



Australian Government

Tertiary Education Quality and Standards Agency

Cost Recovery Implementation Statement

Cost recovery for quality assurance and regulation of higher education

September 2022

TEQSA

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1. Executive summary

This Cost Recovery Implementation Statement (CRIS) provides information on how TEQSA implements cost recovery for quality assurance and regulation of higher education, as of 1 January 2023.

TEQSA performs a range of regulatory activities to fulfil its statutory responsibilities. Some, such as provider registrations and course accreditations, are initiated by an application from a provider. Other regulation is initiated by TEQSA itself and consists of two distinct forms of regulatory activity: compliance assessments and investigations regarding individual providers, and; other activity, such as anticipating and responding to emerging risks, which cannot be attributed to individual providers and benefit the higher education sector as a whole.

The Government has determined that TEQSA will commence a transition to 90 per cent cost recovery for its regulatory and quality assurance services and activity from 1 January 2023. Cost recovery will be fully implemented by 1 January 2025.

TEQSA's implementation of cost recovery is structured around three key elements:

- **Application-based charges**, to be calculated in accordance with the Australian Government Charging Framework (AGCF), for provider registration and re-registration (at 100 per cent from 1 January 2023), and course accreditation and re-accreditation services (with discounts of up to 70 per cent, depending on the relative size of the provider student load).
- **Single provider charges**, for 'stand-alone' or provider specific regulatory activities (investigations, compliance assessments and conditions monitoring), to be calculated on a set (or in the case of investigations, hourly) charge basis and invoiced to that provider (at 100 per cent from 1 January 2023).
- **An annual registration charge**, that covers the costs of TEQSA's regulatory effort for non-application-based activities (such as advisory services and the profiling and management of risk) that are not attributable to individual providers (commencing at 20 per cent of the cost of delivery on 1 January 2023, increasing to 50 per cent from 1 January 2024, and then 100 per cent from 1 January 2025).

TEQSA has reviewed and assessed the regulatory effort required for each application-based activity and the costs and attribution for all non-application-based activities. This Statement sets out the methodology for attributing costs to providers, noting that TEQSA's activities supporting integrity in the higher education sector and measures to collect, store and manage student records from providers that have ceased operation are not subject to cost recovery. The cost of these activities remains directly funded by the Government. Other costs, such as external reviews and conference events, are also not subject to the CRIS.

TEQSA has noted feedback from the sector requesting more information in relation to the operation of tiered charges for registration renewal, the discounts for accreditations and reaccreditations and the regulatory activity that will attract specific charges. TEQSA will be developing and providing further guidance on the administration of the scheme to assist the sector.

2. Policy and statutory authority to cost recover

2.1 About TEQSA

TEQSA is an independent statutory authority established by the *Tertiary Education Quality and Standards Agency Act 2011* (TEQSA Act).

TEQSA is Australia's independent national quality assurance and regulatory agency for higher education. All providers that offer higher education qualifications in or from Australia must be registered by TEQSA. Providers that have not been granted so-called 'self-accrediting authority' must also have their courses of study accredited by TEQSA.

TEQSA's guiding legislation is the TEQSA Act, which confers powers and functions on TEQSA, including to:

- register entities as higher education providers and accredit courses of study
- conduct compliance assessments and quality assessments
- provide advice and make recommendations to the Commonwealth Minister responsible for Education on matters relating to the quality and regulation of higher education providers
- protect and enhance academic integrity
- cooperate with similar agencies in other countries
- collect, analyse, interpret and disseminate information relating to quality assurance practice and quality improvement in higher education.

TEQSA's regulatory approach is underpinned by three principles set out in the TEQSA Act: regulatory necessity, reflecting risk and proportionate regulation. This approach differentiates between providers with positive compliance histories that present a low risk of future non-compliance, and those with poor compliance histories or limited experience as a higher education provider that present a higher risk of future non-compliance.

TEQSA seeks to ensure that the exercise of its powers is proportionate to these risks. There are three main types of regulatory work or activity undertaken by TEQSA:

- application based activities: primarily in relation to entities applying to be registered or re-registered as a higher education provider, or to have their courses accredited or re-accredited. This activity also extends to providers seeking to change their category, or to seek authority to accredit courses of study themselves
- non-application-based activities, primarily in relation to TEQSA's responsibilities to monitor and assess provider compliance with higher education standards
- non-application-based activities that are sector-wide in their focus. These include the development and delivery of guidance to providers regarding higher education standards, the profiling and management of risk in the sector, advice to the Minister and Department of Education, and engagement activities, both domestic and international.

TEQSA also has responsibility, as an ESOS agency under the *Education Services for Overseas Students Act 2000* (ESOS Act), for regulating all providers delivering higher education to overseas students studying in Australia, providers delivering English

Language Intensive Courses for Overseas Students (ELICOS) where they have an entry arrangement with a registered higher education provider, and providers delivering Foundation programs. Providers in all categories that wish to offer these courses to overseas students must be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

In keeping with contemporary regulation and quality assurance, TEQSA's approach:

- is standards-based, risk-reflective and transparent
- places a significant emphasis on promoting and facilitating a culture of effective self-assurance, as required by the *Higher Education Standards Framework (Threshold Standards) 2021 (HESF)*
- uses 'variable-touch' regulation, in which regulatory intervention is no greater than is required to achieve a necessary regulatory purpose

2.2 Government policy approval to cost recover

The 2018-19 Budget provided for TEQSA to transition progressively to full cost recovery for its regulatory services and activity. This was subsequently adjusted to 90 per cent recovery, with the incorporation of discounts for course accreditation charges, based on the size of the provider (relative number of student enrolments). The discount on course accreditation fees was a decision of government to reduce the impact on small providers.

TEQSA conducted a formal consultation with the sector on a model and draft CRIS for 90 per cent recovery in mid-2021. This CRIS, with minor refinements taking into account the sector's response, has as key elements the following:

- TEQSA's application-based fees for registration and re-registration fully recover associated regulatory costs. Discounts of up to 70 percent apply for course accreditation and re-accreditation application fees, depending on provider student load. This was a decision of the government.
- TEQSA's non application-based costs for regulatory activities that are specific to individual providers (such as compliance assessments and conditions monitoring) are calculated on a set charge basis, according to expected regulatory effort, and fully recovered. Formal investigations, which are rare, are charged on an hourly basis.
- TEQSA's non application-based costs for sector-wide regulatory activities, and which are not attributable to individual providers (such as risk assessments and advice and guidance on higher education standards) are fully recovered through an annual registration charge, applied at 20 percent from 1 January 2023, 50 per cent from 1 January 2024 and 100 per cent from 1 January 2025.

2.3 Statutory authority to apply fees and charges

Section 158 of the TEQSA Act gives TEQSA the authority to determine fees that it may charge for activities undertaken in the performance of its functions. The relevant current Determination of Fees, to be updated ahead of 1 January 2023 following approval by the relevant Minister, is available from the Federal Register of Legislation at www.legislation.gov.au/Details/F2020C00728.

Section 6 of the *Tertiary Education Quality and Standards Agency (Charges) Act 2021* (the Charges Act) imposes a charge on each body that is a higher education provider, registered under Part 3 of the TEQSA Act and listed in the National Register of Higher

Education Providers, at the start of a year. This charge is known as the ‘registered higher education provider charge’.

Section 9 of the Charges Act provides the Governor-General with the authority to make regulations that prescribe the amount of the registered higher education provider charge. Section 7 of the Charges Act provides that the amount of the registered higher education provider charge for each provider for a year will either be either:

- an amount prescribed in regulations made by the Governor-General; or
- worked out in accordance with a method prescribed in those regulations.

2.4 Charging Risk Assessment

In accordance with the Australian Government Australian Government Charging Framework (CRGs), TEQSA has undertaken a Charging Risk Assessment (CRA), which involves the ongoing assessment and management of risk at each phase of the cost recovery process. The CRA for TEQSA’s cost recovery arrangements is rated at High, which is based on an assessment of several key components including:

- high risk rating for the level of change in the proposed cost recovery arrangements in this CRIS;
- medium risk for the level of cost recovery revenue (i.e., \$10 to \$20m);
- high risk for the level of change for cost recovery activities (i.e., new levy to be introduced in this CRIS);
- medium risk for the complexity in the cost recovery arrangements with both fees and charges;
- low risk for the level of change in legislative arrangements (i.e., no legislative change required);
- low risk for the level of complexity of working with other government entities to deliver the regulatory functions (i.e., none involved);
- high risk for the level of impact of cost recovery on payers (i.e., more significant impact on smaller providers); and
- high risk for consultation with stakeholders as there have been minimal changes in response to consultations undertaken in 2021

2.5 Stakeholder Consultation

TEQSA consulted the sector on a draft CRIS between April and June 2021, in expectation of cost recovery commencing on 1 January 2022. The consultation included webinars and advisory and briefing materials. Peak bodies and individual providers, as well as students and sector media, participated in the consultation.

