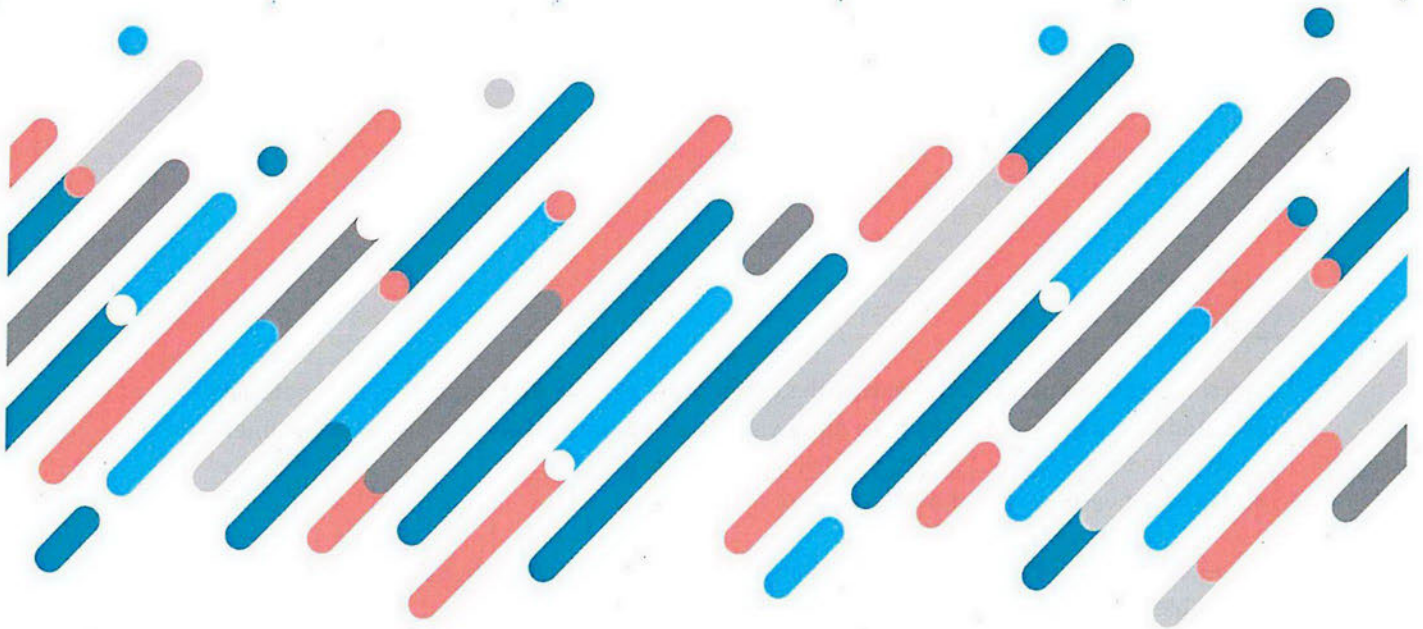


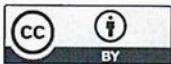


Australian Government
Department of Education

Education Portfolio Charging Review Report

2022-23





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The document must be attributed as the (Education Portfolio Charging Review Report 2022-23).

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Education Portfolio Charging Review Report

Executive Summary

The Department of Education (the department) has undertaken a Portfolio Charging Review (PCR) in accordance with the Australian Government Charging Framework (Charging Framework)¹ schedule of Portfolio Charging Reviews agreed to by Government on 1 July 2014.

The department sought information on all existing and potential charging activities in-scope of the Charging Framework from the department as well as the following relevant portfolio entities:

- Australian Curriculum, Assessment and Reporting Authority (ACARA)
- Tertiary Education Quality and Standards Agency (TEQSA)
- Australian Research Council (ARC)

The department's PCR identified a new charging activity to be considered in the 2024-25 Budget, refinements to existing charging activities, and improvements to the overall management of charging policy across the portfolio.

