Cost Recovery Implementation Statement 2022-23

Policy

Implementation of full cost recovery from July 2022 based on regulatory activity, costs, fees and charges that are:

- **efficient and effective**
- **transparent and accountable**
- **informed by stakeholder engagement.**

Australian Government
Australian Skills Quality Authority

ASQA

Working together

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The purpose of this Cost Recovery Implementation Statement (CRIS) is to explain how ASQA's cost recovery is applied

Part 2.1:

The National VET Regulator is accountable for achieving its purpose by identifying risks to students receiving quality VET and regulating providers of VET and accrediting courses.

Part 2.2:

ASQA Is accountable for its regulatory activity and cost through the Australian Government's annual cycle of budgeting, planning and reporting. ASQA can't exceed its budget and must achieve planned outcomes, which generate cost

Insert 1: ASQA must operate within the legislative authority given to it by the Australian Government

Insert 2: 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

Part 2.3:

Outcomes such as improved quality of VET, maintenance of safeguards and a minimum efficient cost are achieved by systemic regulatory and non-regulatory actions by ASQA and by its stakeholders

Part 2.3.1 and 2.3.2

ASQA engages with stakeholders on its evidence based regulation of risks to quality VET and ensures its organisational design supports and enables best practice regulation

Part 2.3.3

Actions of the sector and individual VET providers and course owners impact the achievement of ASQA's purpose, its regulatory activity and its costs

Part 2.3.4:

ASQA'S performance is monitored. Cost recovery performance is integrated into the broader cycle of planning, tracking and measuring performance and reporting on that performance. New KPIs are being considered

Part 3.1 - 3.3

The amount to be cost recovered by ASQA is determined by the Australian Government which has decided that ASQA will implement full cost recovery from 1 July 2022, with certain functions excluded from recovery through fees and charges

Part 3.4

Functions that will continue to be solely funded through Australian Government budget appropriations- and will not be recovered through charges - include the Skills Package, the Skills for Recovery package, strategic reviews, court and tribunal functions, FOI matters and most of the cost of internal reviews

Part 3.5

ASQA's cost recovery model and Corporate Plan are both developed to ensure
(a) ASQA's regulation achieves the desired regulatory outcomes for stakeholders, students, employers, governments and the community
(b) The costs of ASQA's regulatory approach are minimised including through an efficient cost

Part 3.6

ASQA's cost recovery model is robust, independently tested and fit-for-purpose as a tool to minimise costs to businesses and the Australian taxpayer while improving quality outcomes and protecting essential safeguards

Part 4.1

ASQA's cost recovery methodology integrates resource management, internal budget and cost recovery into a single model, enabling ASQA to, for example, track costs, continuously improve accuracy, track outcomes against inputs, align resources to priorities

Part 4.2

ASQA's internal budget for 2022-23 is developed through the cost recovery model with all costs incurred by ASQA attributed to

(a) tasks

(b) positions at a known price point and then

(c) allocated to regulatory cost centres

Part 4.3

The costs of each entity-directed regulatory output and each sector-wide regulatory output are costed, factoring in the volume of activity that ASQA needs to undertake to deliver against the 2021-22 Corporate Plan

Part 4.4

ASQA'S fees and hourly charges for all entity-directed regulatory outputs from 1 July 2022 are then calculated, noting that ASQA is prohibited from over recovering

Part 4.5

ASQA'S Annual Registration Charge (ARC) to take effect from 1 July 2022 is calculated, covering costs associated with all of ASQA's sector-wide regulatory outputs, noting that ASQA is prohibited from over recovering

Part 4.6, 4.7

All proposed changes to fees and charges are summarised and ASQA's compliance with requirements regarding cost recovery are stipulated

Part 5

Risks are assessed, controlled and treated throughout all stages of cost recovery. Department of Finance has agreed a 'medium' risk rating as at February 2022

Part 6

ASQA's Cost Recovery Stakeholder Engagement Strategy has been drafted in consultation with external stakeholders and stakeholder engagement has influenced the content of this document

Part 4.4

provides information on the fees and hourly charges to take effect from 1 July 2022 including for

registration, course accreditation, monitoring, compliance, internal review

Part 4.5

provides information explaining the ARC including the new tiers that will take effect from 1 July 2022

Part 7

ASQA reports its financial and non-financial performance, providing visibility for stakeholders, acquitting its actual costs and actions against those estimated and planned at the beginning of each financial year

Part 8

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Appendices

1: PwC review of ASQA's cost recovery model

2. Stakeholder feedback

EXECUTIVE SUMMARY

ASQA's regulation of risks to quality Vocational Education and Training (VET) safeguards an effective market for providers of VET and course owners: it is important to students, employers in all sectors of the economy and the economy itself.

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

- More than 4 million students undertake VET each year, provided by approximately 4000 providers of which, more than 3,700 providers are regulated by ASQA. VET is the main way Australians upskill or reskill. In 2020, government funding provided through VET appropriations and VET intergovernmental funding arrangements totalled $7.7 billion[1], makes a significant contribution to the Australian economy and is a key contributor to economic recovery post the COVID-19 pandemic.

PART 1

The Australian Government's annual cycle of governance of ASQA means that ASQA is subject to robust checks and balances about its expenditure, its forward plan to achieve quality VET and maintain safeguards while achieving a minimum efficient cost. ASQA must be transparent and accountable in its acquittal of its financial and non-financial performance of what it actually does against what it planned to do.

Stakeholders wanting to understand and influence ASQA's activities, its costs, and therefore its fees and charges, are encouraged to engage with the cycle of forward estimates, planning, performance measurement and reporting.

- ASQA's operations, and therefore its costs and its recovery of costs are governed through the annual cycle of corporate planning, the budget cycle and the governance of these activities

- ASQA's costs are capped through the Federal Budget each year. In the same way as private businesses, ASQA as a government authority prepares a budget based on expected activities for the next financial year and reports on their expenditure for the past year:

  - **The Australian Government Portfolio Budget Statement** sets ASQA's budget cap before the beginning of each financial year and summarises what the regulator must achieve. **The cost recovery model** enables these estimates

  - **ASQA's Corporate Plan** outlines the planned activity to be undertaken and allocates resources to that activity based on historic trends, environmental and market analysis and risk analysis. Key stakeholders are engaged with the development of ASQA's forward program of work.

  - **The Corporate Plan** also includes the performance framework for the regulatory activity, including targets that provide measures of increasing efficiency. Key stakeholders are engaged with developing the performance framework to track and measure ASQA's regulatory activity and ensure that it demonstrates efficiency and effectiveness year on year.

  - **ASQA's Annual Report** (including audited financial statements) must acquit the activity against the performance framework, and the estimated cost against actual expenditure.

PART 2

[1] Government funding of VET 2020 by NCVER statistical report 2 December 2022

ASQA's regulatory focus is evidence based and developed in consultation with stakeholders.

This regulatory activity generates costs: efficient, effective regulatory activity translates to minimum efficient cost of the regulator.

Non-regulatory actions of stakeholders, and their engagement with ASQA also contribute to a minimum efficient cost.

- As detailed in its Corporate Plan, ASQA engages with key stakeholders to:
  - **identify** risks to quality VET.
  - **assess risks and plan** regulatory actions necessary to control or treat those risks
  - **implement** strategies to treat risks using a range of regulatory approaches and encourage providers to take action to control risks and
  - **monitor** and measure regulatory performance and outcomes against its performance framework.
- ASQA acquits and reports on its regulatory actions in its Annual Report.

PART 2

Costs of ASQA's regulatory activity are estimated before the beginning of each financial year, using a best practice cost recovery model, which is independently assured.

- Reflecting good business practice in any sector, ASQA methodically aligns the resources (set out in the PBS) with its forward plan of action (in the Corporate Plan) prior to the beginning of each financial year.
  - Volumes of work across each of ASQA's regulatory activities are aligned with resources necessary to complete each activity.
- Throughout the year, ASQA monitors actuals against estimates against performance measures in the Corporate Plan, adjusting to account for variances or other key changes in the operating environment.
- The cost recovery model is subject to ongoing independent review and evaluation, including by ASQA's Audit Committee which includes a representative from the ANAO.
- In addition, in 2022-23, the model will be subject to three separate independent reviews.

PART 3

Regulatory costs are met by those who benefit from the regulatory activity: the Australian taxpayer and providers and course owners regulated by ASQA.

- **A thriving VET sector**, where risks to quality VET are addressed by ASQA, benefits all Australians so a portion of ASQA's costs are met through budget appropriations which are not recovered through fees and charges.
- **VET providers (delivering to both domestic and international students) and accredited course owners** derive benefits from operating in a sector where quality continues to improve, students and future employers are confident of the qualifications issued and risks to quality VET are identified and regulated by ASQA. Providers and course owners pay fees and charges that recover some of ASQA's costs.

PART 4

VET sector leaders are clear that the VET sector and individual providers have responsibility and capacity to influence costs through the actions they take to manage risks to quality.

And that doing this is integral to the continued maturation of the sector, improving cost consciousness of ASQA and the sector itself, and the continued achievement of a minimum efficient cost.

- **Own-actions of the VET sector and individual VET providers and course owners** to critically review their performance, and control and treat risks to quality VET (e.g., self-assurance) will minimise regulatory costs.
- **Individual VET providers and course owners** can do a lot themselves to reduce internal business costs that result from their engagement with the regulator.
- **ASQA** encourages and enables identification of these opportunities, sharing responsibility for this with sector leaders and individual VET providers and course owners that have a role to play in identifying and addressing their own business opportunity and risks.

From 2022-23, the percentage of ASQA's costs paid by VET providers and course owners will increase.

- In 2018 the Australian Government announced that ASQA would move from 60% cost recovery to full cost recovery
  - Full cost recovery does not equate to 100% of costs being recovered from providers and course owners
  - Under full cost recovery, the percentage recovered from providers and course owners increases from around 60% to around 85% of ASQA's total budget allocation.

PART 4

Fees and charges from July 2022-23 have been controlled as a result of improvements ASQA has made to its efficient, effective regulatory actions.

VET providers	Market entrants	Course owners
2022-23 fees will be lower than the current fees	Will pay $100 more as part of their lodgement application fee	Fees have been kept at 2019 prices

- **Hourly rates** will be lower than the current hourly rate, decreasing from $275 per hour to $250 per hour.

Moving forward, risks relating to cost recovery result from the risk that regulatory activity is not managed

- Risks have been analysed and assessed and controls and treatments articulated. A risk rating of 'medium' has been agreed with the Department of Finance.
- ASQA will continue to monitor performance of its regulatory function, the impact of that performance on costs, fees and charges. Risk will be assessed regularly. Variances in volume, effort and other inputs will be addressed.

PART 5

Underpinning all of ASQA's activity is stakeholder engagement:

- *Enabling identification of risk to quality VET*
- *Identifying controls and treatments – both what ASQA as the National VET Regulator will do AND what stakeholders can do*
- *Achieving a minimum efficient cost*

- All feedback has been recorded. ASQA is providing individual responses and has summarised feedback in this document. Feedback influenced:
  - the explanation of the objective of cost recovery is that costs are efficient and effective, transparent and accountable when they are driven by a combination of regulatory best practice and actions by stakeholders to, together, manage risks risk to quality VET at a minimum efficient price
  - the basis for calculating the ARC, which is clearer and fairer
  - thinking around the need for an ARC for course owners, which will not proceed in July 2022 when full cost recovery is applied and

Engagement on cost recovery is a key element of ASQA's stakeholder engagement Two consultation rounds generated feedback that has improved a range of matters dealt with in this document.

There will be continuous improvement in the regulatory system and in cost recovery.

- how to most appropriately treat costs associated with procedural fairness and natural justice including internal review related costs, which will remain largely non-recoverable from VET providers and course owners.

- ASQA is engaging with stakeholders on:
  - the progressive and systemic review of the efficacy of changes made over the past 18 months, including in response to the findings of the Rapid Review. Robust evaluation identifies opportunity to continuously improve ASQA's Regulatory Risk Framework, Regulatory Operating Model and the regulatory actions and cost efficiencies that result.
  - ASQA's internal program of quality assurance which also contributes to best practice regulation and minimum efficient cost.
- ASQA:
  - has commenced benchmarking the cost of its activities where comparable activity is undertaken by comparable agencies.
  - will participate in the Charging Review to be undertaken by the Australian Government Department of Education, Skills and Employment (DESE) over the coming 12 months under the Australian Government Cost Recovery Guidelines (AGCRG).
  - continues to monitor its estimated cost drivers (volume, effort at level etc), variances are analysed and understood and learning applied to ensure continuous improvement.
- Continued implementation of the Cost Recovery Stakeholder Engagement Strategy enlivens cost recovery and ensures that the CRIS remains a live document, aligned to the best practice cost recovery principles of efficiency and effectiveness, transparency and accountability. ASQA's stakeholder engagement will continue to improve its financial and non-financial performance.

PART 7

PURPOSE OF THIS CRIS

Overview of Part 1

ASQA's regulation of risks to quality Vocational Education and Training (VET) safeguards an effective market for providers of VET and course owners: it is important to students, employers in all sectors of the economy and the economy itself.

ASQA's purpose is to ensure quality Vocational Education and Training (VET) so that students, employers, governments and the community can have confidence in the integrity of national qualifications issued by training providers.

More than 4 million students undertake VET each year, delivered by approximately 4000 providers of which, more than 3,700 are ASQA-regulated providers. VET is the main way Australians upskill or reskill. Australia's VET is also an important and growing education choice for international students. Data from DESE shows that in 2019, 30% of all international student enrolments were in the VET market (a total of over 280 000 students). In 2020, government funding provided through VET appropriations and VET intergovernmental funding arrangements totalled $7.7 billion[2], makes a significant contribution to the Australian economy and is a key contributor to economic recovery post the COVID-19 pandemic.

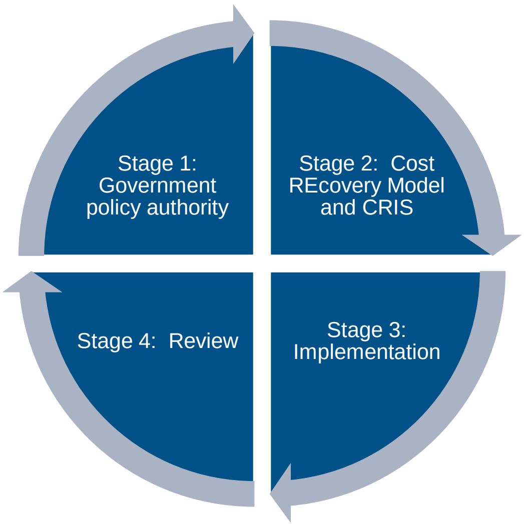
The costs generated by this regulatory work are met through a combination of fees and charges paid by entities ASQA regulates, and by the Australian taxpayer.

This Cost Recovery Impact Statement (CRIS) explains how cost recovery is applied and demonstrates to industry how ASQA successfully implements cost recovery in its fees and charges for its regulatory activities.

This CRIS is a resource to build understanding of ASQA's cost recovery:

- What cost recovery is
- What drives ASQA's costs and how they are controlled
- The role stakeholders can play in controlling those costs and improving quality outcomes for VET.

Figure 1: Four stages of cost recovery



In accordance with the Australian Government Charging Framework and Cost Recovery Guidelines (AGCRG), a CRIS is produced as part of Stage 2 of the cost recovery process, providing key information on how cost recovery for a specific government activity is implemented (Figure 1). After charging commences, the CRIS also becomes a continuous disclosure tool, including throughout Stages 3 and 4.

The CRIS plays an important part of ASQA's governance because it explains the alignment between ASQA's:

- Purpose

[2] Government funding of VET 2020 by NCVER statistical report 2 December 2022

- Annual Australian Government resource allocation, as set out in the Portfolio Budget Statement and based on estimated costs
- Planned activity to achieve its purpose (as set out in ASQA's Corporate Plan)
- Estimated cost of undertaking that activity (using the Cost Recovery Model)
- Monitoring of ASQA's performance including its costs (also set out in the Corporate Plan)
- Accountability for its performance toward the achievement of its purpose, including its financial performance, as set out in ASQA's Annual Report.

For stakeholders wanting to understand and engage with ASQA's costs and therefore its charges, the CRIS provides the information necessary to understand how cost recovery of ASQA's regulatory activity is implemented.

> ***Round 2 engagement***
>
> *"The cost recovery may ensure that ASQA, stakeholders and Australian community to integrate to the performance framework, the cost recovery may help ASQA continually improve its performance."*
>
> ***Stakeholder feedback 1: usefulness of cost recovery***
>
> *Source: Webform Submission, 8 February 2022*

For the CRIS to be relevant to ASQA's governance and an effective resource for stakeholders, the CRIS needs to reflect a contemporary picture of what is happening with ASQA's regulatory activity, its cost recovery and the fees and charges by which ASQA recovers some of those costs. The CRIS is, therefore, updated:

- Once each financial year to reflect ASQA's forward program of regulatory work and to align estimated costs to that program for the coming financial year. This update also informs the Australian Government's forward budget estimates including as reflected in the Portfolio Budget Statement.
- From time to time, for example to reflect policy changes or changes to ASQA's regulatory functions.

When the CRIS is updated, ASQA notifies stakeholder so they can engage with the content, and with ASQA through meaningful dialogue on the content.

This stakeholder engagement is an opportunity for stakeholders to check and challenge proposals, contribute ideas and identify where additional information enhances the content.

> ***Round 2 engagement***
>
> *Highlight that full cost recovery is a decision of the Australian Government, not ASQA*
>
> - *Be clear that the implementation date of July 2022 is a decision of Government – and this drives all of the other timeframes*
>
> *Acknowledge that it is leaders in the sector driving reforms such as self-assurance that, over time, will impact on costs, fees and charges*
>
> - *Reflect the range of stakeholders that have skin in the game when it comes to ASQA's regulation, the costs it therefore incurs.*
>
> ***Stakeholder feedback 2: Purpose section of the CRIS***
>
> *Primary source: Sector leaders through the Provider Roundtable and Stakeholder Liaison Group cost recovery working groups*

Updates to the CRIS are recommended reading for sector leaders, VET provider executives and financial managers, and anyone who wants to contribute to how ASQA regulates risk to quality VET – because that is what drives costs and cost recovery. As set out in PART 2 of this document, ASQA's stakeholders include:

- domestic and international students, who rely on the quality of the vocational education and training they receive to equip them to successfully deploy their acquired skills and knowledge
- Employers across all sectors of the Australian economy who need to be confident in the integrity of the qualifications of their employees

- The Australian community, and the international community rely on the integrity of Australian VET qualifications
- Governments at all levels
- VET providers and accredited course owners.

This version of the CRIS serves both purposes – the annual update in preparation for the 2022-23 financial year and to reflect policy changes. This version of the CRIS:

- Reflects the results of two rounds of public consultation on how ASQA can best implement the Australian Government decision that, from July 2022, ASQA move from partial to full recovery of the cost of the majority of its functions, noting that
  - full cost recovery does not mean the recovery of all costs via fees and charges
  - some costs will continue to be fully funded via budget appropriations.

- Explains how ASQA's regulatory activity generates costs, how efficient and effective regulation delivers a minimum efficient cost while improving quality outcomes for VET and maintaining safeguards, and those costs are translated to fees and charges

- Acknowledges that actions of individual VET providers and accredited course owners can impact the need for certain regulatory activity and can therefore impact cost, fees and charges. For example, in round 2 of consultations on full cost recovery proposals, sector leaders highlighted
  - that action by the sector itself, and individual providers and course owners is integral to the effective control and treatment of risks to quality VET
  - as an example, the role of self-assurance by providers in addressing risks to quality VET and lessening the need for regulatory intervention
  - that the importance of self-assurance to the continued maturation of the VET sector, as well as the efficient and effective operation of the regulator, was why sector leaders had identified the need for ASQA to add self-assurance to ASQA's regulatory tool kit.