Concerns were expressed regarding the complexity of the model, the timing of implementation given the impacts of COVID-19 and the regressive nature of the levy (charged at a flat rate to all providers). There was qualified acceptance of other features, such as fees reflecting regulatory effort, discounts on accreditation according to provider size, and the responsibility of providers to bear the cost of any compliance and investigation activities attributable to them.

TEQSA subsequently developed, in collaboration with the Departments of Finance and Education, refinements to the model, in part in response to the sector’s feedback. The key

changes are adjustments to fee structures for registration applications, to reflect changes in TEQSA's practice, and adopting fixed charges rather than hourly charging for compliance related activity. The updated model forms the basis for this CRIS.

In keeping with the cost recovery framework and guidelines, TEQSA will consult closely with the sector on both the administrative arrangements for implementing cost recovery, and on the impacts on providers, particularly in the initial phases of implementation. The consultations will form the basis for adjustments to the model and revisions to the CRIS annually.

3. Application based fees

3.1 Previous application-based cost recovery approach and rationale for change

TEQSA's current fee schedule has been in place since 2012. The government's decision at that time was to apply partial cost recovery for specific application-based activities.

Many of TEQSA's current regulatory activities have not been subject to cost recovery, including the monitoring of conditions on provider registration or course accreditation approvals, compliance assessments, investigations and risk assessments.

Analysis of TEQSA's cost recovery arrangements conducted by the then Department of Education and Training in 2017 found that TEQSA's charges did not accurately reflect the focus and relative costs of TEQSA's various regulatory and quality assurance activities. At the time, TEQSA recovered only about 25 per cent of the costs incurred in providing its services. Due to fluctuations in the level and mix of TEQSA's workload, that figure subsequently reduced further. In 2019, TEQSA recovered around 15 per cent of the cost of its regulatory activity.

Government policy, on the other hand, requires that regulators recover the full cost of the effort required to deliver their services unless there is a clear reason why partial cost recovery should be agreed.

As a result, the Government decided to increase TEQSA's annual funding and Average Staffing Level (ASL) in 2018-19 while also determining that TEQSA should transition to full cost recovery.

3.1.1 Outputs and business processes of the application-based activities

TEQSA's role regarding application-based activities is to ensure that legislated quality standards will be met by higher education providers. It does this, in part, through registration and renewal of registration processes for all providers and through course accreditation and renewal of accreditation processes for providers without self-accrediting authority.

The initial registration process ensures that prospective higher education providers and their proposed courses meet the legislated standards for registration and accreditation. Renewal of registration and course accreditation ensures the standards are maintained.

In these processes, TEQSA considers providers' compliance history and risk of future non-compliance and applies a range of assessment methods to be satisfied that legislated standards are met. For applications for renewal of TEQSA registration, there are differences in the required regulatory effort, reflecting differences in the scope of higher education standards assessed and the complexity of the assessment. Broadly speaking there are two materially different levels of effort ("core" and "core plus") required for assessments, based on the consideration of: a provider's track record in the provision of higher education; financial standing; history of compliance with the standards; assessed risk of current and future non-compliance; and other information and intelligence held by TEQSA.

For low-risk providers, with a strong track record, the breadth and depth of information they must supply, and we must assess in a "core" application is substantially smaller than for a "core plus" application. For core plus, the extent of preparatory work with providers is typically longer. Further, the extent of information they supply across all the standards is greater. Accordingly, the regulatory effort required to review, assess and report on the evidence is substantially greater for "core plus". It is, therefore, reasonable, and in accordance with government cost recovery guidelines, that the cost differences arising from differences in required regulatory effort be reflected in two tiers of fees for renewal of registration.

Some selected illustrative examples of assessment processes follow in sections 3.2, 3.3 and 3.4.

3.2 Registration renewal

There are two levels of regulatory effort aligned with TEQSA's "Core Plus" approach to renewals of registration assessments. This approach is based on whether the provider can be assessed against a "core" set of standards or requires a "core plus" assessment, where the scope of assessment is extended to include additional Standards. The "core plus" approach is informed by the regulatory history and risk-profile of providers. Under the approach, the assessment is "core plus" if it is deemed to include or require:

- assessment against standards which do not form part of the "core" set of standards
- an independent review by an external expert
- a financial viability assessment
- the need for access to student records
- other specific complexities (such as third-party activity or offshore arrangements)
- address findings from the annual risk assessment and /or compliance monitoring

The "core plus" approach is well understood by the sector. Providers will have certainty regarding the fee, based on a determination of whether an assessment will be "core" or "core plus". The approach would also provide an effective base as the cost recovery model matures.

There may be a small number of cases where the intensity of assessment is substantially escalated after an application is received. This could be used to justify a further charge (as a compliance assessment) or be borne by TEQSA.

Figure 1a and 1b below represent TEQSA's average level of effort in days for the process of renewal of a provider's registration under the TEQSA Act.

Figure 1a: Registration Renewal Process – Core assessment

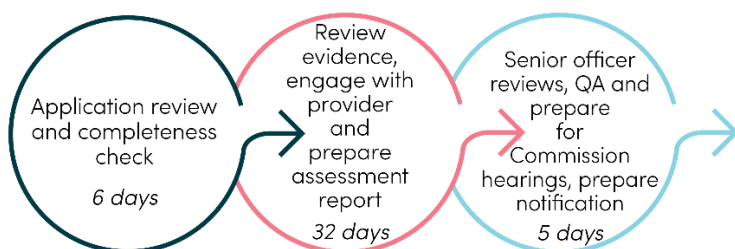
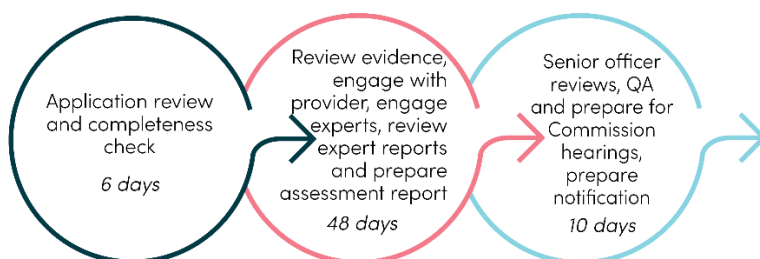


Figure 1b: Registration Renewal Process – Core Plus assessment



Major components of the registration renewal process are the financial assessment; contributions to assessments by external experts; development of a full assessment report and Commission review; deciding whether to approve, with or without conditions, or approve with a shorter than 7 years' period of registration or reject the application; developing the public report; and notifying the applicant of the decision. These elements must occur to ensure that the provider continues to be financially viable, maintains appropriate standards and meets the requirements of the TEQSA Act.

External experts are engaged to provide advice on specific, identified elements of TEQSA's regulatory assessments and reviews. They have appropriate qualifications, combined with relevant and recent professional experience. External experts provide advice that contributes to TEQSA's assessment of an application; they do not make recommendations on applications.

Provider visits may be undertaken for renewals of registration and other TEQSA application-based activities. TEQSA officials may visit multiple providers in one day, as part of reviewing applications and for compliance and monitoring purposes. Additionally, there may be multiple applications relating to the one provider being reviewed in a single site visit. As TEQSA seeks to undertake visits in a cost effective and administratively efficient way, the effort is not always allocated to a single application process.

Commissioners may decide to grant or reject an application. For provider registration and renewal of registration, where an application is granted, Commissioners will determine the period of registration and may also decide to impose conditions on the registration.

In deciding on a registration application, the Commissioners consider the submitted application, the assessment report, external expert reports (if external experts have been

drawn on) and other supporting information.

Before a registration renewal application is submitted, TEQSA, in discussion with the provider, will assess whether a core or core plus assessment is required which then directly influences the final cost and hence, the appropriate level of application fee.

TEQSA seeks to minimise the risk of an application being rejected by supporting applicants through the process of registration renewal. Where a recommendation to reject an application or impose conditions is made, a proposed adverse decision is supplied to the provider for comment and the TEQSA decision maker will consider any provider response and other information provided before a final decision is made.

3.3 CRICOS registration

Education institutions must be registered on CRICOS to enroll and deliver education services to students in Australia on a student visa. Registered providers must meet the requirements of the ESOS Act and the *National Code of Practice for Providers of Education and Training to Overseas Students 2018* (National Code) and (where relevant) legislative instruments that apply to ELICOS or Foundation programs.

Foundation program providers and ELICOS providers that have an entry arrangement with higher education providers can apply to TEQSA for registration on CRICOS.

