Draft Cost Recovery Implementation Statement:

Proposed fees and charges to take effect from July 2022

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Parts 2.2 and 2.3
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• the program of work and activities ASQA will undertake
• the organisational design aligning resources to activities and hence strategic deliverables

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The Australian Government has also provided ASQA with a legislative framework that enables ASQA to recover costs by charging those providers of VET and accredited course owners who are regulated by ASQA

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(a) tasks;
(b) positions at a known price point; and then
(c) allocated to regulatory cost centres

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1. PURPOSE OF THIS DOCUMENT

In April 2015, the Australian Government agreed to implement a whole-of-government charging framework, the Australian Government Cost Recovery Framework (AGCRF), to apply across the general government sector. The Framework provides that where an individual or organisation creates the demand for a government activity, they should generally be charged for it, unless the Government has decided to fund the activity.

The Australian Government's Charging Policy Statement states: "*Where specific demand for a government activity is created by identifiable individuals or groups, they should be charged for it unless the government has decided to fund that activity. Where it is appropriate for the Australian Government to participate in an activity, it should fully utilise and maintain public resources, through appropriate charging. The application of charging should not, however, adversely impact disadvantaged Australians.*"

The Australian Government has determined that ASQA's functions are cost recoverable, within the parameters of the Charging Policy and the Charging Framework and Cost Recovery Guidelines.

This draft Cost Recovery Implementation Statement (CRIS) provides information that explains how ASQA, as the authority supporting the National VET Regulator, proposes to change its fees and charges from 1 July 2022-23 to:

- reflect the Australian Government's decision that ASQA move from partial to full recovery of the cost of the majority of the Regulator's functions (noting that full cost recovery does not mean the recovery of all costs via fees and charges and that some costs will continue to be fully funded via budget appropriations);

- reflect improvements made by ASQA over 18 months that deliver more efficient, effective, transparent and accountable regulation, and implement key recommendations of the *Rapid Review of ASQA's Regulatory Practices and Processes (the Rapid Review)*, accepted by the Australian Government in 2020. This includes recommendation 6: *that ASQA realign its cost recovery arrangements to reflect ASQA's new approach to performance monitoring;*

- utilise the cost recovery model as a key tool to minimise costs to business and taxpayers while improving quality outcomes and maintaining safeguards for quality VET;

- explain the new fees and charges ASQA proposes to introduce from 1 July 2022 and how these fees and charges, together with the strategic use of ASQA's cost recovery model and planned future changes to fees and charges, align with ASQA's 4-year program of planned improvements to the Regulator's operation as a best practice regulator; and

- provide financial forecasts for 2022-26.

ASQA is committed to continuing to work with stakeholders to build understanding of how ASQA's cost recovery model supports ASQA's purpose and is part of ASQA's strategic direction, aligned to the 2021-22 Corporate Plan. This understanding helps our stakeholders to increasingly see the cost recovery model as a key tool to minimise costs to the organisations and individuals regulated by the National VET Regulator while improving quality outcomes and maintaining safeguards for quality VET. This document is a resource to help build that understanding and enable stakeholders to raise questions, propose improvements and engage with ASQA on the continuous improvement of its operation, regulation and cost recovery model.

2. BACKGROUND, SCOPE and AUTHORITY

2.1 ASQA - the National VET Regulator

In December 2009, the Council of Australian Governments (COAG) agreed that stakeholders and the Australian community would benefit from the establishment of ASQA as the National VET Regulator (NVR). This was part of a COAG commitment to improve the quality and consistency of VET in Australia. COAG also agreed to ASQA's establishment as a cost recovery agency, and announced that ASQA would, over a period of years, move from partial to full-cost recovery.

ASQA was established in 2011 by the enactment of the *National Vocational Education and Training Regulator Act 2011* (NVR Act) to regulate the VET sector, including to:
- provide for national consistency in the regulation of VET
- regulate VET using:
    - a standards-based quality framework
    - risk assessments, where appropriate
- protect and enhance:
    - quality, flexibility and innovation in VET
    - Australia's reputation for VET nationally and internationally
- provide a regulatory framework that encourages and promotes a VET system that is appropriate to meet Australia's social and economic needs for a highly educated and skilled population
- protect students undertaking, or proposing to undertake, Australian VET by ensuring the provision of quality VET
- facilitate access to accurate information relating to the quality of VET.

With effect from 1 January 2021, following recommendations from the Rapid Review, the NVR Act was amended to change ASQA's governance structure from three Commissioners to a single statutory officer, the National VET Regulator, also known as the CEO of ASQA. ASQA is the authority supporting the National VET Regulator.

ASQA's purpose is *to ensure quality VET so that students, employers, governments and the community can have confidence in the integrity of national qualifications issues by training providers*.

2.2 Who ASQA regulates

ASQA is responsible for regulating:
- registered training organisations (RTOs)
- ESOS providers, that is, providers registered under the *Education Services for Overseas Students Act (2000)* (ESOS Act). This includes those that deliver English Language Intensive Courses for Overseas Students (ELICOS), where the relevant Education Services for Overseas Students (ESOS) Agency is the National VET Regulator. The fees and charges in this CRIS (and under the NVR Act) apply to NVR-regulated ESOS providers. ESOS providers are listed on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). On 1 July 2016, ASQA became an ESOS agency in its own right for the following ESOS providers:
    - RTOs providing VET courses to overseas students who are studying in Australia on student visas

- ELICOS providers who are not otherwise regulated by another ESOS agency.
- VET accredited course owners.

ASQA also regulates applicants seeking to join these groups.

2.3 How ASQA regulates

ASQA has worked closely with stakeholders over the past 18 months to make substantive and stepped improvements for the efficient, effective operation of the National VET Regulator, forward planning an agenda of transparent, accountable continuous improvement with a continued high level of stakeholder engagement.

To measure and track ASQA's progress, 6 strategic deliverables, underpinned by a performance framework, have been articulated and published in ASQA's 2021-22 Corporate Plan:
1. Our regulatory approach promotes a culture of self-assurance and continuous improvement.
2. Our regulatory approach is best practice, integrated, risk-based and proportionate.
3. Our regulatory approach is transparent and accountable.
4. We engage and partner with stakeholders constructively and with mutual respect.
5. We add value and are efficient, effective, and continuously improve. Cost recovery is specifically referenced against strategic deliverable 5, which commits ASQA to achieving added value, efficiency, effectiveness and continuous improvement including in relation to how ASQA implements the Australian Government decision that ASQA transition to full cost recovery.
6. Our understanding of sector performance and promotion of self-assurance contributes to quality VET and informed consumers.

ASQA's Regulatory Risk Framework (RRF) and Regulatory Operating Model (ROM) are also detailed in the 2021-22 Corporate Plan to:

- enable self-assurance by providers as a complementary tool to support our understanding of sector performance and excellence in training outcomes

- see ASQA working in partnership with stakeholders to identify and address risks to quality outcomes while minimising costs and build confidence of and in VET providers

- deploy a broader range of educative, monitoring, compliance and enforcement regulatory tools, taking a risk-based proportionate approach, to ensure quality VET and the integrity of national qualifications issued by training providers.

ASQA's regulatory operating model is set out at Figure 1.

Figure 1: ASQA's Regulatory Operating Model
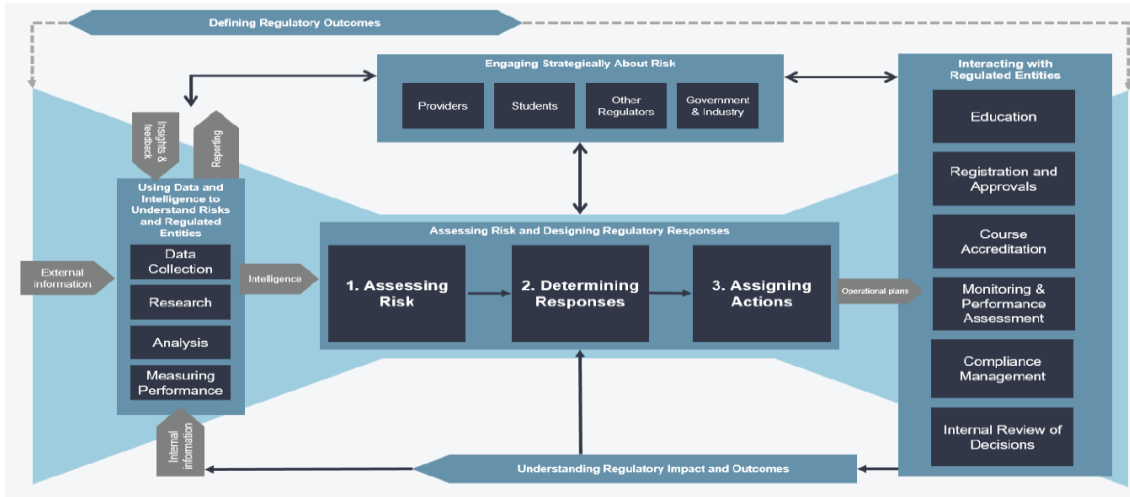
The actions outlined in the 2021-22 Corporate Plan to implement the RRF and ROM are developed in consultation with key stakeholders and are underpinned by a performance framework that enables ASQA and its stakeholders to track and measure progress, understand our impact and where we can improve and capture achievements against the agreed actions. Changes made by ASQA in 2019-20 and 2020-21 are achieving improvements as set out at Figure 2.

Figure 2: Improvements achieved in past 18 months

Rapid Review recommendation 7	
Defining ASQA's strategic deliverables and direction provides clarity to stakeholders about what they can and cannot expect of ASQA, areas of shared responsibility, and outcomes to be achieved by ASQA in partnership with them, across the regulatory program of work	Enables ASQA and stakeholders to be confident in ASQA's investment in digital transformation that will increase efficiency and cost effectiveness of ASQA and the business of providers and course owners

Rapid Review recommendation 8		
Improvements to governance translate to more efficient and effective organisational design and alignment of ASQA's recourse to the priorities established by Government and agreed with stakeholders	Improvements to ASQA's forward planning enable providers to see where ASQA's regulatory effort is placed, what future improvements are planned and determine how they will engage on those improvements	Improvements to ASQA's performance framework increases the accountability of the regulator and the ability for providers and course owners to see the efficient cost

Rapid Review recommendations 15, 16, 17 and 18	
Improvements to the Regulatory Operating Model mean that, through improvements to reporting and through clearly distinguishing the functions of monitoring provider performance and resolving identified non-compliance, providers are operating in a system that is more transparent, fair and proportionate	The improved ROM also delivers improved accountability, transparency and continuous improvement by enabling providers to resolve non-compliances systemically and sustainably improved early dispute resolution, both of which deliver a better quality outcome at a more efficient price

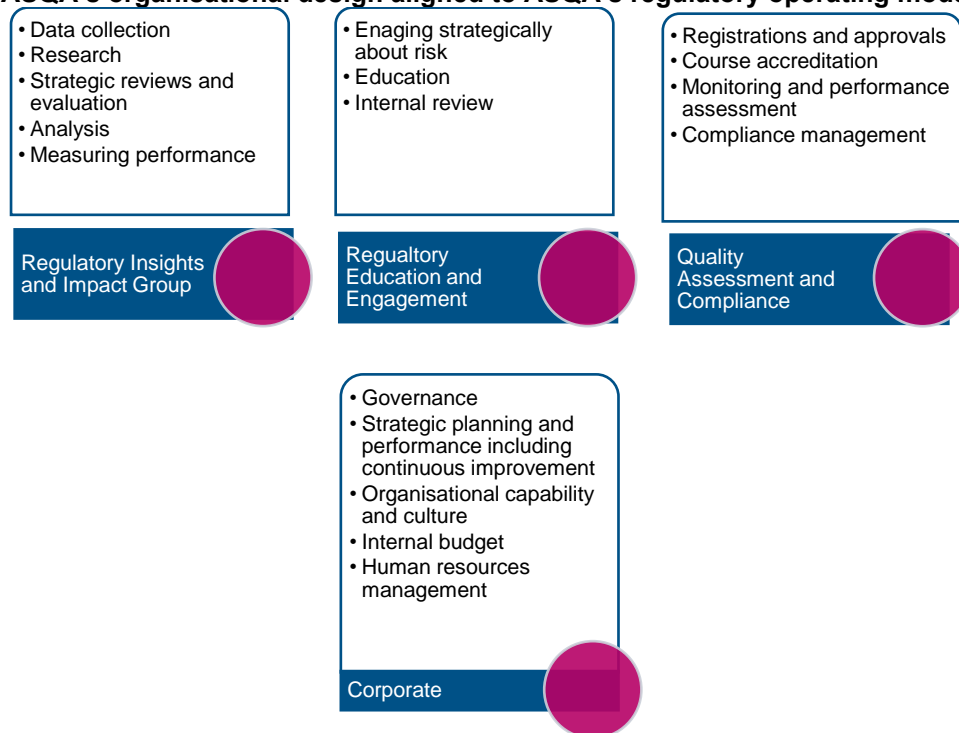| Rapid Review recommendation 19 |
|---|
| Notifying other government agencies of provider non-compliance (once providers have had the opportunity to respond and other than when there is immediate and significant risk) reduces the opportunity for government agencies to double-handle or duplicate regulatory actions where these are already being addressed by the provider in partnership with ASQA |

Rapid Review recommendation 24
A program of internal quality assurance provides providers and course owners with confidence and transparency that planned changes are occurring, that there are checks and balances which avoid unintended consequences and that there is continuous improvement in ASQA's transparent, accountable, efficient and effective regulation of the sector

ASQA's organisational design is aligned to ASQA's regulatory operating model. The information at Figure 3 indicates where primary accountability for key aspects of the regulatory operating model sits within ASQA's organisational design.