Terms of reference

The Portfolio's Terms of Reference at Attachment A of the report were agreed by the Minister for Finance with the following objectives that the PCR will:

- identify and analyse all activities in the portfolio, including activities that are currently not charged for
- for activities that are not charged for, determine whether there is a policy decision that charging is not appropriate
- assess consistency of all existing charging activities with the principles and requirements of the Framework and Australian Government Cost Recovery Policy²
- compare and evaluate the performance of charging activities, using external and/or internal benchmarks
- develop indexation strategies for all charging activities
- identify new charging opportunities, including for existing budget funded activities, where appropriate
- identify opportunities to amend or discontinue charging activities
- assess the effectiveness of stakeholder engagement strategies
- identify opportunities to improve efficiency, transparency and accountability of charging in the portfolio

¹ The Australian Government Charging Framework is available on the Department of Finance website at <https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-charging-policy>.

² The Australian Government Cost Recovery Policy is available on the Department of Finance website at <https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery-policy>.

- examine whether any existing partial cost recovery arrangements are still appropriate and investigate timing to move to full cost recovery.

In addition to the above, the PCR will ensure charging activities previously reported under the former Department of Education, Skills and Employment are separated and reported in accordance with the 1 July 2022 Machinery of Government (MoG) changes by the department and the Department of Employment and Workplace Relations.

Key findings

Finding 1: Departmental sub-leasing arrangements for tenants and car parking available to staff previously recorded as charging activities for the Department of Education, Skills and Employment are out of scope for the department due to the MoG changes effective 1 July 2022.

Finding 2: There are currently no existing charging activities or proposed charging opportunities in the Early Childhood and Youth Group (ECY) within the department. Charging for activities in the ECY Group would add disincentives for stakeholders to comply with their relevant obligations.

Finding 3: Country Education Profiles (CEPs) is an online qualifications recognition tool designed to help organisations understand overseas higher education and postsecondary technical and vocational educational qualifications. CEPs is considering increasing costs due to currently charging below cost. Costs have remained steady since 2005. There is a stakeholder consultation process underway to inform changes to the CEP format, content and pricing.

Finding 4: The international network of Education and Research Counsellors provides a free service to the Commonwealth Register of Institutions and Courses for Overseas (CRICOS) registered education providers. It is proposed that cost recovery options will be brought forward in the 2024-25 Budget to implement an annual charge to all CRICOS-registered education providers for the international network of Education Counsellors service.

Finding 5: Assessment of Overseas Higher Education Qualifications provides a guide to the level of an overseas qualification in terms of a qualification on the Australian Qualification Framework. A review of the assessments process was undertaken in 2020. No pricing changes were implemented due to ongoing work being undertaken to streamline the assessment service.

Finding 6: Higher Education Loan Program (HELP) regulatory activity related to FEE-HELP may be subject to change once the Universities Accord process is finalised. This is due to potential changes to the university funding system which could have a flow on effect to how the HELP program is managed and regulated.

Finding 7: Tuition Protection Service (TPS) levies are a regulatory charging activity but are out-of-scope of the Charging Framework due to the activity resembling an insurance activity where levy funds are held in a quarantined account with no direct link to price and cost.

Finding 8: Australian Curriculum, Assessment and Reporting Authority (ACARA) has reported no existing, new or proposed charging activities as it would not be cost effective or efficient to do so.

Finding 9: The Tertiary Education Quality and Standards Agency (TEQSA) is transitioning progressively to full cost recovery for its regulatory services and activities, with full cost recovery to take effect from 1 January 2024.

Finding 10: The department identified current regulatory charging activities are not compliant with the Department of Finance's Cost Recovery Implementation Statement (CRIS) requirements.

Summary of recommendations

Recommendation 1: Propose to introduce an annual charge to all CRICOS-registered education providers for the international network of Education Counsellors service.