Figure 2 below identifies the major processes involved in assessing an application to register as a provider on CRICOS.

Figure 2: Registration as a CRICOS provider



The work effort and fees for renewing CRICOS registration (see Table 2. below) are more expensive for providers that do not have self-accrediting authority. Under the ESOS Act, providers with self-accrediting authority are required to undertake an independent external audit in the eighteen months prior to applying to renew their registration: this is substantially relied upon by TEQSA in the re-registration process. TEQSA does not always have the benefit of such audits in assessing a re-registration of providers that do not have self-accrediting authority, and thus more evidence may be required.

The work effort and fees for a CRICOS re-registration for a non-SAA provider is greater than that for an SAA provider as SAA providers are required to undertake an independent external audit. Such reports are typically provided to TEQSA as part of the CRICOS re-registration. Non-SAA providers have no such legislative requirement, requiring TEQSA to undertake the audit as part of the re-registration.

The major element of the CRICOS registration process is staff effort involved in reviewing the application and developing a report detailing findings. A decision maker may decide to grant or reject an application. Where an application is granted, the decision maker will determine the period of registration and may also decide to impose conditions on the registration. Where a recommendation to reject an application or impose conditions is made, a proposed adverse decision is supplied to the provider for comment and the TEQSA decision maker will consider any provider response prior to making a final decision.

3.4 Course accreditation – substantive – first course

To provide a higher education course of study, providers without authority to self-accredit their own courses must have the course accredited by TEQSA under the TEQSA Act. Only registered higher education providers or those intending to become higher education providers can apply for accreditation of higher education courses. If the application for accreditation of a course is successful, the accreditation period cannot exceed seven years.

Figure 3 below identifies the major processes involved in assessing an application for course accreditation.

Figure 3: Course accreditation – substantive – first course



The successful preliminary assessment process of a course accreditation precedes this process. This diagram refers to the process for substantive assessment of the first course in a new area of study for a registered provider or for a replacement for a course previously accredited. The major elements of the course accreditation process are expert assessment, preparation of an assessment report, and review by the assessment team manager.

External experts are usually engaged to inform the analysis of specific parts of the application, where expertise and experience is needed in the academic discipline that is central to the proposed course of study. External experts contribute to the evidence TEQSA uses in its assessment process and decision-making.

TEQSA staff may also visit the provider's site to inspect facilities, equipment and resources, or clarify how a relevant course is delivered. TEQSA will use observations and discussions held at a site visit in its assessment and decision making to supplement or validate evidence submitted with the application. At the site visit, TEQSA may conduct interviews with students, staff and members of corporate and academic governing bodies.

The assessment report and the review by the assessment team manager will consider the evidence provided by the applicant and other information available to TEQSA. This includes the regulatory history of an existing provider and outcomes of previous assessments directly relevant to the application, and the risk of non-compliance with the HESF and the ability of the provider to mitigate those risks.

This may result in approval of the application, approval with conditions on the delivery of

the course, accreditation of the course for a shorter period than 7 years or rejection of the application.

3.5 Costs of the activities

3.5.1 Cost drivers and key assumptions

As a service-based entity with a case management model for regulation, around 85 per cent of TEQSA's application-based activity costs are employee-related. External experts and operating support for the case management IT system make up other major direct costs.

The key cost driver for application-based activities is complexity, which determines the amount of time and effort spent on a regulatory output. The cost of (or regulatory effort associated with) delivering application-based activities was determined by:

- Data collection to determine how regulatory effort was apportioned within each team and for each budgeted staff position or role.
- Costs then allocated for each activity and matched to FTE positions and represented as direct costs per hour.
- Enabling costs then allocated across activity cost pools, represented by an additional indirect cost for each budgeted position
- Final reallocation process, to verify and confirm both specific and overall activity costs, including through surveying managers and staff.

TEQSA has developed an Activity Based Costing process to ensure that the calculation of application-based charges is appropriate and will regularly review and evaluate regulatory effort and consequent charges over the coming years, reducing the need for reliance on estimates.

Table 2 on the next page shows the estimated costs for application-based activities.

Table 2: Costs of Application based activities

Description	Type	Cost
Initial registration	Preliminary assessment	\$7,619
	Financial Assessment (Preliminary)	\$5,334
	Substantive assessment	\$65,784
	Financial Assessment (Substantive)	\$34,791
Registration renewal	Registration Renewal - Core	\$60,019
	Registration Renewal - Core+	\$102,146
Reg Renewal + Self Accreditation	Reg Renewal + Self Accreditation - Core	\$80,247
	Reg Renewal + Self Accreditation - Core+	\$116,428
Provider Category Change	N/A	\$49,279
Application to self-accredit one or more courses	No current authority	\$49,279
	Existing authority for 1 or more courses	\$38,843
Course accreditation - preliminary assessment (Proposed Provider)	First	\$5,226
	Additional in a nested set of courses per application	\$5,226
Course accreditation - preliminary assessment (Registered Provider)	First	\$4,612
	Additional in a nested set of courses per application	\$1,157
Course accreditation - substantive assessment (Proposed Provider)	First	\$39,455
	Additional in a nested set of courses per application	\$35,685
Course accreditation - substantive assessment (Registered Provider)	First	\$17,025
	Additional in a nested set of courses per application	\$4,246
Short course accreditation - preliminary assessment	First	\$290
	Additional in a nested set of courses per application	\$86
Short course accreditation - substantive assessment	First	\$786
	Additional in a nested set of courses per application	\$239
	Decision	\$336

Table 2: Costs of Application based activities (contd.)

Description	Type	Cost
Renewal of course accreditation - teach out	First	\$2,755
	Additional in a nested set of courses per application	\$813
Renewal of course accreditation – general	First	\$21,710
	Additional in a nested set of courses per application	\$5,200
Review, vary or revoke condition (registration and accreditation)	Review of Conditions	\$4,369
	Vary or revoke condition - Accreditation condition	\$5,722
	Vary or revoke condition - Registration condition	\$8,300
Internal review of decision	N/A	\$20,854
CRICOS registration	SAA or Non-SAA	\$22,175
CRICOS re-registrations	Self-Accrediting Authority	\$12,196
	Non Self-Accrediting Authority	\$24,856
CRICOS Additional Course	N/A	\$426
CRICOS – variation	N/A	\$279
CRICOS Additional ELICOS	N/A	\$4,349
CRICOS Foundation	N/A	\$4,369
CRICOS Exempt u/17	N/A	\$1,582
CRICOS Withdraw Course	N/A	\$643
CRICOS Cancel Registration	N/A	\$2,333
CRICOS 3rd Parties	N/A	\$2,592
CRICOS Student Capacity	N/A	\$13,863
CRICOS Change owner or manager details	N/A	\$503
CRICOS Relocate Site	N/A	\$11,669

3.6 Approach to cost recovery

3.6.1 Application-based activities – fees for service

TEQSA's application-based fees increase the cost recovery contribution to 90 per cent of TEQSA's costs overall. Most fees – such as those for initial registration and re-registration - cover the full cost of recovery. A tiered scale applies to course accreditation fees so providers with lower numbers of students pay a lower fee to accredit or re-accredit their courses. Table 3 shows the ranges that apply in terms of student numbers and discount rates.

The table at Appendix A sets out the fees schedule applying from 1 January 2023, reflecting the costs for assessment of each type of application set out in Table 2 above.

3.6.2 Registration Renewals - variable effort

For TEQSA registration renewals, there are two levels of fees because, as outlined in section 3.1.1, there are material differences in the costs of assessment based on the scope of standards to be assessed, whether core or core plus. The factors driving those differences in TEQSA's costs, and hence the fees to be charged, are also explained in section 3.1.1.

As assessment of renewals of TEQSA registration vary significantly in workload requirements, TEQSA will assess the regulatory effort required before an application is formally submitted. TEQSA will advise the applicant of the associated fee for assessing the application, whether for a Core assessment or a Core Plus assessment and including whether, site visits or other variable expenses are included before the application is formally submitted.

TEQSA will develop guidance for the sector, to be published separately, about how the different levels of regulatory effort will be determined.

3.6.3 Course Accreditation and Reaccreditation fees – sliding scale partial cost recovery

Course accreditation and re-accreditation fees are subject to partial cost recovery. This affects providers with less than 5000 effective full-time student load (EFTSL) as of 30 June each year and reflected in the annual Provider Information Request process administered by the Department of Education, Skills and Employment. EFTSL or an alternative will be specified in the revised fee determination.

An initial calculation of liability for fees and charges based strictly on the Australian Government Charging Framework applies but is then subject to a sliding scale of partial cost recovery of up to 70 per cent of the actual cost for course accreditation fees, on the basis of the EFTSL set out above. The intent is to mitigate financial and other impacts from the introduction of cost recovery on smaller providers. The discount on course accreditation fees was a decision of government to reduce the impact on small providers.