Figure 3: ASQA's organisational design aligned to ASQA's regulatory operating model

- Data collection
- Research
- Strategic reviews and evaluation
- Analysis
- Measuring performance

Regulatory Insights and Impact Group

- Enaging strategically about risk
- Education
- Internal review

Regualtory Education and Engagement

- Registrations and approvals
- Course accreditation
- Monitoring and performance assessment
- Compliance management

Quality Assessment and Compliance

- Governance
- Strategic planning and performance including continuous improvement
- Organisational capability and culture
- Internal budget
- Human resources management

Corporate

ASQA's 2021-22 Corporate Plan and performance framework reflect ASQA's commitment to the Principles set out in the Australian Government's Regulator Performance Guide and the Standards for VET Regulators.

ASQA's 6 strategic deliverables, and its regulatory operating model and organisational design enable implementation of the findings of the Rapid Review, enable ASQA to focus its resources on activities ASQA performs to achieve its purpose, strategic deliverables and meet the Principles and Standards:

1. Regulatory activities directed to a specific individual or organisation. This category is called *entity-directed regulatory activities* for the purposes of the cost recovery model

2. Regulatory activities that serve the sector as a whole, or groups within the sector. This category is called *sector-wide regulatory activities* for the purposes of the cost recovery model

3. Corporate activities that are common to any organisation of similar size and complexity and which provide the operational foundation that enables ASQA to regulate VET. This category is called *corporate activities* for the purposes of the cost recovery model.

Key activities ASQA undertakes are set out at Figure 4.

Figure 4: ASQA's key activities

Quality Assessment		Compliance	Registrations	Course Accreditation
Internal Review		Regulatory Engagement	Service Centre including the information line	Regulatory Education
Regulatory Intelligence, risk analysis		Digital transformation to streamline regulation	Strategic review and Evaluation	Regulatory policy and design
Assurance		Regulatory Reporting including publication of registrations on national registers		Regulatory data analysis
Executive stewardship	Human resources management, capability and culture	Finance administration including aligning cost recovery to reflect ROM	Strategic planning and performance	IT and information management	Property and facilities management

Key:

ENTITY-DIRECTED REGULATORY ACTIVITIES	SECTOR-WIDE REGULATORY ACTIVITIES	CORPORATE ACTIVITIES

2.4   Australian Government budget funding of ASQA

In undertaking activity to achieve its purpose and strategic objectives, ASQA incurs expenses, for example, salaries for skilled staff and sufficient technical resources, to enable high levels of procedural rigour, capital to improve ASQA's use of technology, other supplier costs and office space.

To enable ASQA to pay for these expenses, the Australian Government funds a net cost of services in the order of approximately $45 million, including, since 2018-19, an Average Staffing Level of 199. In the period 2018-19 to 2022-23, ASQA has improved efficiency and effectiveness in an operating environment that has grown in complexity and reach in terms of increase in student enrolment. The expectations for ASQA is to apply a broader range of regulatory tools, implement a range of reforms and play a proactive role in supporting the broader VET reform agenda.

2.5   Statutory authority for ASQA to recover its costs

ASQA receives budget appropriations from the Australian Government that enable the National VET Regulator to undertake their functions as a regulator. Reflecting the 2009 COAG decision to establish ASQA, ASQA has the statutory authority to recover its costs through charges that are payable by the organisations or individuals regulated by the National VET Regulator:

- Fees and hourly rates are enabled under the provisions of the NVR Act, if the amount of the fee/hourly rate is determined by the Minister in accordance with section 232 of the NVR Act.

- Other charges are enabled through the _National Vocational Education and Training Regulator (Charges) Act 2012_ (the Charges Act) which enables a cost recovery levy to be applied.

- Paragraph 157(1)(q) of the NVR Act, in conjunction with s232 and 232A, enables the National VET Regulator to recover costs from ESOS providers where the National VET Regulator is the relevant ESOS Agency. In addition, this authority will also be made clear by paragraphs 11(g)(ia) and 11(g)(ib) of the ESOS Act (which commence 1 January 2022), which will specifically require ESOS providers to pay the annual registration charge imposed by section 6A of the _National Vocational Education and Training Regulator (Charges) Act 2012_ (which derives its authority from 232A of the NVR Act) and any fee determined under s232 of the NVR Act.

    On 1 July 2016, ASQA became an ESOS agency in its own right for the following ESOS providers:
    - RTOs providing VET courses to overseas students who are studying in Australia on student visas
    - ELICOS providers who are not otherwise regulated by another ESOS agency.

ASQA's ESOS-related fees and charges are distinct from other ESOS-related charges administered by the Department of Education, Skills and Employment (DESE).

ASQA's statutory authority for fees and charges is set out in Table 1.

Table 1: Authority to charge

FEE TYPE	REFERENCES IN THE NVR ACT
RTO registration fees	Paragraph 16(3)(b) Subsection 17(4) Subsection 31(2) Paragraph 32(2)(b)
Course accreditation fees	Paragraph 43(2)(b) Subsection 50(2) Subparagraph 51(3)(b)(ii) Subparagraph 52(4)(b)(ii)
Other fees	Paragraph 41(4)(b) Paragraph 200(3)(c) Subsections 232(1)
CHARGE TYPE	**REFERENCES IN THE CHARGES ACT**
National VET Regulator Annual Registration Charge	Section 6A
Compliance audit	Section 7

(NOTE that under the changes to ASQA's Regulatory Operating Model implemented from 6 April 2021, compliance audits are also known as performance assessments or performance monitoring)	
Charge for the investigation of a complaint about an NVR registered training organisation	Section 10
ESOS FEES and CHARGES	**REFERENCES IN THE ESOS ACT (from 1 January 2022)**
Annual registration charge	Paragraph 11(g)(ia)
Various fees	Paragraph 11(g)(ib)

2.6   Government policy authority to recover costs

In December 2009, the Council of Australian Governments (COAG) agreed to ASQA's establishment as a cost recovery agency, and announced that ASQA would, over a period of years, move from partial to full cost recovery. On 1 July 2011 ASQA was established by the enactment of the NVR Act and supplementary legislation. In the 2015-16 Portfolio Additional Estimates Statements, the Australian Government confirmed ASQA's continued operation as a partial cost recovery entity at a rate of recovery of 60% of its costs.

The Australian Government Budget 2018–19 announced that ASQA will transition from partial cost recovery to full cost recovery by 2020–21.

In April 2020, in response to the COVID-19 pandemic, the Australian Government extended the implementation date for full cost recovery by one year to 1 July 2021 and, in March 2021 further extended the implementation date for full cost recovery by another 6 months to 1 January 2022. From 2020, the Australian Government also paused the majority of ASQA's fees and charges.

On 25 November 2021, the Australian Government announced a further extension of the waiver of the majority of ASQA's fees and charges until end June 2022. Full cost recovery will be implemented from 1 July 2022.

2.7   What does full cost recovery mean?

Full cost recovery does not mean that ASQA will recover 100% of its costs.

The fees and charges proposed in Part 4 of this document will give effect to the Australian Government decision that most of ASQA's regulatory activity be fully recovered through fees and charges.

2.7.1   What is excluded from recovery from 1 July 2022

Of the approximately $45.8 million of budget expenses, some $8.5 million (18%) is excluded from cost recovery, including to further support the VET sector in the post-COVID-19 pandemic environment through education, improved transparency, better use of data and, moving forward, to implement the new standards and arrangements for RTOs currently being developed by DESE.

Exclusion of costs related to Skills Package and Skills for Recovery
The Australian Government has decided that some of the National VET Regulator's sector-wide regulatory functions will continue to be solely funded by the following budget measures:

- Under the Skills Package, some $1.6 million per annum is allocated to enable ASQA to respond to key themes in the Joyce and Braithwaite reviews:
    - expanding ASQA's educative role to ensure training providers are aware of, and supported to, understand regulatory requirements;
    - improving ASQA's regulatory approach to support quality delivery of training;
    - ensuring audit decisions are transparent, and that training providers have the right information to understand where they might be falling short so that they can make improvements which support the delivery of best practice training and student outcomes; and
    - ensuring the national regulator has the data and feedback they need to identify and remove poor quality providers.

- Under the Skills for Recovery Package, some $16.1 million is allocated over 4 years to enable DESE to develop new standards and arrangements for RTOs, to be implemented by ASQA. This funding comes to an end in 2023-24.

These Australian Government budget measures enable ASQA to strengthen its regulatory engagement and education and undertake the range of engagement and education activities outlined in its 2021-22 Corporate Plan. ASQA will continue to recover costs associated with regulatory engagement and education activity that does not fall within the scope of the packages described above.

Consultation to date on implementation of ASQA's full cost recovery resulted in feedback that included that ASQA should increase outreach, education and engagement to drive an efficient cost.

Since 2020, research from ASQA's annual Provider and Course Owner Survey found there have been significant improvements to the delivery of education functions and improved engagement with the sector.

> *"Looking at the figures given in the (2019-20) consultation paper it seems one way ASQA could really manage its costs would be to significantly increase the resources spent on outreach/education/engagement. Providing high-quality, specific information on 'what compliance looks like' would, hopefully, reduce the number of regulatory decisions has to make and accordingly the number of AAT processes it has to participate in (which are a big percentage of costs)".*
>
> ***Stakeholder Feedback 1: increase outreach, education, and engagement to drive an efficient cost***

The survey found that the largest improvement in ratings from the previous year was ASQA's communications to help providers understand our expectations of a provider (10 %), followed by the usefulness of education materials for the provider community (6%).

Exclusion of costs related to strategic reviews and legal review of decision
Some comments made during initial consultations on ASQA's implementation of full cost recovery (refer to Stakeholder Feedback 2 insert) suggested that strategic reviews and legal review of decisions

should be quarantined from ASQA's fees and charges. To clarify: the cost of these functions are not recovered via fees or charges and are quarantined from recovery through ASQA's fees and charges.

Non-recoverable course accreditation costs
ASQA is reviewing its focus against its policy and legislative authority for course accreditation and identifying efficiencies and changed practices that reduce the overall costs of course accreditation related activities while maintaining essential safeguards. These changes will be reflected in the final version of the CRIS.

"ASQA needs to be responsible for their own costs associated with tribunal and court hearings. It is unreasonable to recoup these fees from the VET sector such as RTOs. By passing on these costs to RTOs, this reduces if not eliminates the RTOs opportunity to service their own legal costs associated with a tribunal or court hearing. RTOs must have an equal opportunity to dispute a decision made by the national regulator. ASQA should be drawing on their government funding to cover their own legal fees".

"These costs relate directly to ASQA and essentially their cost of doing business. We support the recommendation that these costs are not subject to cost recovery. If these additional costs are recovered, the implication will be that providers pass on these costs to students?".

Stakeholder Feedback 2: exclude tribunal/court costs from cost recovery to minimise costs to regulated entities

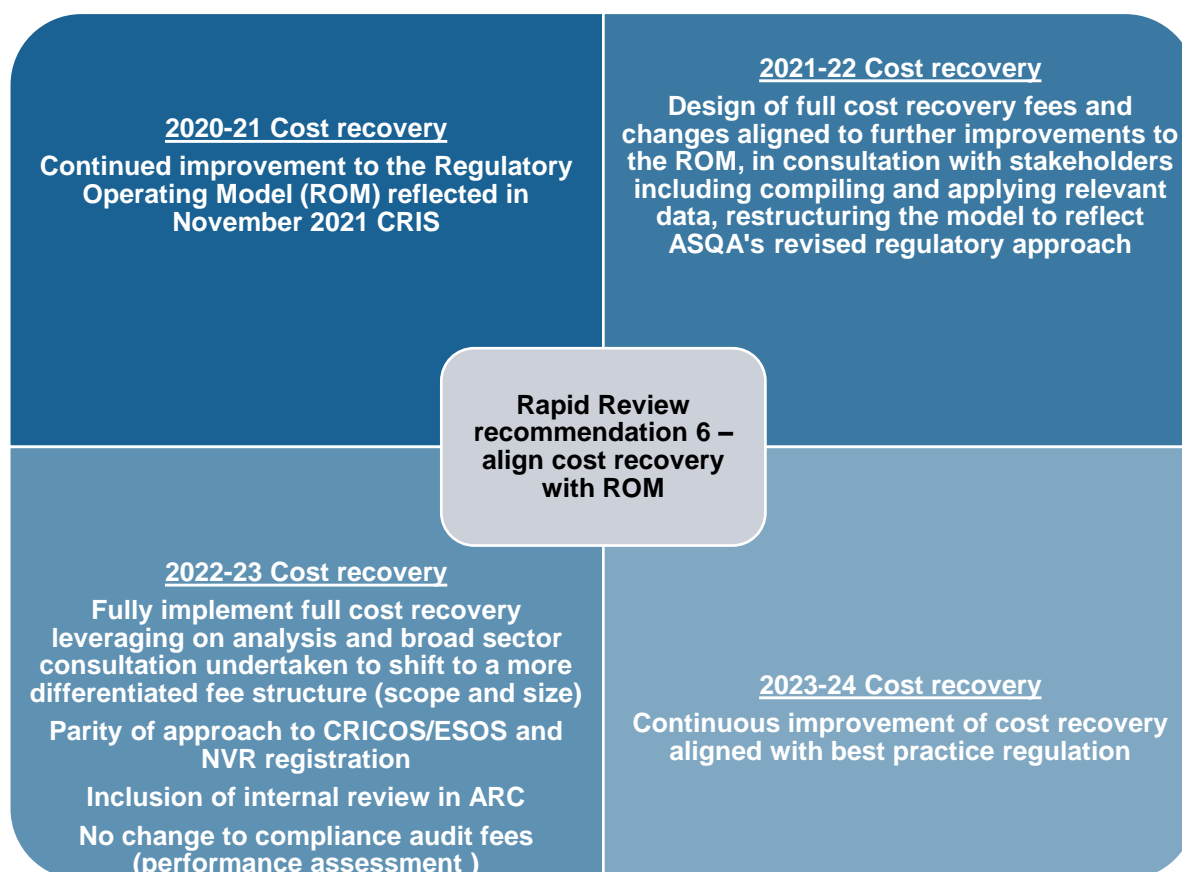# 3 ASQA'S APPROACH TO COST RECOVERY

3.1 Integration with the Corporate Plan

ASQA's cost recovery model and forward planning of cost recovery are integral to the Corporate Plan, and the performance framework ensures that ASQA, stakeholders and the Australian community can see how ASQA will continue to evolve its approach to cost recovery as ASQA continuously improves its performance. Clarity about how ASQA has aligned its forward plan for cost recovery, linked to its 2021-22 Corporate Plan, also enables key stakeholders to partner with ASQA to ensure that:

- ASQA's regulation achieves the desired regulatory outcomes for stakeholders, future employers, governments and the Australian people; and
- that the costs of ASQA's regulatory approach are minimised.