- Sets out how the combination of ASQA's efficient, effective regulation together with actions taken by the sector and individual VET providers and course owners will minimise costs to business and taxpayers while improving quality outcomes and maintaining safeguards.

- Sets out the fees and charges that will apply from 1 July 2022.

- Provides other information that helps stakeholders build and maintain understanding of how cost recovery fits within ASQA's broader accountabilities and helps achieve its purpose efficiently and effectively, transparently and accountably, and with the strong engagement of stakeholders including through the Cost Recovery Stakeholder engagement strategy.

The purpose of the CRIS is to also highlight the importance of ongoing stakeholder engagement. While this CRIS explains cost recovery in the context of changes occurring from 1 July 2022, stakeholders are encouraged to continue to engage with the content of the CRIS, raise questions and seek further clarification on an ongoing basis. As set out in PART 6 of this document, this is particularly important as ASQA moves to implementation of full cost recovery.

1. BACKGROUND, SCOPE and AUTHORITY

Overview of PART 2

The Australian Government's annual cycle of governance of ASQA means that ASQA is subject to robust checks and balances about its expenditure, its forward plan to achieve quality VET and maintain safeguards while achieving a minimum efficient cost. ASQA must be transparent and accountable in its acquittal of its financial and non-financial performance of what it actually does against what it planned to do.

Stakeholders wanting to understand and influence ASQA's activities, its costs, and therefore its fees and charges, are encouraged to engage with the cycle of forward estimates, planning, performance measurement and reporting.

ASQA's regulatory focus is evidence based and developed in consultation with stakeholders.

This regulatory activity generates costs: efficient, effective regulatory activity translates to minimum efficient cost of the regulator.

Non-regulatory actions of stakeholders, and their engagement with ASQA also contribute to a minimum efficient cost.

2.1 ASQA - 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*.**

VET is the main way Australians upskill or reskill. In 2020, government funding provided through VET appropriations and VET intergovernmental funding arrangements totalled $7.7 billion[3], makes a significant contribution to the Australian economy and is a key contributor to economic recovery post the COVID-19 pandemic.

More than 4 million students undertake VET each year.

ASQA's regulation of risks to quality VET:

- safeguards an effective market for providers of VET and course owners
- is important to students and employers in all sectors of the economy
- is important to the economy itself.

ASQA identifies risks that can impact on students receiving quality VET. ASQA then controls and treats those risks through ASQA's regulation of

- the more than 3,700 ASQA-regulated registered training organisations (RTOs) that offer VET to these students

[3] Government funding of VET 2020 by NCVER statistical report 2 December 2022

- ESOS providers[4] including RTOs providing VET courses to overseas students who are studying in Australia on student visas and ELICOS providers who are not otherwise regulated by another ESOS agency.
- VET accredited course owners.

ASQA also regulates applicants seeking to join these groups.

Throughout this document, quality VET refers to the quality of vocational education and training and ELICOS; providers means both VET and ELICOS providers unless otherwise noted; provision of VET also encompasses provision of ELICOS unless otherwise noted.

Some history about ASQA's establishment and legislative scope is set out Insert 1.

INSERT 1: ASQA's establishment and legislative scope

ASQA was established to regulate risks to quality VET:

- following a December 2009 decision of the then Council of Australian Governments (COAG) 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.
- 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.

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. These changes took effect from 1 January 2021.

ASQA was established with legislative authority to recover the cost of its regulatory activity: Insert 2 refers.

[4] 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:

INSERT 2: Statutory authority for ASQA to recover its costs

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 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 *(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)*	Section 7
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 Jan 2022)**
Annual registration charge	Paragraph 11(g)(ia)
Various fees	Paragraph 11(g)(ib)

2.2 Australian Government's budget, planning and reporting cycle ensures accountability for regulatory activity and cost

ASQA operates within the Australian Government annual cycle of budgeting, planning and reporting, enabling a high degree of transparency and accountability to all stakeholders about ASQA's program of regulatory activity and therefore its costs, which are then recovered in part through fees and charges.

In the same way as private businesses, ASQA prepares an annual budget based on expected activities to the next financial year and reporting on its expenditure for the past year. Each year:

> ***Round 2 engagement***
>
> - *Align cost recovery with Corporate Plan and strategic deliverables*
>
> ***Stakeholder feedback 3: Positioning cost recovery within the Australian Government's cycle of accountability that applies to ASQA***

- **The Australian Government's Portfolio Budget Statement** (PBS) stipulates the level of resourcing ASQA will have available to meet its regulatory obligations and summarises what the regulator must achieve. ASQA's expenditure cannot exceed its allocation, and ASQA cannot recover costs beyond estimates contained in the PBS.
- **ASQA's Corporate Plan** reflects the resourcing identified in the PBS and translates that resourcing into planned activity that will achieve ASQA's purpose and treat and control risks to quality VET:
  - The activity captured in the Corporate Plan is developed in consultation with stakeholders
  - It is based on historic trends, environmental and market analysis and risk analysis
  - The Cost Recovery Model enables ASQA to accurately estimate the resources needed to undertake each of its functions.

  ASQA's Corporate Plan also includes the performance framework that enables stakeholders to track and measure ASQA's progress against its planned activities and the targets that provide evidence of increasing efficiency and effectiveness
  - Key stakeholders are engaged in the development of the performance framework
  - The performance framework was significantly reviewed and improved in the 2021-22 Corporate Plan, in advance of ASQA's transition to full cost recovery
  - Throughout the year, ASQA is required to track key performance measures and, if variances in volume or resourcing occur outside pre-set tolerances, ASQA must adjust its program of work accordingly.
- **The Annual Report** must acquit ASQA's financial and non-financial performance against the estimates set out in the Corporate Plan including
  - Acquitting the planned activity against actual performance using the performance framework, enabling ASQA to be transparent and accountable in answering the question: *did ASQA do what it planned it would do, and was that performance effective?*
  - Acquitting the estimated costs against actual expenditure. This includes confirming that ASQA's recovery of costs through fees and charges aligned with the estimates produced prior to the beginning of the financial year, as

set out in the Corporate Plan. This acquittal enables ASQA to be transparent and accountable in answering the question: *in performing its regulatory activity, was ASQA efficient?*

Figure 2 captures the key elements of Australian Government governance of ASQA's resourcing, its subsequent planning of regulatory activity and cost estimates, and its acquittal of its actual financial and non-financial performance against the forecasts.

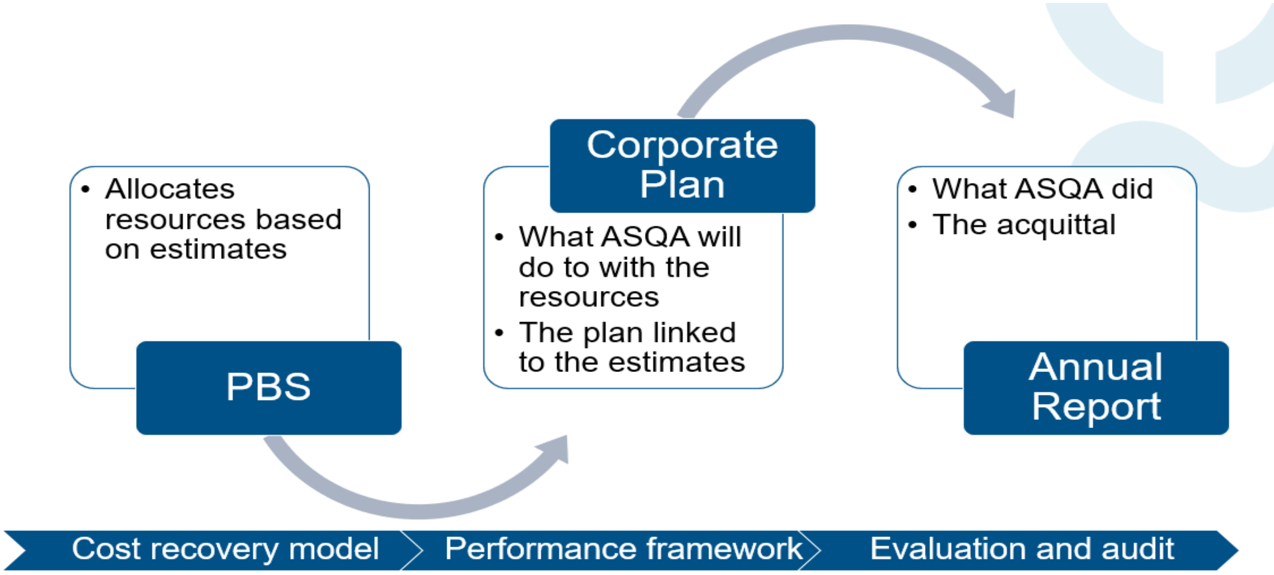


Figure 2: Australian Government governance of ASQA

2.3 How ASQA plans and executes its regulatory program and tracks its performance

As set out in the preceding section, ASQA's planned program of regulatory activity incurs costs which then, in some instances, translate to fees and charges.

During Round 2 consultation on the draft of this CRIS, sector leaders particularly emphasised the opportunity and importance of:

- building knowledge within the VET sector of the link between how ASQA regulates to achieve its purpose (including its organisational design), the costs it generates by undertaking that regulatory activity and its fees and charges
- building knowledge about the role the sector can play to influence where and how ASQA regulates to control risks to quality VET, and therefore influence fees and charges

Building a systemic approach to ASQA's ongoing achievement of a minimum efficient cost requires a broader systemic approach to how ASQA and its stakeholders, collectively and individually, approach the objective of improving quality VET and maintaining safeguards, with a range of interrelated factors ultimately determining both the extent to which the quality of VET continues to improve and the extent to which a minimum efficient cost is achieved.

Round 2 engagement

Make it clear how the improvements ASQA has made to its organisational design, Regulatory Risk Framework and Regulatory Operating Model (including as a result of implementation of the RRRs) relate to cost recovery

Stakeholder feedback 4: Positioning cost recovery within the Australian Government's cycle of accountability that applies to ASQA

As set out at Figure 3:

- The focus and resources of the regulator are influenced by the maturity and self-assurance of the sector, including the performance of individual VET providers and course owners
- The integration of the efforts of the regulator with those of a motivated market will drive desired benefits for students, employers and other stakeholders and will drive a minimum efficient cost
- How individual regulated entities interface with the regulatory system is a determinant on the cost of regulation to the individual business.

Round 1 engagement:

"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"

Round 2 engagement:

During Round 2 consultations on implementation of full cost recovery, there was a variety of feedback from a range of stakeholders both:

- *Seeking assurance about the appropriateness and fairness of its costs*

  "As an operator of a RTO for the last six years and the issues I have had with compliance and external auditors not knowing their capabilities I would be happier and more comfortable working with ASQA with the implementation of the cost recovery. I believe it would be good value, time saving and a better outcome for all parties. Our students, our business partners and the quality of the Australian Education System having ASQA as a partner to achieve a more efficient and better outcome"

  "Explain how ASQA is establishing benchmarks so that the minimum efficient cost can always be assessed.

  ""ASQA is accountable to the sector and to stakeholders to provide services at a minimum efficient cost, and there needs to be more awareness of the value of the regulators actions"

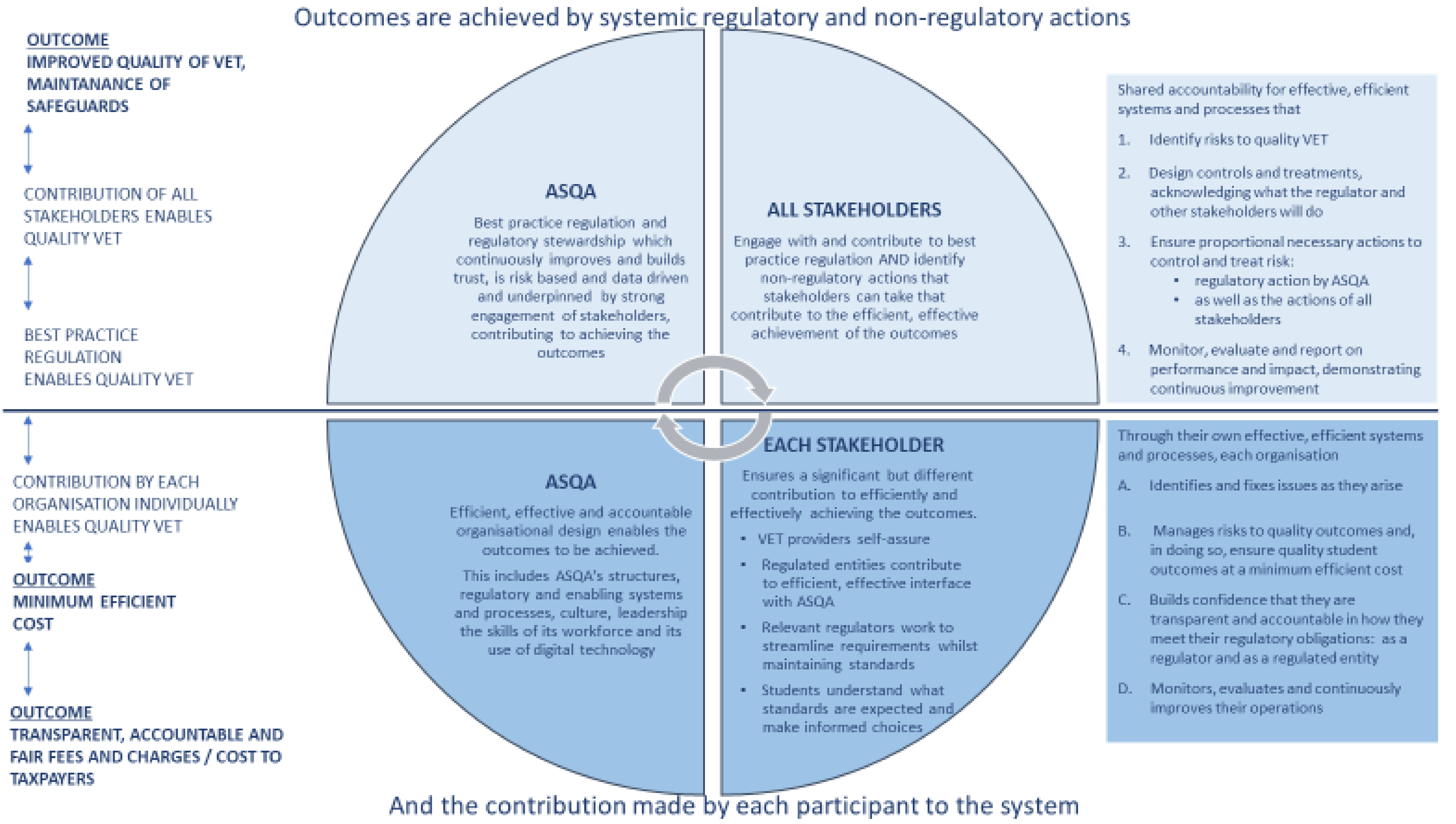
- *Emphasising that stakeholders have a variety of opportunities to influence these costs (including through engaging with ASQA on its responses to the Australian Government's cycle of governance eg identification of risks and responses to risk in the preparation of ASQA's Corporate Plan), recognising that ASQA seeks a high level of engagement in these processes*

  "Cost recovery to mirror Regulatory Risk Framework and risk treatment. As the regulatory approach evolves with changes to the Regulatory Operating Model, it will move to a broader range of monitoring that doesn't rely on an audit"

  "Explain that self-assurance has been introduced to grow and mature the sector, not just for cost recovery. The sector advised on the need for the shift in ASQA's focus and that ASQA is [not imposing] but is responding to sector-identified needs to support/mature sector. CRIS [and associated comms] to reflect this background"

Stakeholder Feedback 5: provide assurance about ASQA's cost recovery and its efficient cost

Figure 3:


Outcomes are achieved by systemic regulatory and non-regulatory actions
OUTCOME
IMPROVED QUALITY OF VET, MAINTANANCE OF SAFEGUARDS
CONTRIBUTION OF ALL STAKEHOLDERS ENABLES QUALITY VET
BEST PRACTICE REGULATION ENABLES QUALITY VET
ASQA
Best practice regulation and regulatory stewardship which continuously improves and builds trust, is risk based and data driven and underpinned by strong engagement of stakeholders, contributing to achieving the outcomes
ALL STAKEHOLDERS
Engage with and contribute to best practice regulation AND identify non-regulatory actions that stakeholders can take that contribute to the efficient, effective achievement of the outcomes
Shared accountability for effective, efficient systems and processes that
1. Identify risks to quality VET
2. Design controls and treatments, acknowledging what the regulator and other stakeholders will do
3. Ensure proportional necessary actions to control and treat risk:
• regulatory action by ASQA
• as well as the actions of all stakeholders
4. Monitor, evaluate and report on performance and impact, demonstrating continuous improvement
CONTRIBUTION BY EACH ORGANISATION INDIVIDUALLY ENABLES QUALITY VET
OUTCOME
MINIMUM EFFICIENT COST
OUTCOME
TRANSPARENT, ACCOUNTABLE AND FAIR FEES AND CHARGES / COST TO TAXPAYERS
ASQA
Efficient, effective and accountable organisational design enables the outcomes to be achieved.
This includes ASQA's structures, regulatory and enabling systems and processes, culture, leadership the skills of its workforce and its use of digital technology
EACH STAKEHOLDER
Ensures a significant but different contribution to efficiently and effectively achieving the outcomes.
• VET providers self-assure
• Regulated entities contribute to efficient, effective interface with ASQA
• Relevant regulators work to streamline requirements whilst maintaining standards
• Students understand what standards are expected and make informed choices
Through their own effective, efficient systems and processes, each organisation
A. Identifies and fixes issues as they arise
B. Manages risks to quality outcomes and, in doing so, ensure quality student outcomes at a minimum efficient cost
C. Builds confidence that they are transparent and accountable in how they meet their regulatory obligations: as a regulator and as a regulated entity
D. Monitors, evaluates and continuously improves their operations
And the contribution made by each participant to the system

The following sections of this CRIS unpack how evidence-based regulation of risks to quality VET, together with efficient organisational design, and sector lead activity, effectively measured, achieves ASQA's minimum efficient cost.

2.3.1 Evidence based regulation of risks to quality VET

As set out in PART 2.1, ASQA's forward plan of action is set out in ASQA's Corporate Plan, which organises and projects ASQA's planned activity against the six strategic deliverables at Figure 4, which, combined, ensure that the forward plan of work will achieve ASQA's purpose:

Figure 4: six strategic deliverables

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.	6. Our understanding of sector performance and promotion of self-assurance contributes to quality VET and informed consumers.

Cost recovery is deliberately placed against strategic deliverable 5, committing ASQA to achieving added value, efficiency, effectiveness and continuous improvement across all its activities, to achieve a minimum efficient cost.

