



Australian Government
Climate Change, Energy, the Environment and Water Portfolio
Department of Climate Change, Energy, the Environment and Water

COST RECOVERY IMPLEMENTATION STATEMENT

Water Efficiency Labelling and Standards

2023-24

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector some or all of the minimum efficient costs of a specific government activity. The Cost Recovery Policy along with the Australian Government Charging Framework (the Charging Framework) sets out the policy under which government entities design, implement and review charging for regulatory activities. The Cost Recovery Implementation Statement is the public document to ensure transparency and accountability for the level of the charging and to demonstrate that the purpose for charging, as decided by Government, is being achieved.

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1. INTRODUCTION

1.1. Purpose

This Cost Recovery Implementation Statement (CRIS) provides information on how the Department of Climate Change, Energy, the Environment and Water (DCCEEW) implements cost recovery charging for the Water Efficiency Labelling and Standards scheme (WELS) scheme. It reports actual financial and non-financial performance information for the WELS scheme and contains financial and demand forecasts for 2023-24 and three forward years. DCCEEW will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

The [Water Efficiency Labelling and Standards Act 2005](#) (WELS Act) allows for the Commonwealth Minister to determine (by legislative instrument) that water-use products or water-saving products of a specific kind are WELS products. The [Water Efficiency Labelling and Standards Determination 2013](#) currently defines WELS products as being:

- tap equipment that is for use exclusively over a fixed basin
- fixed showers for use exclusively for personal bathing
- electric dishwashers that are intended for household use
- electric clothes washing machines that are intended for household use (including cold wash only machines and combination clothes washing machine dryers)
- lavatory equipment that uses water
- urinal equipment that uses water
- flow controllers (for use in a WELS product or to be offered for supply separately).

WELS products must be registered and labelled before being supplied to the Australian market. This requirement applies to all regulated entities participating in the supply chain. Regulated entities range from domestic and international manufacturers, importers, wholesalers, retailers and building developers.

Broadly, the WELS scheme contributes to national water security and reduces household utility bills related to water usage and the heating of water. Regulating the supply of WELS products helps the Australian Government to support the objectives of the WELS Act. These objectives include:

- conserving water supplies by reducing water consumption
- providing information to consumers of water-use and water-saving products
- promoting the adoption of efficient and effective water-use and water saving technologies.

The mandatory registration and labelling of WELS products:

- contributes to conserving water
- enables businesses to be recognised for innovation in the development of water saving and water using products
- enables businesses to market their water efficient products accordingly and reach specific consumer cohorts
- provides consumers with information to make informed water-wise purchasing decisions
- provides water efficiency information to the public.

The government charging policy decision is for partial cost recovery. Under the current partial cost recovery settings 80 per cent of the costs of administering the WELS scheme are recovered through charges imposed on the non-government sector. The remaining 20 per cent is funded by a 10 per cent contribution from the Commonwealth and a 10 per cent contribution from states and territories.

Regulated entities pay for the registration of two categories of products – ‘WELS plumbing products’ and ‘WELS appliance products.’ The entity within the supply chain that will commonly register a WELS product will be the manufacturer or another entity authorised by the manufacturer to register the product. In 2022-23, 47% of the 422 regulated entities under the WELS scheme (i.e., licensed organisations that register WELS products) were located outside of Australia.

2. POLICY AND STATUTORY AUTHORITY TO CHARGE (COST RECOVER)

2.1. Government policy approval to charge for this regulatory activity

The Australian Government announced its decision to establish the WELS scheme as part of the 2005-06 Budget. Authority to establish the WELS scheme is found on pages 156-157 of Budget Paper 2: Budget Measures. In the budget paper, funding was announced to administer a mandatory national Water Efficiency Labelling and Standards scheme. The scheme would provide consumers with information about the water efficiency of water consuming products. It was also announced that the cost of administering the WELS scheme would be met by partial cost recovery from industry through registration fees¹, and through state and territory contributions. Partial cost recovery would occur using a five-yearly registration fee of \$1,500 per product model.

The budget papers can be found at archive.budget.gov.au/2005-06/index.htm.

The implementation of partial cost recovery has evolved since the WELS scheme was implemented in 2005. In November 2011, the Standing Council on Environment and Water² (no longer active) decided that the WELS scheme should recover 80 per cent of its administration costs from registrants (i.e., regulated entities applying to register WELS products). The Explanatory Memorandum associated with the *Water Efficiency Labelling and Standards (Registration Fees) Bill 2013* documents this decision.