How ASQA's planned changes to cost recovery align with ASQA's Corporate Plan is set out at Figure 5.

Figure 5: ASQA's planned changes to cost recovery aligned to the 2021-22 Corporate Plan

2020-21 Cost recovery
Continued improvement to the Regulatory Operating Model (ROM) reflected in November 2021 CRIS

2021-22 Cost recovery
Design of full cost recovery fees and changes aligned to further improvements to the ROM, in consultation with stakeholders including compiling and applying relevant data, restructuring the model to reflect ASQA's revised regulatory approach

Rapid Review recommendation 6 – align cost recovery with ROM

2022-23 Cost recovery
Fully implement full cost recovery leveraging on analysis and broad sector consultation undertaken to shift to a more differentiated fee structure (scope and size)
Parity of approach to CRICOS/ESOS and NVR registration
Inclusion of internal review in ARC
No change to compliance audit fees (performance assessment)

2023-24 Cost recovery
Continuous improvement of cost recovery aligned with best practice regulation

3.2 How ASQA's performance framework drives an efficient cost of ASQA's regulation of VET

ASQA takes a risk-based approach to prioritise and focus our regulatory effort. We consulted with stakeholders on the development of our Regulatory Risk Framework which sets out our approach to the effective, integrated management of risk – which is critical to the successful delivery of ASQA's strategic objectives. Our Risk Priorities for 2021-22 for 2021-22 emerged from an environmental scan, data and intelligence from many resources including a range of stakeholders. The improvements that we made on our ROM, which we also engaged with stakeholders on, focused on the most efficient and effective operating model to achieve our regulatory purpose and outcomes

The 2021-22 Corporate Plan clearly links the planned continuous improvement of ASQA's regulation of VET to a robust performance framework:

- ASQA's key activities detailed in the Corporate Plan reflect the shift in regulatory posture away from input and compliance controls to a focus on self-assurance and excellence in training outcomes, enabled by improved engagement with all stakeholders and expanded use of education as a regulatory tool

- ASQA recognises the cultural change this requires across the sector, including within ASQA, and is committed to continuing to build the strong partnerships and mutual trust and respect necessary to achieve this shift

- ASQA's performance framework reflect the changes ASQA is making, working together with key stakeholders

- As part of delivering best practice regulation for Australia's VET sector, ASQA will continue to enhance its performance framework in partnership with stakeholders to, year-by-year, improve the quality, relevance and timeliness of information about ASQA's performance and the performance of the sector ASQA regulates

- The data derived from ASQA's cost recovery model is a key driver for improvements in ASQA's operation in one or more of the following areas which will, in turn, further improve and refine ASQA's cost recovery, using the outcomes for cost recovery mapped to ASQA's performance framework measures as set out at Table 2.

Table 2: Cost recovery outcomes mapped to ASQA's performance framework measures

COST RECOVERY OUTCOME	PERFORMANCE FRAMEWORK KEY PERFORMANCE INDICATORS (KPIs)
Costs to business and taxpayers are minimised while quality outcomes are improved and safeguards maintained	1.2 There is systemic use of ASQA's self-assurance resources by providers to improve the quality of training delivered to students
	2.1 Stakeholders are confident that ASQA's regulation is best practice and reflects areas of shared responsibility
	2.2 Stakeholders are confident that ASQA's regulatory processes promote quality outcomes and self-assurance
	2.3 ASQA's risk-based regulatory insights support and enable improved provider performance
	2.4 ASQA's regulation is proportionate
	3.2 ASQA provides meaningful reports on provider performance

	5.4	ASQA shares information about ASQA's assurance and quality control activities
	5.5	ASQA shares information about evaluation of its regulatory operations
ASQA's organisational design and allocation of internal budget and management of human resources are efficient and continuously improve	5.2	ASQA is efficient and effective
	5.3	ASQA promotes the organisational and cultural change necessary for a best practice regulator
ASQA's cost recovery model is aligned with improvements to the regulatory operating model	3.1	Key stakeholders, providers and the Australian community can access a broad range of information about ASQA's regulatory activity and performance
	5.1	ASQA implements the Government's decision regarding cost recovery
Providers' cost-consciousness and management of risk in meeting regulatory obligations is enhanced by ASQA's approach to cost recovery	1.1	The regulatory system enables provider self-assurance
	1.3	Provider self-assurance capability improves
	2.3	ASQA's risk-based regulatory insights support and enable improved provider performance
	3.2	ASQA provides meaningful reports on provider performance
ASQA's stakeholders contribute to ASQA's strategic approach to cost recovery and ASQA's implementation of cost recovery	4.1	ASQA's partnerships and strategic engagement improve regulatory outcomes
	4.2	There are feedback loops with key stakeholders to inform broader VET reforms and improve regulatory policy and regulatory outcomes
	4.3	There is common understanding of ASQA's role and regulatory approach, and areas of shared responsibility

The KPIs referenced above, underpinned by performance measures to enable ASQA and its stakeholders to measure and monitor ASQA's performance, were developed in consultation with ASQA's key stakeholders.

Responding to questions raised in consultations to date about ASQA's efficient cost, ASQA committed to a systemic approach which is underpinned by strong engagement with key stakeholders and a high degree of transparency to ensure that ASQA's performance against the cost recovery outcomes referenced in Table 2 can be measured. As part of ASQA's commitment to continuous improvement, these will also be enhanced, continuously improving transparency about, and confidence in, ASQA's achievement of an efficient cost model that minimises the cost burden on VET providers and course owners while quality regulatory outcomes are strengthened with benefits realised for stakeholders and the Australian community.

"How will the VET sector be assured of ASQA's costing competitiveness and value for money?"

"What assurances will be available to show that inefficient operation is not passed on to the VET sector?"

"Training providers are made to fully fund ASQA's operations yet have no control over the operations of ASQA in areas such as organisational efficiency"

Stakeholder Feedback 3: provide assurance about ASQA's cost recovery and its efficient cost

3.3 ASQA's cost recovery model

ASQA's cost recovery model is robust, independently tested and fit for purpose as a tool to minimise costs to business and the Australian taxpayer while improving quality outcomes and protecting essential safeguards. During consultation with key stakeholders on full cost recovery, stakeholders queried how ASQA's cost recovery methodology is validated, and whether additional checks and balances exist to assure stakeholders and the Australian community of the efficacy of the model are warranted. This was most recently raised at the November 2021 Provider Roundtable consideration of cost recovery.

To further inform future consideration of these issues, this section is included to explain how the model was built using external expertise, how it has been independently tested to date, the further scrutiny that is planned for the model in 2021-22 and 2022-23, demonstrating ASQA's continued commitment to best practice cost recovery informed by independent evaluation and ensuring that ASQA invests appropriate resource into meeting the cost recovery requirements of Government while minimising the cost of its activity to be recovered from the sector.

3.3.1   Development and review of ASQA's cost recovery model to date

Under ASQA's cost recovery model:
- **Direct costs** are the costs for staff directly involved in the business processes associated with Directed and Sector-Wide regulatory functions and outputs (e.g. auditors/quality assessors, application processing staff). This includes employee and supplier costs associated with these staff, such as travel, office supplies, and outsourced IT and payroll expenses. Direct costs are allocated by the amount of time staff spends directly on the associated outputs.
- **Indirect costs** are the costs for staff whose work supports the staff who are classified as 'direct costs'. This includes employee and supplier costs associated with this work. Indirect costs are allocated to direct staff on a per-head basis.
- **Employee costs** include salaries, superannuation, allowances and provisions.
- **Supplier costs** are calculated as a part of direct and indirect costs. These include travel, training and development, telecommunications and IT support, legal, property, consultant and contractor expenses.
- **Capital costs** are the initial cost of an asset and are not included in ASQA's cost recovery; however, **depreciation** of assets is included as indirect costs, to recognise the use of assets owned by ASQA in the performance of its tasks. Assets include those purchased and those generated through internal staff effort (e.g. ASQA's online regulatory management system, asqanet).

ASQA's cost recovery model was developed utilising Activity Based Costing, which:
- defines a clear hierarchy linking regulatory activities to specific outputs and tasks performed by ASQA staff
- accurately measures and assigns costs to the regulatory outputs and business processes
- uses relevant proxies for the allocation of indirect costs
- tracks the degree of alignment between expenses and revenue
- produces relevant and timely performance reports to the activity
- enables ASQA to:
    o   measure and improve efficiency
    o   minimise over- and under- recovery of costs

- o manage costs and monitor performance
- o justify how cost recovery charges have been calculated and how they relate to the costs of the activity, reflecting ASQA's understanding that stakeholders who pay cost recovery charges expect to receive value for money.

- Further enables ASQA to:
  - o improve its understanding of the activity costs – in other words, ASQA's cost consciousness – and the key business processes that are used to produce those outputs.
  - o demonstrate a discernible link between the costs, charges and performance of ASQA's activity, including how ASQA's business processes transform resources (people, money and supplies) into the regulatory outputs which are cost recovered with Government policy outcomes.

3.3.2 Review of the model

In 2020-21, as part of its preparation to implement the Government's decision that ASQA transition to full cost recovery, ASQA contracted PwC Australia to undertake a review of ASQA's cost recovery model and supporting framework documentation to determine if the model remains 'fit for purpose' in a full cost recovery context.

The PwC review considered whether the model is fit-for-purpose under the requirements of the Australian Government Charging Framework and the Australian Government Cost Recovery Guidelines, and was conducted in alignment with the best practice recommendations from the Australian National Audit Office's (ANAO) performance audit in 2019 of 3 Australian Government agencies' compliance. The 3 principles that were stipulated by the Australian Government Cost Recovery Guidelines as applying to all stages of the cost recovery process were:

- transparency and accountability
- effectiveness and efficiency
- stakeholder engagement.

The focus and findings of the PwC review are summarised in Appendix 1 and confirm that ASQA's model is fit-for-purpose.

Summary of PwC review of ASQA's cost model and key findings

ASQA has subsequently worked to ensure that the opportunities to further strengthen the model, as identified in the review, were implemented and underpin the fees and charges proposed in this document including:

- stricter governance processes have been introduced from 2021-22, identifying officers authorised to amend the model
- assurance of the exclusion of defined activities from the cost pools that set prices (as referenced in Part 1 of this document).

A key improvement resulting from ASQA's continuous improvement of its cost recovery model is the early settling of its financial year internal budget and human resource allocation, aligned to its Corporate Plan. In 2021-22, the internal budget for 2022-23 is established in November 2021, approximately 6 months earlier than previously, promoting stability, enabling improved targeting of supplier funds and other resources against planned activities in 2022-23.

3.3.3 Further planned independent review and analysis of ASQA's cost recovery model

There are independent processes in train to ensure that ASQA's cost recovery model continues to be checked and challenged to ensure that it represents best practice cost recovery and continuously improves. For example, in 2022, DESE will conduct a portfolio charging review, consistent with the Australian Government's Cost Recovery Guidelines.

Further details about ASQA's involvement in processes that will independently review, analyse and help further improve the cost recovery model will be provided as the detail becomes available.

ASQA continues to make a significant investment in ensuring that ASQA's cost recovery methodology is more than fit-for-purpose: that it is a best practice cost recovery model which drives and enables improvements across all aspects of ASQA's operation. ASQA will continue to work with stakeholders to maintain the right investment in validation.

4. ASQA's cost recovery

4.1 Methodology

As set out earlier in this document, ASQA's cost recovery methodology enables the allocation of ASQA's resources (money, people and suppliers including consultants and contractors) to ASQA's regulatory and corporate activities and hence to ASQA's fees and charges. To calculate costs efficiently, ASQA's cost recovery methodology combines what would normally be 3 models (resource management, internal budget and cost recovery model) into one integrated model, as set out at Figure 7. It is important to note that the 3 models work in conjunction with each other, not sequentially, and are reviewed on an ongoing basis:

- o the internal budget informs the resource management plan and informs the cost recovery model, and,
- o equally, the cost recovery model drives the distribution of the internal budget and the allocation of resources to ensure that ASQA's regulatory outcomes are being achieved in a timely way, efficiently and effectively and in line with its 2021-22 Corporate Plan, supporting the application of our regulatory efforts to align with risk priority areas.

Figure 7: ASQA's cost recovery methodology

The cost recovery model uses the internal budget data to calculate activity based costs: a cost per productive hour per role and combines this with the hours of effort required per role from the resource management plan to determine the cost per output, within margins of error agreed by Department of Finance

Based on the volume of outputs and the hours of effort required for each task by each role, the cost recovery model creates a resource management plan, confirming the number of roles needed to undertake ASQA's functions, is produced and thereafter highlights where adjustments are required. This enables ASQA to project its workforce requirements over a 5 year period

The cost recovery model creates a 5-year internal budget based on FTE entered by classification for each cost centre and adds appropriate supplier and depreciation expenses, aligned to ASQA's forward program of work as described in the 2021-22 Corporate Plan (and hence linked to peformance indicators against which ASQA reports)

The key steps in the cost recovery methodology are outlined in Table 3.