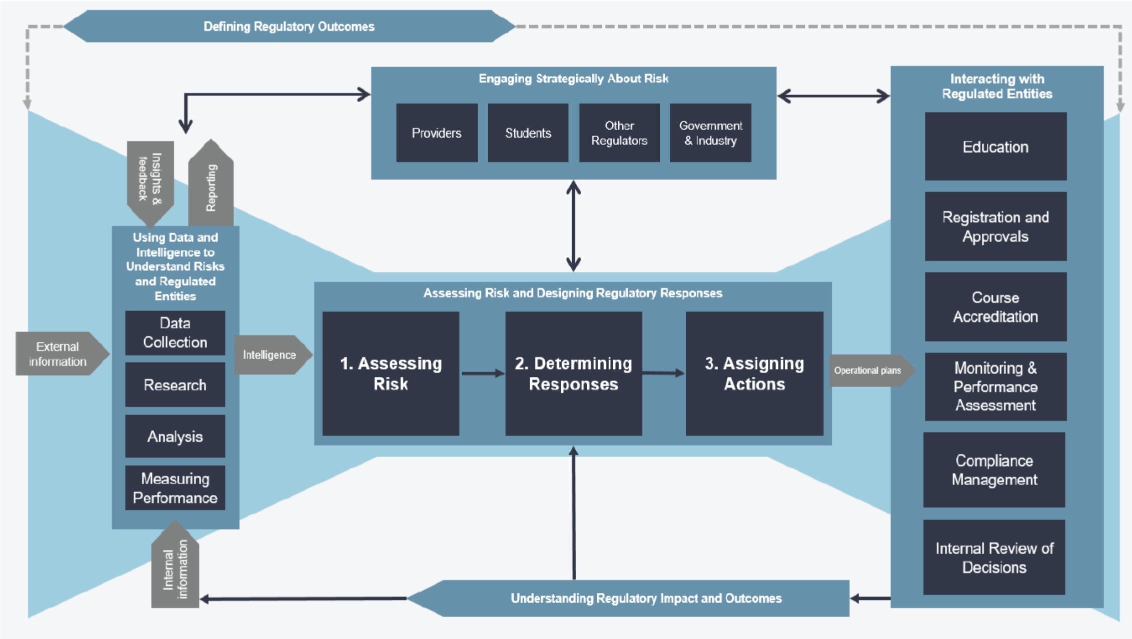
Each planned activity against each strategic deliverable has correlating key performance indicators, measures and targets to ensure that ASQA's performance can be monitored and, if necessary, adjusted, for example in response to:

- changes to ASQA's operating environment, such as the advent of the COVID-19 pandemic which required ASQA to realign resources from planned activities to provide additional support and guidance to the sector and
- changes to ASQA's estimated volumes of activity.

ASQA's regulatory activity determined by ASQA's Regulatory Risk Framework and operationalised through its Regulatory Operating Model (Figure 5), enabling stakeholders to engage with ASQA to:

- **identify** risks to quality VET, engaging strategically about risks and using data and intelligence to understand risks
- **assess risks and plan** regulatory actions necessary to control or treat those risks
- **implement** strategies to treat risks using a range of regulatory approaches and interactions with regulated entities to promote providers to take action to control risks and
- **monitoring and measuring** of regulatory performance and outcomes.

Figure 5: ASQA's Regulatory Operating Model



The regulatory activity to achieve the strategic deliverables and ASQA's purpose generate costs. Stakeholder engagement in the identification, prioritisation, planning of regulatory actions to treat and control the risks, and implementation of those actions, enables stakeholders to:

- understand and influence the program of work
- be confident that the work is purposeful, appropriately targeted and
- the costs are necessary to the achievement of quality VET.

Stakeholder engagement with the performance framework is key to confidence in the efficacy of that expenditure.

The efficient, effective conduct of the regulatory activity contributes to a minimum efficient cost of the regulator, and so, continuous improvement of the operation of the regulator is important.

The Corporate Plan is a great source of information for stakeholders wishing to understand more about how ASQA regulates and how ASQA's performance is measured.

Stakeholders wishing to engage with ASQA's design and conduct of its regulatory activity can do so:

- through their representatives on key stakeholder engagement forums including the Provider Roundtable and the Stakeholder Liaison Group
- participating directly in ASQA's engagement processes which are notified on ASQA's website and
- on an ad-hoc basis via ASQA's Information Line, web-based feedback or emails.

2.3.2 ASQA's organisational design

A minimum efficient cost of regulation is also achieved through a systemic approach to configuring and aligning ASQA's structures, processes, culture, leadership, people practices and metrics to ASQA's purpose. ASQA's organisational design is also captured in ASQA's Corporate Plan, is subject to the performance framework and is acquitted through the Annual Report.

ASQA's organisational design supports efficient, effective regulatory activity and contributes to a minimum effective cost: minimising costs to busines and taxpayers while improving quality outcomes and maintaining safeguards by enabling resources are aligned to ASQA's activity, transparently and accountably. Figure 6 shows where primary accountability for key aspects of the regulatory operating model sits within ASQA's organisational design.

Figure 6: ASQA's organisational design aligned to ASQA's regulatory operating model

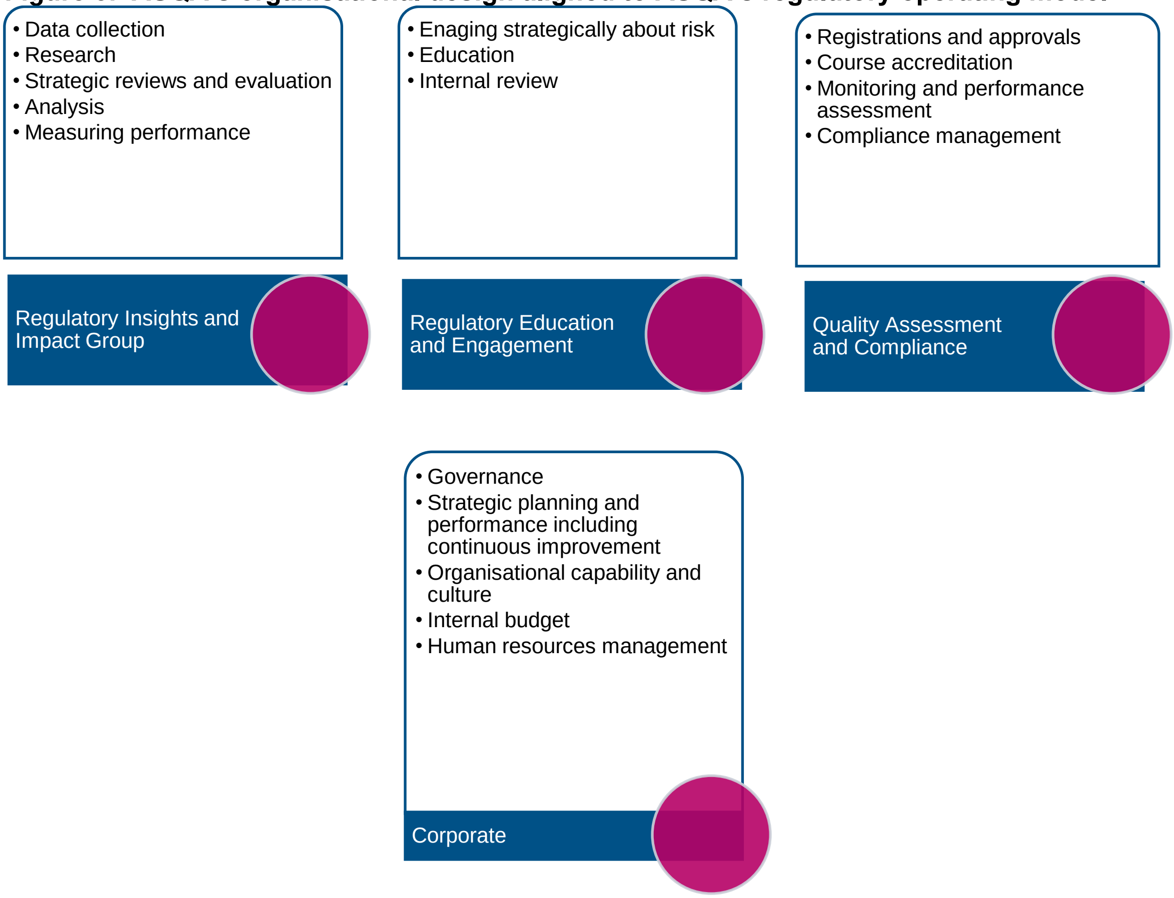


Figure 7 shows how the planned activities set out in ASQA's Corporate Plan are organised into:

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.

Figure 7: 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

Attention to organisational design ensures that there is continued attention to enabling best practice regulation at a minimum efficient cost:

- **Use of external workforce**. ASQA recognises that while an external workforce provides greater flexibility to address variations in volume and response with agility to priority risks, the efficiency and effectiveness of the external workforce needs to mirror that of the internal workforce. ASQA's planned activity as set out in the 2021-22 Corporate Plan will ensure that by July 2022, when full cost recovery commences, the recommissioning of an external workforce results in the improved efficiency and effectiveness of that workforce, its closer alignment with ASQA's ROM and improved transparency and accountability including to stakeholders.

Round 2 engagement:

During consultations on the draft CRIS, some stakeholder feedback related to aspects of ASQA's organisational design, as it relates to cost recovery. For example:

"[I would like to support the concept of ASQA reducing the pool of external auditors and using inhouse auditors for reasons of accountability."

"Quality of auditors: There needs to be transparency about the professional development and consistency of auditors"

"Efficiencies will be realised through the development and implementation of ASQA's digital roadmap"

"*There is a complete lack of transparency about the cost of audits, how they will be done, what is included, and your selection process in deeming someone auditable ... this is the magic formula that needs to be really transparent".*

"Highlighting how changes to ASQA's internal processes have delivered management and administrative efficiencies and how these efficiencies might manifest in charges that ay be lower than would have been the case if these had not be realised =="

Stakeholder Feedback 6: organisational design

- **Skills and capabilities of staff undertaking regulatory (including assessment) and enabling functions**. Consistent with recommendations of the Rapid Review, and as set out in the Corporate Plan, ASQA's organisational design continues to:

- Identify the skills and capabilities relevant to each regulatory and enabling position
- Monitor and assess those capabilities, including to ensure that there is continuous improvement.

As set out in PART 5 of this document, the internal controls relating to ASQA's regulatory functions, including in relation to the use of external workforce and the skills and capabilities of staff ensure that the regulatory functions of ASQA are well managed, and that costs are controlled. ASQA recognises that this will remain an on-going focus of ASQA's planned activities, because there is no end-point: only opportunity for continuous improvement.

There is also the opportunity for continuous improvement in the execution of ASQA's Corporate and enabling functions. As set out in PART 4 of this document, ASQA has made good ground in ensuring that its resources are primarily targeted to its regulatory functions, and that corporate and enabling activity is undertaken at an efficient cost, for the contribution that these functions make to the efficient, effective operation of the National Regulator.

2.3.3 Actions of the sector and individual VET providers and course owners also impact the achievement of ASQA's purpose, its regulatory activity and its costs

Fundamental to ASQA's Regulatory Risk Framework and Regulatory Operating Model (ref) is stakeholder engagement about risk to quality VET. A shared understanding about risk informs the planned activities articulated in the Corporate Plan, including ASQA's education and engagement as a key tool in the regulator toolkit. Sharing information with stakeholders to better understand risk, raises awareness and provides feedback and support for providers to self-assure and continuously improve.

Opportunities for sector leaders, individual VET providers and course owners to, themselves, improve quality VET outcomes, build confidence in the sector and minimise fees and charges including:

- self-assurance by providers - a complementary tool that enables individual providers to drive and demonstrate improvement to their own systems, processes and
- continuous improvement of their performance against the standards. All of which increases a level of confidence in the demonstrated capability and practices of a provider to treat risks to quality and enables ASQA's regulatory activities to become increasingly proportionate
  - ASQA's partnerships with stakeholders to identify and address risks to quality outcomes while minimising costs and build confidence of and in VET providers
  - deployment of a broader range of educative, monitoring, compliance and enforcement regulatory tools, taking a risk-based proportionate approach to ensure quality VET and

Round 2 engagement:

During consultation on the draft CRIS, sector leaders emphasised the importance they place on maturing the sector, and ensuring that the sector and individual VET providers and course owners both:

- *Engage with ASQA's identification of risks to quality VET and the regulatory actions that result (per section 2.3.1 above) including because this impacts on quality VET outcomes, confidence in the sector and on costs, fees and charges*
- *Identify the actions that they themselves can take to improve quality VET outcomes, confidence in the sector and on costs, fees and charges. During engagement on the draft CRIS, ASQA undertook to amplify this aspect of the final CRIS, noting that while ASQA has a role to play in identifying these opportunities, each individual VET provider and course owner also has a responsibility, as do sector leaders.*

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.*
- *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*.

Stakeholder Feedback 7: Role of the sector and each regulated entity to improve quality VET, ensure safeguards and a minimum efficient cost

the integrity of national qualifications issued by training providers. 2.3.4 How ASQA'S performance is monitored

As outlined earlier in this part, 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. 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.

ASQA's Risk Priorities for 2021-22 are informed through our review of sector performance and engagement with stakeholders. We undertake an environmental scan, and use data and intelligence from many sources to identify and assess sector risks.

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 reflects 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-on-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.

Stakeholder feedback rounds 1 and 2

Transparency and accountability for ASQA's performance was one of the key themes across both rounds of engagement

Address the perception that ASQA costs are too high, outlining the benefits to the student, provider and the sector

Performance measures and the reasons costs are applied, including where the efficiencies will be/are

The cost recovery may ensure that ASQA, stakeholders and Australian community to integrate to the performance framework, the cost recovery may help ASQA continually improve its performance.
In the advent of ASQA staff numbers growing will that ever-increasing cost be passed on to RTOs without sufficient protections for RTOs under the guise of ASQA improving performance.
ASQA does not consistently met its own service standards

ASQA fees to RTOs are excessive for the actual services provided

Through its stakeholder engagement strategy and its cycle of planning, monitoring and reporting, ASQA is committed to continuously improving its efficient, effective operations

Stakeholder feedback 8: monitoring ASQA's performance

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 performance framework set out in ASQA's Corporate Plan is underpinned by effective engagement and transparency of outcomes to enable ASQA and its stakeholders to measure and monitor ASQA's performance. The framework was developed in consultation with ASQA's key stakeholders.

As noted in PART 6 of this document, ASQA is consulting with stakeholders on improvements to KPIs for 2022-23, and engagement on these is ongoing with key stakeholders including the Department of Finance in the context of finalising ASQA's Corporate Plan 2022-23.

As captured at Figure 8, the cost model as set out in PART 3 estimates ASQA's costs in relation to its responsibility to identify and address risks to quality VET, take action to treat and control that risk, employing good organisational design and providing evidence of impact, recognising that

ASQA's broader program of activity (in relation to the deployment of its RRF and its ROM) as well as how effective stakeholder engagement influences cost of the regulator, met by regulated entities (through fees and charges) and the Australian taxpayer.

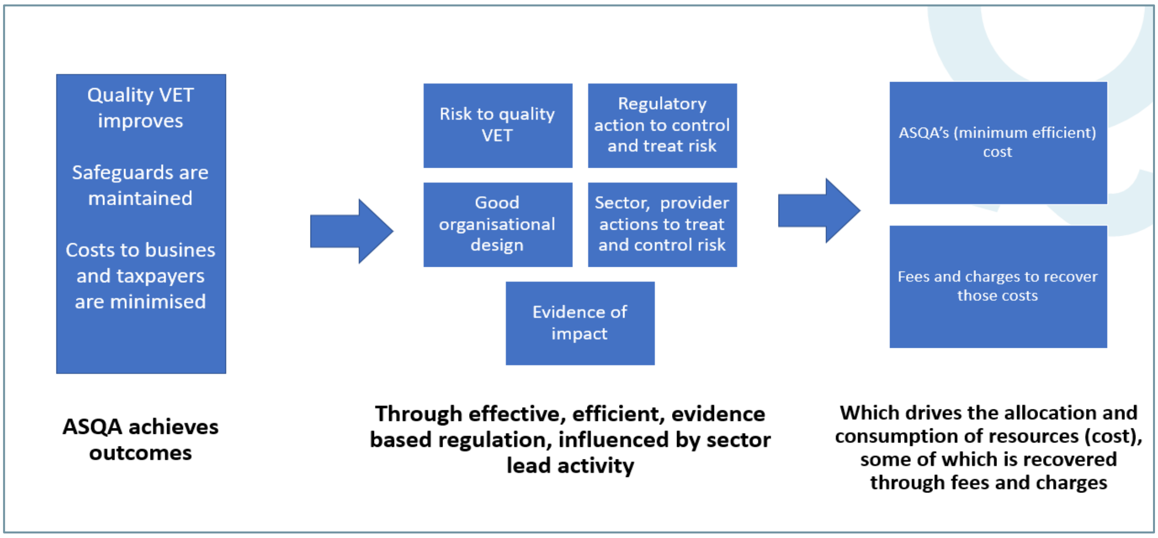


Figure 8: Relationship of outcomes/inputs including but not limited to ASQA/costs, fees and charges

INSERT 3: RELATED REVIEWS

A recommendation of the Rapid Review was that ASQA realign its cost recovery arrangements to reflect ASQA's new approach to performance monitoring. The information contained in this document demonstrates that ASQA has implemented that recommendation. Indeed, as ASQA has implemented the program of work set out in its 2021-22 Corporate Plan, and engagement with stakeholders continues to identify continuous improvements to ASQA's regulatory system, the strategic and operational approach to cost recovery set out in this document will ensure that cost recovery remains aligned to ASQA's identification of risk to quality VET and its best practice regulatory approach to controlling and treating those risks.

In June 2021, the Australian National Audit Office released a performance audit report on ASQA's effectiveness of planning and implementation of reforms arising from the Rapid Review. As set out in this document, the performance audit also recognised the importance of ensuring that the allocation of ASQA's resources reflect ASQA's redesigned processes, new performance expectations and changed supervision hierarchy. PARTS 2 and 3 of this document demonstrate the attention that ASQA paid, and continues to pay to the transparent and accountable alignment of ASQA's resources to its planned activity and how, using its performance framework including its cost recovery model, ASQA will continue to adapt its allocation of resources to reflect priority risks to quality VET, environmental changes and operational shifts (for example in volume of activity).

3 ASQA'S APPROACH TO COST RECOVERY

Overview of PART 3

Costs of ASQA's regulatory activity are estimated before the beginning of each financial year, using a best practice cost recovery model, which has been independently assured.[5]

Reflecting good business practice in any sector, ASQA methodically aligns the resources (set out in the PBS) with its forward plan of action (in the Corporate Plan) prior to the beginning of each financial year.

- **Volumes of work across each of ASQA's regulatory activities are aligned with resources necessary to complete each activity.**
- **Throughout the year, ASQA monitors actuals against estimates against performance measures in the Corporate Plan, adjusting to account for variances or other key changes, such as in the operating environment**

The cost recovery model is subject to ongoing independent review and evaluation, including by ASQA's Audit Committee which includes a representative from the ANAO.

In 2022-23, the model will be subject to three separate independent reviews.

3.1 Australian Government budget funding of ASQA

As set out in PART 2, 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 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 enrolments. The expectation is that ASQA applies a broader range of regulatory tools, implement a range of reforms and play a proactive role in supporting the broader VET reform agenda.

3.2. Government policy authority to recover costs

In April 2015, the Australian Government implemented a whole-of-government charging framework, the Australian Government Charging Framework (AGCF). The Framework provides that where an individual or organisation creates the demand for a government activity to be regulated, they should generally be charged for the regulation of 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*."

In 2011, the Australian Government determined that ASQA's functions are cost recoverable, within the parameters of the Charging Framework and the Cost Recovery Guidelines within the Framework, and is reflected in the following decisions:

- 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.

[5] ASQA's cost recovery model has been independently assured by PriceWaterhouseCoopers.

- 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 50% of its costs.
- The Australian Government Budget 2018–19 announced that ASQA will transition from 50% to 60% cost recovery and then 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 for all regulated entities other than a small number of ELICOS-only providers who will continue to have fees and charges waived until 1 January 2023.