The Explanatory Memorandum can be found at www.legislation.gov.au/bills/C2013B00034.

The policy authority for the WELS scheme provides for charges to be applied to the assessment of registration applications. This charging mechanism is used to recover the scheme's direct costs through the imposition of cost recovery charges. Indirect costs associated with the WELS scheme are funded by the contributions from the Commonwealth and state and territory governments. Direct costs associated with the scheme are approximately 80 per cent of total costs, with indirect costs forming approximately 20 per cent of total costs.

2.2. Statutory authority to charge

[Water Efficiency Labelling and Standards Act 2005](#)

Section 67 of the WELS Act provides the legislative authority for the imposition of cost recovery fees-for-service in relation to services provided by, or on behalf of, the WELS Regulator in the Performance of the Regulator's functions.

Section 65 of the WELS Act further states that amounts received by the Commonwealth as fees must be credited to an administered WELS Account (to meet requirements of the *Public Governance, Performance and Accountability Act 2013*). Section 66 states that the purpose of the WELS Account is to make payments to further the objects of the WELS Act or in connection with the performance of the Regulator's functions under the WELS Act.

[Water Efficiency Labelling and Standards \(Registration Fees\) Act 2013 \[WELS \(Registration Fees\) Act\]](#)

¹ Whilst the charge is characterised as a registration fee, it is established under a taxation Act. In the context of the AGCP, such a charge is defined as a cost recovery levy. In this CRIS, the terms fee and levy may be used interchangeably. The WELS scheme going forward is seeking to amend the charging language to reflect the policy and legal definition of a levy.

² The Standing Council formed part of the broader Council of Australian Governments. The role of this Council was the peak intergovernmental forum in Australia to initiate, develop, and monitor policy reform of national significance and the future wellbeing of all Australians which required co-operative action by Australian governments.

The WELS (Registration Fees) Act provides the legislative authority for the imposition of cost recovery levies when registering WELS products (i.e. making a registration application). It applies where a registration application is an application made under the WELS Act or a corresponding state and territory law.

Section 7(1) states that the Minister may specify charges for registration applications by legislative instrument. Before making an instrument, the Minister must give a draft of the instrument to each participating state and territory (Section 7(4)) and the instrument may specify the specific amount of the charge or the method of calculating the charge (Section 8(1)). Section 8(2) requires that the Minister must be satisfied that charges are set at a level that is designed to recover no more than the likely cost of administering the WELS scheme.

[Water Efficiency Labelling and Standards \(Registration Fees\) Determination 2013 \[WELS \(Registration Fees\) Determination\]](#)

The WELS (Registration Fees) Determination is made under Section 7(1) of the WELS (Registration Fees) Act and establishes the charging year as a period of 12 months starting on 15 September and specifies both the methodology to set the charge (Section 5) and the amounts to be charged (Schedule 1 – Application fees).

3. CHARGING (COST RECOVERY) MODEL

3.1. Outputs and business processes of the activity

The WELS scheme regulatory model broadly encompasses activities such as:

- setting requirements for product registration
- assessing and monitoring compliance
- responding to non-compliance.

These regulatory activities are supported by engagement and education, assurance and evaluation.

The outputs, description of business processes and specific examples relating to the WELS scheme are described in Table 3.1.1 below.

Table 3.1.1 – WELS scheme outputs and business processes included in the charging arrangement

Cost group	Outputs Business Processes <i>Examples</i>
Program management and administration	<p>Workforce and Business Management: Managing employees, business planning and reporting, procurement, financial management, information management and corporate enabling services.</p>
	<p>Business System Administration: Developing, acquiring, testing, implementing, and supporting applications and business systems. <i>Specific examples include activities which deliver a stable WELS registration system and Compliance Case Management System.</i></p>
	<p>Stakeholder Engagement: Engaging with persons, businesses, organisations, and peak industry bodies, attending consultative committees and industry meetings, and the maintenance of public facing information. <i>Specific examples include activities to promote and encourage voluntary compliance with regulatory requirements and to provide information about how to save water; and collaboration with co-regulators to align effort and reduce regulatory burden where possible.</i></p>

