



# Australian Government Charging Framework

## Frequently Asked Questions

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### Audience

This Charging Framework (the Framework) is relevant to all Commonwealth entities in the General Government Sector that are undertaking or proposing to undertake a charging activity.

### Questions

**1. Q: Which entities does the Framework apply to?**

A: The Framework applies to all non-corporate Commonwealth entities. The Framework will also be applied to corporate Commonwealth entities in the General Government Sector.

Non-corporate and corporate Commonwealth entities are defined in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

**2. Q: Which activities does the Framework apply to?**

A: The Framework applies to:

- regulatory charging activities
- charging for access to public resources, infrastructure and/or equipment
- commercial charging activities, including acceptance of advertising and sponsorship payments.

Further information on these categories is in [RMG No. 302 Australian Government Charging Framework](#).

**3. Q: Are inter-government payments covered by the Framework?**

A: No, inter- and intra- government charging arrangements are not covered by the Framework. [RMG No. 304 Cost Recovery Guidelines](#) (the Guidelines) suggests that entities apply the following processes to inter- or intra- government charging:

- that the accountable authority (or delegate) provides authority to charge for the activity
- that the entity only recovers the efficient costs of the specific activity and should not retain amounts that have already been appropriated to the entity for the activity
- that the entity to be charged should be consulted and where possible agreement on the charges should be reached, the costs included in charges and the standard of the product or service being provided.

The Guidelines also indicate that the charging activity should be documented in proportion to the size and complexity of the charging activity. Documentation should include information on how the charge was determined. Documentation could be in the form of an inter- or intra-government agreement, service level agreement, exchange of letters or memorandum of understanding.

**4. Q: Is co-funding covered by the Framework?**

A: No, co-funding, co-payments, partnership activities or similar arrangements are not subject to the Framework.

**5. Q: Do the Cost Recovery Guidelines still apply?**

A: Yes, the Australian Government [RMG No. 304 Cost Recovery Guidelines](#) apply to regulatory charging activities. Therefore, for regulatory charging activities, entities are still required to:

- have Australian Government policy approval
- have statutory authority to charge
- ensure alignment between expenses and revenue
- provide up-to-date, publicly available documentation and reporting
- undertake and participate in a Portfolio Charging Review.

**6. Q: How does the Charging Framework fit with other government policies?**

A: With the introduction of the Charging Framework, all entities must now consider charging as a funding option for relevant government activities. In doing this, there are a range of considerations that influence whether it is appropriate to charge for a government activity. This includes whether charging would be consistent with other government policies. For example, entities must consider how charging for a government activity would impact on community service obligations.

**7. Q: How does the Charging Framework fit with competitive neutrality?**

A: Where an entity is undertaking an activity on a commercial basis the entity must consider whether the activity is subject to the Australian Government's Competitive Neutrality policy. Entities should seek advice from the Department of Treasury on the application of competitive neutrality.

**8. Q: What are the reporting requirements of the Framework?**

A: There are no additional reporting obligations under the Charging Framework.

- Regulatory charging activities still require a Cost Recovery Implementation Statement (CRIS) to be prepared and published for all cost recovered activities.
- The documentation and reporting for resource and commercial charging activities should be proportional to the size and complexity of the charging activity.

A key element of the PGPA Act is the implementation of an enhanced whole-of-government performance framework and a greater focus on stakeholder engagement. Therefore, reporting and improving on performance is particularly important for Australian Government charging activities. Entities are also required to report consistently with broader financial reporting and disclosure requirements of the Government.

**9. Q: What approvals are needed to conduct a charging activity?**

A: Approval requirements vary, depending on the category and nature of the charging activity.

- Regulatory charging activities require policy approval from the Australian Government (generally, the Cabinet or the Prime Minister). This may involve a New Policy Proposal (NPP) and/or a Cabinet Submission.
- Resource or commercial charging activities that are material or sensitive will most likely require policy approval from the Australian Government through an NPP.
- In all instances, the Accountable Authority (or delegate) has a role in approving the charging activity arrangements.

**10. Q: Do I need legislation to charge?**

A: Possibly, the need for legislation (i.e. statutory authority) to impose a charge is dependent on the charging activity.

- Regulatory charging activities always require legislation. If a regulatory charge is a levy, a separate tax Act is required.
- Resource and commercial charging activities will most likely not require legislation.