3.3 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.

Of the approximately $45.8 million of budget expenses, some $40.5 million is recoverable. As set out in PART 3.4, there are specific budget measures 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.

3.4 The costs that will not be recovered through fees and charges from 1 July 2022

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, approximately $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 needed to identify and remove poor quality providers. Under the Skills for Recovery Package, approximately $16.1 million is allocated over 4 years to enable ASQA to support DESE's development and implementation of new standards and arrangements for RTOs. 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.

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.

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 sector (6%).

Exclusion of costs related to strategic reviews and merits and judicial review of decisions
Consistent with the Charging Framework, the costs of strategic reviews and merits and judicial review of decisions (other than the lodgement fee for reconsiderations) are not recoverable via fees or charges and will continue to be budget funded.

Non-recoverable course accreditation costs
ASQA has reviewed its activity against its policy and legislative authority for course accreditation and identified efficiencies and changed practices that reduce the overall costs of course accreditation related activities while maintaining essential safeguards. As set out in PART 4 of this document, $0.165 million of costs will not be recovered through fees and charges because these activities do not clearly fit the criteria for cost recovery under the Charging Framework.

Internal review costs While Round 2 engagement was underway, ASQA continued to work with key government stakeholders, DESE and Department of Finance, to ensure that the cost recovery model for July 2022 is robust in all regards. As a result of this consideration, changes have been made to the way the cost recovery model attributes the cost of internal reviews in 2022-23:

- The draft CRIS of 4 January 2022 proposes that, consistent with full cost recovery, the full costs of internal review accrue to the applicant for internal review and that some internal review costs are incorporated in the Annual Registration Charge reflecting the sector-wide regulatory benefits resulting from internal review processes.
- The new internal review function was implemented from 6 April 2021
    - providing a mechanism by which a provider or course owner can seek reconsideration of a decision made by ASQA that affects them
    - providing ASQA the opportunity to rectify decisions that were not the correct or preferable decision or to make a different decision based on new information

Round 1 engagement:

"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)".

"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?".

Round 2 engagement:

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 help drive an efficient cost, noting that, as set out in this document, a range of matters (including external to ASQA) are relevant to achieving an efficient cost).

Stakeholder Feedback 9: costs not recovered through fees and charges

- improving ASQA's capacity to resolve non-compliance and other issues without the need for AAT adjudication in the majority of cases.

- It is important that Internal Review, as a precursor for seeking external review, is not compromised by implementing fees and charges that could create a barrier to internal reconsideration and review that is key to best practice regulation.

These changes remove approximately $0.9 million of cost from the ARC proposed in the January draft CRIS, and therefore from the total amount to be recovered from regulated entities. Further information about internal review is at PART 4.4.5 of this document.

3.5 Integration with the Corporate Plan

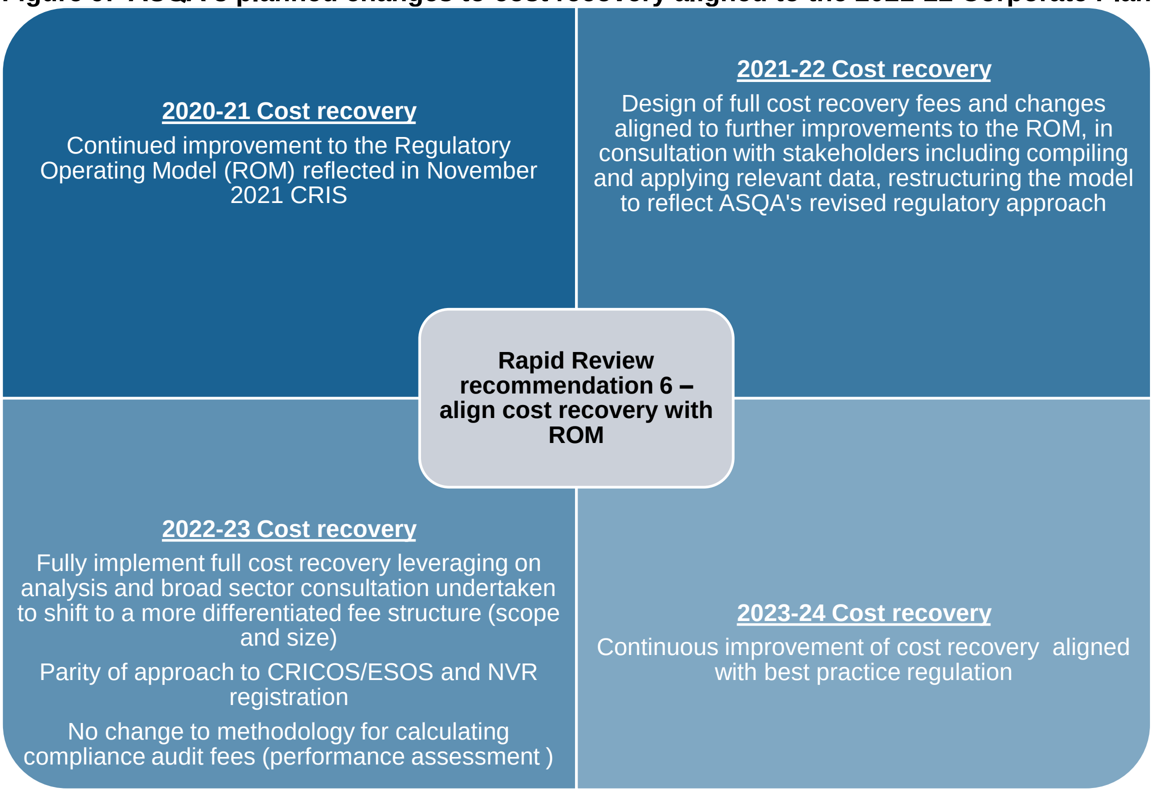
As set out in PART 2, ASQA's cost recovery model and forward planning of cost recovery is driven by ASQA's achievement of its purpose, its identification of risks to quality VET and the regulatory actions it undertakes to control and treat those risks. Cost recovery performance is tracked and measured through ASQA's performance framework and reported on via its Annual Report.

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, employers, governments and the community; 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 9.

Figure 9: ASQA's planned changes to cost recovery aligned to the 2021-22 Corporate Plan



Changes made by ASQA in 2019-20 and 2020-21 as set out in Figure 10 are achieving improvements to a minimum efficient cost. This is addressed further in PART 4 against individual fees.

Figure 10: 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

3.6 ASQA's cost recovery model

ASQA's cost recovery model to support and enable full cost recovery was built independently by Resolution Consulting Services (RCS) and updated by PriceWaterhouseCoopers (PwC). It 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.

This section explains 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.

Round 2 engagement:

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 during the second round of consultation on full cost recovery, via the Provider Roundtable cost recovery working group and the Stakeholder Liaison cost recovery working group.

Some feedback also provided through submissions for example:

> *"With much of the cost and Budget being forwarded to RTOs, what inbuilt protections have been implemented to minimise increase of cost due to ASQAs operations"*

Stakeholder feedback 10: cost recovery methodology

3.6.1 Development of ASQA's cost recovery model

Under ASQA's cost recovery model:

- **Direct costs** are the costs for staff directly involved in the business processes associated with entity-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 spend 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-FTE 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, business processes and tasks;
- 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:

    - measure and improve efficiency
    - minimise over- and under- recovery of costs
    - manage costs and monitor performance
    - 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:
    - 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.
    - demonstrate a discernible link between the costs, charges and performance of ASQA's activity, including how ASQA's business processes apply resources to the regulatory outputs which are cost recovered.

3.6.2 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 three Australian Government agencies' compliance. The three 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; and
- 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.

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; and
- 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 was established in November 2021, approximately 6 months earlier than previous years, promoting stability, enabling improved targeting of supplier expenses and other resources against planned activities in 2022-23.

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

As set out in PART 2 of this document, ASQA is accountable for the performance of its recovery of costs through the Australian Government's cycle of budget and planning requirements. This includes, each year, the independent audit of ASQA's financial performance, as part of ASQA's Annual Report obligations.

Reflecting ASQA's commitment to the continuous improvement of its cost recovery model, in addition to the existing accountability requirements, ASQA will participate in three cost recovery review and/or continuous improvement processes during 2022-23:

1. In accordance with Stage 4 requirements for cost recovery as set out in the AGCRG, ASQA will participate in DESE's Portfolio Charging Review, which will be undertaken in consultation with the Department of Finance
2. ASQA has commenced consulting with key stakeholders about, and procuring independent expertise to evaluate the efficacy of ASQA's implementation of the recommendations of the Rapid Review. All of ASQA's cost recovery is, as discussed in PART 2, driven by its regulatory focus and activity. Any evaluation of ASQA's Regulatory Operating Model must, of necessity, consider cost recovery. Further, one of the Rapid Review recommendations was specifically that ASQA align its cost recovery with its new regulatory operating model. ASQA will ensure the evaluation methodology encompasses cost recovery.
3. The 'best practice cost recovery' project being led by Department of Finance.

ASQA will continue to invest in ensuring that ASQA's cost recovery methodology remains 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 reviewing and continuously improving the cost recovery model and its interface with ASQA's achievement of its purpose, RFF, ROM and stakeholder engagement.

Round 2 engagement:

During consultation on implementation of full cost recovery, sector leaders were keen to be assured that ASQA's cost recovery model continues to be independently reviewed to enable continuous improvement of it. This point was raised by both the Provider Roundtable cost recovery working group and the Stakeholder Liaison cost recovery working group, and was referenced in a written submission by ITECA.

"ASQA should commit to a full review of the cost recovery arrangements to be undertaken once those new arrangements have been in place for a full year. This review would ascertain the effectiveness of the model as well as the extent of any under or over cost recovery. This will ensure that the charges and levies incurred by RTOs reflect the actual services provided by ASQA

Stakeholder feedback 11: independent review of cost recovery model

4 ASQA's cost recovery

Overview of PART 4

Regulatory costs are recovered from those who benefit from the regulatory activity: the Australian taxpayer and VET providers and course owners regulated by ASQA.

- ***A thriving VET sector, where risks to quality VET are addressed by ASQA, benefits all Australians so a portion of ASQA's costs are met through budget appropriations which are not recovered through fees and charges.***
- ***Providers and accredited course owners derive benefits from operating in a sector where quality continues to improve, students and employers are confident of the qualifications issued and risks to quality VET are identified and regulated by ASQA. Providers and course owners pay fees and charges that recover some of ASQA's costs.***

VET sector leaders are clear that the VET sector and individual providers have responsibility and capacity to influence costs through the actions they take to manage risks to quality, and that doing this is integral to the continued maturation of the sector, improving cost consciousness of ASQA and the sector itself, and the continued achievement of a minimum efficient cost.

From 1 July 2022, the percentage of ASQA's regulatory costs paid by providers and course owners will increase as ASQA transition from 60% cost recovery to full cost recovery. Fees and charges from a July 2022 have been controlled as a result of improvements ASQA has made to its efficient, effective regulatory actions:

Providers	***Market entrants***	***Course owner***
2022-23 fees will be lower than the current fees	***Will pay $100 more as part of their lodgement application fee***	***Fees have been kept at 2019 prices***

Hourly rates will be lower than the current hourly rate, decreasing from $275 per hour to $250 per hour

4.1 Methodology

As set out earlier in this document, ASQA's cost recovery methodology enables the allocation of ASQA's resources (budget allocation, 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 three models (resource management, internal budget and activity based costing models) into one integrated, cost recovery model, as set out at Figure 11. It is important to note that the three models work in conjunction with each other, not sequentially, and are reviewed on an ongoing basis:

- the internal budget informs the resource management plan and informs the activity based cost model, and,
- equally, the activity based cost 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 11: ASQA's cost recovery methodology

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
Identify all the tasks that ASQA performs and identify if they contribute directly to a 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 registration entity-directed regulatory output as an example, indirect costs include: ○ procurement expertise when contracting external auditors; ○ HR including recruitment, induction, professional development, access to Employee Assistance Program; and ○ the Accountable Authority/CEO stewardship of the agency.
Calculate all the indirect costs held in supporting/enabling cost centres and allocate them to each role which performs regulatory tasks.	This is a pro-rata distribution and a standard step in Activity Based Costing. ASQA allocates this cost based on a per FTE amount.
Identify all the tasks that ASQA needs to perform systemically and efficiently to achieve an entity-	There are several tasks that ASQA systemically performs in relation to, for example, lodgement of an application (for registration, renewal of

Key steps in the cost model	Description
directed or sector-wide regulatory output.	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.
Identify which role performs each of the tasks that contribute to a regulatory output and what classification (i.e. pay point) attaches to each position.	The model maps each task to a specific role, which in turn is performed at a specific pay classification, which is an efficient price point for undertaking such tasks.
Calculate 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.	The cost per hour is recorded in the model as direct, indirect and total costs associated with the application lodgement tasks.
Build 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 number of lodgement applications to be undertaken in any given year to achieve ASQA's entity-directed regulatory output requirements are estimated.
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.
Calculates the cost recovery percentage of each fee against the cost of each output which must not exceed margins of error as set by the Department of Finance.	The fee for lodgement of applications is set when first legislated and reviewed annual as per the Cost Recovery Guidelines.
ASQA is prohibited from over-recovering at each individual charge point, from exceeding the ASL cap and from exceeding the annual appropriation	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 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 capture the costs of performing corporate functions such as finance, governance, and human resource functions, including Senior Executive oversight of these functions. These costs will be allocated across all roles contained in regulatory cost centres based on a simple FTE driver.
- Executive cost centre expenses include the Senior Executive Service or Branch heads and support staff for regulatory functions. 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: Calculate the Indirect costs

Once the Internal budget and draft resource management plan have been agreed, the first step in the activity based costing model is to allocate enabling and executive costs to roles within 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 three 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 cost centres.

Table 4: ASQA's Enabling Cost Centres

	Indirect Costs ($'000)			FTE		
ASQA's Enabling Cost Centres	**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 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:

- 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: Calculate the Direct costs

Step two is to calculate the costs of ASQA's 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 regulatory cost recovery activities from 142 to 154. Reflecting implementation of Rapid Review Recommendations and changes to the Regulatory Operating Model (ROM) 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

	Direct costs ($'000)			FTE		
ASQA's Regulatory Cost Centres	**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: Allocate Indirect costs to regulatory roles within Regulatory cost centres.

Step three is that the model allocates a share of the 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 (i.e. by position classification) to ensure a high level of accuracy.

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

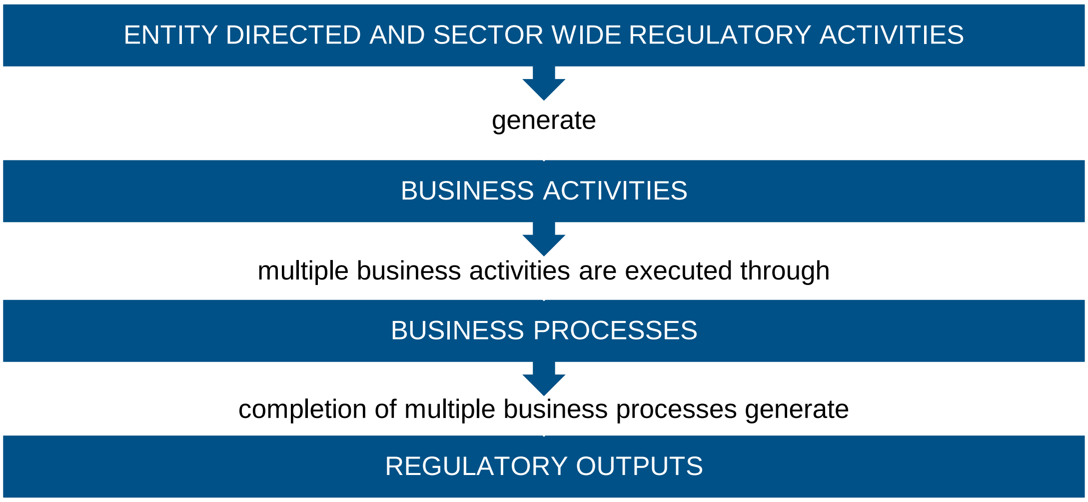
ASQA's regulatory cost centres	FTE	Direct costs ($'000)	% of total direct costs	Indirect costs ($'000)	% of total indirect costs	Total costs ($'000)
Quality Assessment	36	6,078	24%	3,776	24%	9,853
Compliance	19	2,699	11%	1,993	12%	4,691
Strategic Operations	8	1,115	4%	834	5%	1,949
Internal Review	5	806	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 activity based cost 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 Figure12. ASQA performs two types of activities as Regulator: Entity Directed and Sector-wide. The following section provides more detail on the results of this methodology.

Figure 12: 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 two regulatory activities: entity-directed regulatory activities and sector-wide regulatory outputs:

- 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 activity based costing model summarises these costs in Tables 7 to 10 below, with the estimated costs of ASQA's outputs for 2022-23, broken down:

- Type of output Entity Directed and Sector-wide; and
- Cost recovery mechanism (for example application fee, hourly charge, ARC or funded by the Australian Government)

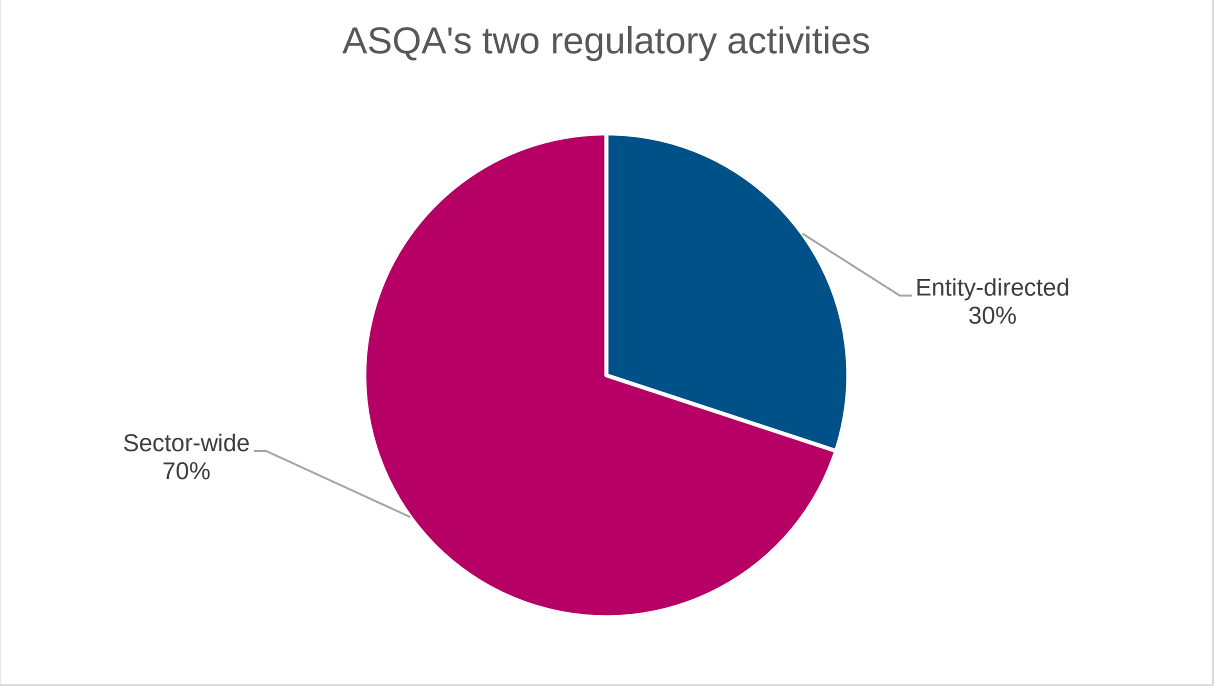
The total estimated cost to be recovered through fees and charges is $40.5 million.