Cost group	Outputs Business Processes <i>Examples</i>
	Policy and Instructional Material: Developing, maintaining and communicating the program’s instructional and guidance material, such as standard operating procedures, work instructions and public facing guidelines. <i>Specific examples include activities to amend legislation, develop instructional material for compliance and registration processes, and update or develop standard requirements with Standards Australia committees.</i>
Assurance	Business Improvement: Assessing, monitoring and managing business performance, including improvements to regulatory authority, business processes and cost management.
	Risk Management: Assessing and managing the risks posed to achieving the stated financial and non-financial regulatory outcomes. This includes communicating results of risk analysis, modelling and forecasting to operational areas and the collection, receipt and use of reliable compliance data to meet the department’s compliance objectives. <i>Specific examples include activities which involve assessing and managing the risks associated with achieving the objectives of the WELS Act and the WELS Registration Fees Act. This includes assessment of risks associated with the supply and labelling of products that fall within the WELS scheme.</i>
	Verification: Activities undertaken to provide stakeholders and departmental executive with confidence that departmental controls of its systems and processes are operating in accordance with their intended design and associated documentation.
	Surveillance: Monitoring the activities, documentation and behaviour of regulated entities or groups to assess overall program compliance. Surveillance differs from inspection as it is conducted on the regulatory system and not against the behaviour of individual participants.
Incident management	Incident Management: Activities to coordinate and manage any incident of non-compliance.
	Investigation Support: Providing support to enforcement actions relating to an alleged breach of legislation.
	Corrective Action: Actions taken in response to establishing sanctions or enforceable actions arising from non-compliance or contravention of legislation.
Intervention	Assessment: Assessing information to determine if it meets necessary requirements and conditions. This includes all preparatory work (such as confirming necessary requirements and conditions) and post work (such as assessment report preparation). Examples include assessments of application licences, permits, registrations, accreditations, and exemptions. <i>Specific examples include the assessment of an application to register a WELS product.</i>
	Inspections: The physical examination (and supervision of a physical examination) of products, goods and processes to determine compliance with obligations. <i>Specific examples include activities provided to an individual, business or organisation by a WELS Inspector to determine compliance with the WELS Act.</i>
	Issue approvals/certification: Issuing decisions to grant an approval or permission in relation to an assessment of information. This includes activity relating to the creation of evidence for a decision (e.g., a

Cost group	Outputs Business Processes <i>Examples</i>
	certificate of registration) from the end of the assessment period to the completion of the decision notification process to support issuance of appropriate export documentation. <i>Specific examples include activities provided to an individual, business or organisation by the WELS Regulator or their delegate to communicate the approval of an application to register a WELS product.</i>
	Audit: Systematic examination to determine whether the activities and processes of regulated entities comply with legal and other requirements.

3.2.Costs of the regulatory activity

The overall costs of the WELS scheme include direct and indirect costs. The cost of administering the WELS scheme for the 2023-24 year is outlined in Table 3.2.1 below.

Table 3.2.1 - cost breakdown estimates for 2023-24

Output	Direct costs (\$m)	Indirect costs (\$m)	Capital costs (\$m)
Workforce and Business Management	0.419	0.082	-
Business Systems Administration	0.145	0.028	-
Stakeholder Engagement	0.451	0.088	-
Policy and Instructional Material	0.340	0.066	-
Business Improvement	0.383	0.075	-
Risk Management	0.067	0.013	-
Verification	0.025	0.005	-
Surveillance	0.047	0.009	-
Incident Management	0.105	0.021	-
Investigation Support	0.079	0.015	-
Corrective Action	0.068	0.013	-
Assessment	0.265	0.052	-
Inspection	0.056	0.011	-
Issue Approvals / Certification	0.083	0.016	-
Audit	0.093	0.018	-
Total	2.626	0.512	-

* Indirect costs are calculated at 19.5% of direct expenses. WELS scheme indirect costs are not currently recovered and are funded by the Department of Climate Change, Energy the Environment and Water.

Direct costs attracted by the WELS scheme and included in the charging arrangement cover:

- The cost of employee salaries and salary on-costs, such as superannuation loadings and long service leave loadings. Employee costs are allocated to the charging arrangement based on the amount of effort directed to the WELS scheme by departmental staff.
- The cost of materials and services supplied to the department in direct relation to the WELS scheme. These include labour hire, consultancy expertise and provision of communication, data and ICT services.