Table 3: key steps in the cost recovery methodology

Key steps in the cost model	Description
Identifies all the tasks that ASQA performs and identifies if they contribute directly to an entity-directed regulatory outcome, a sector-wide regulatory outcome (e.g. is a direct cost) or if the task supports and enables regulatory work (i.e. is an indirect cost). Review the tasks performed within each cost centre to determine if the cost centre contributes directly.	Indirect costs are the usual corporate and enabling costs that any organisation similar to ASQA would undertake. Using the initial registration entity-directed regulatory output as an example, indirect costs include: o procurement expertise when contracting external auditors o HR including recruitment, induction, professional development, access to Employee Assistance Program o the Accountable Authority/CEO stewardship of the agency.
Calculates all the indirect costs held in supporting/enabling cost centres and allocates them to regulatory cost centres.	This is a pro-rata distribution and a standard step in Activity Based Costing.
Identifies all the tasks that ASQA needs to perform systemically and efficiently to achieve an entity-directed or sector-wide regulatory output.	There are a number of tasks that ASQA systemically performs in relation to, for example, lodgement of an application (for initial registration, renewal of registration, amendment to registration, course accreditation). These tasks contribute to the entity-directed regulatory activity of assessing risks associated with the application. The direct, regulatory related tasks that ASQA needs to perform in relation to lodgement of an application include: registering the application, reviewing it for completeness, liaising with the applicant as required, deciding if the application can be accepted or if it requires further development by the applicant, accepting or rejecting the application.
Identifies who performs each of the tasks that contribute to a regulatory output and what classification (i.e. pay point) attaches to each position.	The model captures that the tasks above are largely performed at a specific pay classification, which is an efficient price point for undertaking such tasks.
Calculates the cost per hour for each position for each task contributing to the regulatory output (i.e. the direct and indirect cost attached to each person contributing to the achievement of an entity-directed or sector-wide regulatory output, regardless of whether that role is	The indirect costs associated with the application lodgement tasks are calculated (using the same methodology) and attributed to the regulatory task, creating a total cost of the regulatory task.

performed by internal full-time equivalents (FTE) or suppliers)	
Applies the hours of effort required from each regulatory role to achieve each regulatory output.	This volume of work is translated into the hours required at the specified pay classification, and for the indirect tasks that contribute to the regulatory output and determines the total hours of effort required in a year (comprising the specified pay classification and the indirect corporate effort).
Determines the total cost associated with each task over the course of a year	The cost of that regulatory effort associated with the specified pay classification's role is calculated
Builds in the number or volumes of regulatory outputs (both entity-directed regulatory outputs and sector-wide regulatory outputs) estimated to be performed in a year.	The model estimates the number of lodgement applications that will need to be undertaken in any given year to achieve ASQA's entity-directed regulatory output requirements.
Calculates the total cost of all tasks (i.e. the cost of the regulatory output)	Sum of the costs of all other regulatory efforts contributing to achieving the regulatory outcome.
Allocates the total cost against fees and charges which must not exceed margins of error as set by the Department of Finance.	The fee for lodgement of applications is set.
ASQA is prohibited from over-recovering	The model monitors the internal budget, resource allocation against the anticipated volume and the actual volume to enable adjustments to be made including where ASQA implements efficiencies to its processes.

4.2   Internal budget

The internal budget identifies each cost centre by type: regulatory, enabling or executive.

- Regulatory cost centres are generally the cost centres that directly perform activities that contribute directly to ASQA's regulatory outputs, being either entity-directed regulatory functions or sector-wide regulatory functions.
- Enabling cost centres generally capture the costs of performing corporate functions such as finance, governance, and human resource functions. These costs will be allocated across all regulatory cost centres based on a simple FTE driver.
- Executive cost centre expenses include the Senior Executive Service or Branch head and support staff for each of ASQA's three regulatory Groups. These costs are allocated to the cost centres they manage based on simple FTE drivers. This is due to the nature of the work done primarily to manage the teams within the Branch, acknowledging that some level of regulatory decisions and review is done directly.

Step 1:
The first step in the cost model is to allocate enabling and executive costs to regulatory cost centres.

As set out at Table 4, in the period 2018-19 to 2022-23, ASQA has achieved efficiencies in the number of FTE allocated to enabling cost centres, reducing overall FTE by 8 (a 16% decrease) while achieving:

- an increased focus on organisational governance (including compliance and risk) to achieve better alignment with the strategic deliverables and continue to progress matters canvassed in the 2021 ANAO performance report;

- improved financial management capability as evidenced by the improvements to ASQA's cost recovery model and its application to the internal budget and deployment of human resources, including through use of external expertise of PwC, reclassification of the position of Chief Financial Officer and recruitment of strengthened skills and capability and restructuring of the Finance and Facilities team including to reduce administrative overheads;

- an increased focus on building organisational capability as required to implement the findings of the Rapid Review and comply with the Principles, with the addition of 3 FTE to the People and Capability Cost Centre; and

- better defining the work previously undertaken in IT and Information Management, including to enable a program of digital transformation work to support and enable performance improvement by providers and course owners through ASQA's improved use of technology in dealing with regulated entities, with $875 000 of supplier costs moved from enabling to regulatory.

Table 4: ASQA's Enabling Cost Centres

ASQA's Enabling Cost Centres	Indirect Costs ($'000)			FTE		
	2018-19	2022-23	Variance	2018-19	2022-23	Variance
Stewardship and governance	808	1,533	725	3	7	4
Finance and Facilities	2,399	1,514	-885	16	10	-6
Property Services	926	4,716	3,789	-	-	-
People and Capability	1,275	1,727	452	6	9	3
Governance, Policy and Quality#	1,141	-	-1,141	7	-	-7
IT and Information Management	5,959	6,533	574	11	9	-2
Total - Enabling Cost Centres	**12,508**	**16,023**	**3,515**	**43**	**35**	**-8**

NOTES: # Costs in the former Governance, Policy and Quality cost centre are disaggregated to Planning and Performance (reflecting regulatory function) and stewardship and governance above.

As part of the realignment of ASQA's organisational design in 2019-20 and 2020-21 (including to implement the findings of the Rapid Review) ASQA has realigned its cost centres to better reflect its functions. Some key changes include:

- focus on closer alignment of resources with regulatory outcomes, aligning some workforce from enabling cost centres into the regulatory program (reducing FTE in enabling by 8 overall); and

- utilising contractors to implement Rapid Review recommendations as provided for in the Skills Package and the Skills for Recovery Package, both of which have been designated as costs that are not recoverable from charges to regulated providers and course owners.

An increase of $3.789 million in indirect costs is due to a change in the lease accounting standard in 2019-20 in recognition of leases.

Indirect costs also increased as a result of pay rises consistent with ASQA's Enterprise Agreement.

Step 2

Step 2 is to allocate direct costs of ASQA's regulatory activities to regulatory cost centres, which include an attribution of costs related to the executive oversight of the regulatory groups within ASQA's structure. The new structure of ASQA's regulatory cost centres is set out at Table 5.

ASQA has increased the FTE directly involved in cost recovery activities from 142 to 154. Reflecting implementation of Rapid Review Recommendations and changes to the Regulatory Operating Model resources are allocated across several new cost centres notably data analysis and reporting, education, and engagement. This level of cost attribution enables more transparency on the outputs of each.

Table 5: ASQA's regulatory cost centres

ASQA's Regulatory Cost Centres	Direct costs ($'000)			FTE		
	2018-19	2022-23	Variance	2018-19	2022-23	Variance
Quality Assessment	18,649	6,078	-7,952	90	36	-22
Compliance		2,699			19	
Strategic Operations		1,115			8	
Internal Review *		806			5	
Registration	1,889	1,308	-581	12	10	-2
Course Accreditation	1,072	843	-228	5	5	-
Strategic Review and Evaluation	620	536	-84	3	3	-
General Counsel	983	1,157	174	6	3	-3
Service Centre	2,136	2,739	604	14	17	3
Intelligence	945	1,462	517	12	9	-3
Planning & Performance		596	596		4	4
Engagement		910	910		5	5
Content Management		451	451		2	2
Education		801	801		6	6
Data, Analysis and Reporting		1,146	1,146		7	7
Risk Assurance and Compliance #		809	809		6	6
Regulatory Design		1,001	1,001		6	6
Regulatory Policy		513	513		3	3
Total - Regulatory Cost Centres	**26,293**	**24,969**	**-1,324**	**142**	**154**	**12**

Notes:
*The Internal Review team is a new team to focus on reconsiderations/reassessments across all decisions including Registration and Course Accreditation.
Risk Assurance Compliance Team includes an allocation for the Advisory Council/regulatory committees

Step 3:

Step 3 is that the model allocates a share of the enabling costs to each regulatory cost centre. These are referred to as indirect costs in Table 6. While Table 6 shows the results of this attribution at the cost centre level, the model itself tracks these costs by each unique role within ASQA (ie by position classification) to ensure a high level of accuracy.

**Table 6: Direct and indirect costs by ASQA regulatory cost centre**

ASQA's regulatory cost centres	FTE	Direct costs ($'000)	% of total direct costs	Indirect costs ($'000)	% of total indirect costs	Total costs ($'000)
Quality Assessment	36	6,078	24%	3,776	24%	9,853
Compliance	19	2,699	11%	1,993	12%	4,691
Strategic Operations	8	1,115	4%	834	5%	1,949
Internal Review	5	806	3%	524	3%	1,331
Registration	10	1,308	5%	1,049	7%	2,357
Course Accreditation	5	843	3%	571	4%	1,415
Strategic Review and Evaluation	3	536	2%	315	2%	850
General Counsel	3	1,157	5%	315	2%	1,472
Service Centre	17	2,739	11%	1,783	11%	4,522
Intelligence	9	1,462	6%	944	6%	2,406
Planning & Performance	4	596	2%	280	2%	876
Engagement	5	910	4%	629	4%	1,540
Content Management	2	451	2%	210	1%	661
Education	6	801	3%	524	3%	1,325
Data, Analysis and Reporting	7	1,146	5%	734	5%	1,880
Risk Assurance and Compliance	6	809	3%	598	4%	1,406
Regulatory Design	6	1,001	4%	629	4%	1,630
Regulatory Policy	3	513	2%	315	2%	828
Total - regulatory cost centres	**154**	**24,969**		**16,023**		**40,992**

Concurrently the model determines the number of productive hours each unique role has in a year to work on business tasks. By dividing the direct costs and indirect costs allocated to each role by the number of hours each role can perform, a detailed cost per hour by unique role is determined.

The cost recovery model then uses this cost per hour and the number of hours of effort required on each task, to create a cost per task. This is then multiplied by the volume or number of times each task will be repeated in a year to determine the cost per task per year.

These tasks are summed to Business Process and Outputs as shown in Figure 8. ASQA performs 2 activities as Regulator: Entity Directed and Sector-wide. The following section provides more detail on the results of this methodology.

Figure 8: Delivery of regulatory outputs—derived from ASQA's activities via business processes, via business tasks
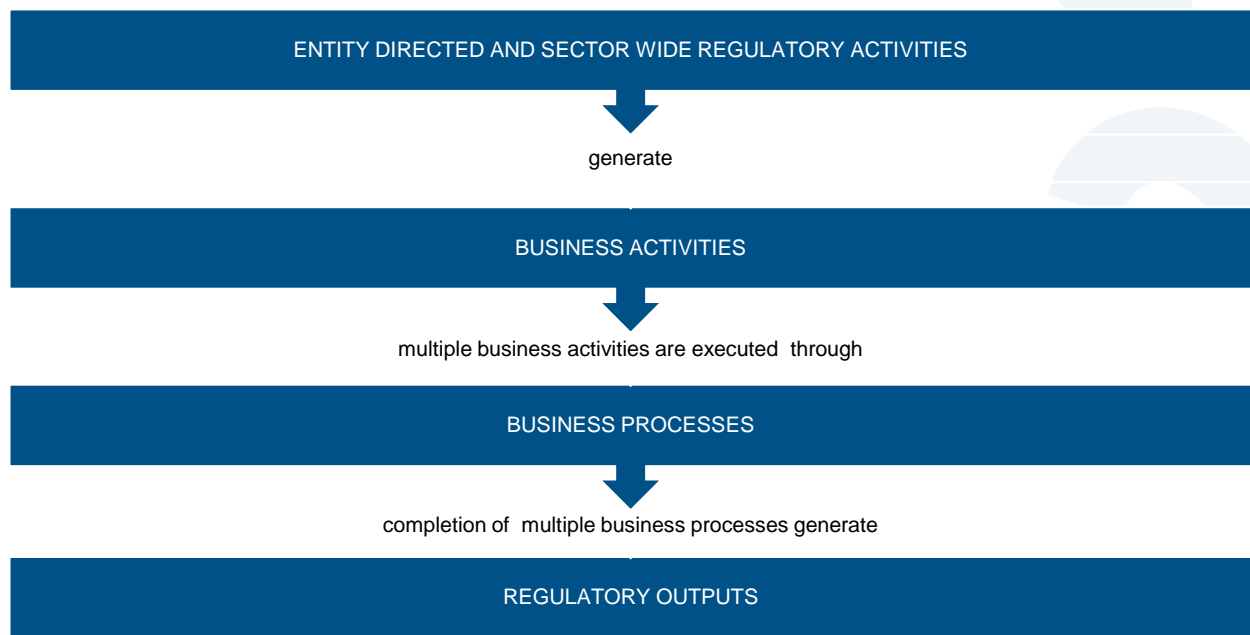

4.3   ASQA's estimated 2022-23 costs by Regulatory Activity

As set out in Part 1 of this document, ASQA has 2 regulatory activities: entity-directed regulatory activities and sector-wide regulatory activities:

- entity-directed regulatory outputs result from tasks ASQA performs at the direction of a provider or course owner. The costs of these tasks are recovered through lodgement fees, assessment fees and hourly charges, depending on the outputs required; and

- sector-wide regulatory outputs result from tasks that are necessarily performed by ASQA but have limited nexus with individual providers.

The cost recovery model summarises these costs in Tables 7 to 10 below, with the estimated costs of ASQA's functions for 2022-23, broken down by ASQA's three categories of functions (as described earlier in Part 1 of this document. The total estimated cost to be recovered through fees and charges is $40.992 million.