Recommendation 2: The costs of monitoring provider compliance with OS-HELP and SA-HELP requirements continue to be excluded from cost recovery.

Recommendation 3: Ongoing review of Tertiary Education Quality and Standards Agency's (TEQSA) cost recovery model.

Recommendation 4: Updating internal departmental processes to improve record keeping of charging activities in the portfolio and to better align charging activities with the Charging Framework.

Background

Portfolio departments must conduct reviews of all existing and potential charging activities within their portfolio at least every five years, and in accordance with the Charging Framework schedule of PCRs.

The PCR should be based on existing information and a final report must be submitted to the responsible Minister, and the responsible Minister must provide a copy to the Minister for Finance.

Where a PCR identifies an additional charging activity that requires Government agreement, new policy proposals may be brought forward as part of relevant Portfolio Budget Submissions for Cabinet consideration during the Budget process, without the Portfolio Minister being required to seek further policy authority.

The PCR process applies to all corporate and non-corporate Commonwealth entities, with the exception of Commonwealth companies.

Types of charging activities

Commercial

Commercial charging activities include activities where the Government is involved in the market, where there could be actual or potential competitors. Although, the Government might be a supplier of an activity, there is usually a degree of user discretion about whether the good or service is consumed. Other commercial activities could include provision of specialist or expert services; retail and manufacturing; tailored data provision, advertising, and sponsorship. Commercial charges are

typically authorised by contractual and not legal arrangements. Charging models are usually market driven, but other pricing models may also be used.

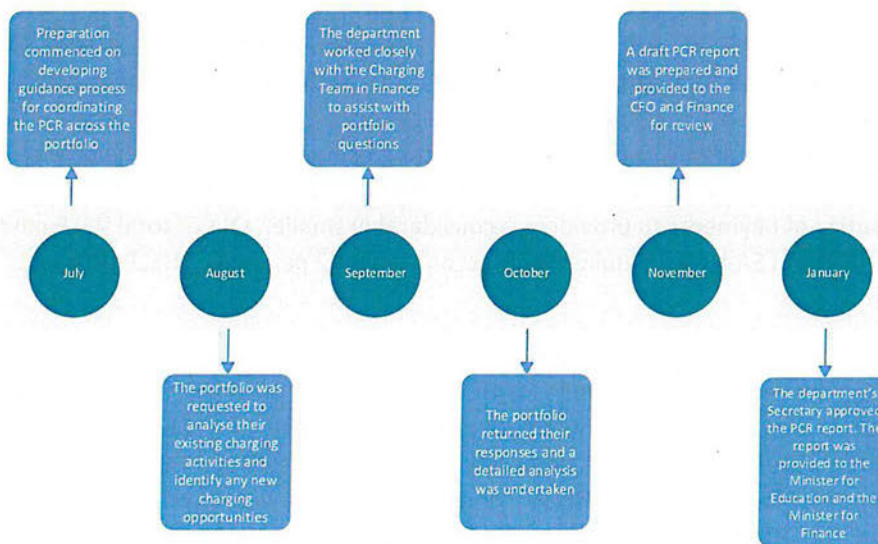
Regulatory

Regulatory charging activities are generally those activities where the Government wishes to control or influence behaviour, manage risk and protect the community. They include an enforcement or compliance element and usually do not involve user discretion. Legislation and policy authority is always required for these charging activities consistent with the cost recovery framework, the charging premise for regulatory activities is that where an identifiable group creates specific demand for a specific regulatory activity, they should be charged for the activity (where appropriate). Most regulatory activities involve charging for part or all of the costs of an activity on a cost recovered basis and the Cost Recovery Policy³ will apply.

Resource Management and Access

Resource management and access charging activities involve the provision of specific rights, privileges, and access to public resources. Some of these activities may require legislation, some may have contractual arrangements. These activities normally utilise a 'fee for privilege' charging model, where the beneficiary is charged based on the potential value of the activity to the recipient. Pricing relates to the specific benefit to the individual or group, based on the value of the resource or access to the resource, and in accordance with policy objectives for the resource activity.