In certain circumstances, an entity's enabling legislation, or other legislation, may provide statutory authority to charge for an activity. Where entity staff are unsure whether legislation is required for a charging activity, they should consider seeking legal advice.

**11. Q: Is there a single set of activities that I can automatically charge for?**

A: No. The Charging Framework includes a list of considerations that entities should take into account when considering whether to charge for an activity. See charging considerations in [RMG No. 302 Australian Government Charging Framework](#).

Decisions about charging for a government activity should be made on a case-by-case basis.

Charging must be consistent with the [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.'

**12. Q: What level of stakeholder engagement is required for charging activities?**

A: Engagement with stakeholders is vital to developing, managing and evaluating charging activities. The level of stakeholder engagement should be proportional to the likely impact of the activity, regardless of whether it is a regulatory, resource or commercial charging activity.

If undertaking a regulatory activity, the Guidelines require stakeholder engagement when setting the level of charges and on an ongoing basis. The Guidelines also require that the outcomes of stakeholder engagement be detailed and published in the CRIS.

**13. Q: What should I charge?**

A: Charging can send important ‘price signals’ about the cost or value of a government activity. Charges should, at least, recoup the costs of administering the activity.

- Regulatory charges should generally recover the full cost of providing the regulatory activity. In certain circumstances, the Government may decide to partially recover the costs of the regulatory activity.
- Resource charges should generally be set according to: market prices; the impact of utilising or accessing the resource; or the policy and legislative intent of the activity. In some instances, the Government may request that resource charging be on a cost recovery basis.
- Commercial charges are generally market-driven. Australian Government entities should generally set prices for commercial charging activities to recover the costs of the activity and to earn a rate of return.

Entities must set prices consistent with the policy decision to charge for the activity. Pricing should take account of all relevant costs, including direct, indirect and capital costs.

**14. Q: Which pricing model is best?**

A: There are a variety of different pricing models that can be used, depending on the category and charging activity. For:

- regulatory charging activities: the only pricing model that can be used is full or partial cost recovery
- resource charging activities: a number of different pricing models can be used, including value-based pricing, market based pricing or cost recovery
- commercial charging activities: usually the market driven pricing model is used.

**15. Q: Is there a materiality threshold for pricing a charging activity?**

A: No, there is no minimum threshold for pricing. However, entities must ensure that the charging activity is cost effective and efficient.

**16. Q: What is a Portfolio Charging Review (PCR)?**

A: Departments of State must conduct periodic reviews of all existing and potential charging activities within their portfolio at least every five years, in accordance with the published [Schedule of Portfolio Charging Reviews](#), or at a time agreed by the Finance Minister. All General Government Sector entities within the portfolio are required to contribute to the Portfolio Charging Review.

**17. Q: How do I undertake a portfolio charging review?**

A: The process for a Portfolio Charging Review is outlined in Stage 4 of [RMG No. 304 Cost Recovery Guidelines](#). The Department of State should meet with the Charging Policy team at Finance to seek advice about the Portfolio Charging Review.

**18. Q: How should I treat charging revenue?**

A: Charging revenue must be treated in line with any decision of the Finance Minister or the Government. A general rule is that any revenue generated from a legislated fee should be treated as an administered receipt and must be returned to the Official Public Account.

**19. Q: Can charges be designed to automatically increase?**

A: The charging activity category determines if a charge may be automatically increased.

For:

- regulatory activities: the level of the charge must reflect the efficient costs of a specific government activity, therefore it is not appropriate to apply automatic indexation<sup>1</sup>
- resource and commercial activities: the level of the charge is determined from the pricing model selected as part of the policy decision. This model may include indexation of the expenses. However, there should be regular review of expenses to ensure that the prices are set at the most appropriate level.

**20. Q: Can I use charging revenue to offset expenditure?**

A: Yes, however the Government or the Finance Minister must agree on a case-by-case basis through the Budget process.

<sup>1</sup> The [Cost Recovery Guidelines](#), (paragraphs 79-87) detail how regulatory activities can be costed. When costing a proposed regulatory activity, estimates for future years may reflect anticipated cost increases, using a measure such as CPI. However, actual prices must reflect actual costs, not estimated costs. For this reason, the costs and prices must be reviewed regularly.