulatory charging activities in a cost recovery implementation statement (CRIS), as required by the CRGs.

This template should assist a government entity when it is preparing a CRIS. The entity should also refer to the CRGs when doing so.

The entity can choose a different format, but must meet the CRIS content requirements in the CRGs. Additional information, such as chronological changes in charges, costs or other elements of the regulatory charging activity can be included as an attachment to the CRIS.

For a new regulatory activity or an existing regulatory activity that has not been cost recovered before, the CRIS should be finalised, approved and published on the responsible entity's website before the charging begins. After that, the CRIS should be amended to reflect any changes to the cost recovery model and updated regularly with financial and non-financial performance information.

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¹ The Australian Government Charging Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

1. INTRODUCTION

1.1 Purpose of the CRIS

This CRIS provides information on how [insert entity name] implements cost recovery for [insert activity title]. It also reports financial and non-financial performance information for [insert activity title] and contains financial forecasts for [insert current budget year] and three forward years. The [insert entity name] will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

1.2 Description of the regulatory charging activity

Guide:

Describe the regulatory charging activity and reasons for why it is undertaken. This usually forms part of a relevant policy proposal (see paras 11–12 and 49-50 of the CRGs).

- What is the regulatory activity being cost recovered?
- What policy outcomes will the activity achieve?
- Why is charging appropriate for the regulatory activity?
- Who will pay the regulatory charges?
- Are there other key stakeholders for the regulatory charging activity and, if so, what is their interaction?.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

Guide:

Government decisions to cost recover specific regulatory activities are usually announced in the Budget (budget.gov.au) or via media releases, or can be contained in explanatory memorandums to the relevant legislation. In providing details for government decisions, include any conditions, such as partial cost recovery or phased-in implementation. Where the Australian Government made more than one decision relevant to cost recovery of the regulatory activity, all decisions should be listed, including references (see para 33 of the CRGs).

- When did the government announce the decision to cost recover this regulatory activity?
- What was announced?
- How will cost recovery be implemented according to the government decision?

2.2 Statutory authority to charge

Guide:

List the legislation relied on to impose regulatory charges. This can relate to a cost recovery fee and/or a cost recovery levy and may be in primary (e.g. enabling) legislation and/or subordinate legislation (e.g. regulations, ministerial determinations). Provide links, including references to specific provisions (see paras 34 and 96 of the CRGs).

- Which legislation provides authority to impose for the regulatory charges?

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

Guide:

Describe the outputs (operational targets or milestones) of the activity and how they will be used to measure progress in achieving government policy outcomes. Outputs should be specific and measurable (e.g. the number and type of permits granted within a specific period). Identify key business processes used to produce outputs of the regulatory charging activity (see paras 77-78 of the CRGs).

- What are the outputs of the regulatory charging activity?
- What key business processes are used to deliver the outputs?

3.2 Costs of the regulatory charging activity

Guide:

Explain how the regulatory charging activity is costed, including assumptions about cost drivers. They may relate to the expected volume of outputs or cost of resources. Where cost estimates are sensitive to changes in assumptions, entities can use a range rather than a single estimate. The cost breakdown should be proportional to the complexity, materiality and sensitivity of the activity (see paras 79-87 of the CRGs).

- What are the main cost drivers for the activity?
- What assumptions have been made about cost drivers for the activity?
- How sensitive are cost estimates to changes in assumptions about cost drivers?
- What resources are included in the direct costs of the activity?
- What resources are included in the indirect costs of the activity?
- How are direct costs allocated to the outputs and business processes of the activity?
- How are indirect costs apportioned to the outputs and business processes of the activity?
- Which categories of capital costs does the activity have (e.g. operation and maintenance, depreciation, capital investment)?
- Are any of the resources shared by the regulatory charging activity and another activity that is funded via other mechanisms (e.g. Budget funded)? If so, how are the costs apportioned?
- Are any parts of the activity delivered by parties other than the responsible entity (e.g. an outsourced service provider)? If so, how are their costs determined and verified?
- Which cost management strategies, such as asset management, are employed?