Stakeholder engagement Round 2

Model needs to get right balance between individual entity and sector to ensure there is a level playing field. Shift to being more predictable through annual registration charge vs less predictable slating to individual entity. [ASQA] need[s] to test how quality performance monitoring activities may end up in the annual registration charge, which means cost incurred by sector not an individual.

Stakeholder feedback 12: getting the balance right between entity directed and sector wide costs, fees and charges

Figure 13: ASQA's 2 regulatory activities as a percentage of total expenses (excluding NPP's)



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
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	754	496	1,250
Course Accreditation	555	388	943
Minor applications	817	611	1,428
Total	**7,482**	**4,873**	**12,355**

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
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	**10,821**	**7,106**	**17,927**

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	102	63	165
Total	**2,340**	**1,004**	**3,344**

4.4 Cost recovery design: entity-directed regulatory outputs

Entity-directed regulatory activities treat and control risks that attach clearly to an individual provider, course owner or market entry applicant.

ASQA has achieved an efficient cost in relation to each of its entity-directed regulatory activities, which will reflect favourably in provider and course owner fees from July 2022, when ASQA transitions from 60% cost recovery to full cost recovery from 1 July 2022:

- All of the full cost recovery fees AT OR BELOW the fees proposed in 2019

- 70% of the full cost recovery fees are EQUAL TO or LOWER than the price set in 2018 at the cost recovery rate of 60%.

From 1 July 2022, providers will pay less than they currently do for:

- renewal of registration lodgement and assessment applications
- changes to registration (both lodgement and assessment) applications.
- performance monitoring/assessment and compliance monitoring, will also benefit from ASQA's use of an expanded range of monitoring activities, tailored to risk. A proportionate risk based regulatory approach will result in lower costs and therefore lower fees for many providers.

Organisations seeking to enter the market will pay $100 more under full cost recovery than they have previously.

As set out in PART 4.6, course owners will not have to pay an Annual Registration Charge and application fees remain at the 2019 price.

ASQA has also identified ways in which providers and course owners themselves can limit their business costs and impact on ASQA's fees.

This is discussed in more detail below for each of the entity directed regulatory outputs. In summary providers and course owners should;

- Engage with ASQA prior to and during the development of an application to ensure the organisation understands and meets ASQA's regulatory requirements;
- Submit the application with all the information and in the format requested.
- Constructively engage with ASQA in any assessment activity and be responsive to any requests for further information.

ASQA will also minimise regulatory burden and limit business costs by

- Undertaking risk-based assessment in relation to applications it receives
- Implementing a range of monitoring activities while maintaining its capability to conduct a full performance audit – previously called a Compliance Audit - in line with the recommendations of the Rapid Review

Performance Monitoring and Assessment

ASQA conducts a range of risk-based monitoring and performance assessment activities that will generate an hourly charge. These activities may be associated with an application (or in a range of other circumstances based on risk assessment see 4.4.4).

In 2019-20, in the first round of consultation on moving from 60% to full cost recovery, ASQA proposed a compliance audit charge at an hourly rate of $285.

The first round of public consultations resulted in some feedback about the amount charged for an assessment.

As a result of ASQA's implementation of the findings of the Rapid Review, is implementing a range of monitoring activities (while maintaining its capability to conduct a full performance assessment – previously called a Compliance Audit).

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

ASQA's use of the hourly charge for renewal, change of scope of registration and compliance audits, together with its adoption of a broader range of performance-monitoring activities enable a more proportionate fairer and more transparent approach which will continue to reflect improvements to ASQA regulatory operating model in consultation with stakeholders.

Round 1 engagement:

"$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".

Round 2 engagement:

"However while the basic lodgement charges for initial, renewal and change of registrations are outlined, the hourly rate remains an issue, despite the reduction in rate, as it is difficult to determine the reals costs of monitoring and compliance activities of ASQA, compared to past fees. How many hours will each activity take? Under the principle of transparency and accountability, as well as informing stakeholders, will RTOs receive a quote initially on the proposed costs of a particular compliance activity, will it be capped at a certain level? It is a complex document to interpret how it will impact our RTO, based on an ill-defined number of hours".

"Although I acknowledge the need to have Quality staff to conduct audits on behalf of ASQA, in my opinion the proposed $250/hour is still extremely high given the average is roughly a third of the rate and even half of the proposed rate would be considered high when compare to - https://au.talent.com/salary?job=auditor."

"I would like some transparency around how the figure of $250/hour for regulatory activities was arrived at? Why isn't there a simple formula for this - which seems excessive, and can become very expensive for private providers already trying to be competitive on an uneven playing field."

"The audit fees are at a level that will send any small business into receivership. I was audited at the end of 2021. I am thankful for the COVID 19 fee relief as the invoice was $47,000.00 for the audit. (This was reduced to $0.00). If this amount is a realistic amount for an audit you will be sending a lot of quality RTOs into receivership. $50000.00 at audit every 7 years (best case scenario) is equal to $7100.00 per year.... it is just not a justifiable amount."

Stakeholder feedback 13: hourly charges

From 1 July 2022, ASQA is proposing an assessment fee of $250/hour. This approach ensures that the cost of the assessment accurately reflects the risk presented by the provider, including consideration of systemic

risks which may have a broader impact on the sector, delivering a more transparent and fairer outcome for providers.

ASQA requires a team of skilled staff to perform each compliance / quality 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.

Each of the fees and charges relating to an entity-directed regulatory output, 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 REGISTRATION: Regulation of market entry risks to quality VET

An organisation seeking to provide VET to students, lodges a registration application with ASQA.

During consultation on ASQA's transition to full cost recovery, sector leaders asked ASQA to identify in this CRIS what organisations can do to minimise costs and be successful in an application. While respecting that every applicant will make choices about their application, some opportunities include:

- Engaging with ASQA in advance of developing the application for registration, and as the application is being developed, so the organisation understands and meets ASQA's regulatory requirements. This will maximise the likelihood of clarity about what is required and will minimise internal business costs to the applicant
- Critically reviewing the information being provided to ASQA to ensure it is complete and sufficient to meet all of the requirements and enable ASQA to assess the organisation's capacity to comply with – and remain compliant with – required standards and legislative obligations
- Ensuring the organisation is ready to deliver training. An application will not be successful if the organisation cannot demonstrate it is not prepared and properly resourced
- Engaging with ASQA through the assessment process and responding to any requests from the regulator for additional information or clarification. This engagement will support the process and is a further opportunity to minimise internal business costs, by minimising the time spent following up information that is not complete and waiting for additional information to be supplied.

An organisation aspiring to provide VET or ELICOS to students must be able to demonstrate the organisation's capacity to comply with – and remain compliant with – required standards and legislative obligations and any conditions of registration. ASQA assesses the application by undertaking a risk-based assessment of the information the organisation supplies to ASQA. This regulatory activity incurs cost, which is recovered through the fees paid by the organisation seeking approval to become a VET or ESOS provider.

The costs of ASQA's regulation of market entry are set out at Table 11, together with the fees that will be applied to registration applications.

Table 11: Estimated costs of Registration from 1 July 2022

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%**

The information in Table 11 demonstrates that ASQA is passing on an efficient cost to registration applicants. As set out in Table 11, while ASQA is moving to full cost recovery in 2022-23, ASQA's efficient processes and risk assessment mean that ASQA's assessment fee remains at the previous price point of $8 000. The lodgement fee will increase by $100, reflecting that ASQA is doing additional triage work at the lodgement stage, which is good for applicants because it identifies any issues with an application early in the process.

Historically, NVR RTO providers and ESOS providers have been charged different fees. In 2019-20, in the first round of consultation on moving 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.

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

- the lodgement fee from 1 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 registration fees to reduce fees or charges in another area.

Rounds 1 and 2 engagement:

A variety of feedback was provided in relation to initial registration

"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…)"

Hence - with more registration fee's and both initial and continuing registration - How can we be sure that their is no temptation to drop the quality and to allow bad operators to either continue or start up?"

Stakeholder Feedback 14: Registrations

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 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 registration applications received, and therefore completed, the fees have remained at 2019-20 levels.

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

To retain its registration as a provider of VET to students, a registered provider needs to demonstrate, when renewal of registration falls due, that they continue to meet the legislative requirements of registration.

Renewal of registration in a periodic process and, for many providers of VET, only happens once every seven years. ASQA recognises that this process is key to a business' continued operation. Strong engagement with ASQA well in advance of lodging a renewal application will give the VET provider the clarity on the requirements and support the process.

During consultation on ASQA's transition to full cost recovery, sector leaders asked ASQA to identify in this CRIS what VET/ELICOS providers seeking renewal of registration can do to demonstrate compliance and minimise costs . Some opportunities include:

- Engaging with ASQA in advance of developing the application for renewal of registration, so the organisation ensures that it has understood what is required
- Demonstrating the capability of the organisation to continue to meet requirements. This would include demonstrating the use of self-assurance: the ongoing actions of providers to understand and ensure they are meeting and continuously improving against the Standards for RTOs. The renewal of registration process enables the provider to demonstrate how self-assurance is
  - applied as a key driver of continuous improvement in quality outcomes
  - used to identify and address any areas of possible non-compliance well in advance of a renewal application falling due.
- Lodging the application early. While providers can, under the legislation, lodge the application for renewal only 90 days before current registration lapses, this timeframe does not facilitate the provider having a response (and indeed addressing any non-compliance) before their existing registration lapses.

Related to this, ASQA will be actively reaching out to providers to engage with them around 12 months prior to registration expiration so that ASQA can forward plan its program of work, making efficient and effective use of its resources. ASQA will be engaging with providers early by undertaking a broad range of monitoring activities to assess a provider's performance and compliance prior to their renewal of registration falling due. This results in a more efficient renewal application and assessment process:

- The provider being able to demonstrate how, for their operations they are complying and continuing to comply with the standards and legislative obligations
- Engaging with ASQA through the assessment process and responding to any requests from the regulator for additional information or clarification. This engagement is a further opportunity to minimise internal business costs, including delays in a decision, which can occur if ASQA has to wait for information to be supplied or follow up information that is not complete.

Renewal of registration relates to ASQA's risk-based regulation of the ongoing provision of VET/ELICOS to students. ASQA uses data and regulatory intelligence as well as documentation submitted by the applicant to assess registration renewal applications.

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

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

Round 1 and 2 engagement.

While some stakeholders were pleased with the fees and hourly charges proposed in Round 2, others seek greater assurance

"I think ASQA should increase charge for App of renewal of registration lodgement fee is too low. Charges for renewal of registration based on previous year revenue".

"The draft document does not include a fair indication of the hours proposed for an audit accompanying an application for reregistration. It indicates their time can be a minimum of 1 hour to unknown. An indication of minimum/maximum time frames would enable better feedback to be provided".

Stakeholder engagement 15: renewal of registration

From 1 July 2022, ASQA will retain the existing fee structure for renewal of registration lodgement and for renewal of registration assessments as follows:

- a lodgement fee of $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 of $250/hour .

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, lower than the current scheduled fee(at 60% recovery) ; 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		**65**	**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		**1,216**	**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 a 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 two-fee structure:

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

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 of $240. This is the same amount of lodgement fee proposed by ASQA in 2019
- assessment fee of $250/hour, 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 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.
- Where non-compliance has been identified ASQA will respond to the non-compliance in a way that is proportionate to risk and work directly with the provider to return them to compliance where appropriate, using a range of regulatory tools, including the new agreement to rectify. Where compliance cannot be achieved, ASQA will make decisions about the appropriate regulatory response.
- In responding to a finding of non-compliance providers can minimise compliance costs by focussing on remediating areas identified for improvement and satisfying themselves that these improvements are substantive and sustainable.
- 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.

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.

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**	**$229**	**$250**	**109%**

4.4.5 RECONSIDERATIONS, REASSESSMENT AND EVIDENCE REVIEW

When making a decision that adversely affects a provider/applicant 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, course owners and applicants, 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.

The internal review processes are much improved under the post-6 April 2021 changes to ASQA's ROM. From July 2022, although ASQA is moving to full cost recovery, providers, course owners and applicants seeking internal review, reconsideration or reassessment will experience no material change to fees and charges that apply under current (60% cost recovery) arrangements.

- Providers, course owners and applicants will apply for internal review of a decision and pay a $1000 fee – the same amount that would be currently paid for a reconsideration or reassessment application
- The cost of conducting the internal review will not be passed on to the provider/course owner/applicant. The new internal review function was implemented from 6 April 2021
  - providing a mechanism by which a provider or course owner can seek reconsideration of a decision made by ASQA that affects them
  - providing ASQA the opportunity to rectify decisions that were wrong or to make a different decision based on new information
  - improving ASQA's capacity to resolve non-compliance and serious issues without the need for AAT adjudication in the majority of cases.

ASQA believes it is important that internal review, as a precursor for seeking external review, is not compromised by implementing full cost recovery fees that would create a barrier to an internal reconsideration and review process that is key to best practice regulation.

- During the second round of consultation on ASQA's full cost recovery proposals, ASQA continued to work with key government stakeholders, DESE and Department of Finance, to ensure that the cost recovery model for July 2022 was robust in all regards.
- Agreement has been reached that the majority of costs relating to internal review will not be recovered through ASQA's fees and charges to providers, course owners and applicant.
- The July 2022 fees and charges as they relate to internal review are therefore different from those proposed in the draft CRIS of 4 January 2022, which suggested that consistent with full cost recovery, the full costs of internal review accrue to the applicant for internal review and that some internal review costs are incorporated in the Annual Registration Charge reflecting the sector-wide regulatory benefits resulting from internal review processes.

This change in approach between the January 2022 consultation proposals and the final fees and charges to be implemented from July 2022 removes approximately $1 million of cost to be recovered from providers from the ARC proposed in the January 2022 draft CRIS.

Table 15: Estimated cost of internal reviews

Business Process	Task	Direct Cost	Indirect Cost	Total Cost	Volume	Cost per Application /Hour 2022-23	Fee 2022-23	CR %
Registration	Registration	107	82	189	234	807	1,000	124
Evidence reviews	Conduct Evidence Review	471	522	793				
	Draft Recommendations/Report	12	8	21				
	Delegate Sign Off	164	414	1,061				
		647	414	1,061	3892	$273		0
Total		**754**	**$496**	**$1,250**	**4,828**			

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 will implement fees that were proposed in the 2019 consultation on full cost recovery.

ASQA will also not proceed with a new ARC for accredited course owners.

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	3	2	**5**				
Evaluation	28	19	**47**				
Finalisation	7	4	**11**				
Lodgement Fee	38	25	63	55	$1,137	$1,100	97%

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 full 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.

In the period since 2019, ASQA has commenced the review of its internal processes regarding course accreditation. The first stage of this review was completed at the end of January 2022, however, the opportunity to identify further efficiencies remains. Stage two of the review is currently underway. The outcome that ASQA will continue to pursue is to achieve 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.

Round 1 engagement

"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"

Round 2 engagement

No specific feedback was received in round 2 engagement in relation to course accreditation. There was a comment made that much of the feedback on registration fees could be applied to course accreditation

Stakeholder feedback 16: course accreditation fees

The fees for the renewal of course accreditation from 1 July 2022 will 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.

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	48	32	80				
	Finalisation	12	6	18				
Lodgement Fee		**65**	**42**	**108**	**95**	**$1,137**	**$1,100**	**97%**

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%**

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.

Further review of the business processes applying to the renewal of course accreditation applications have reduced the estimated costs of ASQA's course accreditation functions, which are not recoverable via fees or charges by $181 000 for 2022-23.

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			
Course Cancellation			
Course Complaint			
Course Extension			
Course Reconsideration			
ASQA Initiated amendments	55	35	90
Monitoring Courses	47	28	75
Total	**102**	**63**	**165**

4.5 Sector-wide regulatory charge - annual registration charge for providers

ASQA has charged VET providers an Annual Registration Charge (ARC) since 2014. ASQA has not increased the ARC rates in the eight years since it was first established. ARCs recover the costs of ASQA's sector-wide regulatory activity (as described in PART 2 of this document).

The purpose of the ARC as a cost recovery mechanism is not changing from 2022-23; nor is the scope. All VET providers currently pay an ARC, and, from 1 July 2022, all VET and ESOS providers will continue to pay an ARC.

There are, however, a number of changes that will take effect from 1 July 2022 when ASQA transitions from 60% to full cost recovery:

- Instead of different rates applying to VET providers, depending on whether they are registered as an NVR RTO or a CRICOS provider, the same rate will apply. This is a fairer approach, and is more transparent and accountable.
- Instead of basing the amount each VET provider pays as an ARC on only the number of qualifications the VET provider has on their scope, from 1 July 2022, the amount of each provider's ARC will also be determined by the number of students (both domestic and international) enrolled in Nationally Recognised Training (NRT)
  - If a provider has no student enrolments, the provider will be allocated to the base 0-99 student band
  - If the provider has no full qualifications the provider will be allocated to the base 0 – 4 tier
  - 85 ELICOS providers registered under the ESOS Act that are not RTOs, will be allocated to the base 0-99 students and 0- 4 qualifications tier of the ARC. This is commensurate with the complexity and scope of ELICOS only providers relative to other providers.
- Following extensive stakeholder feedback, an updated schema will be used to determine the rate of the ARC that will be paid by providers to ensure that ARCs are more accurately distributed and are commiserate with the regulatory effort required. This will result in changes to ARC rates payable by all VET and ESOS providers.

4.5.1 ASQA's sector wide regulatory activity generates costs recovered via the ARC

The ARC is a charge which is paid by all VET and ASQA regulated ESOS providers, once a year so that ASQA can recover the costs of its sector-wide regulatory activities (which are explained in PART 2 of this document).

Consistent with the AGCF, the ARC is a charge imposed for ASQA's whole-of-sector regulatory activities, applied to groups of organisations, rather than to a specific organisation. In other words, the ARC recovers the costs of sector-wide regulatory tasks that are necessarily performed by ASQA but have limited nexus with individual providers.

The ARC is not indicative of the risk any individual provider of VET poses to quality VET, nor is it indicative of the regulatory effort that ASQA will expend on any provider (or all providers within an ARC tier). As set out in PART 2, risk and regulatory treatments are determined through ASQA's RRF and ROM.

These activities and costs related to sector-wide regulatory activity 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
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	**11,918**	**7,919**	**19,837**

The estimated total cost of ASQA's sector-wide regulatory activity to be recovered via the ARC has decreased since the draft CRIS was published for Round 2 consultations in January 2022:

- as explained in PART 3.4 of this document, internal review costs previously included under ARC-related costs have been excluded, reducing the costs to be recovered via the ARC by approximately $0.9 million

Stakeholder engagement Round 2

- *Explain what activity is covered by the ARC.. most providers will understand the 'activities for the greater good' / regulatory parameters for the benefit of the community = levy.*
- *Need a clear understanding, transparency about the 'magic formula' – what informs risk and the associated scope of activities*

While the ARC has been in existence since 2014, engagement on the draft proposals, particularly in Round 2, highlighted there is an opportunity to build understanding amongst stakeholders of ASQA's sector-wide regulatory activities are. This is addressed in PART 2 of this document and will be further considered with key stakeholders as part of ongoing engagement through the Cost Recovery Stakeholder Engagement Plan – PART 6 refers

Stakeholder feedback 17: What is the ARC?