Indirect costs are also included in the charging arrangement to fund the necessary contribution to the WELS scheme from the department's enabling services functions. These enabling services provide infrastructure, expertise and support WELS scheme's human resource, financial management and information and communications needs.

There are no capital costs included in the charging arrangement.

The direct and indirect costs are allocated to the outputs based on the effort applied toward those outputs. Employee costs, including indirect costs, are allocated to the outputs based on surveys of staff on where they direct their time. Supplier costs are allocated to the outputs using a similar methodology to that for employee costs.

The main cost driver for the WELS scheme is the number of registration applications received. The volume of registration applications for the 2023-24 year is expected to be 4 per cent higher per annum than the demand experienced in 2022-23.

This cost driver has a varied influence on the cost of outputs in the short to medium term.

The following outputs and their associated costs are relatively fixed and don't vary immediately or greatly with the volume of registration applications. These outputs are delivered to support regulatory outcomes, regardless of the level of industry activity or demand for services. Costs are allocated to these outputs based on the necessary effort required to deliver and maintain the output by WELS scheme staff.

- Workforce and Business Management
- Business Systems Administration
- Stakeholder Engagement
- Policy and Instructional Material
- Business Improvement
- Risk Management
- Verification
- Surveillance
- Incident Management
- Investigation Support
- Corrective Action

In contrast the following outputs and their associated costs are variable in relation to the volume of registration applications. These outputs are delivered in direct response to the level of industry activity and demand. Costs are allocated based on the level of effort required from WELS staff to meet that demand.

- Assessment
- Inspection
- Issue Approvals/Certification
- Audit

The level of effort required by and allocated to the outputs is monitored throughout the year and adjusted annually where required.

3.3. Design of the regulatory charge

The relationship between outputs and the charge types is summarised in Table 3.3.1 below.

Table 3.3.1 – relationship of outputs to charge types

Output	Nature of the output	Charge type
Workforce and Business Management	Provided on behalf of the regulated group. Effort and activities are not conducted at the particular request, or for the particular benefit of individuals or organisations.	Cost recovery levy
Business Systems Administration		
Stakeholder Engagement		
Policy and Instructional Material		
Business Improvement		
Risk Management		
Verification		
Surveillance		
Incident Management		
Investigation Support		
Corrective Action		
Assessment	Provided to a specific individual or organisation at their request and for their immediate benefit.	Cost recovery levy
Inspection		
Issue Approvals / Certification		
Audit		

Under current settings, costs associated with the Assessment, Inspection, Issue Approvals/Certification and Audit outputs, while characterised as fee-for-service activity, are recovered through a cost recovery levy. These

settings contribute to efficiencies in the billing and collection requirements of the arrangement through the combination of fee-for-service and leviable effort into the same rate of charge.

The charge point for the recovery of WELS scheme costs is established against the application to register a WELS product. The policy and legislative authority provide that this charge point is applied to recover 80 per cent of the WELS scheme costs.

Twenty-one rates of charge are established for this charge point. The rate of charge imposed on the application for registration is based on the number of models that are registered during a twelve-month period. The rates of charge are provided in Table 3.3.2 below.

Table 3.3.2 – Rates of charge for registration applications

Tier	Number of Models	Charge Per Tier
1	1–5	\$600
2	6–10	\$1,100
3	11–20	\$1,700
4	21–30	\$2,500
5	31–40	\$3,300
6	41–50	\$4,100
7	51–75	\$5,600
8	76–100	\$7,500
9	101–150	\$10,000
10	151–200	\$13,000
11	201–250	\$16,000
12	251–300	\$19,000
13	301–350	\$22,000
14	351–400	\$25,000
15	401–450	\$28,000
16	451–500	\$31,000
17	501–750	\$37,500
18	751–1,000	\$52,000
19	1,001–1,500	\$75,000
20	1,501–2,000	\$98,000
21	2,001–4,000	\$121,000

Charges are also published on the Australian Government [Water Rating](#) website.

The relationship between outputs, types and rates of charge and estimated total cost and estimated total revenue is summarised in Table 3.1.3 below.