Providers with less than 500 EFTSL will receive the maximum reduction in cost recovery, while full costs will be recovered from providers with 5,000 or more EFTSL. (Refer to Table 3 for bands). TEQSA will publish guidance for the sector about how the sliding scale of partial cost recovery will be administered.

Table 3. Cost Recovery bands to be applied

Number of Students (EFTSL)	Reduction in cost recovery applied to course accreditation and re-accreditation fees
0<500	70%
500<1000	60%
1000<1500	50%
1500<2000	40%
2000<3000	30%
3000<4000	20%
4000<5000	10%
5,000 +	0%

3.6.4 Monitoring fluctuating costs and workload

TEQSA's volume of scheduled application-based activities changes significantly each year due to a seven-year cycle for the renewal of most registrations and accreditations. Extension of some due dates during the pandemic has resulted in concentrations of re-registration and re-registrations falling due in some years. TEQSA cannot precisely forecast certain types of unscheduled assessment work such as new course accreditations, initial provider registrations, applications for self-accrediting authority or a change of category, which can vary significantly from year to year.

The fluctuating nature of demand for TEQSA's assessment work, where demand and associated activity vary year to year, creates a significant challenge for establishing fees and charges consistently under a cost recovery framework. In particular, where the expectation is that revenue will not exceed TEQSA's budget and cost base. Furthermore, as TEQSA will be charging upfront for the bulk of its cost recovery activity, and where such activity can extend beyond the year in which the fee or charge is levied, the differential in any given year between expenditure and revenue will vary.

It is important, therefore, that the cost recovery model be interpreted and analysed in a (up to seven year) cyclical context. It is also important to note that the cost recovery framework provides for the model and CRIS to be revisited and adjusted each year, as a result of consultations between TEQSA and the sector. TEQSA is committed to ensuring that the model – and the fees and charges that result – closely reflects regulatory effort.

4. Non-application-based charges

4.1 The rationale for change

TEQSA's non-application-based activities include communications and engagement, risk assessments, enquiries, corporate support and guidance material. They carry a sector-wide benefit. These activities are difficult to attribute directly to specific providers or groups of providers. In implementing cost recovery an annual registration charge is applied as of 1 January 2023.

4.2 TEQSA's legislative responsibilities

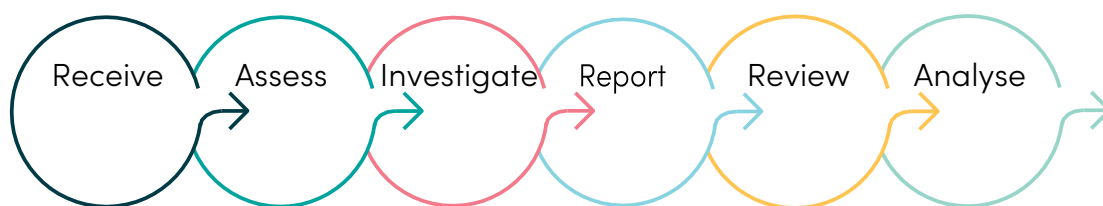
The non-application-based activities for which TEQSA is required to recover costs flow from the agency's statutory responsibilities. TEQSA's functions are set out in section 134 of the TEQSA Act, and include functions conferred under the ESOS Act in TEQSA's capacity as an ESOS Agency.

In addition to specific functions related to its assessment activities, the collection and dissemination of information, and the provision of training, TEQSA is also given the power to do all things necessary or convenient to be done in connection with the performance of its functions.

4.3 TEQSA's non-application based regulatory activities and business processes

This section outlines the business processes associated with each non-application based regulatory activity undertaken by TEQSA.

4.3.1 Concern or complaint management and resolution



Anyone with concerns or complaints about a higher education provider's compliance with the HESF, the ESOS Act or the National Code can raise a concern with TEQSA. TEQSA uses information received through concerns or complaints to ensure that Australian higher education providers are offering quality programs and meeting their obligations.

After receiving a concern, an initial assessment is conducted to determine whether it relates to TEQSA's legislative functions and powers. If not, and where appropriate, advice is provided to the complainant on the best pathway for the concern or complaint to be progressed.

4.3.2 Stakeholder communications and engagement

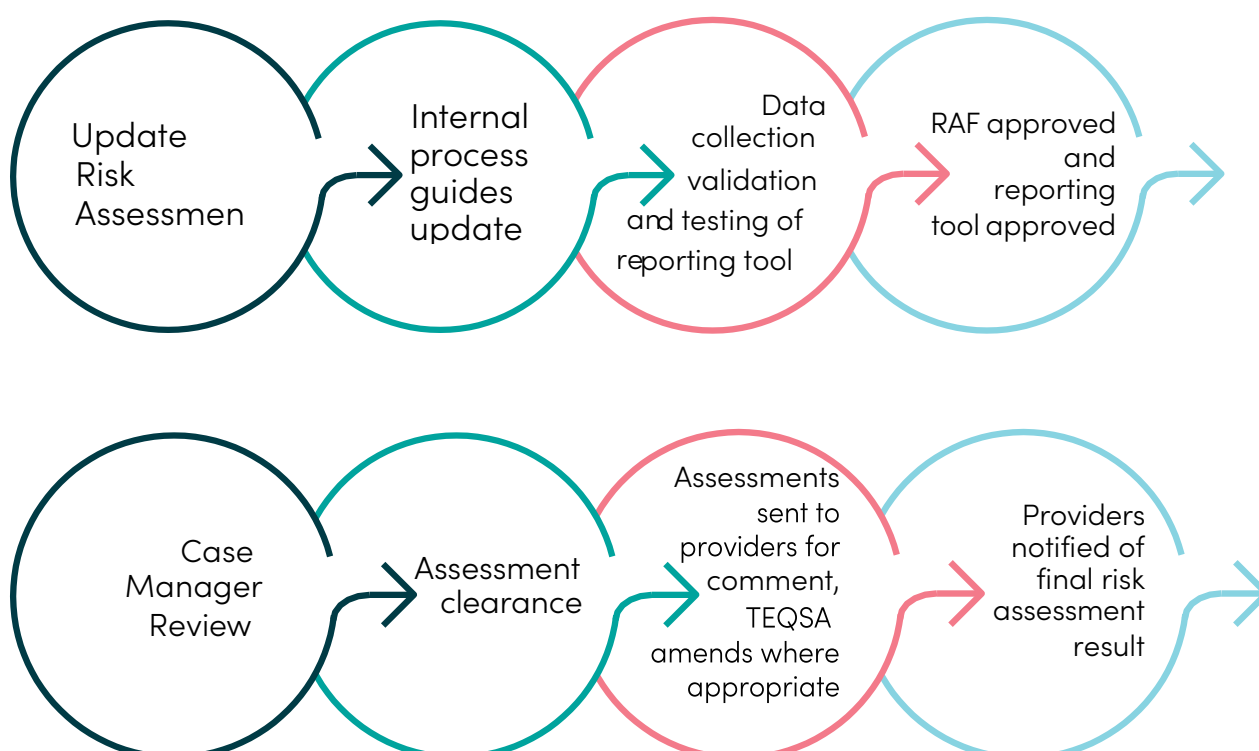


TEQSA's stakeholder communication and engagement activities allow the agency to gain a greater understanding of key issues facing the higher education sector and help to build stakeholder capability to meet regulatory requirements.

TEQSA maintains communication and engagement channels, such as the TEQSA website, social media channels, sector and targeted events, memoranda of understanding and cooperation with partners, and published reports to inform and gain information from stakeholders such as providers, students, professional accreditation bodies and international organisations.

Through these activities, and through resources such as TEQSA Guidance Notes (which provide greater clarity for providers in the interpretation and application of selected standards) and targeted events (which aim to build capacity in addressing sector-wide issues), TEQSA aims to ensure that there is clarity and adequate information regarding the agency's work and role.

4.3.3 Risk assessment





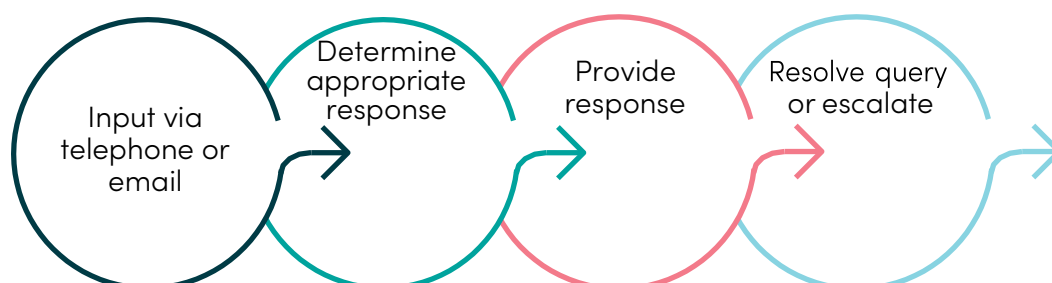
TEQSA's annual risk assessments provide a snapshot of key risks and help TEQSA prioritise its regulatory and quality assurance activities. They assist TEQSA to give effect to its principles of reflecting risk, proportionality and necessity, as outlined under the TEQSA Act, and inform risk-based regulation of providers under the ESOS Act.