Figure 9: ASQA's 2 regulatory activities as a percentage of total expenses (excluding NPP's)

ASQA's two regulatory activities

Entity-directed
30%

Sector-wide
70%
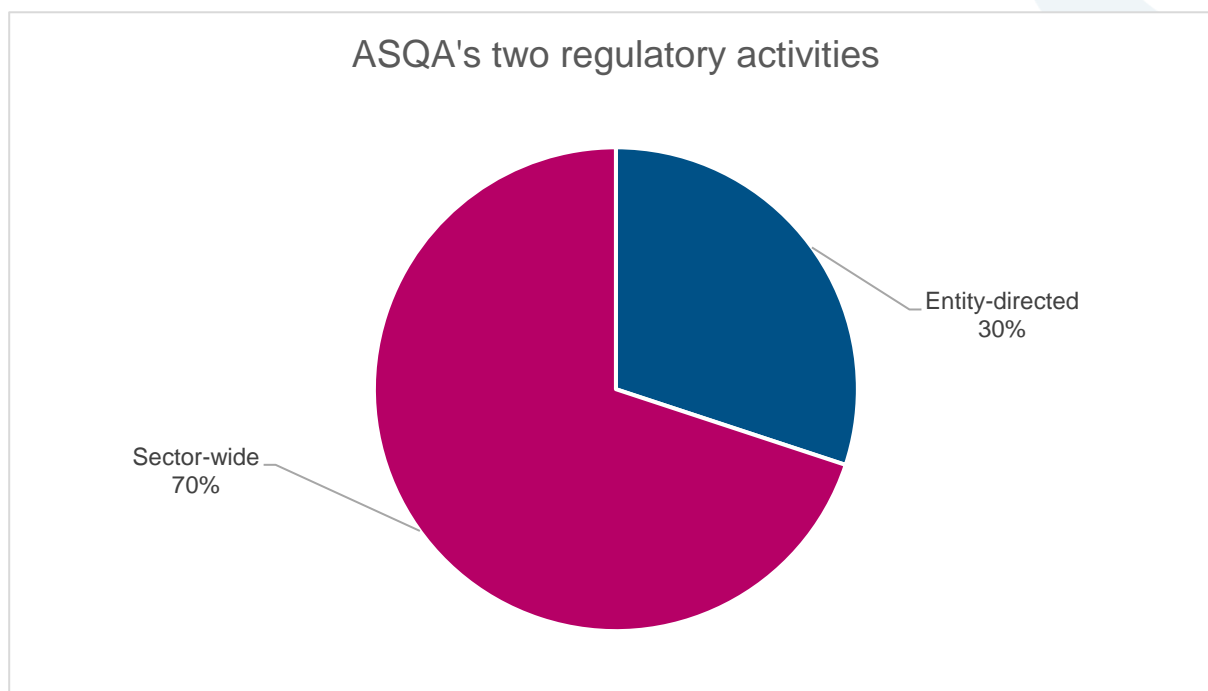
4.3.1 Cost of Entity-Directed Regulatory Activity (application based)

Improvements to the regulatory operating model as well as training and development of staff and improved use of technology, have enabled ASQA to reduce the direct cost of entity-directed regulatory activity by 24 FTE, reallocating this FTE to Sector-wide regulatory activities.

Table 7: Estimated costs of 2022-23 by Entity-directed, Regulatory Activity and Outputs (application based)

ASQA'S directed outputs	Direct costs $'000	Indirect costs $'000	Total costs $'000
Initial Registration	1,166	394	1,561
Changes to registration	2,807	2,152	4,959
Renewal of registration	1,382	832	2,214
Reconsiderations and reassessments and sanction driven application	524	350	874
Course Accreditation	740	506	1,246
Minor applications	817	611	1,428
Total	**7,437**	**4,845**	**12,282**

4.3.2 Cost of entity-directed regulatory activity (not application driven)

Table 8: Estimated costs of 2022-23 by entity-directed regulatory activity and outputs, recovered through an hourly charge (not application derived)

ASQA Sector-wide, but recovered from providers	Direct Costs $'000	Indirect Costs $'000	Total Costs $'000
Compliance monitoring/supporting providers returning to compliance*	2,810	2,076	4,886
Quality monitoring	1,190	852	2,042
Total costs recovered through an hourly fee	**4,000**	**2,928**	**6,928**

Table 9: ASQA Sector-wide costs recovered through the ARC

ASQA Sector-wide, recovered through an Annual Registration Charge	Direct Costs $'000	Indirect Costs $'000	Total Costs $'000
Advisory Council and regulatory governance	402	315	717
Info Line	1,614	1,144	2,758
Internal Reviews	224	138	362
Monitor compliance with service standards	111	83	195
Regulatory support through technology	764	489	1,253
Regulatory Education	1,628	944	2,572
Regulatory Intelligence	1,462	944	2,406
Regulatory Policy and design	1,920	1,227	3,147
Regulatory risk and assurance	382	245	627
Regulatory stakeholder engagement and communication including doc content	1,637	1,049	2,685
Regulatory Reporting	703	489	1,192
Regulatory Support	197	177	375
Total	**11,045**	**7,244**	**18,289**

Table 10: Estimated costs 2022-23 by Sector-Wide Regulatory Activity and Outputs, not recovered through fees and charges

ASQA Sector-wide excluded from cost recovery	Direct Costs $'000	Indirect Costs $'000	Total Costs $'000
FOI, Legal decisions, Federal court matters and AAT hearings	1,702	626	2,328
Strategic Reviews	536	315	850
Course monitoring and complaints	105	65	170
Total	**2,343**	**1,006**	**3,349**

4.4 Cost recovery design: entity-directed regulatory outputs

Each of the fees and charges relating to an entity-directed regulatory output, and proposed to take effect from 1 July 2022, are described and explained in this section, with reference to the current schedule of fees and charges (established in 2018), and the fees and charges proposed in 2019 in the first round of public consultation on full cost recovery.

4.4.1   INITIAL REGISTRATION: Regulation of risk as new providers seek regulatory approval to commence providing VET to students

Initial registration relates to ASQA's risk-based regulation of market entry, or applicants seeking to provide VET to students for the first time. Applications for initial RTO and ESOS registration undergo risk-based assessment ensure the applicant can comply with, and remain compliant with, required standards and legislative obligations.

Historically, NVR RTO providers and ESOS providers have been charged different fees. In 2019-20, in the first round of consultation on moving from 60% cost recovery to full cost recovery, ASQA proposed to maintain the 2-fee structure, while ensuring that the same fees apply consistently to all applicants wishing to be registered to provide VET. This reflected ASQA's expectation that use of technology and other improvements in systems and processes would result in comparable assessment methodology and costs:

- the lodgement fee increases from $500 to $650
- the assessment fee increases from $8,000 to $9,500.

The first round of public consultations resulted in 4 comments specifically about the proposed initial registration fees, as set out at Stakeholder Feedback 4 below. This draft CRIS provides additional detail about how fees and charges are set (ie the rationale).

From 1 July 2022, ASQA proposes that the structure of its fees for initial registrations will be the same as those proposed in 2019 (ie the same fees for NVR RTOs and ESOS providers):

- the lodgement fee from July 2022 will be $600 (compared with $650 as proposed in 2019)
- the assessment fee will be $8,000 (rather than $9,500 as proposed in 2019).

Table 11 shows the estimated costs of delivering initial application-based regulatory outputs for providers, and the related business processes for each of the outputs (lodgement and assessment). Like all ASQA's fees and charges, the cost of performing the regulatory function translates to the amount recovered, and therefore there is no 'weighting' of initial registration fees to reduce fees or charges in another area.

ASQA's efficient cost is demonstrated because:

- ASQA has reduced the cost of the lodgement fee below the cost proposed in 2019 and maintained the assessment fee at $8,000 (rather than increasing to $9,500 as proposed in 2019); and
- over the three years, 2018-19 to 2020-21, the number of initial registration applications received annually by ASQA has increased from 126 (p16, ASQA Annual Report 2018-19) to 257 (p36, ASQA Annual Report 2020-21). Despite the significant increase in volume of initial registration applications received, and therefore completed, the fees have remained at 2019-20 levels.

> *"Is there any way to make the initial registration… higher than the re-registration ..(where that) is performing well?"*
>
> *"Keep the renewal and amendment of current registrations the same as now – the proposed reductions are insignificant in the scheme of things. Increase the costs for initial registrations more substantively than proposed"*
>
> *"The proposed total cost for initial registration does not contain a clear rationale"*
>
> *"Initial registration of NVR RTOs Initial Triage (ASQA figure - $47 000. This is grossly inefficient…)"*
>
> ***Stakeholder Feedback 4: Initial registrations***

Table 11: Estimated costs of Initial Registration, 2022-23

Business process	Task	Direct cost $'000	Indirect cost $'000	Total cost $'000	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Initial Triage	Completeness check	46	42	88				
	Triage/decision	16	13	29				
	Finalisation	7	4	11				
Lodgement fee		**70**	**59**	**129**	**229**	**$562**	**$600**	**107%**
Business process	Task	Direct cost $'000	Indirect cost $'000	Total cost $'000	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Registration assessment	Allocation	40	30	70				
	Assessment	969	259	1,228				
	Triage/decision	88	46	134				
Initial registration assessment fee		**1,097**	**336**	**1,432**	**189**	**$7,580**	**$8,000**	**106%**

4.4.2 RENEWAL OF REGISTRATION: Regulation of risks associated with the ongoing delivery of VET to students

Renewal of registration relates to ASQA's risk-based regulation of the ongoing provision of VET to students. ASQA uses data and regulatory intelligence as well as documentation submitted by the applicant to assess registration renewal applications. As part of the assessment process, ASQA may contact the provider or conduct performance monitoring or assessment activity.

In 2019-20, in the first round of consultation on moving from 60% cost recovery to full cost recovery, ASQA proposed to maintain the 2 fee structure:

- the lodgement fee decreases from $500 to $240
- compliance audit charge at an hourly rate of $285.

The first round of public consultations resulted in some feedback about the amount charged for renewal of registration. ASQA's use of the hourly charge for renewal of registration, together with its adoption of a range of performance-monitoring activities – in addition to a complete audit – enable a fairer and more transparent approach which will continue to improve in 2022-23 and subsequent years as ASQA continues to improve its regulatory operating model in consultation with stakeholders.

As a result of ASQA's implementation of the findings of the Rapid Review, on or before 1 July 2022 ASQA will introduce a range of monitoring activities (while maintaining its capability to conduct a full performance audit – previously called a Compliance Audit).

This enables ASQA to use a range of different monitoring activities, better reflective of the risks posed by each individual renewing provider and minimising unnecessary regulatory costs whilst maintaining essential safeguards.

From 1 July 2022, ASQA is proposing the same fee structure for renewal of registration lodgement and for renewal of registration assessments:

- a lodgement fee = $320. This is a lower amount than was proposed in 2018, but higher than the lodgement fee proposed by ASQA in 2019; and
- an assessment fee = $250/hour (if required). The first hour of work will enable ASQA to determine the most appropriate performance-monitoring activity that best reflects the risk presented by the renewing provider. Thereafter, an hourly charge of $250 will apply to the assessment.

This approach ensures that the cost of the renewal assessment accurately reflects the risk presented by the renewal, delivering a more transparent and fairer outcome for providers.

Table 12 shows the estimated costs of delivering renewal application-based regulatory outputs for providers, and the related business processes for each of the outputs (lodgement and assessment).

The cost is demonstrated by:

- The efficient cost of lodgement application fees is, from 1 July 2022, maintained at the price point proposed in 2019; and
- The hourly rate from 1 July 2022 of $250/hour is less than the hourly rate established in 2018-19 (of 275/hour) and less than the rate proposed in 2019 ($285/hour).

Table 12: Estimated costs of Renewing Registration, 2022-23

Business Process	Task	Direct Cost $'000	Indirect Cost $'000	Total Cost $'000	Volume	Cost per Application 2022-23	Fee 2022-23	CR %
Renewal Triage	Completeness Check	19	17	36				
	Triage/decision	31	26	57				
	Finalisation	15	9	24				
Lodgement Fee		**66**	**52**	**117**	**397**	**$295**	**$320**	**108%**
Performance Assessment	Allocation	75	56	131				
	Assessment	1,042	614	1,656				
	Triage/decision	99	52	151				
Renewal registration hourly Fee		**1,215**	**722**	**1,938**	**9,196hrs**	**$211**	**$250p/hr**	**119%**

#the cost of travel time, estimated at approximately 4 hours per assessment is not recovered through the hourly rate, instead through the ARC.

**the hourly rate of $250 applies to all performance assessment activity ASQA undertakes, regardless of whether it is undertaken for an initial registration assessment, a renewal of registration assessment, as part of sector-wide assessment activities, to remediate non-compliance, reconsider decisions or as part of a reassessment. $250 is the average hourly cost of this activity charged at an hourly rate.

4.4.3   CHANGES TO REGISTRATION

ASQA applies a risk-based approach when processing applications from providers that are already in the market but seeking approval for a change of scope in registration, including monitoring change of ownership and to ensure people associated with providers are fit and proper. As part of the assessment process, ASQA may contact the provider or conduct performance monitoring or assessment activities.

In 2019-20, in the first round of consultation on moving from 60% cost recovery to full cost recovery, ASQA proposed to maintain the 2-fee structure:

- the lodgement fee decreases from $500 to $240
- if required, there is a compliance audit charge at an hourly rate of $285.

As a result of ASQA's implementation of the findings of the Rapid Review, on or before 1 July 2022 ASQA will introduce a range of monitoring activities (while maintaining its capability to conduct a full performance audit – previously called a Compliance Audit).

This enables ASQA to use a range of different monitoring activities, better reflective of the risks posed by each individual amendment proposed.