Below is a possible presentation of cost breakdown estimates for the current budget year. It should be modified to suit the activity (e.g. if the regulatory charging activity shares any resources with activities funded through other mechanisms or parts of the regulatory charging activity are delivered by third parties, more columns can be added as necessary).

- What are the cost breakdown estimates for the current budget year?

	Direct costs	Indirect costs	Capital costs ^a
Output 1			
Business process 1.1			
Business process 1.2			
Output 2			
Business process 2.1			
TOTAL			

^a Ensure that capital costs are not double counted as part of direct or indirect costs.

3.3 Design of regulatory charges

Guide:

The level of information should be proportional to the complexity, materiality and sensitivity of the activity, but should make clear the relationship between charges and costs of outputs/business processes of the activity. Where it is impractical to list each charge, the charges can be grouped but the basis for the grouping should be explained.

- Which regulatory charges (cost recovery fees and/or cost recovery levies) are used?
- Why was this type of charge chosen?
- How do the charges relate to costs of outputs/business processes of the activity?
- Where is the current schedule of charges published?

The relationship between charges and costs of outputs/business processes may vary, depending on the type of charges. For cost recovery fees, include the methodology for calculating the fees, supported by one or two examples. If more than one method is used, explain the differences and why different methods have been used. For cost recovery levies, include the methodology for calculating the levy, explain how it is distributed among levy payers (e.g. flat/tiered levy rates or other proxy method). If using proxies, show how they reflect cost drivers. Provide examples of calculating the overall and individual levy payments (see paras 88-95 of the CRGs).

Any expected exemptions and/or waivers in relation to charges should be identified, including their policy rationale, statutory authority, and impact on expenses and revenue for the activity. If entities are still expected to incur expenses in providing the activity to those who are exempt from paying charges, funding source(s) for these expenses should also be identified.

Below is a possible presentation of the relationship between charges and outputs/business processes of the activity. It should be modified to suit the activity.

- What are the charge rates and revenue estimates for the current budget year?

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Charge 1	Fee	\$X	300	= \$X × 300	Output 1	Business process 1.1
Charge 2	Fee	\$Y	100	= \$Y × 100	Output 1	Business process 1.2
Charge 3	Levy	\$Z	10	= \$Z × 10	Output 2 Output 3	Business process 2.1 Business process 3.1 Business process 3.2 Business process 3.3
TOTAL						

4. RISK ASSESSMENT

Guide:

Describe the risks of charging for the regulatory activity; these may be associated with the complexity, materiality and sensitivity of the activity. Explain internal controls, systems or procedures to identify and engage with risk at each stage of the cost recovery process. The Charging Risk Assessment (CRA) tool and stakeholder feedback are useful means of identifying risks (see paras 57–63 of the CRGs).

- What risks are associated with charging for the regulatory activity?
- How will the risks be managed?

5. STAKEHOLDER ENGAGEMENT

Guide:

Entities should engage actively with stakeholders throughout all stages of the cost recovery process, from policy development through to implementation and review. Provide a summary of the recent engagement with stakeholders on regulatory charging. Stakeholders should be provided with an opportunity to check the summary of their views before its inclusion in the CRIS (see paras 30-32 and 120-122 of the CRGs).

- When did the most recent engagement with stakeholders take place? Who was engaged?
- What was the subject of the stakeholder engagement?
- What views did stakeholders express?
- How were these views addressed?
- What opportunities will be provided to stakeholders for future engagement?

6. FINANCIAL ESTIMATES

Guide:

Columns A to E in the table below should be compiled at the start of each budget year, and columns B to E should be updated throughout the year (e.g. at Additional Estimates or Supplementary Budget Estimates, as applicable). Column A should remain unchanged to provide a comparison between the original estimates and results for the budget year.

Estimates should be provided at least at the activity level. However, depending on the complexity, materiality and sensitivity of the regulatory charging activity, estimates at the output level should also be included. Where the activity has a sizable (positive or negative) cumulative balance or material variations across years, an explanation and balance management strategy should be included.

