



Australian Government

Comcare

COST RECOVERY IMPLEMENTATION STATEMENT

For fee for service activities charged under the *Safety, Rehabilitation and Compensation Act 1988* for the approval and renewal of workplace rehabilitation providers

2019-20 to 2022-23

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.

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 Cost Recovery Implementation Statement (CRIS)

This CRIS provides information on how Comcare implements cost recovery for activities under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act) relating to approval and renewal of workplace rehabilitation providers (WRPs).

It also reports financial and non-financial performance information for these activities and contains actual results for 2019-20 and financial forecasts for the four forward years. Comcare will maintain the CRIS until the activities, or cost recovery for the activities, has been discontinued.

1.2 Description of the regulatory charging activity

Under the SRC Act, WRPs that wish to provide workplace rehabilitation services in the Comcare scheme must be approved by Comcare. An initial approval or renewal fee is payable upon application.

Cost recovery is appropriate as the activities can be attributed to a defined group of users (that is, the applicant) and costs can be allocated to activities in a reasonable and transparent manner.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

Comcare's power to cost recover for the relevant activities (where applicable) is set out in the SRC Act and the amount set in *Safety, Rehabilitation and Compensation Regulations 2019* (SRC Regulation). The legislative process, including Explanatory Memorandums for the original and amending legislation, and the passage of the SRC Act by the Australian parliament, provides evidence of Government policy approval to cost recover those activities.

2.2 Statutory authority to charge

Under section 34C of the SRC Act, Comcare has the authority to charge an application fee to prospective WRPs. Under section 34K of the SRC Act, Comcare has the authority to charge a renewal fee to existing WRPs seeking to have their approval renewed.

The amount of the fee is the amount estimated by Comcare to represent the full costs incurred by Comcare in performing the assessments necessary in confirming the applicant has the capacity and capability to effectively deliver workplace rehabilitation services.

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

The key output of the WRP assessment charge is to control and maintain the standards of WRPs wishing to provide workplace rehabilitation services in the Comcare scheme. This is achieved through an application process in which the applicant must demonstrate their capacity and capability to meet Comcare's standards.

Once approved by Comcare, the WRP must continue to demonstrate their ongoing ability to meet the conditions of approval and performance standards. This is outside of the scope of this CRIS as the legislative authority only extends to the ability to charge for initial approval or renewal.

At the end of an approval period, the WRP may apply for renewal of the approval for another period. The renewal process is materially the same as the initial approval process.

In relation to the application and renewal processes, the output is further broken down into a number of business processes:

- receipt of application and processing of payment;
- entering application details in Comcare's system;
- initial review of application against the criteria and the operational standards;
- quality assurance of assessment decision; and
- notification of decision to applicant.

3.2 Costs of the regulatory charging activity

The initial approval and renewal processes are administered by a team within Comcare. This team's expenses comprise Comcare staff, supplier expenses and a proportion of Comcare's corporate costs (that is, a proportion of property, information technology and other costs incurred by Comcare allocated to the function or activity through Comcare's internal cost allocation model).

The budgeted expenses of the team are attributed to the business processes identified above based on management estimates. Only effort related to the initial approval and renewal of WRPs are included in the calculation of the WRP application fees.

The estimated total cost of the WRP initial approval and renewal activity from 2019-20 to 2021-22 is provided in Table 1. This three year period (2019-20 to 2021-22) is used as the program operates on a three year cycle, with renewals occurring in the third year of the program (in this case, the 2019-20 year), and

approvals mostly occurring in the previous two financial years (although some approvals do occur in the third financial year).

Table 1. Workplace Rehabilitation Providers Program Projected Costs 2019-20 to 2021-22

	Direct costs	Indirect costs	Total Costs
Workplace Rehabilitation Providers Initial Approval and Renewal			
Receipt of application and processing of payment	\$17,000	\$11,000	\$28,000
Entering application details in Comcare's system	\$17,000	\$11,000	\$28,000
Review of application against criteria and conditions of approval	\$102,000	\$58,000	\$160,000
QA of review and approval of decision	\$67,000	\$34,000	\$101,000
Notification of decision to applicant	\$32,000	\$20,000	\$52,000
Total	\$235,000	\$134,000	\$369,000

3.3 Design of regulatory charges

The fees charged represent the full cost incurred by Comcare over the approval and renewal period to process and consider applications. It excludes the costs of ongoing monitoring of provider performance and compliance to the conditions of approval.

The current WRP approval period expired on 30 June 2020. The next WRP approval period is from 1 July 2020 to 30 June 2023.

The exact effort required to process each individual application will be slightly different. However, the application fee will be charged at a tiered rate as it would be inefficient and costly to develop and maintain a model that allows cost recovery to such a precise degree. Table 2 sets out the fees.

Table 2. WRP application and renewal fees

Charge	Type	Fee	Estimated volume 2019-20 to 2021-22	Estimated total revenue 2019-20 to 2021-22	Actual volume in 2019-20	Actual revenue in 2019-20
WRP Application	Fixed	\$2,000	66	\$132,000	11	\$22,000
WRP Renewal						
1 state or territory	Fixed	\$1,000	54	\$54,000	27	\$27,000
2 or 3 states or territories	Fixed	\$3,000	18	\$54,000	16	\$48,000
4 or more states or territories	Fixed	\$5,000	26	\$130,000	21	\$105,000
Total			164	\$370,000	75	\$202,000

4. RISK ASSESSMENT

4.1 Cost Recovery Risk Assessment

Comcare has undertaken a risk assessment for this CRIS, using the Charging Risk Assessment template provided by the Department of Finance. The risk assessment is provided in Attachment A. This is assessed as a medium risk.