Table 3.1.3 – Cost/revenue relationship

Output title	Type	Unit cost	Charge Rate	Estimated volume	Estimated total cost (\$m)	Estimated total revenue (\$m)
Workforce and Business Management	Cost Recovery Levy	-	Variable Refer Table 3.2.2	24,316	0.500	2.171
Business Systems Administration					0.174	

Stakeholder Engagement					0.539	
Policy and Instructional Material					0.406	
Business Improvement					0.458	
Risk Management					0.080	
Verification					0.030	
Surveillance					0.056	
Incident Management					0.126	
Investigation Support					0.094	
Corrective Action					0.081	
Assessment					0.316	
Inspection					0.067	
Issue Approvals / Certification					0.099	
Audit					0.111	
TOTAL					3.138	2.171

4. RISK ASSESSMENT

A Charging Risk Assessment (CRA) has been undertaken on the WELS scheme cost recovery. The CRA assesses the risks of whether the change in the charging arrangement may adversely impact on its regulated entities, and/or be inconsistent with government policy and legislative requirements. The outcome of the CRA determines whether the Commonwealth Finance Minister is required to approve the CRIS, prior to the changes taking effect.

The cost recovery arrangement was assessed as having medium risk level. DCCEEW views the risks associated with the charging arrangement as being appropriately managed. This conclusion is based on the below considerations:

- There are no changes proposed to the current cost model and there will be no differing cost impacts on regulated entities.
- The total proposed annual cost recovery revenue for the activity is less than \$10 million. Additionally, the expected change in annual cost recovery revenue is small and attributed to minor growth in market-driven registration applications.
- Only one type of cost recovery charge is used (levy), and this charge point has been used successfully since 2013. Additionally, legislation to recover costs already exists and there are no required changes to primary legislation for the cost recovery charge described in this CRIS.
- The cost recovery arrangement involves working with state and territory governments. This is undertaken through an established Intergovernmental Agreement, with the agreement reviewed every 5 years as part of a statutory review of the WELS scheme. Additionally, states and territories are engaged on WELS scheme matters and associated funding contributions through WELS Officials Group membership and group meetings.

To manage risks related to recovery of revenue, the WELS registration team monitors registration activity in the WELS registration system. Cost recovery revenue is also reported in the department's Annual Report in accordance with the *Public Governance, Performance and Accountability Act 2013*.

5. STAKEHOLDER ENGAGEMENT

The department regularly engages with relevant stakeholders concerning WELS scheme cost recovery, in particular:

- the WELS Officials Group, comprising departmental representatives from all states and territories and the Commonwealth
- the WELS Advisory Group, comprising regulated industry representatives, government co-regulators and consumer advocates.

Specific engagement is undertaken to consult on matters of significance to the charging arrangement.

2023 Review of the WELS cost recovery arrangement

In the second half of 2023, the WELS cost recovery arrangement was reviewed. This was the first time the cost recovery arrangement had been reviewed in 10 years. The review focussed on:

- determining if it remained fit-for-purpose
- determining a fee indexation strategy (in line with the AGCP)
- exploring the recovery of scheme indirect costs.

As part of the review a consultation paper was prepared and considered by stakeholders. Three stakeholder engagement sessions were held in September 2023 to discuss the topics covered in the consultation paper. These engagements informed the review of the cost recovery arrangement and in particular, how an indexation strategy could be brought forward as part of a future operational CRIS update.

The 2023 cost recovery review brought together several key reform themes to be implemented across the next few years:

- implementing a fee indexation strategy
- replacing the current cost model tool with an Activity-based Costing model
- exploring whether indirect costs (currently funded by the Commonwealth Government in addition to its 10% contribution to the WELS scheme) should be included into the WELS cost base
- refreshing Government's commitment to the WELS scheme cost recovery rate
- moving to an application fee and an annual renewal charge
- exploring the regulatory and charging arrangements with a view to considering the sustainability of minor model registrations.

2022-23 WELS CRIS

Stakeholders were engaged on a draft 2022-23 WELS CRIS in October 2022. Comments on the cost recovery arrangement were considered before publication in February 2023. The CRIS was an operational update to update language and financial figures and forecasts. It also presented an opportunity to re-engage with stakeholders on WELS scheme cost recovery, noting that the previous CRIS had been published in 2014. The 2023 Review of the WELS cost recovery arrangement was also identified as part of this engagement, with stakeholders being asked to share preliminary views on the WELS cost recovery arrangement and on focus areas for the 2023 Review.

2020 Independent Review of the WELS Scheme

Under section 76 of the WELS Act, the responsible Commonwealth Minister must cause a 5 yearly review of the operation of the WELS scheme, which must be tabled in Parliament. The 2020 independent review of the WELS scheme and Intergovernmental Agreement was tabled in 2021. Part of this review engaged stakeholders on the cost of administering the WELS scheme.