4.5.2 Recovery of costs – current ARC, as developed in 2014

ASQA's current ARC (per the 2018-19 schedule of fees and charges) recovers 60% of the ARC costs. It was established in 2014 and is based on a 4-tier system, according to the number of qualifications on an RTO's scope of registration 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 current methodology:

- Is not consistent between RTOs and CRICOS/ELICOS providers. It does not use the same tiers in respect of an entity's scope based on the number of courses/qualifications on scope. The tier thresholds have been in place since 2014. In consultations, ASQA has received feedback that the scalability of the ARC could be improved by adjusting the thresholds between tiers.
- Results in different charges between RTOs and CRICOS/ELICOS providers and do not reflect ASQA's current approach to sector-wide regulatory activity, as set out in PART 2 of this document
- Does 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.

4.5.3 Modelling and testing a new ARC: 2019 proposal and January 2022 proposal

In 2019, ASQA commenced consultation on an alternative form and composition for the ARC moving forward, with implementation of the new ARC to coincide with ASQA's implementation of cost recovery. The 2019 proposal was that there be:

- a single ARC apply to both NVR RTO and ASQA regulated ESOS providers and
- a more granular model for determining the level of the ARC to be paid by each VET provider using two metrics rather than one, as set out in Table 24:
  - **retain qualifications as a metric**
    - in line with the 2014 ARC, the scope of registration of the entity will continue to be used as a proxy measure of the complexity of the entity's operations. For the purposes of ARC calculations, ASQA does not count units of competency currently and will not count units of competency from 1 July 2022.
    - To improve scalability, the number of tiers of qualifications was increased from 4 to 5.
  - **Introduce student numbers as a metric**
    - the number of students enrolled to study with the entity would be introduced as a proxy measure of the scale of the entity's operations.

The 2019 proposal suggested that the dual metric design would enhance 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. For example, determining risks in relation to entities with less complex operations, operating on a smaller scale, consumes less regulatory resources and incurs less regulatory cost than undertaking the same activity for entities that have more complex operations on a larger scale.
- It is, therefore, appropriate for organisations in the lower tiers of the ARC to pay a lower ARC compared to organisations in the higher tiers of the ARC.

		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

Round 1 engagement:

"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"

"The number of course is split into 5 categories - which is not unrealistic - however the number of students enrolled is only split into 3 categories and this is extremely unfair to the providers at the lower end of 100-999 category - compared to those at the upper end of this category - should be split into 5 categories as well to make it fairer"

"The annual registration fee should continue to be based on the number of qualifications alone. By introducing a secondary factor such as enrolment numbers this can prove to be difficult for an RTO to project student enrolment numbers for the next 12 months especially if there is a change in business direction later on. This may lead to overestimation and RTOs being over charged. Furthermore, by having in place enrolment tiers, this can cause RTOs to limit their enrolments into programs which can result in a decline in VET outcomes. This can create a negative ripple effect throughout the sector".

"The cost-recovery model of factoring in enrolment data as the completeness of national data collection would be the most cost-effective way to for (the provider)"

"*The Tiers are not fair: ill-considered and prohibitive for smaller RTOs. 0 – 99 $1200 should be 0 – 499 (this still represents small RTO's) - the huge jump to $2300 is massive if you are an RTO with less than 500 students. In addition, the extra admin involved in having to estimate VET activity will probably be more than has been estimated. Tiers need to be 0-499; 500-1499; 1500+ to better reflect the actual activity of small to medium to large RTOs"*

"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 18: 2019 proposed ARC

In response to Round 1 engagement, ASQA undertook further modelling and, in Round 2 consultations, proposed the ARC as set out in Table 25:

- Improved granularity by having 5 tiers based on the number of students enrolled in VET. Students enrolled in nationally accredited qualifications, course and skill sets would be counted for the purposes of the ARC; students who have multiple enrolments at a provider in a calendar year will only be counted once.
- Improved granularity with the addition of a fifth tier based on the number of qualifications of scope. Otherwise, there would be no change to the way ASQA currently uses qualifications to calculate the ARC: number of qualifications on a provider's registration (excluding any duplications including as a result of transitions); units of competency are not counted.

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

Table 25 Annual Registration Charge as proposed in Round 2 consultation draft (January 2022)

Stakeholder engagement Round 1

"Large increase in fees in not consistent with CPI. What is the additional work involved for ASQA to issue an invoice for ARC if there are larger numbers of students? Larger RTOs 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".

As set out above, there is an opportunity for ASQA and sector leaders to engage with regulated entities to improve understanding the relationship between ASQA's regulatory activities, what the sector and individual providers also do to address risks to quality VET that drives ASQA's costs and therefore the charges through the ARC. The ARC is not linked to CPI: it is linked to the cost of regulating risks to quality VET and maintaining safeguards, both of which individual providers and the sector can influence

Stakeholder engagement Round 2

As set out, and addressed in PART 2 of this document, sector leaders advocated the benefits to be derived from increasing understanding across the sector of:

1. *The value proposition of sector-wide regulatory activity for a range of stakeholders including students, employers, the Australian community as well as the VET sector and individual providers*
2. *The importance and relevance of ASQA's increased stakeholder engagement on the identification of regulatory risk to quality VET (which is a regulatory cost under the ARC):*
    - *risks to quality VET drive ASQA's entity-directed and sector-wide regulatory activity, which impacts cost including to the ARC stakeholder engagement in the identification of risk to quality VET builds understanding of subsequent costs resulting from regulatory activity AND enables the sector and individual providers to, themselves engage with the control and treatment of risks, impacting on regulatory costs.*
3. *ASQA's Corporate Planning (including its performance framework) and its reporting including through its Annual Plan. Particularly since the Rapid Review, ASQA has sought high levels of engagement from sector leaders on ASQA's Corporate Plan including the performance framework. This document clearly articulates what ASQA's regulatory focus will be over four years, the regulatory action it has planned to control and treat risks to quality VET and the way in which ASQA's performance will be monitored and tracked. The Corporate Plan is essentially the blueprint that signals what costs will be incurred, and why. Engagement in the corporate planning process is an important mechanism for sector leaders, providers and course owners to understand what costs will be derived that will then be recovered through the ARC*
4. *The relevance of ASQA's assurance and evaluation processes to costs to be recovered through the ARC.*

Stakeholder feedback 19: understanding how costs drive ARC prices

4.5.4 Data set to be used to calculate student numbers

The introduction of a new metric (student numbers) to calculate the ARC is a maturing of ASQA's cost recovery model and it is important that the sector and stakeholders are confident in the change and understand it.

Bearing in mind stakeholder feedback that there needs to be clarity about what student numbers will be used to calculate the ARC, ASQA explored three options in consultation with the National Centre for Vocational Education Research (NCVER) - the national professional body responsible for collecting, managing, analysing and communicating research and statistics on the Australian vocational education and training sector:

- Option 1: All students (domestic and international) (per the January 2022 draft CRIS modelling). This would draw on total VET activity reporting as submitted to the NCVER under the requirements of the NVR Act
- Option 2: All students (domestic and international) enrolled in nationally recognised training (as defined in the National VET Data Policy) This would draw on total VET activity reporting as submitted to the NCVER under the requirements of the NVR Act ensuring that enrolments align with what providers are required to report to ASQA under Subdivision B 22 (3) of the NVR Act.
- Option 3: Option 2 plus an annual ELICOS enrolment figure to be derived from data reported via PRISMS

ASQA has assessed options for incorporating student numbers into the calculations against a number of criteria as set out in INSERT 4.

INSERT 4: CRITERIA FOR TESTING INTRODUCTION OF STUDENT NUMBERS INTO THE ARC CALCULATION

Efficient and effective

- **Fair:** consistent across all providers; resulting in a known and knowable price; no disadvantage to any sub-set of providers' each participant in the system must have confidence that all participants in the system are being treated equality – there must be confidence in ASQA's parity.
- **Managed change:** The introduction of student numbers to calculate the ARC represents a change for providers. Where minimising the impact of the change does not compromise the outcomes to be achieved as a result of the introduction of student numbers, the impact of the change should be minimised.
- **Minimum efficient cost** to ASQA and to VET providers.

Transparent and accountable

- **Transparent:** ASQA's methodology needs to be apparent to, and understandable by, all stakeholders
- **Reliable and consistent**: providers need to be able to work out their own ARC payments well in advance of the beginning of each financial year; ASQA must be able to accurately estimate revenue to be collected via the ARC and acquit against those estimates.
- **Represent improvement and enable continuous improvement**.
    - The diversity of payments under the two current two separate ARCs was appropriate when they were established in 2014. In the intervening eight years, and especially in the past 18 months as ASQA has worked with stakeholders to make fundamental improvements to the identification, control and treatment of risk, that diversity is no longer appropriate. The ARC represents ASQA's sector-wide regulatory effort, the cost of which should be recovered from all providers relative to their scale and complexity.
    - This is important in the context of ASQA's commitment to best practice regulation, best practice cost recovery and systemic continuous improvement – it holds ASQA accountable for tackling and resolving issues, rather than relying on work-arounds and devices such as 'grandfathering' arrangements which tend to 'park' rather than progress.
        - Better, in the initial years of the single integrated ARC, to initially shift providers to the left of the ARC than to the right
        - The ARC relies on two proxy measures for calculating the contribution each provider will make to the recovery of costs associated with ASQA's sector-wide activity.
        - The ARC is not a estimation of relative risk to quality VET of cohorts of providers within the ARC. As set out in PART 2, risk to quality VET is determined via ASQA's RRF
        - The ARC is also not an indication of the regulatory effort that ASQA applies to controlling and treating risks to quality VET across the sector, within cohorts or in respect of individual providers. That effort is determined by the ROM.

ASQA has determined that the most appropriate data set for the 2022-23, initial consolidated ARC is Option 2: the 2021 AVETMISS data, in terms of fairness, transparency, reliability and consistency:

- Providers are not obliged to report total student numbers (per Option 1). They are only required to report nationally recognised enrolments (Option 2). Continuing to use the data set in option 1 would penalise providers who voluntarily submit total VET student enrolment numbers because these providers would fall into a higher cohort of the ARC (while other providers who also have students who are not enrolled in nationally recognised qualifications and who choose not to report those numbers would benefit by paying a lower charge)
- Across all VET providers, Option 2 represents an appropriately conservative approach to the introduction to an integrated ARC. The use of this data set reduces 'in-scope' student

numbers, and, as set out in Table 26 below, results in the number of providers falling in the 0-99 student cohort increases by 611, with decreases across all other cohorts.

Tier Size	1: 0-99 Students	2: 100-249 Students	3: 250-499 Students	4: 500-999 Students	5: 1000+ Students
Tier 1: 0-4 Quals	472	- 73	- 80	- 81	- 208
Tier 2: 5-10 Quals	88	3	- 10	- 21	- 68
Tier 3: 11-25 Quals	40	12	6	- 12	- 52
Tier 4: 26-50 Quals	11	1	6	- 2	- 21
Tier 5: 51+ Quals	-	2	1	- 2	- 6
Total change in distribution	611	- 55	- 77	- 118	- 355

Table 26: Change in distribution of all providers across ARC tiers using Option 2 data rather than Option 1 data

4.5.5 ARC to be introduced from 1 July 2022

The total cost of the ARC is decreased by approx. $1 million, however there are changes in the redistribution of providers within the ARC which necessitates a change in the price of each tier of the ARC to enable the total cost of the ARC to be recovered.

The distribution of providers (above) has also been influenced by provider-generated changes to the number of qualifications on registration.

- In the January 2022 consultation draft, 25% of providers were in the 0-4 qualifications, 0-99 student range. Using the new student data set and reflecting any provider driven changes to qualification on registration, that is now 38%
- In the January 2022 consultation draft, 37% of providers were in the 0-99 students cohort (all qualifications). As at February, this is now 53% of providers.
- At the ‘top’ end of the ARC, in January 2022, 21% of providers fell in the 1000+ student cohort (all qualifications). As at February, this cohort now accounts for 11% of providers.

Tier Size	1: 0-99 Students	2: 100-249 Students	3: 250-499 Students	4: 500-999 Students	5: 1000+ Students
Tier 1: 0-4 Quals	$1,500	$2,300	$3,400	$5,100	$7,700
Tier 2: 5-10 Quals	$4,400	$5,300	$6,300	$7,500	$9,000
Tier 3: 11-25 Quals	$7,900	$8,700	$9,700	$10,700	$11,900
Tier 4: 26-50 Quals	$11,300	$12,500	$13,800	$15,300	$16,900
Tier 5: 51+ Quals	$15,900	$17,600	$19,500	$21,600	$23,900

Table 27: ARC to be introduced from 1 July 2022

4.5.6 Application of the ARC from July 2022 to particular providers

The new ARC from 2022-23 is intended to create parity across all ASQA-regulated providers, regardless of which legislative framework the VET provider operates under.

Approximately 700 ASQA-regulated providers are registered under both the ESOS Act and the NVR Act including 209 providers delivering ELICOS and VET:

- These providers will pay only one ARC
- The providers will be allocated to a student cohort within the ARC according to their reported enrolments under Option 2.

- If a provider has no student enrolment, the provider will be allocated to the 0-99 student band
- If the provider has no full qualifications the provider will be allocated to the 0 – 4 qualification tier.

There are also currently 85 providers that operate only under the ESOS Act as ELICOS-only providers (ie they are not also registered under the NVR Act).

- These providers are subject to a current Australian Government waiver of most of ASQA's fees and charges until 1 January 2023 and will not pay an ARC in 2022-23. This has been factored into costings.
- However, ASQA will still calculate the amount the ELICOS only providers would pay if a waiver was not in place.
- ASQA will do this by allocating all ELICOS only providers to the 0-99 students and 0- 4 qualifications tier of the ARC, as this is commensurate with the complexity and scope of ESOS only providers relative to other providers.

While the changes proposed to the ARC represent improvement, as set out in PART 2 of this document, 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.

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 28 below.

Table 28: Proposed ARC for accredited course owners in 2019

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 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 29.

Table 29: 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 PARTS 2 and 3 of this document
There must be a statutory authority to charge	Demonstrated in PARTS 2 and 3 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 and through the Annual Report. Through the accountabilities set out in PARTS 2, 3 and 7 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 PARTS 2, 3 and 7 of this document, 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 PARTS 2 and 7 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 developing and reviewing cost recovery stakeholder engagement arrangements.	Throughout this document and in PART 6, specifically, detail is provided of ASQA's commitment to ongoing consultation and engagement on cost recovery, which is planned and executed (as part of ASQA's broader engagement strategy) in consultation with external stakeholder and recognises the key leadership role and/or policy, technical and delivery expertise of stakeholders including the Provider Roundtable, the Stakeholder Liaison Group, key government departments and other VET Regulators.

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:
    - 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
    - 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:
    - evaluate and improve its regulatory performance (Standard 5); and
    - be effectively and efficiently managed (Standard 6).

5 RISK ASSESSMENT

Overview of PART 5

There are four stages of cost recovery set out in the AGCRG. Publication of this CRIS will enable ASQA to commence Stage 3: Implementation. In preparing this CRIS, ASQA has thoroughly assessed risk across each of the four stages

- *Consistent with the risk analysis guidelines in the AGCRG, including consideration of complexity, materiality and sensitivity*
- *Paying close attention to risks identified in feedback during the two rounds of consultation and*
- *While the Office of Best Practice Regulation did not require a Regulatory Impact Statement for Stage 2, in line with best practice, the possible impact on small busines and community organisations*

Following consultation with Department of Finance as required under the AGCRG,

- *A risk rating of '**medium**' is agreed for cost recovery as outlined in this document*
- *A risk rating of '**low**' is agreed for State 2*
- *A risk rating of **'medium'** is agreed for Stage 3.*

ASQA will continue to monitor and assess risk regularly.

5.1 Risk assessment across four stages of cost recovery

The AGCRG set out the four stages of cost recovery and the product to be delivered in each stage (Figure 14 refers).

FOUR STAGES OF COST RECOVERY AS SET OUT IN THE AUSTRALIAN GOVERNMENT COST RECOVERY GUIDELINES

Stage 1: Australian Government policy approval to cost recover

- A policy case for the cost recovery of a government activity (DESE)
- A high-level cost recovery model (ASQA)
- A CRRA risk rating (ASQA/DESE)
- A policy proposal to the Australian Government (DESE)
- A policy decision by the Australian Government (DESE)

Stage 2: Cost recovery model and CRIS.

- Development of a cost recovery model (ASQA)
- Preparation of relevant legislation (DESE)
- Engagement with stakeholders on the CRIS (ASQA)
- Publication of a CRIS, informed by stakeholder views (ASQA)

Stage 3: Implementation: Risk accountability - ASQA

- Management of the cost recovered activity
- Ongoing engagement with stakeholders
- implementation of internal systems and controls: alignment of expenses and revenue; monitoring and evaluation, including the need for any operational or policy changes
- timely performance reporting and regualtory updates to financial estimates

Stage 4: Portfolio charging review: Risk accountability - DESE

- A portfolio charging review report

Figure 14: Product required at each of the four stages of cost recovery as set out in the AGCRC

Following stakeholder engagement on proposals to implement full cost recovery, ASQA has defined and assessed the risks against each of the four stages, having consideration to:

1. Feedback from stakeholders
2. The operating environment
3. Factors which influence cost recovery.

5.2.1 Complexity

As set out in PART 2 of this document, ASQA's structures, systems and processes that enable ASQA to achieve its purpose (by identifying risks to quality VET and undertaking regulatory activity to control or treat that risk) and which therefore generate costs to be recovered through fees and charges, is not complex. The structures, systems and processes are well documented in ASQA's 2021-22 Corporate Plan and involve a high level of engagement of key stakeholders. The performance framework that tracks and measures the achievement of ASQA's purpose and its regulatory and enabling activity (also developed in consultation with key stakeholders and published in the Corporate Plan) is closely aligned to the activity and outputs of the regulator at both a strategic and operational level. Performance is reported regularly, including through ASQA's Annual Report.

Stakeholder engagement on ASQA's proposed full cost recovery fees and charges did not identify any specific concerns or risks in relation to the complexity of ASQA's operation, although there is clearly a desire to build knowledge and understanding of how ASQA's fees and charges relate to its regulatory operations and what the cost drivers are. During round 2 consultations, some sector leaders advised that ASQA's draft full cost recovery CRIS provided useful clarity about how ASQA's identification of risks to quality VET and its subsequent regulatory activity to control or treat that risk drives cost and therefore fees and charges. As a result of stakeholder feedback, this document contains additional information about:

- how regulatory activity drives cost and therefore fees and charges (PARTS 2, 3 and 4 refer)
- how the sector including individual providers can influence regulatory costs (and hence fees and charges) through sector driven actions (PARTS 2, 3 and 4 refer)
- how the Australian Government's governance of public sector financial and non-financial performance applies to ASQA's fees and charges, providing a transparent and accountable, end-to-end picture that the sector can use to understand and track ASQA's performance (PART 2 refers).

5.2.2 Materiality

Of the approximately $45.8 million of budget expenses, some $40.6 million is recoverable for 2022-23, noting final estimates will be reflected in the 2022-23 Portfolio Budget Statement.

- The individual fees set out in PART 4 of this document are clearly aligned to estimated costs.
- All of the full cost recovery fees set out in PART 4 are AT or BEOW the level proposed in 2019
- 70% of the full cost recovery fees set out in PART 4 are EQUAL TO or LOWER than the current 60% cost recovery fees
- The costs to be recovered by the **Annual Registration Charge** (ARC) in 2022-23 is estimated to be $19.837 million
- The 2019 proposal that ASQA introduce a new ARC for course owners is no longer proposed as part of ASQA's full cost recovery arrangements from 2022-23.

PART 4 of this document provides a snapshot of stakeholder feedback on each fee and charge and indicated how that feedback is reflected in this document.