- What are the financial estimates for the activity for the budget and three forward years?

	A	B	C	D	E
	[Insert budget year] Do not change during budget year	[Insert budget year] Update during budget year	[Forward year 1] Update during budget year	[Forward year 2] Update during budget year	[Forward year 3] Update during budget year
Expenses = X	\$	\$	\$	\$	\$
Revenue = Y	\$	\$	\$	\$	\$
Balance = Y – X	\$	\$	\$	\$	\$
Cumulative balance	\$	\$	\$	\$	\$
Explain material ^a variance					
Explain balance management strategy					

^a As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister's Orders.

7A. FINANCIAL PERFORMANCE

Guide:

Provide information on the financial results for the activity. Depending on the materiality, complexity and sensitivity of the regulatory charging activity, information at the output level should also be included. Update the table after the relevant reporting period. If the financial results are revised at a later stage, the table should be revised accordingly.

Any material variation between actual annual expenses and revenue for the activity should be explained, including its impact on the balance management strategy. This information should be retained in the CRIS for up to five years, after which time it can be archived but remain accessible for review purposes.

How did the activity perform in previous financial years?

	[Insert historical year 1]	[Insert historical year 2]	[Insert historical year 3]	[Insert historical year 4]	[Insert historical year 5]
Expenses = X					
Revenue = Y					
Balance = Y – X					
Cumulative balance					
Explain material ^a variance					
Explain impact on balance management strategy					

^a As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister's Orders.

7B. NON-FINANCIAL PERFORMANCE

Guide:

Provide information on the non-financial performance of the regulatory charging activity after the relevant reporting period. This information should enable entities and stakeholders to evaluate whether outputs have been produced and outcomes have been achieved. Information could be collected from a range of sources (e.g. outcome, output and input measures). The number of performance measures and other types of relevant information is influenced by the complexity, materiality and sensitivity of the activity (see paras 123-128 of the CRGs).

Performance measures should be up to date and replaced when more useful measures are developed. Where the need for specific management actions is identified, describe them.

Performance information should be retained in the CRIS for up to five years, after which time it can be archived but remain accessible for review purposes.

- Which performance measures are used for the activity?
- What do those measures seek to demonstrate?
- How are the measures constructed?
- How is the activity performing against the measures?
- When were the measures last reviewed?

8. KEY FORWARD DATES AND EVENTS

Guide:

Update the list of key dates and events as necessary throughout the budget year. The dates may include:

- next scheduled update of forward estimates (financial)
- next scheduled update of actual results (financial)
- next scheduled stakeholder engagement round
- next scheduled portfolio charging review
- other key dates and events (e.g. broader policy or program reviews that may affect cost recovery for the activity)

Events that result in changes to the CRIS should be included in the CRIS approval and change register in the next section.

What are the key forward dates and events for the regulatory charging activity?

9. CRIS APPROVAL AND CHANGE REGISTER

Guide:

Maintain an up-to-date CRIS approval and change register. This will allow tracking of changes to the CRIS as a result of changes to the regulatory charging activity (e.g. new policy decisions or changes to the cost recovery model). Below are examples of relevant information and how it can be presented.

- What changes have been made to the CRIS?
- What was the reason for making the changes?
- Who approved the changes?
- When were the changes published?

Date of CRIS change	CRIS change	Approver	Basis for change
XX/05/2017	Certification of the CRIS	Title of accountable authority	New regulatory charging activity
XX/06/2017	Agreement to the CRIS	Title of responsible minister	New regulatory charging activity
XX/06/2017	Approval for the CRIS release	Finance Minister	High risk rating for the regulatory charging activity
XX/11/2017	Update of financial estimates	Title of accountable authority	Changes in assumptions (e.g. at Additional Estimates)
XX/7/2018	Update description of costs and charges	Title of responsible Minister	Changes in costs of resources
XX/1/2019	Amend description of business processes	Title of accountable authority	Revalidation of the costing model (operational change)
XX/11/2019	Amend description of the regulatory charging activity and cost recovery model	Government	Addition of a new group of fee payers (policy change)