Approach and timeline



³ The Australian Government Charging Policy is available on the Department of Finance website at <https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-charging-policy>.

Key recommendations

Recommendation 1: Propose to introduce an annual charge to all CRICOS-registered education providers for the international network of Education Counsellors service.

The department proposes to introduce an annual fee for all CRICOS-registered education providers to receive the services provided by the international network of Education Counsellors. The introduction of the fee will assist to meet the costs of providing the offshore Counsellor network. The charging model will be structured to recognise circumstances of service providers and reflect the benefits that the providers accrue from the network, as well as ensure the charge will be apportioned according to the benefits provided by the network.

The introduction of an annual fee for education providers will require legislative changes to the *Education Services for Overseas Students (Registration Charges) Act 1997* or a new Act within the Charging Framework to support this and other charges determined by the Government.

It is anticipated that the new policy proposal for the charging activity will be brought forward in the 2024-25 Budget and for charging to commence in 2025.

The International network of Education Counsellors service has been available since 1994 with no fees charged. The introduction of the fee to education providers is likely to require extensive consultation prior to its implementation.

Recommendation 2: The costs of monitoring provider compliance with OS-HELP and SA-HELP requirements continue to be excluded from cost recovery.

It is recommended that costs of monitoring provider compliance with OS-HELP and SA-HELP requirements continue to be excluded from cost recovery. Most of the costs associated with OS-HELP and SA-HELP are program related costs rather than regulatory costs. These program costs are associated with managing payments to providers – collecting estimates, verifying these and making payments. Program costs for OS-HELP and SA-HELP are much smaller than for FEE-HELP and HECS-HELP as the total outlay of payments to providers is considerably smaller. Out of total HELP payments made in 2022, OS-HELP and SA-HELP combined only accounted for 2 per cent of HELP payments made to providers.

The cost for the department to monitor provider compliance with the OS-HELP and SA-HELP programs are minimal. Revising the cost model to include OS-HELP and SA-HELP programs and ensure that they are apportioned to the correct providers would outweigh the total costs of what would be recovered from providers. Alternatively, OS-HELP can be accessed in addition to HECS-HELP. SA-HELP can be accessed in addition to HECS-HELP and FEE-HELP. If additional charging was introduced, it would result in multiple charges for the same students. OS-HELP and SA-HELP do not cover tuition costs and therefore have a more limited role in supporting access and participation to tertiary education.

Recommendation 3: Ongoing review of Tertiary Education Quality and Standards Agency's (TEQSA) cost recovery model.

TEQSA is transitioning progressively to full cost recovery for its regulatory services and activities and the full cost recovery will take effect from 1 January 2024. TEQSA will continue to review the cost recovery model and Cost Recovery Implementation Statement (CRIS) assumptions to ensure that fees and charges are aligned with regulatory effort. Any changes to the cost model due to budget

and resourcing updates, or changes to activities, will be reflected in fees and charges as appropriate. As TEQSA continues to improve its systems and processes and its regulatory approach, efficiencies gained will be reflected in cost model adjustments. Any changes to legislative instruments will be implemented in accordance with prescribed processes. In its first year of its current cost recovery model operation, TEQSA is monitoring the response of the sector and its internal processes and expects that any changes to the CRIS for implementation in 2024 will be limited.

Recommendation 4: Updating internal departmental processes to improve record keeping of charging activities in the portfolio and to better align charging activities with the Charging Framework.

While the department, through the Accountable Authority Instructions does have internal processes in place for charging activities, there are other opportunities that could be adopted to ensure the process is more robust and transparent. These include updates to the department's Charging Activities Accountable Authority Instructions, maintaining a central repository of charging and non-charging activities including identifying policy owners, having bi-annual meetings with charging policy owners to ensure they are aware of and adhering to the Charging Framework.