Office of Best Practice Regulation (OBPR) was consulted about the need to prepare a Regulatory Impact Statement as part of Stage 2. While a RIS was not required, nevertheless, OBPR guidelines for considering impacts on small business and community organisations were considered as part of ASQA's assessment of risks and impacts associated with implementation of full cost recovery.

ASQA's regulatory risk framework, operating model and regulatory activity is based on risk to quality VET and reflects a proportional approach to those risks, rather than the business of the regulated entity.

Currently around 38% of ASQA's VET providers have less complex operations (for example, offering 4 or fewer qualifications to students) and limited scale (e.g., fewer than 100 students). These providers consume fewer regulatory resources, including when the regulator is ensuring there is a sufficiency of evidence that the standards for VET are being met, compared to other providers with more complex arrangements.

As summarised in Figure 15, these providers can pay less under full cost recovery arrangements, with further improvements to come, with ASQA's regulatory arrangements ensuring that there are safeguards for students and for a provider operating under special or exceptional circumstances that warrant consideration of fee waiver.

Stakeholder engagement round 2

"“As many independent RTOs are small businesses, we recommend that to the maximum extent possible within the context of the RMG304 Australian Government Cost Recovery Guidelines, the impacts on [small] providers be mitigated."

"Consider providers at all levels and a way to make fees reasonable for all cohort of providers – ensuring the value for smaller [providers]. Community providers, including how ASQA can support providers through engagement and education pieces" [sic]

As a small, industry RTO that does not provide external training or charge fees for training, <<name of provider>> foresees no significant impact from the proposed cost recovery model.

Stakeholder feedback 20: small business

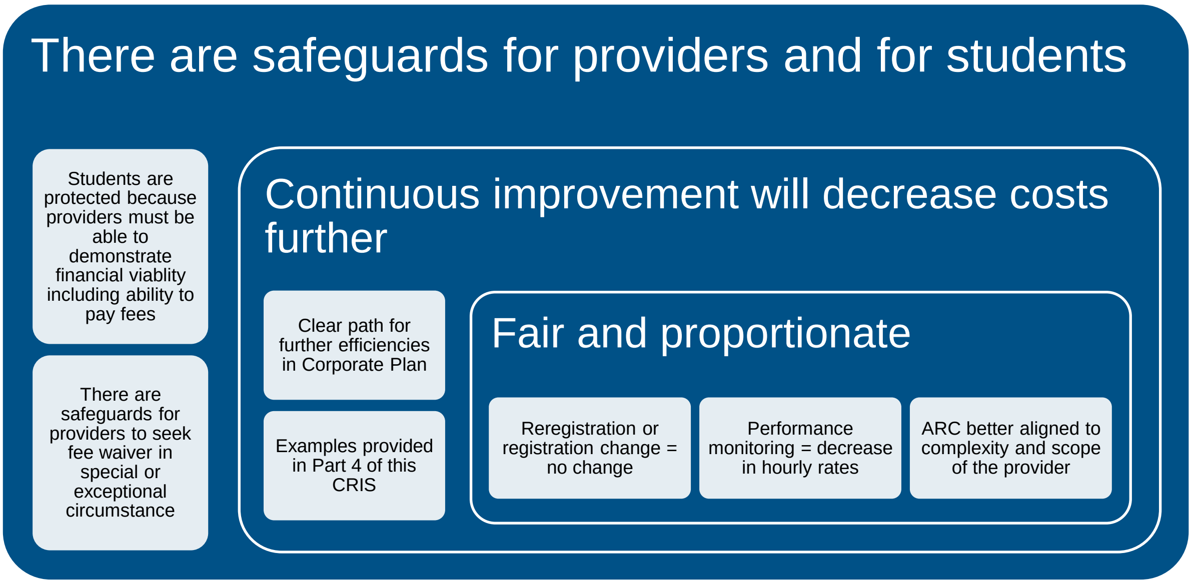


Figure 15: Consideration of risks re impact of full cost recovery on businesses with fewer students and fewer qualifications.

a. Fair and proportionate

Under the proposals in PART 4, any business or community organisation approved to offer fewer than four qualifications and which has less than 100 students will pay:

- The same amount as they currently would for assessment of their application for initial registration (market entry).
- Less than the current fee for renewal of registration lodgement and assessment applications
- Less than the current fee for changes to registration (both lodgement and assessment) applications.
- Less than the current cost of performance monitoring/assessment and compliance monitoring
- Based on average costs, a full performance audit in 2022-23 will cost $6000, which is $600 LESS THAN the average cost currently, due to ASQA's reduction in its hourly rate

- The costs to be recovered by the **Annual Registration Charge** (ARC) in 2022-23 is estimated to be $19.837 million. Compared to the 60% cost recovery estimates contained in the November 2021 CRIS, this represents a decrease in estimates of $4.540 million.

When it comes to performance assessment, providers will also have the benefit of ASQA's revised approach to performance monitoring which will mean that where there is evidence of lower risk, a full performance audit may be replaced with other proportionate, risk based regulatory activity, which will take less time and therefore cost less to the provider.

b. Continuous improvement of regulatory activity

ASQA's 2021-22 Corporate Plan details specific actions to be taken each year over four years to continuously improve the focus, systems, and processes of its regulation. The efficacy of this program of improvements is already evident in cost efficiencies outlined above, and in the detail provided in PART 4 of this document. Further measurable improvements will continue to reduce direct and indirect costs including to small business and community organisations through:

- Flexible compliance options
- Differentiated regulatory requirements and ways of administering them
- Use of existing data sources and coordination among regulators to minimise requirements
- Improvements in the use of technology and digital transformation.

c. Safeguards

ASQA is required to control and treat risks to quality VET, one of which is the risk that a provider's lack of financial viability compromises the quality of students' education and training, or the completion of it. To provide appropriate safeguards to students, it is a regulatory requirement that all providers of VET (regardless of size or whether they are a community based, not-for-profit, or for-profit organisation) can demonstrate that they:

- Are adequately resourced to provide quality training to, and assessment of, students
- meet the Fit and Proper Person requirements including financial viability. This includes that the organisation has the financial resources necessary to:
  - acquire the requisite assets and physical resources to deliver all of the qualifications on its scope of registration. One of the requisite assets is initial and ongoing approval of the regulator and will include an applicant's ability to meet regulatory requirements including recovery of costs
  - employ sufficient appropriately qualified staff to cover the costs for which it takes enrolments
  - provide appropriate levels of student services to students
  - remain in busines to ensure that each student can achieve completion and
  - meet the above requirements, even in an unsure environment.

During stakeholder engagement with sector leaders, there was unanimous agreement that all providers, regardless of the size of business, or the complexity or scope of their business model, must be able to pay regulatory fees and charges, acknowledging the fair and proportionate impact described above.

Notwithstanding a. – c., above, PART 5 of the *Australian Skills Quality Authority Instrument Fixing Fees No.1 of 2013* enables providers to apply to ASQA for a fee waiver in special or unusual circumstances.

5.2.3 Sensitivity

There has been strong interest in the proposals to implement full cost recovery by sector leaders, especially in the second round of consultation. Both the Provider Roundtable and the Stakeholder Liaison Group agreed to forming cost recovery working groups to engage with ASQA on the strategic and operational aspects set out in the draft CRIS. Membership of the cost recovery working groups was determined by self-selection by members of the main forums. Deliberations are summarised at Appendix 2.

The cost recovery working groups were a significant source of advice and generated meaningful dialogue between sector leaders and ASQA, which has strengthened the detail and context in this document. The Cost Recovery Stakeholder Engagement Strategy outlined is PART 6 of this document is now developed and implemented for 2022 onwards. ASQA anticipates this high level of engagement will continue to strengthen understanding of the importance of stakeholder engagement in the drivers of ASQA's costs and therefore current and future fees and charges, particularly in relation to:

- identification of risks to quality VET
- the actions that ASQA takes to address these and
- actions that stakeholders including sector leaders and individual providers and course owners take which impact on risk to quality VET and/or ASQA's regulatory actions.

In terms of other sensitivities, stakeholder engagement is addressed further in PART 6 of this document. Stakeholder engagement on proposals to implement full cost recovery commenced in 2019, focussed in the intervening period on improvements to ASQA's RRF and ROM (as described in PART 2) and extended to a second round of consultation on full cost recovery proposals in early 2022:

- ASQA has maintained, and, throughout the development of the final proposals set out in this document, significantly strengthened engagement with key government stakeholders: DESE and Department of Finance.
- Non-government stakeholder engagement on the proposals is summarised in this document and key feedback summarised in Appendix 2
- ASQA will continue to analyse and apply feedback received over the past three years to both implementation of full cost recovery and to ASQA's actions to achieve its purpose. As set out in Appendix 2, at the highest level, the three themes that emerge from the feedback are key to ASQA's planned continuous improvement:
    - The efficient, effective operation of ASQA to achieve its purpose
    - Transparency and accountability of ASQA's operations and the achievement of its purpose
    - Building confidence across all stakeholders about ASQA's operations, the quality of VET and the integrity of national qualifications issued by providers.

- ASQA has referred broader feedback to DESE, particularly where that feedback relates to policy decisions of government.

5.2 Risk ratings

Department of Finance has agreed a risk rating of 'medium' for the next stage of cost recovery: Stage 3, Implementation. Stage 1 and 2 risks have also been reassessed reflecting work undertaken to control risks in the period 2018-2021 including stakeholder engagement. These stages currently have a risk rating of 'medium' and 'low' respectively.

Stakeholder engagement

Overview of PART 6

Effective stakeholder engagement is one of the three cost recovery principles outlined in the Cost Recovery Guidelines. The Guidelines state (paragraph 30) that:

> ***Stakeholder involvement will generally result in better design, planning and implementation of government activities. Successful stakeholder engagement is most likely to occur when it is well planned and when government entities enter into meaningful dialogue with stakeholders, consider their views and, where appropriate, take action.***

PART 6 reflects ASQA's commitment to strong engagement of stakeholders throughout all four stages of cost recovery (as set out in the AGCRG), providing details of ASQA's Cost Recovery Engagement Strategy, rounds out information contained in other PARTS about how stakeholder engagement has influenced the content of this document and will continue to shape ASQA's ongoing:

- *achievement of quality VET*
- *through its regulatory actions and*
- *its engagement with stakeholders including in relation to non-regulatory actions*
- *therefore, its costs*
- *and its recovery mechanisms**.***

6.1 Background

The AGCRG require ASQA to include an engagement strategy on cost recovery in this CRIS. ASQA has drawn on the ANAO's performance audit, application of cost recovery principles (2019), as well as engagement of key stakeholder to shape the ASQA's cost recovery stakeholder engagement strategy (CostRSES).

Thanks to the work of the Provider Roundtable cost recovery working group, the Stakeholder Liaison cost recovery working group and the analysis of feedback received from stakeholders through two rounds of consultation on proposals to implement full cost recovery, ASQA's Cost Recovery Stakeholder Engagement Strategy:

- Is developed in consultation with stakeholders
- Enables stakeholders to be actively engaged in each stage of the cost recovery framework, including the development of the cost recovery arrangements set out in this document
- Provides a high level of transparency and accountability about how stakeholder views influence both the regulatory activity that generates the cost, the achievement of a minimum efficient cost and how those costs are recovered
- Includes performance indicators to measure the effectiveness of stakeholder engagement
- Is subject to ongoing revision based on feedback and experience and is part of the formal review and evaluation provisions set out in PART 3 of this document.

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.

6.2 Stakeholder engagement informs best approach to full cost recovery

As set out in PART 2 of this document, the Australian Government decided that implementation of full cost recovery would be postponed until July 2022. This created a three-year period in which ASQA engaged with stakeholders:

- In 2019 through Round 1 consultations on proposals to inform full cost recovery fees and charges, using the 2019 Consultation Paper as the basis of engagement
- Throughout 2019-2022 to implement substantive improvements to ASQA's RFF and ROM, consistent with recommendations of the Rapid Review
- In 2021-22 through Round 2 consultations on revised proposals to inform full cost recovery fees and charges using the draft of this CRIS released in January 2022.
- From November 2021, ASQA escalated engagement with key stakeholders through the Provider Round Table and the Stakeholder Liaison Group. These key forums both agreed to the establishment of purpose specific cost recovery working groups:
    - membership of the working groups was open to all members of the main forums
    - members self-nominated to be involved in the working groups
    - all nominees were invited to all working group meetings.

In the period November 2021 – February 2022, both working groups met four times. ASQA acknowledges the significant contribution that members of the cost recovery working groups made to shaping the content of this document, their generosity of time and the quality of their individual and collective contributions.

As set out in the draft of this document, ASQA wanted stakeholders to check and challenge, advise on and shape ASQA's future proposed approach to fees and charges, ensuring 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. The working groups both contributed strongly to achieving this aim.

In November 2021, the primary initial focus of the cost recovery working groups was on:

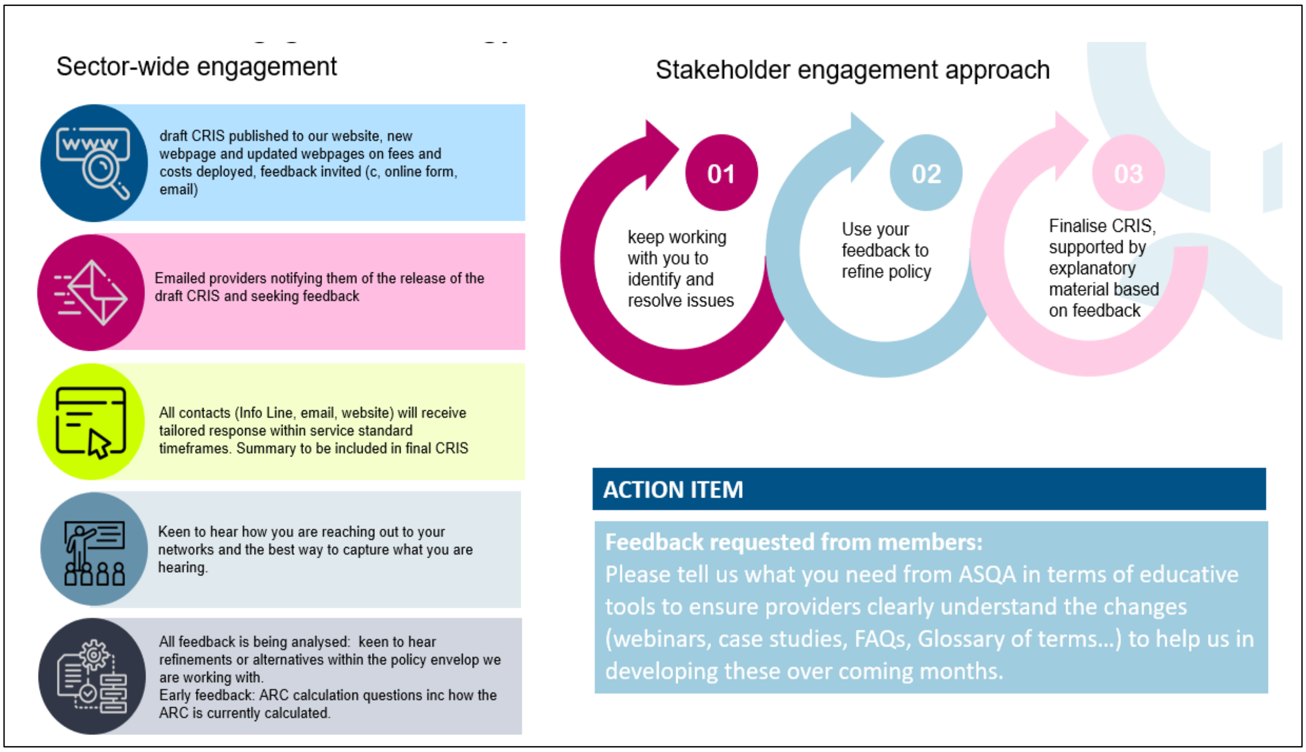
- articulating the outcomes required of a Cost Recovery Stakeholder Engagement Strategy
- defining what a successful Strategy looks like
- how to focus in on stakeholder engagement with respect to the deliverables required under Stage 2 of the AGCGR:
    - Development of a cost recovery model (ASQA)
    - Preparation of relevant legislation (DESE)
    - *Engagement with stakeholders on the CRIS (ASQA)*
    - Publication of a CRIS informed by stakeholder views (ASQA).

In December 2021, ASQA was in a position to commence engagement on ASQA's strategic approach to cost recovery. Engagement with the working groups identified the importance of anchoring ASQA's approach to cost recovery:

- within the Australian Government's broader system of controls for financial and non-financial reporting. This is now addressed in PART 2 of this document and
- within the strategic approach shared by ASQA and its stakeholders to, collectively improve quality VET and maintain safeguards while heightening cost-consciousness of the regulator, stakeholders and driving a minimum efficient cost. This is also addressed in PARTS 2, 3 and 4 of this document.

In January 2022, ASQA published the draft of this document and the focus of the working groups turned to the specific detail in the draft. Throughout this document, the influence of feedback from the working groups is reflected in a stronger and more purposeful narrative and greater clarity including terminology. The collaboration with the working groups guided an approach to stakeholder consultation in Round 2 as set out Figure 16.

Figure 16: Engagement overview of Round 2 consultations on full cost recovery proposals (Jan-Feb 2022)



This approach to stakeholder engagement improved the methodology utilised in Round 1:

- All respondents providing feedback in Round 2 received a tailored response indicating how the feedback was being applied to ASQA's consideration of cost recovery
- A commitment that all feedback, including from Round 1 consultation would be published.

The approach to engagement in Round 2 also informed the development of the overarching CostRSES.

How feedback has influenced ASQA's approach to full cost recovery is captured in each part of this document. Further analysis is at Appendix 2.

6.3 ASQA's Cost Recovery Stakeholder Engagement Strategy

ASQA believes that stakeholder engagement is important across all four phases of cost recovery This is captured in ASQA's draft CostRSES at Figure 17. Key elements of the draft CostRSES were developed during Round 2 consultations with the cost recovery working groups. The CostRSES will be finalised once all key stakeholders have had the opportunity to consider and shape the document noting that it currently reflects key messages from Round 2 engagement and is integrated within ASQA's whole of system approach to collaborating with stakeholders to improve quality VET and maintain safeguards while achieving a minimum efficient cost of ASQA's regulatory activity.

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.

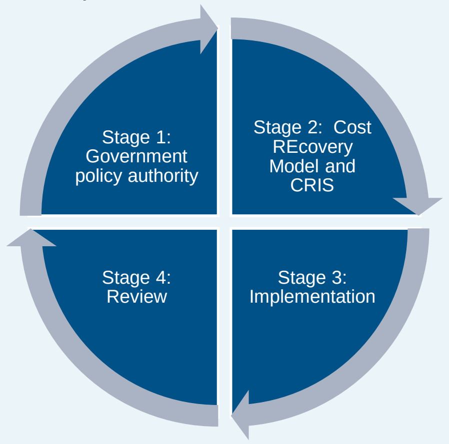
NOTE: This page is under development and will be finalised by June 2022.

WHAT IS THE STRATEGY GOAL?