From 1 July 2022, ASQA is proposing the same fee structure for amendment to registration lodgement and for assessment of amendment to registration applications assessments:

- a lodgement fee = $240. This is the same amount of lodgement fee proposed by ASQA in 2019
- assessment = $250/hour (if required), rather than $285 as proposed in 2019.

Table 13: Estimated cost of amending registrations

Business Process	Task	Direct Cost $'000	Indirect Cost $'000	Total Cost $'000	Volume	Cost per Application 2022-23	Fee 2022-23	CR %
Amendment Triage	Completeness Check	46	45	91				
	Triage/decision	324	284	608				
	Finalisation	107	56	163				
Lodgement Fee		**477**	**385**	**862**	**3,265**	**$264**	**$240**	**91%**
Performance Assessment	Allocation	498	373	871				
	Assessment	1,481	1,160	2,641				
	Triage/decision	172	91	263				
Amendment Registration Assessment Fee		**2,152**	**1,623**	**3,775**	**17,263 hrs**	**$219**	**$250 p/ hr**	**114%**

4.4.4 RISK-BASED PERFORMANCE MONITORING/ASSESSMENT AND COMPLIANCE MONITORING

In addition to the work ASQA undertakes to monitor and assess applicants in the context of initial registration, renewal of registration and amendments to registrations, ASQA undertakes performance monitoring in a range of other circumstances that will generate an hourly charge to providers, for example when:

- ASQA's intelligence analysis identifies the need for targeted, risk-based performance monitoring and assessment. ASQA publishes its Regulatory Risk Priorities on its website and updates the regulatory priorities to ensure it is responding to the most current issues in the sector. ASQA's response to the Regulatory Risk Priorities is developed in consultation with key stakeholders and may involve performance monitoring and assessment, using the range of approaches ASQA is now deploying, to ensure an increasingly proportionate and efficient risk-based approach.

- non-compliance is identified and needs to be addressed. Where ASQA finds that a provider does not meet the requirements of the legislation and/or the standards, ASQA will respond to non-compliance in a way that is proportionate to the level of risk.

    A range of improvements were made to ASQA's RRF and ROM in 2019-20 and 2020-21 to ensure a fair, efficient and transparent approach to non-compliance.

    For example, in 2020–21, ASQA consulted on and published a Regulatory Practice Guide: Approach to compliance (April 2021). The guide sets out a range of regulatory tools, which aim to ensure the provider addresses the non-compliance and has systems to monitor and ensure ongoing compliance. In all circumstances, ASQA's response to non-compliance will be proportionate to the seriousness of the non-compliance and extent of the provider's commitment and capability and focus on ensuring sustained compliance.

In consultations on implementation of full cost recovery to date, ASQA received feedback that the proposed charge for compliance audits (of $285/hour) was too high. Changes made by ASQA in the intervening period have enabled ASQA to reduce the proposed cost of all hourly charges to $250/hour.

Provision is made for the recovery of these costs as set out in Table 14, which also reflects the provision ASQA has made to undertake risk-targeted performance monitoring activities which are not generated by a registration-related application.

> *"$285.00 per hour is too high; in the event that an audit takes longer than 2 days, ASQA needs to provide a capped quote. Not all hours spent at the audit site are productive. In addition, as far as consultation rates go, this is a very high hourly rate. There also needs to be some guidance around acceptable travel modes etc. and capped travel and accommodation quotes or at a minimum assurances that the Auditor is local / nearest possible".*
>
> ***Stakeholder feedback 5: hourly charges***

ASQA requires a team of skilled staff to perform each compliance / quality monitoring assessment. As part of the resource management plan, a team structure is designed to meet the needs of each output based on the complexity of the output and the estimated number of hours required for each task. This informs the cost recovery model and creates an average hourly rate across all team structures. This average may include an hour of the Delegate at a higher rate per hour and 30 hours of a Quality Assessment Officer at a lower hourly rate, creating a weighted average hourly rate. In reality, ASQA assesses the requirements of each output and availability of staff when allocating each compliance / quality assessment to ensure that quality standards and timeframes are met for the completion of

these assessments, this may result in a slightly different mix of staff compared to the cost recovery model.

Table 14: Performance assessments related to compliance and/or are risk-targeted

	Direct Costs $'000	Indirect Costs $'000	Total Costs $'000	Hours of effort	Cost per hour	Hourly Fee	CR %
Compliance monitoring/ supporting providers to return to compliance	2,810	2,076	4,886	21,485			
Quality monitoring	1,190	852	2,042	8,794			
Total	**4,000**	**2,928**	**6,928**	**30,280**	**$228**	**$250**	**109%**

4.4.5 RECONSIDERATIONS, REASSESSMENT AND EVIDENCE REVIEW

When making a decision that adversely affects a provider or (depending on the matter being decided) a course owner, ASQA decision-makers provide procedural fairness, which means ensuring a fair process, and providing robust reasons for decisions.

In 2019-20 and 2020-21, ASQA made a range of changes to improve regulatory outcomes for providers and course owners, provide improved transparency and fairness and minimise costs to regulated entities while maintaining safeguards:

- Before making an adverse decision due to non-compliance, ASQA issues a notice of intent indicating the relevant areas of non-compliance and providing an opportunity for the provider to submit additional evidence of compliance prior to a final decision being made.

- ASQA established an internal review team to enhance opportunities for dispute resolution at an earlier stage (Rapid Review recommendation 17). ASQA also published a *Regulatory Practice Guide: Approach to review of decisions* (April 2021).

- When reviewing decisions, ASQA reviews the evidence that led to the original decision and any new evidence that is available to the decision-maker. This is to determine whether ASQA's decision remains correct and preferable. ASQA acknowledges that there are circumstances where the decision may have been correct based on the evidence available to ASQA at the time it was made, but no longer remains the correct decision on review. This may be due to the availability of evidence that was not available to the original decision-maker, and whether or not that evidence existed at the time the decision was made.

- Following review of the decision, ASQA can affirm the decision, vary the decision, or revoke or set aside the decision.

In 2019-20, in the first round of consultation on moving from 60% cost recovery to full cost recovery, in relation to Evidence review charges (relating to reconsideration, reassessment and sanction) ASQA proposed to:

- Maintain an hourly charge, but for all evidence review charges, have an hourly rate of $250 and to remove the 4-hour minimum charge where that applied.

From 1 July 2022, ASQA is proposing to retain the 2019 proposal, including the consistent hourly charge at the rate of $250 as proposed in 2019.

Table 15: Estimated cost of reconsiderations, reassessments and evidence reviews

Business Process	Task	Direct Cost	Indirect Cost	Total Cost	Volume	Cost per Hour 2022-23	Fee 2022-23	CR %
Reconsideration	Conduct Evidence Review	214	153	368				
	Draft Recommendations/Report	5	3	8				
	Delegate Sign Off	37	19	56				
		256	175	432	1,780	$243	$250	103%
Reassessment	Conduct Evidence Review	16	11	27				
	Draft Recommendations/Report	-	-	-				
	Delegate Sign Off	10	5	15				
		26	16	42	146	$285	$250	88%
Evidence Review	Conduct Evidence Review	207	142	349				
	Draft Recommendations/Report	35	18	53				
	Delegate Sign Off	-	-	-				
		242	160	402	1,501	$268	$250	93%
Total		**525**	**351**	**876**	**3,428**	**$256**	**$250**	**98%**

Prior to the separation of our quality assessment and compliance teams, auditors would undertake evidence reviews. Evidence reviews required the analysis by auditors of further evidence submitted by providers after they had sought reconsideration of a reviewable decision, or during an appeal in the Administrative Appeals Tribunal proceeding. As from 1 January 2022, evidence reviews will be undertaken by the Internal Review team, as part of its function relating to internal review and appeals.

4.4.6   Costs of accredited course registration

This section addresses the cost of entity-directed regulatory activity in relation to course accreditation and proposes fees that will take effect from 1 July 2022. The 2019 consultation proposal to establish an Annual Registration Charge (ARC) for course owners is addressed at 4.5, noting that ASQA is not pursuing this 2019 proposal and will not establish an ARC for course owners in 2022-23

VET accredited courses address skills requirements where these are not covered in nationally endorsed training packages. Accreditation means the course is nationally recognised and that, on completion of the course, an RTO can issue a nationally recognised VET qualification or, following full or partial completion by learners, a VET statement of attainment. Accreditation with ASQA ensures that courses are nationally recognised and meet an established industry, enterprise, educational, legislative or community need.

For all of the course accreditation fees proposed from July 2022, ASQA is proposing fees that equate to those proposed in the 2019 consultation on full cost recovery.

The key change is that ASQA is not seeking to also impose a levy (or ARC) on accredited course owners. ASQA is reviewing its focus against its policy and legislative authority for course accreditation and identifying efficiencies and changed practices that reduce the overall costs of course accreditation related activities while maintaining essential safeguards.

Table 16 shows the estimated costs of delivering application-based regulatory outputs for course concept assessments, and the related business processes for each of these outputs.

Table 16: Estimated costs of accredited course, course concept assessment

Task	Direct cost $'000	Indirect cost $'000	Total cost $'000	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Registration	6	5	11				
Evaluation	47	31	78				
Finalisation	14	7	21				
Lodgement Fee	66	43	109	55	$1,991	$1,100	55%

Table 17 shows the estimated costs of delivering application-based regulatory outputs for accredited courses for initial course accreditation assessments

Table 17: Estimated costs of initial course accreditation

Task	Direct cost $'000	Indirect cost $'000	Total cost $'000	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Registration	7	5	12				
Initial evaluation	42	28	70				
Initial report writing	31	20	51				
Rectification evaluation	27	22	49				
Rectification report writing	13	11	24				
Finalisation	30	16	46				
Assessment fee	150	101	251	30	$8,364	$7,570	91%

In the first round of consultation on the implementation of cost recovery, ASQA proposed that the fee structure for the renewal of course accreditation would comprise of:

- an Intention to Renew assessment fee of $1,100
- an application assessment fee of $7,570.

Feedback garnered from the first round of consultation is set out at Stakeholder Feedback 6 (insert).

In the period since 2019, ASQA has commenced the review of its internal processes regarding course accreditation. This process is due to be complete by the end January 2022. The outcome that ASQA seeks to achieve is to find further efficiencies in ASQA's dealings with applications, so that the cost per application remains at the price point identified in 2019 for the period 2022-23.

The fees for the renewal of course accreditation from 1 July 2022-23 are, therefore, proposed to remain the same as those proposed in 2019:

- an Intention to Renew assessment fee of $1,100
- an Application assessment fee of $7,570.

This, together with the decision not to proceed with an ARC for course owners from 2022-23, represents an efficient cost.

"I believe the fees to be charged for renewal of accredited courses are exorbitant. There is no way that it takes as many resources to check the renewal of a course as it does to go through all the requirements of a new accredited course. There are usually only minor changes to accredited courses, especially if they are fulfilling the need they were designed for. For instance, this year when I renewed my course, the only changes necessary were those forced by ASQA's changes to the template, and those enforced by the accreditation officer who obviously had differing opinions to the officer who conducted the previous renewal check".

"There is no way at (say) $150/hr, ASQA spends over 50 hours reviewing a course"

"Renewal of accreditation course is ridiculously high"

Stakeholder feedback 6: course accreditation - renewals

Table 18 shows the estimated costs of delivering application-based regulatory outputs for accredited courses for renewal of course accreditation assessments

Table 18: Estimated cost of lodgement of intention to renew accreditation

Business process	Task	Direct cost $'000	Indirect cost $'000	Total cost $'000	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Course intention to renew assessment	Registration	5	4	9				
	Evaluation	97	64	161				
	Finalisation	12	6	18				
Lodgement Fee		114	75	188	95	$1,983	$1,100	55%

Table 19: Estimated cost of renewal of course accreditation

Business Process	Task	Direct Cost $'000	Indirect Cost $'000	Total Cost $'000	Volume	Cost per Application 2022-23	Fee 2022-23	CR %
Renewal Course Accreditation	Registration	15	12	28				
	Initial evaluation	63	51	114				
	Initial report writing	46	37	83				
	Rectification evaluation	63	51	114				
	Rectification report writing	31	25	55				
	Finalisation	70	37	107				
Assessment Fee		**289**	**211**	**501**	**70**	**$7,156**	**$7,570**	**106%**

The results of the current internal review of the processes applying to the renewal of course accreditation applications will be shared with key stakeholders to ensure ASQA is transparent and accountable for achieving an efficient cost.

Table 20 shows the estimated costs of delivering application-based regulatory outputs for accredited courses for amending course accreditations.

Table 20: Estimated cost of amendments to course accreditation

Task	Direct cost	Indirect cost	Total cost	Volume	Cost per application 2022-23	Fee 2022-23	CR %
Registration	2	2	4				
Initial evaluation	3	2	4				
Initial report writing	1	1	2				
Rectification evaluation	1	1	2				
Rectification report writing	1	1	2				
Finalisation	4	2	6				
Assessment Fee	**13**	**8**	**21**	**15**	**$1,384**	**$1,145**	**83%**

* 'Assessment' in this table includes the following business processes: Preliminary research and review; Initial evaluation and report; Evaluation and report writing; Draft decision record; Consider decision and advice.

Table 21 shows the estimated costs of completing business processes related to regulation of accredited courses for which there is no recovery mechanism

Table 21: Estimated costs of business processes for accredited course regulation, 2022-23, which are not recovered through fees

Output	Direct cost $'000	Indirect cost $'000	Total cost $'000
Efficiencies to be gained by end January 2022			
Change ownership of course or change contact details	15	9	23
Course Cancellation	31	20	51
Course Complaint	3	2	5
Course Extension	4	2	7
Course Reconsideration	58	37	94
ASQA Initiated amendments	55	35	90
Monitoring Courses	47	28	75
Total	**213**	**133**	**346**

4.5 Sector-wide regulatory charge - Annual Registration Charge for providers

The annual registration charge recovers the costs of sector-wide regulatory tasks that are necessarily performed by ASQA but have limited nexus with individual providers. In some cases, no fee or charge is applied (for example withdrawal of an application for registration, or changes to an RTO's registration details). These activities and costs are shown in Table 22.