Summary of activities across the portfolio

The department collected a total of 17 Activity Review Templates across the portfolio, comprising of 10 charging activities, 5 non-charging activities, one new proposed charging activity and one where a charging activity have never been conducted*.

Of the 16 charging/non-charging activities across the portfolio, ten are existing charging activities, five are non-charging activities and one is a new proposed charging activity.

Department of Education breakdown

Charging activities	Early Childhood and Youth (ECY)	Schools	Higher Education, Research and International (HERI)	Total
Existing charging	0	1	7	8
Non charging	1	0	4	5
Proposed charging	0	0	1	1

The majority of charging activities within the portfolio are in the Higher Education, Research and International (HERI) Group within the department. The table provided above shows the breakdown of activities across the department.

One regulatory activity that was not charged for was identified in the ECY group, and one commercial charging activity was identified in the Schools group. The HERI group identified 7 existing charging activities, comprising of commercial, resource and regulatory charges, 4 existing non-regulatory charges, and one new proposed charging activity.

Portfolio entity breakdown

Charging activities	Australian Research Council (ARC)	Tertiary Education Quality and Standards Agency (TEQSA)	Australian Curriculum, Assessment and Reporting Authority (ACARA)*	Total
Existing charging	1	1	0	2
Non charging	0	0	0	0
Proposed charging	0	0	0	0

The ARC reported having one existing commercial charging activity and TEQSA reported having one existing regulatory charging activity. ACARA reported that it does not conduct any charging activities.

Existing charging activities

Department of Education

Schools

Literacy and Numeracy Test of Initial Teacher Education (LANTITE)

Non-regulatory activity charged on a commercial basis

The Initial Teacher Education (ITE) students, or prospective students, pay the Australian Council for Educational Research (ACER) to sit the literacy and numeracy test. All students studying ITE in Australia must pass the test to graduate as per the *Accreditation of initial teacher education programs in Australia: Standards and Procedures*⁴. ACER is the supplier selected by Government to administer the test. An agreement between the Government and ACER sets the upper limit of what ACER can charge for the test and administers the test on a cost recovery basis.

Higher Education, Research and International

Application fee for higher education providers

Regulatory activity

Applications from registered higher education providers applying for approval as a higher education provider must pay a fee under the *Higher Education Provider Guidelines 2022* for the recovery of the Commonwealth's full costs of administering and assessing applications. In accordance with the *Higher Education Support (Charges) Act 2019*, if higher education providers are offering FEE-HELP assistance, they must pay the annual charge (a cost recovery levy). Fees are charged at cost and are determined through annual review and indexation.

Annual administrative charge to all HECS-HELP and FEE-HELP approved higher education course providers

Regulatory activity

The application of an annual administrative charge for the HECS-HELP and FEE-HELP program ensures that higher education providers contribute to the cost of the programs administration and regulation to maintain integrity and fiscal sustainability. The annual charge does not include costs associated with non-regulatory activities such as program risk management and administrative correspondence, payments and estimates activities, policy advice to government and drafting of legislation related to the FEE-HELP and HECS-HELP programs. OS-HELP and SA-HELP programs are excluded from the annual charge. Similar to the application fee, the level of charging was set as part of a government decision with a model developed to allocate costs to the activities. The annual charge currently operates on a partial cost recovery basis which is below the level of charging cost.

⁴ Accreditation of initial teacher education programs in Australia: Standards and Procedures is available at <https://www.aitsl.edu.au/tools-resources/resource/accreditation-of-initial-teacher-education-programs-in-australia---standards-and-procedures>

Higher Education data

Non-regulatory activity charged on a commercial basis

The department publishes higher education data annually but also receives data requests from external entities such as universities. These requests are often complex, and can divert resources from core activities such as publishing data in the public domain, program area support and internal analytical services. Charging external entities for the supply of data encourages data requestors to only request data they need and cannot access through existing published material, with costs determined by staff effort in responding to requests. New charges for these services, which have been in place for some time, were introduced in 2016. Charges are currently at cost and in line with the Australian Institute of Health and Welfare (AIHW) charges, as set in 2015. Hourly rates on a cost-recovery basis are applied for each data request⁵. The cost recovery model will be reassessed in 2023-24 to adjust for increased on costs and salaries. During the COVID-19 pandemic, universities were not charged for data requests.

Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS)

Regulatory activity

The *Education Services for Overseas Students Act 2000* (ESOS Act)⁶ establishes requirements and standards for the quality assurance of institutions offering education and training courses to international students in Australia on a student visa. CRICOS registered providers must have met, and continue to meet, the requirements of the ESOS Act and the National Code of Practice for Providers of Education and Training to Overseas Students 2018. The CRICOS Annual Registration Charge (CARC) recovers the department's costs for:

- National oversight of the regulation for all CRICOS providers in accordance with the ESOS Act including stakeholder education and policy guidance
- Management of the Provider Registration and International Student Management System
- School sector wide components of the department's role as the ESOS agency regulating school providers including engagement with designated state authorities and monitoring school providers

Charging is determined at cost via a bottom-up costing methodology as was agreed with Finance in 2022. The CRICOS charging arrangements are part of the Government's broader charging approach, in which providers who create the need for regulation should bear the costs. Currently the department does not charge for policy activities that are not directly related to the provider-focused elements of the ESOS Act. These activities have been identified as ineligible for charging. The CRICOS CRIS was reviewed and re-baselined for activity and cost in 2022. There have not been any significant changes to the policy or operational environment that would necessitate a decision to not charge for any current activities.

⁵ Australian Institute of Health and Welfare <https://www.aihw.gov.au/about-our-data/accessing-data-through-the-aihw/data-on-request#:~:text=The%20AIHW%20generally%20charges%20for,%24300%20%2B%20GST%20for%20each%20request.>

⁶ Information for Education Services for Overseas Students Act 2000 is available at <https://www.legislation.gov.au/Details/C2022C00066>

Country Education Profiles

Non-regulatory activity charged on a commercial basis

Country Education Profiles (CEPs) are an online qualifications recognition tool designed to help organisations understand overseas higher education and post-secondary technical and vocational education qualifications⁷.

CEPs support decision-makers to take a nationally consistent approach to the recognition of overseas qualifications by providing authoritative guidance on the comparability of foreign qualifications in the Australian context. In doing so, the CEPs promote student and labour mobility which underpins Australia's international education sector and labour market. To access the CEPs, charging is based on a subscription basis and is available but not limited to: Australian universities, assessing authorities, professional and registration bodies and international bodies. CEPs are best characterised as a commercial activity under the Charging Framework. CEPs provide authoritative information for 127 countries from Africa, Asia Pacific, Europe, subcontinent the Middle East and America – the department is responsible for keeping these updated. The department is currently undertaking a review of the CEPs format and content, including extensive stakeholder consultation, to determine if the pricing of the service reflects the true cost of its provision.

Assessment of Overseas Higher Education Qualifications

Non-regulatory activity charged as a resource management activity

The assessment of overseas educational qualifications has been ongoing since 1969 and supports international mobility by assisting individuals to pursue general (non-regulated) employment opportunities under a fee-for-service arrangement. In doing so, the assessments promote labour mobility that underpins Australia's international education sector and labour market. The department is currently reviewing the assessment fees, which have remained unchanged since 2006. As a result, fees may be increased as they currently do not meet the costs of providing the activity.

Tuition Protection Service (TPS) Levies

Regulatory activity

TPS levies fall outside of formal cost recovery due to the activity resembling an insurance type process where the funds are held in quarantine and therefore has no direct link to price and cost. It is also difficult to recover costs from providers who create the need for the service – as many of them are no longer operational. Accordingly, a Cost Recovery Implementation Statement (CRIS) is not required.