TEQSA determines the scope of its Risk Assessment Framework (RAF) annually and the agency's approach is informed by the ISO Risk Management Standards, adapted to TEQSA's regulatory context and purpose. Updating the RAF includes updating internal process guides and ensuring that revised data collection tools and methodologies will deliver robust data. The RAF is then approved for release and the sector is notified of their reporting obligations.

TEQSA considers the history and context of each provider, its approach to delivery, and findings from previous assessment processes (favourable and adverse). TEQSA undertakes an analysis of risk against a series of indicators, guided by thresholds, trends and other relevant information. Risk rating information is shared with providers.

At an aggregate level, to provide a broad overview of risks in the higher education sector and to share information on good practices, TEQSA also publishes high-level sector analyses from time to time. Any analysis that is published by TEQSA does not contain any provider-level risk information. Information on risks in the sector and good practices may also be shared through guidance on TEQSA's website and presentations at TEQSA provider roundtables, forums or sector conferences.

4.3.4 Enquiries



TEQSA receives approximately 4,000 enquiries annually from students and providers (current and prospective) via phone, email and social media channels.

Enquiries may be resolved immediately or may require greater involvement and engagement to ensure that the correct response is provided to the stakeholder. At times it may also be necessary to escalate the enquiry for further action (e.g., investigate a provider for non-compliance), resulting in potential compliance assessment and regulatory enforcement actions.

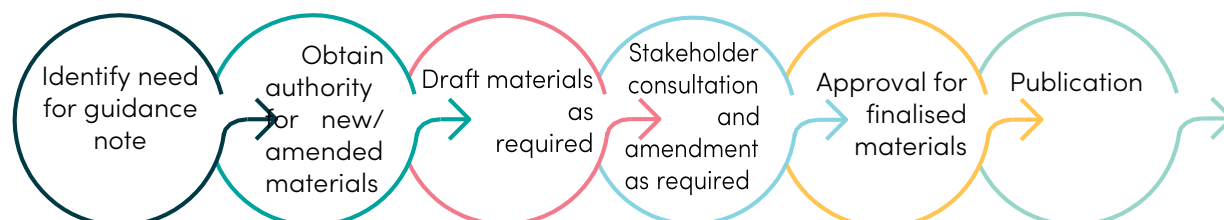
4.3.5 Business support



TEQSA's business support functions help to ensure that the agency fulfils its legislated functions as a higher education quality and standards agency.

Business support functions that are not application based include executive and IT support to the agency, provision of legal resources (including to develop case management guidance materials), advice relating to TEQSA and ESOS Act enforcement, management of assessment functions (not directly related to particular assessments) and database management.

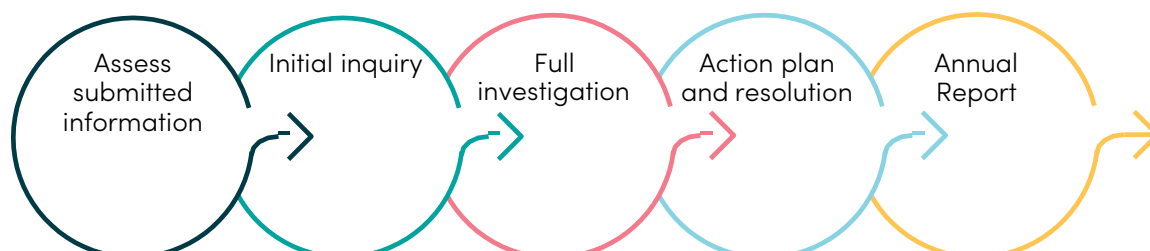
4.3.6 Guidance notes



TEQSA publishes Guidance Notes to provide greater clarity for providers in the interpretation and application of selected standards of the HESF. TEQSA's Guidance Notes draw on its regulatory experience and the knowledge of experts in the higher education sector.

Guidance Notes are developed once a need is identified and authority is obtained from the TEQSA Commission. Materials are drafted and stakeholders consulted. Guidance Notes are generally prepared initially for consultation, with a comment period to allow for stakeholder feedback. Following feedback and amendment, TEQSA's Commissioners approve the Guidance Note, which is then published on the TEQSA website.

4.3.7 Compliance assessments and investigations



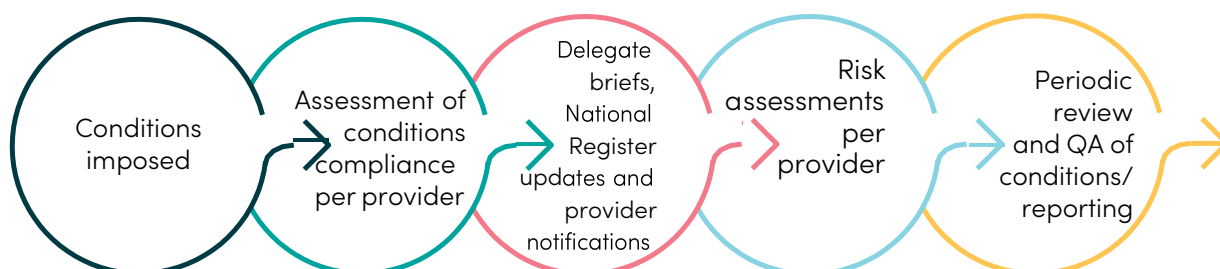
TEQSA monitors higher education providers on an ongoing basis to ensure that they continue to comply with the requirements of the TEQSA Act and the HESF, as well as the ESOS Act and associated legislative instruments (such as the National Code) for providers who offer services to those studying on student visas.

Where a provider is found to be non-compliant or where TEQSA identifies substantial risks of a provider being non-compliant, TEQSA may initiate a compliance assessment or investigation¹ to ensure that the risks are identified and mitigated, and that appropriate regulatory action is taken in response to any non-compliance or risks of future non-compliance.

Compliance assessments commence by gathering and assessing the information necessary to determine the provider's potential non-compliance with the HESF. Sometimes an initial inquiry with a provider may clarify any concerns and the matter may not progress any further. In other cases, a full compliance assessment (or, in rare cases, a formal investigation) may be warranted. This may include a provider visit to obtain more information, and meetings with senior management, staff, students and other relevant parties.

Once the compliance assessment (or investigation) is completed, TEQSA will determine what enforcement action (if any) is required. The action may include conditions on registration or course accreditation, further monitoring and supervision of the provider, court proceedings in relation to contraventions of the TEQSA Act, or cancellation of accreditation or registration.

4.3.8 Monitoring of compliance with conditions



Higher education providers must meet certain requirements in order to be and to remain registered with TEQSA.

If a higher education provider has a limited track record of compliance with the Threshold Standards, or TEQSA does not have confidence in the strength of the provider's own risk management response to the issue(s) identified, it may determine that further action is necessary – such as the imposition of conditions to provide assurance that appropriate steps are taken by the provider to return to compliance.

TEQSA's National Register of Higher Education Providers records the conditions imposed on a provider's registration and/or course accreditation, including the timeline for reporting against the conditions.

The outcome of the monitoring of compliance with conditions may include revocation or variation of a condition, or escalation of regulatory oversight and action.

In some cases, a voluntary undertaking is accepted from a provider, as a means to ensure

¹ A matter could progress to an investigation if, through a compliance assessment, there is a strong indication of a relevant offence/contravention of the TEQSA, ESOS or Crimes Act or Criminal Codes relating to the ESOS Act. These are rare.

compliance with the Threshold Standards is achieved, but without the need to impose conditions. Voluntary undertakings are subject to periodic reporting and monitoring, in the same way that conditions are monitored.

4.4 Summary of non-application-based activities and costs

The cost of undertaking these activities has been determined through analysis of the staff effort that directly contributes to each service. Where there has been limited information, a 'best estimate' has been utilised, with reference to the statutory requirements and/or comparison with similar activities.

TEQSA uses an Activity Based Costing process to ensure that the calculation of non-application-based charges is appropriate and will regularly review and evaluate regulatory effort and consequent charges over the coming years, reducing the need for reliance on estimates.