Table 22: Costs recovered from providers via the annual registration charge

ASQA sector-wide, recovered through an Annual Registration Charge	Direct costs $'000	Indirect costs $'000	Total costs $'000
Advisory Council and regulatory Governance	402	315	717
Info Line	1,614	1,144	2,758
Internal Reviews	224	138	362
Monitor compliance with service standards	111	83	195
Applications with no fee or charge	817	611	1,428
Regulatory support through technology	764	489	1,253
Regulatory Education	1,628	944	2,572
Regulatory Intelligence	1,462	944	2,406
Regulatory Policy and design	1,920	1,227	3,147
Regulatory risk and assurance	382	245	627
Regulatory stakeholder engagement and communication including doc content	1,637	1,049	2,685
Regulatory Reporting	703	489	1,192
Regulatory Support	197	177	375
Cost of travel associated with applications	280	202	482
Total	**12,142**	**8,057**	**20,199**

ASQA's current Annual Registration Charge (ARC) (per the 2018-19 schedule of fees and charges) is based on a 4-tier system, according to the number of qualifications on an RTO's scope for registrations as set out in Table 23:

Table 23: Current rates for RTOs and CRICOS providers

	RTOs		CRICOS/ELICOS	
Number of courses/qualifications on scope	Tier	Rate	Tier	Rate
	0 – 4	$1,130	0 – 2	$950
	5 -10	$3,220	3 - 4	$1,645
	11 - 60	$6,975	5 – 50	$4,375
	61+	$10,730	51+	$7,100

The ARCs represented in Table 23 above:

- Do not take into account the scale of an entity's operations, only the complexity. By applying metrics to take into account both of these aspects, the alignment of the ARC with the AGCF would more accurately reflect the demand for ASQA effort created by any given entity.

- Do not use the same tiers when measuring an entity's scope, creating an inconsistent approach.

- Use tier thresholds that have been in place since 2014. In consultations, ASQA has received feedback that the scalability of the ARCs could be improved by adjusting the thresholds between tiers.

In 2019, in the first round of public consultations on the implementation of full cost recovery, ASQA proposed:

- that single ARC apply to both NVR RTO and CRICOS providers, per Table 24 below; and

- a more granular model for determining charges the ARC to be paid by providers based on 2 metrics:

  - the sum total of all courses and/or qualifications on the scope of registration of the entity. This is a measurement of the complexity of the entity's operations; and

  - the number of students enrolled to study with the entity. This is a measurement of the scale of the entity's operations.

The dual metric design enhances alignment with the AGCF premise that where specific demand for a government activity is created by identifiable individuals or groups, they should be charged for it unless the government has decided to fund that activity. Using a dual measurement of complexity and scale is an effective indicator of the demand created by a single entity for ASQA's regulatory work and services. The ARC proposed in 2019 consultations responded to earlier feedback by applying 5 tiers to qualifications rather than the 4 and applying a more consistent graduation rate between tiers.

The 2019 model is shown at Table 24 below.

"Support the consolidation for VET and CRICOS fees, will simplify the process and administration load for RTOs, resulting in efficiencies and savings to students".

"…Proposed ARC rates for RTOs and CRICOS providers, 2020-21. Propose that the tiers are re-considered; Tier 3 from 11 to 30 courses and Tier 4 31 to 50. Feel that this will be a more equitable division and charge rate and will assist not-for-profit RTOs to keep their costs down to make training available to the marginalized or disadvantaged learners".

"Changes to annual registration charges will directly impact my business. I do not see that there is any additional work required by ASQA to issue an invoice for annual registration if I have a larger number of students as opposed to having fewer students i.e. the time taken to generate an invoice for annual registration if I have 2000 students is surely the same to generate an invoice for annual registration if I have 200 students. How is this relevant to cost recovery and time taken by ASQA? I understand larger RTO's have more capacity to pay but this is reflected in the number of qualifications on scope. There is already a 10% increase at the bottom end of the scale which means I either have to raise fees by 10% to cover this cost, or absorb the cost and take a 10% hit to profit. Given CPI is only 2% or thereabouts, such a large increase in fees is not consistent with the current economic climate"

Stakeholder feedback 7: ARC

Table 24: 2019 ARC model

		Number of students enrolled (according to the most recent available Total VET Activity data)		
		0 - 99	100 - 999	1000+
Total number of courses/qualifications on scope (sum of all registration types – RTO, CRICOS, ELICOS)	0 - 4	$1,200	$2,300	$3,500
	5 – 10	$3,500	$5,000	$6,900
	11 – 25	$6,900	$7,500	$8,500
	25 – 50	$8,500	$10,500	$12,000
	51+	$12,000	$15,000	$17,500

Feedback in the 2019 consultations on the implementation of full cost recovery included that the ARC could be further improved if the increase in student numbers involved more tiers.

The alternative view was also expressed, on the basis that it can be difficult for providers to project student enrolment numbers for the next 12 months. ASQA has addressed this concern by utilising student numbers reported by the provider as part of their reporting obligations under the National VET data policy. ASQA will provide a further opportunity for providers to adjust student numbers at the point the ARC invoice is issued, noting that the National VET Provider Collection Data Requirements Policy outlines the requirements on all RTOs to collect and submit comprehensive data on their delivery of Nationally Recognised Training.

A further comment was made in the 2019 consultation round that queried if there is an additional amount of work incurred by ASQA if it invoices for the ARC based on student numbers as well as qualification numbers. The ARC represents the sector-wide work ASQA undertakes to deliver against its regulatory obligations, rather than through the issuing of an invoice. Part of ASQA's stakeholder engagement strategy opportunity is to strengthen understanding of ASQA's sector-wide activity and the value it delivers to providers incurring the charge.

The annual registration charge proposed for introduction from 1 July 2022 provides greater granularity by having 5 tiers based on the number of students and a further 5 tiers based on the number of qualifications of scope, as set out in Table 25 below.

Table 25 Annual Registration Charge, 2022-2023

Tier Size	0 – 99 Students	100-249 Students	250-499 Students	500-999 Students	1000+ Students
0-4 Quals	$1,300	$1,950	$2,925	$4,390	$6,585
5-10 Quals	$3,790	$4,520	$5,390	$6,425	$7,660
11-25 Quals	$6,705	$7,435	$8,245	$9,140	$10,135
26-50 Quals	$9,670	$10,690	$11,820	$13,065	$14,445
51+ Quals	$13,605	$15,065	$16,680	$18,465	$20,445

While the changes proposed to the ARC represent improvement, as set out at Figure 5, ASQA's cost recovery is integrated with its Corporate Plan and will continue to evolve as the regulatory operating model continuously improves. Suggestions put forward by stakeholders will influence future iterations of the ARC as well as the fees and charges. For example, ASQA will seek advice from stakeholders about the suggestion put forward in 2019 about using the number of units offered by providers as a further or alternative factor in determining ARC charges.

> *"I feel the number of students enrolled is a very bad measure of the size of an RTO. RTOs that do single units for say 110 students at $150 each will pay the same as an RTO with 110 students doing full higher level qualifications at say $5000 each. A fairer measure may be number of units.*
> *Also the student number groups are disproportionate at 0-99 / 100-999 / 1000+ Maybe 0-249 / 250-1000 / 1000+ would be better if students numbers must be used as the measure.*
> *This would significantly disadvantage our RTO that only does about 50 full qualification students in a great year along with approx 200 First Aid single units"*
>
> **Stakeholder feedback 9: ARC**

4.6   Sector-wide regulatory charge – Annual Registration Charge for course owners

In 2019, ASQA proposed the introduction of an ARC for accredited course owners as set out at Table 26 below.

Table 26: Proposed ARC for accredited course owners which is not proposed for 1 July 2022

Fee/charge	Set according to	Current rate ($s)	Rate proposed in 2019 consultations	Rate proposed from 1 July 2022
Accredited course owner annual registration charge	Invoiced annually. Flat rate per course owner	N/A	$1200	Nil

As referenced above, ASQA is not proposing to proceed with the 2019 proposal to introduce an Annual Registration Charge for course owners: such a charge would not reflect the current policy and statutory authority provided by the Australian Government and is not consistent with ASQA's approach to regulating course accreditation.

4.7 ASQA's cost recovery model is compliant with requirements

This CRIS complies with:

- the Australian Government Charging Framework which requires Government entities to aim to minimise cost recovery charges through the efficient implementation of cost

recovered activities, in the context of the specific policy outcomes and legislation. Like all government entities that recover costs, ASQA is required to apply the following principles across all stages of the cost recovery process:

- efficiency and effectiveness
- transparency and accountability
- stakeholder engagement.

ASQA's compliance with key requirements of the Cost Recovery Guidelines is addressed in Table 27.

Table 27: Australian Government requirements and ASQA's demonstrated compliance with the requirements

Australian Government requirements	ASQA' demonstrated compliance
Entities and responsible ministers must have policy approval from the Australian Government to cost recover	Demonstrated in Part 1 of this document
There must be a statutory authority to charge	Demonstrated in Part 1 of this document
Entities must undertake a risk assessment and agree on a risk rating with the Department of Finance	Demonstrated in Part 5 of this document
Entities must document each cost recovered regulatory activity in a Cost Recovery Implementation Statement (CRIS) before charging begins	Part 4 of this document demonstrates compliance, proposing each cost recovered regulatory activity for 1 July 2022. This document will be updated following further consultation with stakeholders. This document represents the second round of consultation on proposed fees and charges to implement the Australian Government's decision that ASQA implement full cost recovery.
Entities must report on cost recovery performance	Cost recovery performance is reported by maintaining a current CRIS (November 2021 version is current) and through the Annual Report. Through the accountabilities set out in Parts 2 and 3 of this document, ASQA is continuing to improve its performance monitoring in relation to cost recovery and will continue to report on performance through the CRIS and Annual Report.
Effective governance and accountability arrangements	As set out in Part 3 of this document particularly, ASQA has documented how its Performance Framework applies to outcomes to be achieved in relation to cost recovery. Cost recovery is specifically called out in ASQA's system of governance with clear accountabilities.
There must be alignment between revenue and expenses	ASQA has systems and processes in place to monitor the cost recovery model and ensure that activities are not consistently over- or under-recovered. As set out in Part 3 of this document, ASQA has aligned its forward program of work to its purpose and corporate planning and, through

	this, will ensure that cost recovered legislated charges are formally reviewed at least annually, providing a further opportunity to ensure there are no structural misalignments in expenses and revenues for cost-recovered activity.
	ASQA has ensured that only costs that have policy authority to be recovered are recovered. The draft CRIS for July 2022 identifies where costs are not recoverable through charges on regulated providers and course owners and makes appropriate provision for those costs through agreed reliance on budget funded appropriations.
	ASQA has ensured that its fees and charges including its Annual Registration Charge align with its statutory authority to charge.
	ASQA has identified the percentage cost recovered for each of its regulatory activities and is within margins for error.
Cost recovery methodology to align costs and charges and promote the recovery of the efficient costs of the regulatory activity	ASQA's cost recovery model integrates the establishment and review of the internal budget with resource allocation and the cost recovery model to ensure that ASQA accurately captures the costs of providing each regulatory activity and then calculates the charge that aligned to those costs. The methodology determines the full cost of each regulatory activity, with clear attribution of effort to the regulatory activity.
	The current draft CRIS seeks to establish an efficient cost in 2022-23 (as the first year of full cost recovery) and to reflect efficiencies gained within ASQA in 2019-20 and 2020-21 accurately and transparently.
	In 2020-21, in the lead up to implementation of full cost recovery, ASQA has commenced benchmarking of its activities with those of other entities and has planned to continue and expand this benchmarking.
Develop and implement ongoing cost recovery engagement strategies	As set out in this document, ASQA has developed a 4-year cost recovery strategy, integrated with ASQA's 2020-21 Corporate Plan and performance framework. All key elements of the Corporate Plan and the performance framework were developed through effective engagement with ASQA's stakeholders.
	This document represents the second round of consultation on ASQA's proposals to implement full cost recovery, and reflects the feedback provided to date, and explains how it has been addressed in the proposals contained in this document.
Active engagement with stakeholders at each stage of the cost recovery framework, ensuring that views are considered in	This document also provides details of how ongoing consultation and engagement on cost recovery is planned and executed (as part of ASQA's broader engagement strategy) and recognising the key leadership role and/or policy, technical and delivery expertise of stakeholders including the Provider Round Table, the Stakeholder

developing and reviewing cost recovery stakeholder engagement arrangements.	Liaison Group, key government departments and other VET Regulators.
	Stakeholder engagement arrangements were most recently raised at November 2021 meetings of the Provider Round Table, the Stakeholder Liaison Group and, in December, other VET Regulators.
	A new working group of the Provider Round Table has been established to achieve continuous improvement to ASQA's engagement arrangements.

In addition to complying with the Australian Government's Charging Guidelines, ASQA will also monitor and report on its cost recovery performance in the context of

- the Australian Government's Regulator Performance Guide. In the preparation of this draft CRIS, ASQA has:
    - o obtained guidance from the Department of Finance on the application of user charging (cost recovery) arrangements and ensured these align with the Charging Framework; and
    - o considered the risk, cost effectiveness and impact of its regulatory action, both before and after the regulatory action has commenced.

- the Standards for VET Regulators including that ASQA must:
    - o evaluate and improve its regulatory performance (Standard 5); and
    - o be effectively and efficiently managed (Standard 6).

5.   Risk assessment

The key risks attached to charging for ASQA's regulatory activity are:

- variation in the volume of participation (entries to and exits from the market)
- variation in the volume of training products
- variation in the volume of changes to training products.

ASQA has worked closely with DESE to forecast changes to the VET market and to build a sustainable cost recovery model that can withstand these changes.

Regulatory Risk Framework outlines ASQA's risk-based approach to regulation, with a focus on risk and intelligence.