2010 Independent Review of the WELS Scheme

The current charging model was developed in response to charging recommendations in the 2010 WELS scheme Independent Review. Stakeholder consultation occurred in 2012 to discuss alternative ways fees could be designed to achieve 80% cost recovery. Consideration of this stakeholder feedback led to the development of

the current tiered fee structure, which recognised some of the factors behind the proposals from stakeholders while aligning with cost recovery principles.

6. FINANCIAL PERFORMANCE

Information on the financial performance of the combined total of all outputs is presented in the following sections.

6.1. Financial Estimates

Financial estimates for the 2023-24 budget year and the three forward years are presented in Table 6.1.1.

Table 6.1.1 – Financial estimates for the budget year and forward years

Financial Item	2023-24 (\$m)	2024-25 (\$m)	2025-26 (\$m)	2026-27 (\$m)
Total expenses	3.138	3.116	3.197	3.281
<i>Direct expenses</i>	2.626	2.607	2.676	2.746
<i>Indirect expenses</i>	0.512	0.508	0.522	0.535
Total revenue	2.171	2.213	2.252	2.294
<i>Charging</i>	1.713	1.735	1.758	1.780
<i>Govt Contributions*</i>	0.458	0.478	0.494	0.514
Balance = revenue – expenses	-0.965	-0.902	-0.946	-0.987
Cumulative balance	3.593	2.691	1.745	0.758

* 2023-24 Contribution from Governments includes \$72,822 pre-paid by NSW. Forward year revenue includes contributions made by the Commonwealth and state and territory governments as agreed to in the WELS Strategic Plan 2022-2025. These projected figures are based on historical increases, subject to agreement between the Commonwealth and states and territories.

Expenditure

During 2023-24 the WELS Regulator will:

- Continue the development of and investment in a new WELS registration system. This system is anticipated to deliver efficiencies to both regulated entities and DCCEEW.
- Invest in developing an intelligence capability and capacity to inform compliance monitoring and targeting.
- Maintain staff resourcing to ensure capability and capacity to develop WELS scheme education resources; respond to WELS scheme registration requests; perform compliance monitoring; and take non-compliance action when required.

Revenue

It is estimated that the volume of registration applications will increase by 4% per annum on the number of registration applications received in 2022-23. It is further estimated that the increased volume of applications will result in corresponding increase in charging income of 1.3% per annum based on the following assumption. Estimates for the increase in charging income are based on the arrangement's historical results. From 2019-20 to 2022-23, the average annual increase in industry fee revenue was 1.3% (refer table 6.1.2).

Table 6.1.2 – Historical and estimated change in annual revenue

Charging revenue	2019-20	2020-21	2021-22	2022-23
	(\$m)	(\$m)	(\$m)	(\$m)
	1.636	1.618	1.664	1.691
Annual revenue % change from previous year	1.9%	-1.0%	2.8%	1.6%
Average annual revenue % change	1.3%			

Initiatives expected to be delivered in 2023-24 will carry a higher level of ongoing expenditure into the forward estimates. This heightened and sustained expenditure exceeds current estimates on the increased revenue expected over the same period.

There is a sufficient balance in the WELS charging arrangement to offset the forecast operating deficits.

6.2. Financial Outcomes

Financial results for the previous financial periods are presented in Table 6.2.1 below.

Table 6.2.1 – Historical financial results

Financial Item	2019-20	2020-21	2021-22	2022-23
	(\$m)	(\$m)	(\$m)	(\$m)
Actuals				
Expenses*	1.505	2.090	2.937	2.309
Revenue	2.198	2.467	1.724	2.421
Balance = revenue - expenses	0.693	0.377	-1.213	0.112
Less Remissions, rebates and adjustments	-	-	-	-
Net balance	0.693	0.377	-1.213	0.112
Cumulative Balance	5.282	5.659	4.446	4.558
Material variance explanation	During 2022-23 there was reasonable alignment between expenses and revenue, with a 5% over recovery. In past years, initiatives were not commenced due to limited human resources resulting from machinery of government changes and government staffing cap policies. These initiatives have since gained momentum. The increase in 2021-22 expenditure relates primarily to investing in building ICT capability, increased staffing, and the legal costs for civil proceedings.			