Table 4 on the next page details TEQSA's non-application-based activities, the providers impacted and the regulatory activity costs.

Table 4: Summary of average non-application-based activities and regulatory costs

Regulatory Output	High level Description	Sector/s (or sections of sector/s) impacted	TEQSA Annual Non-Application based regulatory activity cost ('000)
1.1 Concerns or Complaints	Receive and resolve concerns or complaints from providers, 3rd parties, other agencies and/or students.	All Higher Education Providers.	\$206
2.1 Communication and Engagement	Media, website, publications, delegations, forums and conferences.	All Higher Education Providers.	\$939
3.1 Risk Assessment	Annual risk review for all providers.	All Higher Education Providers.	\$1,340
4.1 General enquiries	Manage and resolve queries from students, providers, or prospective providers.	All Higher Education Providers.	\$86
5.1 Corporate Support	Executive and corporate functions in support of TEQSA Commission and Accountable Authority specifically related to non-application based activities.	All Higher Education Providers.	\$2,881
6.1 Guidance and Education Standards	Provision of guidance to the sector in relation to interpretation and assessment of the Higher Education Standards Framework, Foundation Standards, ELICOS Standards and ESOS National Code.	All Higher Education Providers.	\$58
7.1 Investigations	Plan and carry out investigations when suspected non-compliance of a provider is identified.	Specific providers-based on information gathered.	\$0

Table 4: Summary of average non-application-based activities and regulatory costs (contd.)

Regulatory Output	High level Description	Sector/s (or sections of sector/s) impacted	TEQSA Annual Non-Application based regulatory activity cost (\$'000)
8.1 Compliance Assessments	Review of a provider's compliance with the TEQSA Act 2011.	Specific providers-based on assessment of risk of non-compliance.	\$450
9.1 Monitoring of compliance with conditions	Conditions monitoring of providers.	Providers or groups of providers exhibiting high risk for the specific issues.	\$1,000
Total TEQSA Non-application based regulatory activities			\$6,961

4.5 Approach to recovery of non-application-based costs

4.5.1 Sector-wide activities

These activities include own-motion thematic assessments, responses to concerns, communication and engagement, risk assessments, enquiries, corporate support, and guidance about the HESF. The cost of these activities is to be charged to all registered higher education providers through the new annual registration charge.

4.5.1.1 Australian Government Charging Framework (AGCF)

In determining whether it is appropriate to charge a levy for an activity, the Australian Government Charging Framework (CRGs) state that where it is not possible to link an activity to a specific individual or organisation, a cost recovery levy can be used². A cost recovery levy should only recover costs from regulated entities that create the need for that activity, resulting in all providers receiving an equal charge irrespective of difference in their characteristics, such as size or revenue base. TEQSA's cost recovery levy is the Annual Registration Charge.

4.5.1.2 TEQSA Annual Registration Charge

The TEQSA Annual registration charge reflects the following principles and requirements:

- charging only those entities (i.e., providers) for which a regulatory effort is required
- charging only for efficient costs
- ensuring that no cross subsidization occurs, and
- distribution of the registration charge is driven by regulatory effort
- TEQSA proposes to foreshadow the incorporation of risk rating and profile for calculating the registration charge after the initial implementation of the CRIS and

following the further development of TEQSA's sector risk model. This will be the basis for further consultation with the sector in the initial phase of cost recovery.

4.5.1.3 Phasing in of the Annual Registration Charge

TEQSA will phase in the annual registration charge over the period 1 January 2023 to 1 January 2025. Charging will commence at 20 per cent from 1 January 2023, increasing to 50 per cent from 1 January 2024 and then 100 per cent from 1 January 2025.

TEQSA has determined that the only non-application based activities in this category that can be differentiated amongst, and attributed to, providers on the basis of regulatory effort are compliance assessments and investigations, and monitoring of conditions. As such, all other costs are allocated equally across all providers, with the exception of Complaints which uses the number of students as a levy proxy.

TEQSA will develop the registration charge model, and monitor and adjust its application, to ensure that charges continue to reflect a direct relationship to the cost drivers of activities.

Table 5 shows how cost of the activities are allocated.

Table 5: Annual Registration Charge – allocation

Regulatory Output	Sub-outputs- Business Processes	Levy Proxy	TEQSA Annual Non-Application based regulatory activity cost ('000)
1.1 Concerns or Complaints	- Receive	Number of Students	\$206
	- Assess		
	- Investigate		
	- Report		
	- Review		
	- Analyse		
2.1 Communication and Engagement	Media, websites, publications, delegations, forums, conferences.	All Higher Education Providers	\$939
3.1 Risk Assessment	3.1.1 Framework testing and agreement. Update framework document, internal processes, data collection, validation and testing of reporting tool	All Higher Education Providers	\$1,340
	3.1.2 Undertake risk assessments Risk assessments drafted for all providers, case manager review, assessment clearance, assessments sent to providers for comment, assessments modified as appropriate, notification of risk assessment result	All Higher Education Providers	
	3.1.3 Analyse results across all HEPs Interpretation of results, review of indicators, report to Commission for review, recommendations prepared for settings in the next risk cycle	All Higher Education Providers	
4.1 Enquiries	Receive calls/emails Resolve by provision of information or materials.	All Higher Education Providers	\$86
5.1 Corporate Support	Meeting support, papers, and minutes.	All Higher Education Providers	\$2,881

Table 5: Annual Registration Charge – allocation (contd.)

Regulatory Output	Sub-outputs- Business Processes	Levy Proxy	TEQSA Annual Non-Application based regulatory activity cost ('000)
6.1 Guidance/ Education Standards	Identify need and obtain approval for amendment/new guidance material, Draft material, approve material, publish material.	All Higher Education Providers	\$58
Total TEQSA Non-application based regulatory activities			\$5,511

The Annual Registration Charge will vary according to the number of higher education providers and for one element (concerns and complaints) a providers EFTSL. The Annual Registration Charge for most providers will be between \$29,000 and \$32,000.

4.5.1.4 Compliance assessments and investigations

The purpose of compliance assessments is to work with providers to ensure compliance against the standard or standards for which the provider is considered to be at risk of non-compliance. In most instances, working with the provider through the assessment leads to a positive outcome, without resort to regulatory action or enforcement.

TEQSA takes care only to commence compliance assessments where there is a reasonable basis to a concern or complaint regarding a relevant higher education standard. TEQSA will apply charges for this activity² only where an initial or preliminary triage has set out that basis, and where the TEQSA Commission has made a decision to proceed with the compliance assessment.

For year 1, the basis for the actual charges for compliance assessments is historical data on the costs of such activity. The settings for subsequent years will be refined based on monitoring of the approach in year 1 while building an evidence base around the triaging of concerns and conduct of compliance assessments of varying complexity.

Investigations are rare and, as with compliance assessments, would only commence where there is a reasonable basis for doing so. The threshold for an investigation would be a reasonable basis for concern regarding a clear breach of a standards or applicable legislation. In TEQSA's experience, the resources required for investigations can vary considerably, and investigations will therefore be invoiced on an hourly charge basis, at a rate of \$165 per hour.

² The costs for which would be charged as an additional component to the Annual Registration Charge.

The fixed charge for a **compliance assessment** is \$36,000.
The hourly charge for an **investigation** is \$165/hr.

4.5.1.5 Monitoring of conditions and voluntary undertakings

TEQSA can impose conditions on registration of providers or accreditation of their courses where there is a concern that the provider is at risk of not complying with a standard. The monitoring of conditions is charged at a fixed rate for conditions associated with registration and a separate and lower fixed rate for conditions attached to a course accreditation or re-accreditation.

Voluntary undertakings, as with conditions imposed by TEQSA, are a regulatory response to the risk of non-compliance and require monitoring. Typically, a voluntary undertaking is only accepted where there are lower-level concerns, and conditions are imposed for more serious or pervasive concerns. Accordingly, the monitoring activity is less intensive than for conditions.

Charges

	Set Charge
Conditions attached to Registration	\$8,375
Conditions attached to Course Accreditation /Re-accreditation	\$3,350
Voluntary Undertaking	\$1,675

4.5.2 TEQSA activities excluded from cost recovery

TEQSA activities excluded from cost recovery included in Table 6 below are academic integrity, admissions transparency, external review of TEQSA decisions and TEQSA internal costs related to the TEQSA annual conference. The activities in Table 6 do not include funding related to the Higher Education Integrity Unit and student records management, which are budget funded.

Table 6: TEQSA activities excluded from Cost Recovery (Budget-funded)

Activity	Description	Estimated cost of regulatory activity not to be recovered ('000)
Academic Integrity	Budget-funded	\$3,887
Sector-wide Analysis / Admission Transparency	Budget-funded	\$987
External Reviews/AAT Matters	Budget-funded	\$763
Conferences	Annual conference expenditure	\$1,172
Total activities excluded from Levy		\$6,809

TEQSA will fully transition to the new cost recovery arrangements by 1 January 2025. TEQSA's new application-based fees (outlined at Attachment A) commence from 1 January 2023.