In accordance with the Australian Government Charging Framework, ASQA undertook a Charging Risk Assessment (CRA). Key components of the CRA included

- that ASQA is implementing the Australian Government's decision to move to full cost recovery (noting the information in Part 1 of this document that explains what full cost recovery means) through changes to its fees and charges
- level of change for cost recovery activities
- level of cost recovery revenue
- complexity in the cost recovery arrangements (i.e. both fees and charges)
- level of change in legislative arrangements
- level of complexity of working with other government entities to deliver the regulatory functions
- level of impact of cost recovery on payers
- issues identified in consultation with stakeholders.

The risks associated with the proposals set out in the draft CRIS are reviewed on an ongoing basis. A final risk rating will be agreed with the Department of Finance at the point this draft CRIS is finalised.

6   Stakeholder engagement

As the regulator, ASQA is not responsible for consulting stakeholders on the Australian Government's decision that ASQA implement full cost recovery through the application of its fees and charges.

ASQA is, however, responsible for, and fully committed to, ensuring that stakeholders, particularly those directly affected by charges, are consulted on how policy decisions regarding cost recovery are implemented.

- ASQA's fees and charges were last updated in 2018 following public consultation from 1 August to September 2017

- Further consultation commenced in November 2019 for implementation of changes to ASQA's fees and charges to achieve the Australian Government's policy decision regarding full cost recovery. Stakeholders provided valuable feedback that has informed the development of this document and the proposed changes to fees and charges set out in it. Part 3 of this document, in particular, identifies key points at which that feedback influenced ASQA's proposed changes to fees and charges from 1 July 2022.

ASQA has also used the period since 2019 to engage with key stakeholders on:

- the development of the Regulatory Operating Model described at Part 1

- the best way to implement the recommendations of the Rapid Review including recommendation 6 - that ASQA align its cost recovery with its new performance monitoring arrangements

- the range of further improvements to ASQA's regulatory approach that have been implemented from 2019 to now, and those planned for 2022-25 as reflected in ASQA's 2021-22 Corporate Plan

- how these changes to the way ASQA operates and regulates realises improvements for providers (as set out in Part 2) while maintaining essential safeguards.

From November 2021, ASQA has escalated engagement with key stakeholders through the Provider Round Table and the Stakeholder Liaison Group. ASQA is encouraging stakeholders to check and challenge, advise on and shape ASQA's future proposed approach to fees and charges and to ensure the planned changes reflect the Australian Government Principles for cost recovery and the criterion established by ASQA for its cost recovery model as set out in Part 2.

ASQA's robust stakeholder engagement mechanisms have been further strengthened in the period 2019-21 and ensure that ASQA's external stakeholders are closely involved in the improvements ASQA makes to the regulatory operating model and the operation of the agency. As these changes shape ASQA's future approach to cost recovery, including transitioning to full cost recovery, ASQA will continue to ensure a high level of engagement and consultation on our future cost recovery model and its contribution to fair, transparent, efficient and effective best practice regulation.

6.1 Key forward dates and events

Table 28: Key forward dates and events

Event	Date
Public consultation on substantive update to CRIS planned to reflect more significant changes to our fees and charges structure	Late 2021
Provider Round Table Working Group	8 December 2021
Meetings of Stakeholder Liaison Group and Provider Round Table	December 2021 and January 2022
Release of draft CRIS reflecting proposed changes to fees and charges from July 2022 and invitation to submit further comments	Late 2021
Further comments on July 2022 fees and charges deadline	31 January 2022
Release of approved CRIS for July 2022 fees and charges and continued engagement of stakeholders on transition and implementation	Quarter 3, 2021-22 financial year
Engagement and development of explanatory/education materials to support and enable new fees and charges	January 2022 – July 2022
Development of quarterly reports to inform stakeholders of the results of cost recovery post July 2022	March – July 2022
Continued implementation of the stakeholder engagement strategy for further planned changes to cost recovery in 2022-23 and 2023-24	Ongoing
DESE Portfolio Charging Review	TBC

7   Portfolio Budget Statement

7.1   Performance

The Education, Skills and Employment Portfolio Budget Statements (PBS) 2021-22 define ASQA's performance outcomes as set out at Figure 10:

Figure 10: 2021-22 PBS performance outcomes

Outcome 1 – Through our regulation and partnership with stakeholders, ensure quality vocational education and training so that students, employers, the community and governments have confidence in the integrity of national qualifications issued by training providers		
Program 1.1 – Regulation		
Delivery	The regulatory mechanisms through which Program 1.1 is delivered are: • education, communication and engagement with provider entities to support continuous improvement of quality outcomes • promoting provider culture and systems for self-assurance of quality outcomes and compliance to build the capacity of VET providers • analysis of data, intelligence and information, to identify and respond to higher concentrations of risk • monitoring provider performance against applicable standards and obligations • proportionate management of non-compliance and enforcement activities • accrediting national courses to meet statutory requirements • partnering with stakeholders to improve the impact and effectiveness of our regulatory activities • publication of information about our regulatory functions, and outputs • engagement with stakeholders to support continuous improvement and broader reform of the VET sector.	
Performance information		
Year	**Performance criteria**	**Expected Achievement/Targets**
2021-22	ASQA delivers improved provider self-assurance capability and continuous quality improvement. ASQA regulation is best practice, integrated, risk-based, data driven and proportionate. ASQA is transparent in the performance of its regulatory functions and its responsibilities as a regulator, including compliance with the VET Regulator Standards. ASQA's engagement and partnerships provide clarity of the role of the national regulator and improve regulatory impact. ASQA is efficient, effective and continuously improves. ASQA publishes information about the performance of the sector to support transparency and accountability.	**TARGET:** to achieve the performance targets set out in the ASQA 2021−25 Corporate Plan for each of the performance criteria.

7.2 Portfolio Budget targets

Table 29 details ASQA's PBS targets for the 2021-22 financial year and forward estimates for the following three years. Please note that this table will require update after finalisation of the 2022-23 federal budget.

Table 29: ASQA forward estimates, July 2021 – June 2025

	2021–22 * PBS target $'000	2022-23 forward estimate $'000	2023-24 forward estimate $'000	2024-25 forward estimate $'000
Employee	25,227	25,599	25,972	26,494
Supplier	14,643	14,235	12,999	11,402
Depreciation	5,865	5,927	6,800	5,180
Total departmental expenses	45 735	45,761	45,771	43, 076
Less: Non-cost recoverable activities	(13,905)			
Less: Other measures	(20,930)	-	-	-
Cost Recoverable Expenses	**10,900**			
ASQA Forward Estimate	10,217			
Recovery target (of recoverable amount)	60%	100%	100%	100%
Balance (revenue less expenses)	(683)	(1, 697)	(1,779)	(2, 698)

*Transitional year

8 Financial and non-financial performance

8.1 Financial performance

Table 30 summarises ASQA's financial performance for the past 5 financial years.

Table 30: ASQA financial performance

	2016-17 $ '000	2017 – 18 $ '000	2018-19 $ '000	2019-20 $ '000	2020-21 $ '000
Employee	22,776	19,561	23,765	24,782	24,432
Supplier	14,542	12,146	13,275	9,136	13,260
Depreciation	1,672	2,031	3,288	6,140	6,240
Total expenses	38,990	33,738	40,328	40,058	43,932
Less: funding excluded from cost recovery	-	-	-	(2,957)	(4,516)
Total cost recoverable expenses (A)	**38,990**	**33,738**	**40,328**	**37,101**	**39,416**
ASQA revenue – fees & charges	27,933	28,902	20,162	17,761	2,025
ASQA revenue – fee relief				4,404	20,675
ASQA revenue (B)	**27,933**	**28,902**	**20,162**	**22,165**	**22,700**
Cost recovery % (B÷A)	**72%**	**86%**	**50%**	**60%**	**58%**
Variation in revenue estimates					
ASQA revenue actuals	27,933	28,902	20,162	17,761	2,025
ASQA revenue Estimate at PBS	17,933	17,933	23,281	24,109*	916
Variation in revenue estimates	10,000	10,969	(3,119)	(6,348)	1,109
Cumulative variance in revenue estimates	1,714	12,683	9,564	3,216	4,325

*In 2020–21 and 2019-20, ASQA's revenue is inclusive of fees and charges relief put in place as part of the Australian Government's response to the COVID-19 pandemic and economic recovery.

For more information on government policy regarding ASQA's cost recovery, see Part 2.6.

8.2 Non-financial performance overview of 2020-21

In 2020-21, ASQA's non-financial performance was focussed on:

- continuous improvement and building trust to:
  - implement foundational changes to governance and organisational design to focus on best practice regulation
  - publish the Regulatory Risk Framework to describe how we will manage sector and provider risks to regulatory outcomes, while maximising our efficiency and effectiveness
  - establish a new Regulatory Operating Model:
    - Implemented 8 Rapid Review recommendations and commenced work on a further 13
    - Implemented key changes to performance assessment (audit) methodology
    - Established separate teams responsible for performance assessment, and managing findings of non-compliance
    - Introduced agreements to rectify
    - Established internal review team
    - Introduced new internal quality assurance activities
    - Improved data and intelligence reports

- regulation that was risk-based and data-driven resulting in ASQA:
  - was responsible for 3,755 providers – 91% of national total
  - completed 937 audits
  - accredited 112 courses
  - managed a 52% increase in provider registration applications:
    - 238 new provider registrations
    - 213 registration renewals
    - 6,136 applications for change in scope of registration

Our decisions were affirmed by the Administrative Appeals Tribunal in 80% of matters that proceeded to a hearing and a decision and we supported the Commonwealth Director of Public Prosecutions in 3 criminal investigations.

- we collaborated and engaged to:
  - improve engagement with the sector including through 5 Stakeholder Liaison Group meetings
  - implement COVID-19 response and commenced strategic review of online learning
  - introduce and delivered 2 'Spotlight On' series
  - participate in 56 sector events
  - receive 45,386 Info Line calls and emails
  - hold 10 live webinars – 9,843 attendees and 13,596 total views of recordings
  - produce 7 new guidance videos and 54,838 views of all videos
  - provide Electronic Direct Mail Service to 36,000 subscribers
  - process 4,667 student enquiries
- Service Standards and provider satisfaction including:
  - good performance in relation to majority of Service Standards, noting ongoing program of continual improvement
  - met or exceeded 70% target of positive response for vast majority of provider and course owner survey questions

Further detail of ASQA's non-financial performance is available in ASQA's 2020-21 Annual Report.

9.   CRIS approval and change register

Date of CRIS change	CRIS change	Approver	Basis for change
29 June 2015	Certification of the CRIS	Accountable Authority	Consistency with the Australian Government Charging Framework
2 September 2015	Approval for the CRIS release	Assistant Minister Vocational Education and Skills	Consistency with the Australian Government Charging Framework
1 July 2017	Amend CRIS to reflect Annual Registration Charge	Editorial update by CFO	Amendment to the NVR (charges) Act 2012
1 August 2017	Redrafted CRIS for consultation on the proposed new fees and charges structure	Assistant Minister Vocational Education and Skills	New Fees and Charges
14 June 2018	Certification of the CRIS	Accountable Authority	New Fees and Charges
26 June 2018	Approval of the CRIS	Assistant Minister Vocational Education and Skills	New Fees and Charges
29 June 2018	Agreed the CRIS for release	Minister for Finance	New Fees and Charges
9 November 2021	Amendment of the CRIS to reflect 2021 context including waiver of fees and charges	Deputy CEO	Reflect contemporary arrangements
10 November	Certification of the CRIS	Accountable Authority	Reflect contemporary arrangements
22 November 2021	Agreed the CRIS for release	Minister for Employment, Workforce, Skills, Small and Family Business	Reflect contemporary arrangements
10 December 2021	Certification of draft CRIS proposing July 2022 fees and charges for consultation	Deputy CEO	Reflect planned changes
21 December 2021	Agreed the draft CRIS for release for consultation	Minister for Employment, Workforce, Skills, Small and Family Business	Reflect planned changes

APPENDIX 1 Extract from PWC Review of ASQA's cost recovery model

The PwC review of ASQA's cost recovery model was

- conducted in alignment with the best practice recommendations from the Australian National Audit Office's (ANAO) performance audit in 2019 of three Australian Government agencies' compliance with the three principles stipulated by the Australian Government Cost Recovery Guidelines as applying to all stages of the cost recovery process: transparency and accountability; effectiveness and efficiency; and stakeholder engagement.
- considered whether the model is fit-for-purpose under the requirements of the Australian Government Charging Framework and the Australian Government Cost Recovery Guidelines
- Took a systemic approach to reviewing processes including:
    - o Validating the appropriateness of key cost recovery model assumptions, inputs and data sources
    - o In-depth cost recovery model review
    - o Evaluation of the strengths and weaknesses of the model
    - o Evaluation of stakeholders reporting capability
    - o Consideration of any risks threatening future application of the cost recovery model

Confirmed that ASQA's model is 'fit-for-purpose' including that:

1. The model outputs are appropriate, providing ASQA with unit prices for all services outlined in the CRIS
2. The very detailed hierarchy of outputs, business processes and tasks allow for specific insight and transparency into the composition of cost objects
3. ASQA's cost objects are directly aligned to recovery mechanisms across all categories specified in the CRIS, enabling costs to be captured and accurately allocations from the task level upward
4. The outcomes from the cost allocation processes from corporate (ie enabling and executive) to direct cost centres is sound
5. The costing methodology, logic and assumptions employed in the cost model are sound and meet the currently requirements of ASQA in line with the Australian Government Charging Framework
6. A consistent costing approach has been applied throughout all stages of the cost model supporting the accuracy and integrity of the model
7. The excel based cost model is fit-for-purpose with limited current or foreseen advantages in developing a system ABC model. Notwithstanding, stricter governance processes are required to protect model integrity.
8. The cost model accurately identifies ASQA's activities which are not cost recoverable under the charging framework, creating a complete model.