5. STAKEHOLDER ENGAGEMENT

5.1 Stakeholders Engagement Strategy

Comcare will continue to engage with all workplace rehabilitation providers operating in the Comcare scheme, the WRP professional association (Australian Rehabilitation Providers' Association) and will publish information on its website to highlight the application process and the associated costs.

5.2 Engagement activities

The following stakeholder engagement activities took place to support the development of this CRIS:

Date	Activity
February 2019	Comcare consulted with all approved WRPs on potential increases to initial application and renewal fees in line with wage price index increases. There was limited response to this consultation and no significant concerns raised. Comcare consequently decided not to increase the fees.

6. FINANCIAL ESTIMATES AND FINANCIAL PERFORMANCE

The table below sets out financial results and forward estimates for the cost recovery arrangements.

	2019-20 (estimate)	2019-20 (actual)	2020-21 (estimate)	2021-22 (estimate)	2022-23 (estimate)	2023-24 (estimate)
Expenses	\$341,000	\$250,869 ²	\$15,000	\$14,000	\$202,000	\$15,000
Revenue	\$341,000	\$202,000	\$8,000	\$14,000	\$202,000	\$15,000
Balance	-	(\$48,869)	(\$7,000)	-	-	-
Cumulative balance		(\$48,869)	(\$55,869)	(\$55,869)	(\$55,869)	(\$55,869)
Explain balance management strategy	The resources allocated to process applications were based on expected applications and renewals. In 2019-20 main cycle, the actual number of applications and renewals received were significantly lower than expected. This under recovery will be absorbed by Comcare.					

² The 2019-20 actual expenditure includes depreciation expense for a newly developed online portal for management of WRP.

7. NON-FINANCIAL PERFORMANCE

All compliant renewal applications were assessed prior to the commencement of the approval period (30 June 2020). All new initial applications will be assessed within six months of receipt.

8. KEY FORWARD DATES AND EVENTS

A list of key dates and events necessary to maintain and implement the CRIS process throughout the budget year is below.

Date	Event
2021	Portfolio Charging Review
2022	Full review of fees and charges.

9. CRIS APPROVAL AND CHANGE REGISTER

Comcare will maintain an up-to-date CRIS approval and change register.

Approval date	Approver	Approval Required
2 October 2019	Comcare CEO	Certification of the CRIS
23 October 2019	Minister	Approval of the CRIS
15 December 2020	Comcare CEO	Certification of the financial updates

Date	Description of Update
October 2020	Table 2 – actual volume and revenue added Table 6 – 2019-20 actual financial performance added

Charging Risk Assessment (CRA)

Implementation risks	Low		Medium		High	
1. What is the proposed change in annual cost recovery revenue for the activity?	X	<5%	<input type="checkbox"/>	5 < 10 %	<input type="checkbox"/>	>10% Or New
2. What is the total proposed annual cost recovery revenue for the activity?	X	0 - \$10m	<input type="checkbox"/>	\$10m < \$20m	<input type="checkbox"/>	\$20m +
3. What does the policy proposal or change in the cost recovered activity involve?	X	Change in the level of existing cost recovery charges (Note: No change to charges)	<input type="checkbox"/>	Change in the structure of existing cost recovery charges and/or composition of payers	<input type="checkbox"/>	Introduction of cost recovery for a new activity or for an existing activity (or its components) that has not been cost recovered previously
4. What type of cost recovery charges will be used?	<input type="checkbox"/>	Levies only	X	Fees only or fees and levies	<input type="checkbox"/>	Fees, levies and other charges
5. What legislative requirements are necessary for imposition of cost recovery charges?	X	Does not involve an Act of Parliament (e.g. Regulations, Determinations etc)	<input type="checkbox"/>	Involves an Act of Parliament (e.g. enabling Act or levy imposition Act)	<input type="checkbox"/>	Requires State/Territory legislative changes or referral of powers to the Commonwealth
6. Does the proposal involve working with other Commonwealth, State/Territory and/or local government entities?	X	No	<input type="checkbox"/>	Yes - with Commonwealth entities only	<input type="checkbox"/>	Yes – with Commonwealth and State/Territory entities
7. What will be the expected impact of cost recovery on payers? <i>This may depend on, among other things:</i> <ul style="list-style-type: none"> • the change in the level of charges • the number of people affected • the cumulative effect from other government charges/regulation • the economic conditions etc. 	X	Low	<input type="checkbox"/>	Medium	<input type="checkbox"/>	High
8. What consultation has occurred with payers and other stakeholders about the proposed cost recovery?	X	Consulted - no significant issues raised	<input type="checkbox"/>	Consulted – significant issues raised but can be addressed	<input type="checkbox"/>	Not consulted <u>or</u> consulted and significant issues raised but ongoing sensitivities
Overall CRA rating:	<input type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	MEDIUM	<input type="checkbox"/>	HIGH
<p>Supporting analysis: Comcare’s cost recovery process is assessed as a medium risk due to the annual revenue, the type of charges, the change in cost recovery activity and the legislative requirements involved. A medium risk means that the Cost Recovery Implementation Statement can be approved by the responsible Minister and does not require the Finance Minister’s agreement for release before charging begins as per Department of Finance Regulatory Charging Risk Assessment requirements.</p>						
Entity sign-off:	Date: 15 December 2020	I, as the Chief Financial Officer of Comcare, have been engaged on the CRIS and I am in agreement with the methodology, budget and overhead financial data contained therein. I assess that the CRA is reflective of the input and is a fair representation of the outcome.			Date: 26 October 2020	