Provider specific non-application-based charges commence from 1 January 2023.

The registration charge is phased in over three years, commencing at 20 per cent per cent from 1 January 2022, 50 per cent from 1 January 2023 and 100 per cent from 1 January 2024.

5. Cost attribution

5.1 Direct costs

The regulatory workload model developed by TEQSA allocates employee costs to each type of regulatory output. Direct costs that are not employee costs are assigned where they can be directly linked to an activity. Direct supplier costs (e.g., external experts, case management system costs) are allocated to the regulatory activity as appropriate. Direct costs for regulatory outputs include the costs of employees, external experts, site visits and contractors, and the operating expenses of the TEQSA Case Management System.

5.2 Indirect costs

Indirect costs are costs that cannot be attributed to a specific process or output. These include information and communications technology, maintenance, office accommodation, and finance and corporate services.

5.3 Capital costs

Capital costs included in the operating costs of business processes are depreciation of property, plant and equipment (including furniture, IT hardware and infrastructure); amortisation of IT systems and software; non-capital software development costs; and accommodation.

In terms of capital expenditure, TEQSA budgets for the replacement of property, plant and equipment (including IT hardware and infrastructure) and the replacement of/investment in computer systems and software.

5.4 Cost breakdown

Table 7 shows the estimated proportion of direct and indirect costs for application-based assessments and other regulatory activities in 2022-23, by operating unit.

Total application-based costs are \$9.1 million. Total non-application-based costs are \$4.1 million. Total indirect costs are \$8.3 million.

Also shown in Table 7 are total budget funded costs of \$3.9 million that are not part of cost recovery. Table 7 does not reflect the funding for the Higher Education Integrity Unit which was appropriated to TEQSA in October 2020 and is budget funded.

Table 7: TEQSA'S regulatory and budget funded costs in 2022-23

Operating unit	Application based (Assessment) activities ('000)	Non-Application based (Sector monitoring and oversight) activities ('000)	Budget-Funded (External Reviews, Admission Transparency & Academic Integrity) Activities ('000)	TEQSA Annual Conference Expenditure ('000)	Indirect costs ('000)	Total TEQSA costs ('000)
Commission	\$638	\$86	\$0	\$0	\$53	\$777
CEO Office	\$175	\$59	\$117	\$0	\$234	\$585
Corporate	\$348	\$70	\$863	\$0	\$2,890	\$4,171
Policy, Research, Engagement (PRE)	\$60	\$1,161	\$315	\$41	\$0	\$1,577
Legal, Risk and QA	\$280	\$193	\$196	\$0	\$711	\$1,380
Regops Planning & Improvement	\$200	\$134	\$0	\$0	\$48	\$382
Registration and Courses	\$1,654	\$442	\$125	\$0	\$0	\$2,221
Risk & Compliance	\$553	\$1,410	\$106	\$0	\$0	\$2,069
Re-Registrations & CRICOS	\$1,505	\$547	\$107	\$0	\$0	\$2,159
Higher Education Integrity Unit	\$0	\$0	\$2,057	\$0	\$0	\$2,057
Conference	\$0	\$0	\$0	\$956	\$0	\$956
Overhead					\$4,386	\$4,386
Total	\$5,413	\$4,102	\$3,886	\$997	\$8,322	\$22,720

It should be noted that both non-application based and budget-funded costs can be attributed to thematic or sector wide compliance, investigation and assessment activity.

Table 8 shows that, of TEQSA's total costs of \$22.7 million (2022-23), \$16 million was attributable to regulatory activities, of which application-based activities were \$9 million and non-application-based activities \$7 million.

Table 8: Summary of Direct and Indirect regulatory costs in 2022-23

Regulatory Activity	Application based (Assessment) activities ('000)	Non-Application based (Sector monitoring and oversight) activities ('000)	Total TEQSA Regulatory Expenses ('000)	Budget-Funded (External Reviews, Admission Transparency & Academic Integrity) Activities ('000)	TEQSA Annual Conference Expenditure ('000)	Total TEQSA Expenses ('000)
Direct costs	\$5,413	\$4,101	\$9,514	\$3,886	\$997	\$14,397
Indirect costs	\$3,537	\$2,860	\$6,397	\$1,751	\$175	\$8,323
Total	\$8,950	\$6,961	\$15,911	\$5,637	\$1,172	\$22,720

6. Providers subject to ESOS charges

CRICOS registered providers are subject to two charges collected by the Department of Education, under the ESOS Act, which contain a component intended to recover part of the cost of TEQSA's monitoring and compliance work as an ESOS agency – the Entry to Market Charge (EMC) and Annual Registration Charge (ARC).

These charges are being reviewed by the Department of Education. Until that review is completed, to ensure providers are not charged twice for the same activity, any providers that are subject to both charges will have their annual TEQSA levy reduced by the small amount of Department of Education charges that is intended to cover TEQSA activity.

7. Charging for other activities

There is capacity and legislative authority for TEQSA to charge for activities that are related to TEQSA's purpose but not covered by the current charging arrangements. These activities include conferences, education and training. In line with the Public Governance, Performance and Accountability Act 2013, TEQSA is permitted to retain revenue generated from such activity to the extent that it offsets its costs. TEQSA has undertaken only a small amount of this type of activity to date.

To avoid any potential conflict of interest issues, TEQSA does not undertake consultancy work on a commercial basis for current or potential Australian higher education providers or overseas providers that might seek registration in Australia.

The success of TEQSA's annual conference has highlighted an appetite for capacity building around sector wide quality issues. In future, smaller training courses and seminars may provide a vehicle for this. TEQSA could offer the sector a range of training programs each year, on a fee for service basis and ensuring there is no cross subsidisation.

TEQSA recognises that care is needed to ensure that these types of activity do not negatively affect delivery of its core regulatory functions. The conduct of any such

additional activities will be the subject of ongoing consultation with stakeholders. TEQSA will also ensure that the Minister is fully aware of these activities in advance, so that any implications for broader sectoral policies can be considered, as well as any impacts on red tape or regulatory burden within the sector. Any commercial activities will be clearly defined.

There is potential demand for TEQSA to undertake work for overseas governments or regulatory agencies. Contributing to the enhancement of quality in higher education overseas has clear potential reputational benefits for Australia, as well as potential benefits for TEQSA through the development of increased capability and expertise among TEQSA staff. Such activity and the management of any international relations sensitivities will need careful engagement and coordination with the Department of Foreign Affairs and Trade, Austrade and the Department of Education's International Group, given the potential for intersections with multiple strands of Australia's international policy.

8. Cost recovery and revenue variability

Complexity, materiality and sensitivity are considered in assessing the risk of variation in revenue from cost recovered activities. Each of these factors applies to TEQSA in varying degrees. For example, in relation to TEQSA's regulatory activity, the variability in demand, the variability in frequency and the variability in application type and bundling of applications all contribute to the complexity of projecting revenue from fees and charges.

The demand for TEQSA's activities, and therefore TEQSA's revenue stream, is sensitive to market fluctuations. The applications for new registrations (including CRICOS) and new course accreditations are initiated by providers and are beyond TEQSA's control. They can vary depending on government policy settings, demand for higher education and broader economic conditions.

While applications for re-registration (including CRICOS) and re-accreditation generally follow a seven-year cycle, TEQSA has the power to shorten or extend the period of registration and accreditation based on its assessment of risk, which introduces an element of uncertainty to the number of renewal applications due in a year and hence the fee revenue. Additionally, providers may decide not to renew their registration or course accreditations.

9. Financial estimates

Table 9 outlines the financial projections for TEQSA's regulatory activity.

Regulatory expense equals TEQSA's yearly appropriation including depreciation and amortisation, write down and impairments of assets and losses from sale of assets, but excludes budget funded activities (such as Academic Integrity, Admissions Transparency, external reviews and costs in relation to the TEQSA conference).

TEQSA will model its application and non application-based expenses against revenue collected over a seven-year cycle to ensure that revenue is consistent with expenses. Thus, the differential between revenue and expenditure across the cycle varies year to year.

Table 9: Summary of Direct and Indirect regulatory costs

	2022-23 ('000)	2023-24 ('000)	2024-25 ('000)	2025-26 ('000)
Regulatory expenses	\$15,912	\$15,912	\$15,912	\$15,912
Appropriation	\$20,373	\$20,328	\$20,369	\$20,508
Other revenue	\$956	\$956	\$956	\$956
Fee and Charge revenue collected (returned to CRF-does not contribute to TEQSA's surplus/deficit)	\$4,797	\$14,052	\$16,257	\$13,860

Other revenue relates to the TEQSA conference which will vary depending on whether it is held in person or online.