Meaningful dialogue with stakeholders that results in actions by ASQA and by its stakeholders that improve quality VET and safeguard standards while achieving a minimum efficient cost. Efficient and effective outcomes will be best achieved if the CostRSES is integrated with ASQA's broader systems and processes for achieving its purpose

WHAT THE STRATEGY FOCUSES ON

The conduct of and product resulting from each of the four stages of cost recovery, per the Australian Government Cost Recovery Guidelines



Against the Australian Government Cost Recovery Principles:

- Efficiency and effectiveness
- Transparency and accountability
- Stakeholder engagement

Stage 1:

- Cost recovery policy – DESE lead

Stage 2:

- Development of a cost recovery model (ASQA)
- Preparation of relevant legislation (DESE)
- Engagement with stakeholders on the CRIS (ASQA)
- Publication of a CRIS, informed by stakeholder views (ASQA)

Stage 3:

- Management of the cost recovered activity (internal controls for regulatory activity, including for cost recovery)
- Ongoing stakeholder engagement
- Timely performance reporting and regulatory updates to financial estimates

Stage 4:

- Review and evaluation

All stages:

- fit-for-purpose communication
- acknowledgement of the contribution of all stakeholders to quality VET and safeguards at a minimum efficient cost

HOW THE STRATEGY INTEGRATES WITH ASQA'S BROADER OPERATIONS

The COSTRESE is integrated with ASQA's achievement of its purpose, its Corporate Planning and performance framework making clear links between ASQA's RRF, ROM, actions undertaken by ASQA and by stakeholders to improve quality VET at a minimum efficient cost

1. Our regulatory approach promotes a culture of self-assurance and continuous improvement	Self-assurance is one of a number of ways stakeholders (sector leaders and individual providers) can improve quality outcomes while driving a minimum efficient cost
2. Our regulatory approach is best practice, integrated, risk-based and proportionate	Best practice regulation which is proportionate drives a minimum efficient cost while improving quality VET, including if stakeholders' own-actions or non-regulatory actions themselves make a contribution to improving quality VET.
3. Our regulatory approach is transparent and accountable	A transparent accountable regulatory approach is key to building confidence in a minimum efficient cost while achieving ASQA's purpose
4.We engage and partner with stakeholders constructively and with mutual respect	Stakeholder engagement not only strengthens ASQA's own approach to quality VET, maintaining safeguards and a minimum efficient cost; it enables substantive contribution from the sector and individual stakeholders to each of these outcomes.
5. We add value and are efficient, effective, and continuously improve	The value is in more than achievement of ASQA's purpose at a minimum efficient cost: cost consciousness of all stakeholders about what drives the cost of the regulatory system improves the efficiency and effectiveness of the VET system as a whole including ASQA
6. Our understanding of sector performance and promotion of self-assurance contributes to quality VET and informed consumers	Shared understanding of sector performance enables confident reliance on a combination of regulatory and non-regulatory activity, a proportional approach in both circumstances: achieving continuous improvement of quality VET and the engagement of informed stakeholders including students of VET and future employers

This integration enables progressive changes to the cost recovery model, aligned to ASQA's Corporate Plan and continuous improvement of its RRF, ROM and outcomes

WHO THE STRATEGY ENGAGES AND HOW

Sector Leaders	Provider Roundtable Stakeholder Liaison Group Cost recovery working groups	Quarterly meetings Quarterly meetings Monthly meetings /agreed out of session engagement
Other Regulators	VET regulators (WA and Vic) VET sector regulators (DESE, TEQSA) Regulators who intersect with ASQA	Quarterly meetings Regular meetings
Students	Who rely on quality VET and who may pay fees to providers	TBC
Current and future employers	Who rely on integrity of qualifications issued by VET providers and who may pay fees to providers	TBC
Regulated entities	VET Providers Accredited course owners	Through sector leaders, with each regulatory activity,

HOW THE PERFORMANCE OF THE STRATEGY WILL BE ASSESSED AND REPORTED

As part of ASQA's broader operations, the performance of the CostRSES is measured through ASQA's performance framework as published in the Corporate Plan. From 2022-23, to coincide with the implementation of full cost recovery additional KPIs are being considered by ASQA in consultation with stakeholders including Department of Finance.

DRAFT KPI: Cost recovery is part of ASQA's strategic direction, aligned to its Corporate Plan, its purpose and the benefits ASQA realises for the Australian Community.	DRAFT KPI: ASQA's stakeholders are engaged with cost recovery as set out in the cost recovery stakeholder engagement strategy
DRAFT KPI: The cost recovery stakeholder strategy achieves its goal	DRAFT KPI: ASQA's cost recovery model is aligned with improvements to the regulatory operating model
DRAFT KPI: Providers' cost-consciousness and management of risk in meeting regulatory obligations is enhanced by ASQA's approach to cost recovery	DRAFT KPI: ASQA's cost recovery model is aligned with improvements to the regulatory operating model

The financial and non-financial performance of ASQA will be reported in the Annual Report.
The performance of the cost recovery model will be reported in DESE's Portfolio Charging Review and through ASQA's post Rapid Review evaluation
The performance of the CostRSES will be reported in future updates to the CRIS
The day-to-day performance of the CostRSES will be reported via ASQA's website

February 2022 Commence engagement on Stage 3: Implementation

February 2022 Identify key communication and engagement products to support Stage 3: Implementation

March 2022 Further meetings of the cost recovery working groups (PR and SLG)

March 2022 Engage with representatives of students and employers on CostRSES

March 2022 Finalise v.1 of CostRSES for publication in 2022-23 Corporate Plan

March 2022 First release of product to support transition to full cost recovery

April 2022 Further meeting of the cost recovery working groups (PR and SLG)

May 2022 Engagement in relation to evaluation including via monthly cost recovery working group meeting

All products to supplort successful implementation are available

July 2022: The transition phase of Stage 3 Implementation complete. The embedding phase of Stage 3 commences

Figure 17: DRAFT Cost recovery stakeholder engagement strategy (DRAFT CostRSES)

6.4 Key forward dates and events

Table 30: Key forward dates and events

Event	Date
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. ASQA's FINANCIAL AND NON-FINANCIAL PERFORMANCE

Overview of PART 7

ASQA's program of regulatory activity, and therefore its costs recovered through fees and charges, are governed through the annual cycle of corporate planning and the budget cycle and the governance of these activities

As set out in PART 3 of this document, ASQA's costs are capped through the Federal Budget each year. In the same way as private businesses, ASQA as a* government authority *prepares a* budget *based on expected activities for the next financial year and reports on their expenditure for the past year:

- ***The Australian Government Portfolio Budget Statement sets ASQA's budget cap before the beginning of each financial year and summarises what the regulator must achieve***
- ***The cost recovery model enables these estimates***
- ***ASQA's Corporate Plan fleshes out the planned activity to be undertaken and allocates resources to that activity based on historic trends, environmental and market analysis and risk analysis. Key stakeholders are engaged with the development of ASQA's forward program of work.***
- ***The Corporate Plan also includes the performance framework for the regulatory activity, including targets that provide measures of increasing efficiency. Key stakeholders are engaged with developing the performance framework to track and measure ASQA's regulatory activity and ensure that it demonstrates efficiency and effectiveness year on year.***
- ***The Annual Report (including audited financial statements) must acquit the activity against the performance framework, and the estimated cost against actual expenditure*.**

7.1 Portfolio Budget Statement: performance and budget targets

The Education, Skills and Employment Portfolio Budget Statements (PBS) 2021-22 define ASQA's performance outcomes as set out at Figure 18:

Figure 18: 2021-22 PBS performance outcomes

<table>
<tr><td colspan="3">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</td></tr>
<tr><td colspan="3">Program 1.1 – Regulation</td></tr>
<tr><td>Delivery</td><td colspan="2">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.</td></tr>
<tr><td colspan="3">Performance information</td></tr>
<tr><td>Year</td><td>Performance criteria</td><td>Expected Achievement/Targets</td></tr>
<tr><td>2021-22</td><td>ASQA delivers improved provider self-assurance capability and continuous quality improvement.</td><td>TARGET: to achieve the performance targets</td></tr>
</table>

	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.	set out in the ASQA 2021–25 Corporate Plan for each of the performance criteria.

Table 31 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 following the 2022-23 Australian Government budget.

Table 31: 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

7.2 Annual Report: financial performance

Table 32 summarises ASQA's financial performance for the past 5 financial years.

Table 32: 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**

7.3: Annual Report - Non-financial performance overview

Strategic planning and performance TRANSPARENT AND ACCOUNTABLE	2020-21	2021-22
Cost recovery is integral to ASQA's strategic planning and performance, which drive and measure ASQA's financial and non-financial performance. Through strategic planing and careful tracking of performance, ASQA is able to demonstrate that it is minimising costs to regulated entities and the Australian taxpayer while improving quality outcomes and maintaining safeguards. ASQA's costs are generated by ASQA's regulatory activity to control or treat regulatory risk to quality VET. The program of work to identify risk, define and implement controls and treatments, including with reference to what stakeholders can do to address regulatory risk, is: • developed in consultation with our key stakeholders • set out in ASQA's Corporate Plan (including ASQA's performance framework. Performance, including non-financial performance, against the Corporate Plan and performance framework is then reported in ASQA's Annual Report.	As set out in ASQA's 2020-21 Annual Report: ○ the integration of cost recovery with the strategic direction of ASQA was demonstrated in the 2020-21 Annual Report (Chapter 2: Annual performance statement), in which ASQA's previous performance framework: ○ integrates with ASQA's purpose and strategic approach ○ incorporating ASQA's Service Standards ad include measures of efficiency and effectiveness.	Including as part of our preparation for ASQA's transition to full cost recovery, ASQA's 2021-22 Corporate Plan included a new performance framework to track and measure delivery of ASQA's detailed strategic forward plan of action, built around 6 strategic deliverables designed to continuously improve: ○ The efficient, effective operation of ASQA ○ Enable the sector to undertake activity that reduces regulatory risk / drives a minimum efficient cost ○ Transparency and accountability in relation to regulatory risk, action and impact, underpinned by strong stakeholder engagement and a service ethos. Risks to ASQA's performance were detailed (pages 37 – 40). Non-financial performance will be reported in the 2021-22 Annual Report and future updates to the CRIS.

Stakeholder engagement STAKEHOLDER ENGAGEMENT	2020-21	2021-22
From a cost recovery perspective, stakeholders engagement is key to both ASQA's financial and non-financial performance. ASQA's Corporate Plan, strategic deliverables and performance framework reflect ASQA's ethos that stakeholders play a key role in: • Identifying regulatory risk • Informing the regulatory activities that ASQA undertakes to control and treat regulatory risk • Identifying and enabling non-regulatory activity (eg from individual providers, peak bodies etc) that control or treat regulatory risk, influencing the overall costs of regulation as well as each cost of regulation.	ASQA 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	Including in preparation for ASQA's transition to full cost recovery, ASQA improved its transparent and accountable measuring and monitoring of stakeholder engagement: Efficiency and effectiveness • 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

Regulatory Operating Model EFFICIENT AND EFFECTIVE	2020-21	2021-22
ASQA's Regulatory Risk Framework sets out ASQA's management of sector and provider risks to quality VET. ASQA's RRF is activated through the Regulatory Operating Model at including in relation to ○ promoting a culture of self-assurance and continuous improvement for providers ○ an integrated risk-based management approach ○ responding to non-compliance proportionately ○ treat providers fairly and independently ○ maintain meaningful and respectful relationships ○ regulation that achieves quality outcomes and supports VET reforms. Both the RRF and ROM were developed through strong engagement with stakeholders. The identification of regulatory risk to quality VET, and the actions taken by ASQA to control and treat those risks drive costs, which, in turn translate to fees and charges payable by regulated providers and course owners. ASQA is committed to regulatory effort that is: •Efficient and effective (including undertaken at a minimum efficient cost); Transparent and accountable, including in terms of the risk being addressed, the action taken to address the risk and the impact of that action; reflective of strong stakeholder engagement and the identificaiton of non-regulatory actions that individual providers and other stakeholder can take to improve quality VET and reduce regulatory burden, driving a minimum efficient cost	As set out in the 2020-21 Annual Report, ASQA: ○ Published our Regulatory Risk Framework to describe how we will manage sector and provider risks to regulatory outcomes, while maximising our efficiency and effectiveness ○ Established 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 ○ Achieved 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 ○ 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.	ASQA developed a forward program of work to achieve its six strategic deliverables and achieve its purpose, and published that through its 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 6. Our understanding of sector performance and promotion of self-assurance contributes to quality VET and informed consumers. ASQA reviewed the performance framework that applies to all aspects of its RRF and ROM, in consultation with key stakeholders The new performance framework was also represented in the 2021-22 Corporate Plan, clearly connecting back to ASQA six strategic deliverables that will ensure ASQA delivers against its purpose. These improvements in planning, measuring and reporting on ASQA's regulatory effort laid strong foundations for ASQA's transition to full cost recovery in 2022-23 and strongly reflect the Australian Government's Cost Recovery Principles of: •Efficiency and effectiveness •Transparency and Accountability •Stakeholder engagement

Organisational design and internal budget: EFFICIENT AND EFFECTIVE	2020-21	2021-22
Ensuring a minimum efficient cost to regulated entities while improving quality outcomes and maintaining safeguards requires ASQA's organisational design to be efficient and effective, and for ASQA's internal budget to be transparently and accountably aligned with regulatory activity that minimises costs to regulated entities while maintaining safeguards. ASQA's organisational design is aligned to ASQA's regulatory operating model and enables the allocation of ASQA's resources (its people, money and suppliers) to regulatory activity. Regulatory activity to addressed identified risk to quality VET and hence achieve ASQA's purpose and its six strategic deliverables, is documented in ASQA's Corporate Plan. Stakeholders can track ASQA's performance with reference to ASQA's performance framework and through the information provided in ASQA's Annual Report. ASQA's internal budget is allocated to these regulatory activities using the Cost Recovery Model. The Annual Report includes audited financial statements which report revenue and enable acquittal of costs of regulatory activity estimated in the Cost Recovery Model.	As set out in 2020-21 Annual Report, ASQA made substantive changes to its organisational design and governance including but not limited to: • Making foundational changes to ASQA's governance and structure to support risk-based organisational decision-making, based on developing data, intelligence and analysis, regulatory design and a high level of engagement with stakeholders on risk • Aligning our internal budget to our revised Regulatory Risk Framework and Regulatory Operating Model • Improved our transparency and accountability through improved planning for the application of our resources and measurement of our performance.	As set out in ASQA's 2021-22 Corporate Plan, In preparation for ASQA's transition to full cost recovery, ASQA published its forward program of work and aligned its organisational design and internal budget to efficiently and effectively undertake this work. ASQA's revised and enhanced performance framework is designed to enable ASQA and its stakeholders to measure and track performance of these activities, with an enhanced focus (including through our organisational design and allocation of internal budget) on activities that encourage and enable self-assurance by providers, recognising the dual benefits of reducing regulatory costs to business and the Australian taxpayer while improving quality outcomes. **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

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

8. 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
21 February 2022	Department of Finance confirmation of medium risk rating	Department of Finance	Reflect current risk rating

23 November 2022	Amendment of the CRIS to reflect outcomes of stakeholder engagement on changes proposed from July 2022	Deputy CEO	Reflect planned changes
28 February 2022	Certification of the CRIS	Accountability Authority	Reflect planned changes
16 March 2022	Certification of draft CRIS proposing July 2022 fees and charges 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:
    - Validating the appropriateness of key cost recovery model assumptions, inputs and data sources
    - In-depth cost recovery model review
    - Evaluation of the strengths and weaknesses of the model
    - Evaluation of stakeholders reporting capability
    - 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.

APPENDIX 2: Stakeholder feedback on full cost recovery proposals: analysis and register of comments

The methodology used in relation to stakeholder feedback was designed to get maximum value from each comment provided to ASQA. This required analysis and interpretation of each comment.

For example, while a comment that "ASQA's fees to RTOs are excessive for the actual services provided" is brief, it prompts a range of questions that ASQA has sought to address through the CRIS and which are also relevant to ASQA's broader governance. For example:

- PART 2 of the CRIS
  - Is ASQA an efficient and effective regulator?
  - Does ASQA's forward planning as set out in its Corporate Plan clearly show what ASQA will do over the coming four years to improve quality VET? Is the role of the sector in both informing ASQA's forward plan, and what the sector can do to influence what ASQA needs to do, clear?
  - How well does ASQA's performance framework track ASQA's progress against its planned activities?
  - Are ASQA's engagement mechanisms, including its surveys, testing, checking and challenging assumptions about ASQA's performance?
  - Is the full spectrum of stakeholders engaged with ASQA, so that quality VET, the VET sector and ASQA as the regulator benefits from this diversity of views and experiences of ASQA's services?
  - How well does ASQA's internal review and complaints mechanisms encourage open feedback about ASQA's performance and what internal controls cause systemic improvements?
  - What quality assurance is in place to make sure that each regulator action ASQA takes is efficient, effective and fit-for-purpose
  - How does ASQA's reporting of its performance engage providers and other external stakeholders to that their knowledge of ASQA's performance increases confidence in the regulator and confidence in the sector?

- PART 3 of the CRIS
  - Is ASQA transparent and accountable in terms of its costs? Can providers see what inputs from ASQA result in the fees and charges that providers pay – and is the value proposition clear?
  - How will ASQA's cost recovery model integrate with its planning and actual performance to build confidence amongst stakeholders that ASQA is efficient and effective?

- PART 4 of the CRIS
  - What internal controls ensure that the ROM and performance assessments activities, as design, are implemented as intended?
  - What benchmarking does ASQA share to demonstrate that its regulatory activity meets not only its service standards, but its commitment to continuous improvement
  - How has ASQA ensured that the ARC is proportionate?

- PART 5 of the CRIS
  - What are the internal control necessary to demonstrate that the regulatory activity is managed, and therefore costs are aligned to inputs and outputs and related fees and charges are appropriate?

- PART 6 of the CRIS
  - Is current or planned stakeholder engagement sufficiently focuses on unpacking and addressing feedback that “ASQA’s fees to RTOs are excessive for the actual services provided”? This would include engagement on improvements to the RRF, the ROM and the operationalisation of ASQA’s regulatory activities, and would encompass stakeholder engagement in identifying further opportunities for improvement

- PART 7 of the CRIS
  - Does ASQA’s financial and non-financial reporting acknowledge and address this perception?

As a result, the majority of comments over the two rounds of consultation are relevant across multiple components of the CRIS, mirroring their applicability across ASQA’s span of operation.

<u>Key themes</u>
At the highest level, the three themes that emerge from analysis of the feedback and that ASQA will continue to actively action are:

- The efficient, effective operation of ASQA to achieve its purpose
- Transparency and accountability of ASQA’s operations and the achievement of its purpose
- Building confidence across all stakeholders about ASQA’s operations, the quality of VET and the integrity of national qualifications issued by providers.

<u>Taxonomy</u>
The taxonomy of themes from the feedback continues to be constructed through engagement with stakeholders and will form part of ASQA’s CostRSES from March. It will be published on ASQA’s website.

<u>Analysis</u>
The analysis set out in this document represents a point-in-time analysis. Throughout the next phase of cost recovery (Implementation), ASQA will continue to work closely with stakeholders (including through the PR and SLG cost recovery working groups) and will continue to benefit from sector leaders’ insights and advice on the interpretation and application of this feedback.

Analysis of the feedback received will be published to ASQA’s website.

<u>Sustained stakeholder engagement</u>
The analysis of feedback obtained in relation to ASQA’s proposals to implement full cost recovery will continue to be analysed. There is significant value in these comments, beyond the immediate influence they have had on the reworking of this document.

The COSTRSES will continue to understand and apply the feedback in the context of ASQA’s cost recovery and its integration with broader governance as set out in PART 2 of the document. And, across the board, ASQA will apply the analysis of these results: to its RRF, its ROM, its quality assurance and service standards, its broader stakeholder engagement, its future corporate planning and development of its performance framework, and its reporting.

ASQA is grateful for the active engagement of its stakeholders, and the full and frank feedback that reflects the diversity of the VET sector and its many contributors.