* Reflects the direct expenses of the WELS scheme only. Indirect costs were not reported in total scheme costs until the 2023-24 budget.

7. NON-FINANCIAL PERFORMANCE

The WELS scheme is a partnership between the Australian Government, state and territory governments and industry. The scheme reduces demand for water by informing consumers about the water efficiency of regulated products at the point of sale. By mandating the supply and labelling of WELS registered products to the Australian market, the WELS scheme:

- reduces water demand, supporting national water security
- informs consumers of product water consumption
- delivers savings in consumer water and energy utility bills and reduces greenhouse gas emissions

- promotes innovation and the adoption of more efficient water using/water saving products.

Benefits accrue to states and territories through their use of WELS ratings in government policy, rebate programs, sustainable development initiatives and building regulations. Water utilities can benefit through support of water demand management, deferred infrastructure costs and long-term water conservation. Industry also benefits from nationally consistent and authoritative standards for water efficiency and performance of WELS products and can leverage competitive advantage for more water efficient products.

The Institute for Sustainable Futures (University of Technology Sydney) has modelled that the WELS scheme will have saved 172 GL of water nationally in 2024, \$1.6 Billion in water and water-heating utility bills and 2.3 metric tons of carbon dioxide equivalent in greenhouse gas emissions.

Under Section 75 of the WELS Act, the department must report on the performance of WELS scheme as part of its Annual Report.³ Performance reporting for 2022-23 shows the WELS scheme as being effective, with compliance with regulations and stakeholder engagement being maintained or improved. Of note, compliance activities focused on responding to allegations and monitoring non-compliant e-commerce listings. Stakeholder engagement included collaboration with regulated entities, co-regulators and standards setting organisations. Additionally, the WELS scheme's 5 yearly independent reviews examine the non-financial performance of the scheme, with the WELS scheme's operational design, effectiveness and efficiency being areas of focus. The review completed in 2020 was tabled in parliament on 28 September 2022.

Application volumes have a significant influence on the level of regulatory activity undertaken in the scheme and the subsequent expenditure required to fund that level of activity. Application volumes are expected to increase over the forward estimates and are expected to increase necessary expenditure over that period.

Registration Application volumes	Total volume	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Application for registration	Actuals*	22,951	20,934	22,336	22,850				
	Estimated					24,316	25,289	26,300	27,352

*Excluding ceasing registrations.

³ <https://www.dccew.gov.au/sites/default/files/documents/annual-report-2022-23.pdf>, p. 265.

8. KEY FORWARD DATES AND EVENTS

Key events scheduled and anticipated to occur over the life of this CRIS (2023-24 to 2026-27) are listed in Table 8.1.

Table 8.1 – Key forward dates and events

Estimated timeframe	Event
2023-24	The department is considering outcomes from the recent cost recovery review and previous reviews and is developing an appropriate roadmap for reform. These considerations are likely to introduce changes to the management of costs and to the structures and rates of charge contained in the WELS cost recovery arrangement.
2024-25	<p>Prepare and consult on a revised WELS cost recovery arrangement that captures considerations around:</p> <ul style="list-style-type: none"> the development of an enhanced Activity-based Costing model to better determine the cost of WELS scheme outputs – and how those costs are reflected in the structures and rates of charge, including indirect costs the introduction of fees-for-service for activities provided at the request and benefit of individual participants, with emphasis on applications for model registration introducing indexation to the WELS scheme cost base to better capture forward year estimates the ongoing appropriateness of charging structures, with emphasis on how to streamline major and minor model registrations. <p>Publish updated CRIS for 2024-25 to 2027-28</p>
2025-26	<p>Implement outcomes of consultation undertaken in 2024-25.</p> <p>Publish updated CRIS for 2025-26 to 2028-29.</p>
2026-27	Publish updated CRIS for 2026-27 to 2029-30.

9. CRIS APPROVAL AND CHANGE REGISTER

Date of change	CRIS change	Approver	Basis for change
2014	Certification of the CRIS	Secretary, Department of Environment	Document regulatory charging activity
16/12/2022	Amend description of business processes and update financial estimates	Secretary, Department of Climate Change, Energy, the Environment and Water	Revalidation of the costing model (operational change)
14/03/2024	Update financial estimates for 2023-24 and key forward dates and events	Secretary, Department of Climate Change, Energy, the Environment and Water	Annual update, including forward events that may impact the costs of resources (operational change)