10. Financial performance

TEQSA's past financial performance is set out in Table 10, based on audited financial statements.

Table 10: Historical Financial Performance

	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	2019-20 ¹ ('000)	2021-22 ² ('000)
Regulatory Expenses ³	-\$12,960	-\$15,046	-\$17,401	-\$20,330	-\$14,775
Appropriation	\$11,359	\$14,072	\$17,938	\$17,539	\$20,198
Revenue Other Sources	\$477	\$443	\$399	\$1,010	\$653
Fee and Charge revenue collected (returned to CRF-does not contribute to TEQSA's surplus/deficit)	\$2,829	\$2,307	\$1,969	\$1,182	\$353

1 In 2019-20 TEQSA incurred higher regulatory expenses due to the timing of project-based activities, higher contractor utilization and increased depreciation expense resulting from the transition to AASB 16.

2 In 2020-21 TEQSA incurred lower regulatory expenses than planned due to the impacts of COVID-19, staff attrition and the timing of recruitment activities.

3 Expenses include depreciation and amortization, write down and impairments of assets and losses from sale of assets.

11. Non-Financial performance

TEQSA has identified three broad strategic objectives in delivering outcomes to its role and functions:

1. Promote and support good practice and effective self-assurance across the sector
2. Identify, analyse and respond to risks in the sector
3. Ensure compliance with applicable legislation through effective and efficient regulation

The activities undertaken by TEQSA in pursuit of its objectives reflect the impacts, challenges and priorities identified in TEQSA's Corporate Plan, and are underpinned by performance measures and qualitative and quantitative targets.

TEQSA aligns its performance measures against the Australian Government Regulator Performance Guide of July 2021, which requires regulators to assess and report their performance against best practice principles, including continuous improvement and building trust, risk-based and data driven, and collaboration and engagement.

TEQSA has identified seven priority activities in meeting its objectives:

1. Reviewing and adapting TEQSA's regulatory model and practice, in keeping with established
2. principles of regulatory best practice and reform, in close consultation with stakeholders.
3. Maintaining a risk assessment focus on the financial viability of providers, particularly in relation to providers heavily reliant on overseas students.
4. Further developing the capacity of TEQSA's Higher Education Integrity Unit in relation to risk in areas such as contract cheating, cyber security and foreign interference.
5. Further developing TEQSA's risk and compliance focus in relation to student wellbeing, such as the issues of sexual assault and sexual harassment and mental health.
6. Working closely with the Department of Education and the Higher Education Standards Panel on priority projects such as modes of delivery, admissions transparency and research quality.
7. Investing in its workforce and enabling systems, to build and maintain a sustainable basis to TEQSA's regulatory practice and organisational capacity.
8. Implementing strategies to improve the timeliness and responsiveness of regulatory assessments and decisions.

The detailed activities, measures and targets for meeting TEQSA's strategic objectives are set out in its Corporate Plan, available at www.teqsa.gov.au

12. Key Forward Dates and Events

Event	Date
Release of CRIS 2023	September 2022
Provider Guidance on operation of Fees and Charges	October 2022
Register new regulation, Fee Instrument and Charging Guidelines	August – December 2022
Finalise internal documentation, training and user testing	September – October 2022
Commissioning	December 2022
Commencement of new TEQSA cost recovery model	1 January 2023
Education Portfolio Charging Review – Financial Year 2022-23	2023

13. CRIS Approval and change register

Date of change	CRIS change	Approver	Basis for change
March 2021	Finalisation of draft CRIS	Minister of Education	Impacts on smaller providers
April to June 2021	Consultation with sector	TEQSA Accountable Authority	Updated budget figures, proposed discount and phase-in components
October 2021	Deferral of implementation to 1 January 2023	Minister of Education	Ongoing COVID impacts, particularly on smaller providers
May 2022	Refinements to registration fees and compliance charges	TEQSA Accountable Authority	Sector feedback to consultation; liaison with Department of Finance
August 2022	Amended cost model and CRIS	Minister of Education	Refined model and CRIS

Appendix A – Application-based fees from 1 January 2023

Description	Type	Fee
Initial registration	Preliminary assessment	\$7,600
	Financial Assessment (Preliminary)	\$5,300
	Substantive assessment	\$65,800
	Financial Assessment (Substantive)	\$34,800
Registration renewal	Registration Renewal - Core	\$60,000
	Registration Renewal - Core+	\$102,100
Reg Renewal + Self Accreditation	Reg Renewal + Self Accreditation - Core	\$80,200
	Reg Renewal + Self Accreditation - Core+	\$116,400
Provider Category Change	N/A	\$49,300
Application to self-accredit one or more courses	No current authority	\$49,300
	Existing authority for 1 or more courses	\$38,800
Course accreditation - preliminary assessment (Proposed Provider)	First	\$5,200
	Additional in a nested set of courses per application	\$5,200
Course accreditation - preliminary assessment (Registered Provider)	First	\$4,600
	Additional in a nested set of courses per application	\$1,200
Course accreditation - substantive assessment (Proposed Provider)	First	\$39,500
	Additional in a nested set of courses per application	\$35,700
Course accreditation - substantive assessment (Registered Provider)	First	\$17,000
	Additional in a nested set of courses per application	\$4,200

Application-based fees from 1 January 2023 (contd.)

Description	Type	Fee
Short course accreditation - preliminary assessment	First	\$300
	Additional in a nested set of courses per application	\$100
Short course accreditation - substantive assessment	First	\$800
	Additional in a nested set of courses per application	\$200
	Decision	\$300
Renewal of course accreditation - teach out	First	\$2,800
	Additional in a nested set of courses per application	\$800
Renewal of course accreditation – general	First	\$21,700
	Additional in a nested set of courses per application	\$5,200
Review, vary or revoke condition (registration and accreditation)	Review of Conditions	\$4,400
	Vary or revoke condition - Accreditation condition	\$5,700
	Vary or revoke condition - Registration condition	\$8,300
Internal review of decision	N/A	\$1,000
CRICOS registration	SAA or Non-SAA	\$22,200
CRICOS re-registrations	Self-Accrediting Authority	\$12,200
	Non Self-Accrediting Authority	\$24,900
CRICOS Additional Course	N/A	\$400
CRICOS – variation	N/A	\$300
CRICOS Additional ELICOS	N/A	\$4,300
CRICOS Foundation	N/A	\$4,400
CRICOS Exempt u/17	N/A	\$1,600
CRICOS Withdraw Course	N/A	\$600
CRICOS Cancel Registration	N/A	\$2,300
CRICOS 3rd Parties	N/A	\$2,600
CRICOS Student Capacity	N/A	\$13,900
CRICOS Change owner or manager details	N/A	\$500
CRICOS Relocate Site	N/A	\$11,700

Appendix B – Non Application-based charges from 1 January 2023

Description	Type	Charge
Annual Registration Charge	Levy	\$29,000
Compliance	Compliance Assessment	\$36,000
	Investigation – hourly rate	\$165 /hour
Conditions monitoring	Monitor Condition attached to Registration or Re-registration	\$8,375
	Monitor Condition attached to Course accreditation or Re-accreditation	\$3,350
	Monitor Voluntary Undertaking	\$1,675

Glossary

AGCF

Australian Government Charging Framework.

Application-based activities

Assessments undertaken in response to an application by a provider. For example, to register as a higher education provider, accredit a new course or reaccredit an existing course, to change provider category, or to seek authority to self-accredit courses of study.

Non-application-based activities

Work which is not undertaken in response to an application. Examples include the investigation of concerns or sector-wide regulatory problems; the development and delivery of advice to providers, the Department of Education, and the Minister for Education; the profiling and management of risk in the sector; and engagement activities, both domestic and international.

CRG

Australian Government Australian Government Charging Framework.

CRICOS

Commonwealth Register of Institutions and Courses for Overseas Students.

Efficient cost

The minimum costs necessary to provide the activity while achieving the policy objectives and legislative functions of the Australian Government.

EFTSL

Equivalent full-time student load.

ELICOS

English Language Intensive Courses for Overseas Students.

ESOS

Education Services for Overseas Students.

HESF

Higher Education Standards Framework (Threshold Standards) 2021.

ISO

International Organization for Standardization.

National Code

National Code of Practice for Providers of Education and Training to Overseas Students 2018.

QA

Quality assessment.

RAF

Risk Assessment Framework.

Self-accrediting authority

The authority to self-accredit one or more courses.

TEQSA

Tertiary Education Quality and Standards Agency.

TEQSA

teqsa.gov.au