Since 2012, the TPS has assisted international students affected by the closure of education providers. On 1 January 2021 the responsibilities of the TPS were further expanded to cover domestic higher education up-front fee-paying students at non-government providers. The TPS assists eligible students when their education provider defaults by closing or ceasing courses and fails to meet the obligations to the students.

TPS levies are held in sector-based quarantined accounts and are used to fund the activities of the TPS following an education provider default, namely, to refund students or provide unspent tuition

⁷ Information for Country Education Profiles is available at <https://internationaleducation.gov.au/services-and-resources/services-for-organisations/Pages/Services-for-organisations.aspx>

fees to the replacement education provider. The price of the levies is based on the cost of maintaining an insurance-like scheme in the long term and not based on covering annual set costs. Prices are reviewed annually, with the most recent review completed in 2023.

Portfolio agencies

Tertiary Education Quality Standards Agency (TEQSA)

TEQSA has transited from partial cost recovery of around 15 per cent of regulatory costs in 2019 to an average 90 per cent cost recovery from 1 January 2022, and will be at full cost recovery by 1 January 2024⁸. The current cost recovery model commenced on 1 January 2023 and TEQSA will continue to review the cost model and CRIS assumptions to ensure that fees and charges are aligned with regulatory effort.

TEQSA undertakes three regulatory activities:

Applications

Regulatory activity

1. TEQSA is primarily responsible for entities applying to be registered or re-registered as a higher education provider, or to have their courses accredited or reaccredited. TEQSA receives other types of applications including applications seeking to change registration categories or seeking authority to self-accredit courses of study.

Monitoring

Regulatory activity

2. TEQSA has responsibility to monitor and assess provider compliance with relevant legislation.
3. TEQSA has sector-wide focused activities. These activities include the development and delivery of guidance to providers regarding higher education standards and the profiling and management of risk in the sector and engagement activities, both domestic and international.

Australian Research Council (ARC)

Assessors for the National Industry PhD Program

Non-regulatory activity charged on a commercial basis

ARC has engaged in a one-off charging activity in 2022-23 with a list of expert researchers from academia and industry to act as assessors to review applications under the National Industry PhD Program. The National Industry PhD Program is run by CampusPlus Pty Ltd. The allocation of existing staffing efforts was used to determine the charging model and no risks were identified as the amount charged and work performed during this one-off activity were immaterial.

⁸ Consultation paper: Fees and charges proposal – Cost Recovery for quality assurance and regulation of higher education is available at <https://www.teqsa.gov.au/sites/default/files/fees-charges-proposal-consultation-paper.pdf?v=1619751622#:~:text=The%20Government%20has%20decided%20that,implemented%20by%201%20January%202024>

Proposed charging activities

Higher Education, Research and International

Annual charge to all CRICOS-registered education providers for the international network of Education Counsellors service

Non-regulatory activity charged on a commercial basis

The International network of Education Counsellors manage the Australian Government's engagement with partner countries across the work on matters relating to education, skills and employment⁹.

Currently, the international network of Education Counsellors does not charge for this service. The network supports and promotes the operation of the international education sector including providing advice to education providers and working with other Governments to foster regulatory conditions that are favourable to Australian education providers.

The department proposes that all CRICOS-registered education providers be charged an annual fee for the service provided by the department's international network of Education Counsellors. This would ensure that the costs of the offshore services are met, and the burden of the charge is placed upon providers that benefit most from the network.

Existing non-charging activities

Early Childhood and Youth

Financial viability assessments for large child care providers

Financial viability assessments are conducted to ensure that systemically significant large child care providers are financially viable and likely to remain so, which is a condition of their continued eligibility for the Child Care Subsidy (CCS). There are currently no charges for the assessments of financial viability as it would create a disincentive for providers to comply with obligations to report financial information to the department.

Higher Education, Research and International

Provision of Higher Education Loan Program publications

Digital and printed HELP publications are developed by the department and made available to students, HELP providers, parents and career advisers. The publications are updated annually and or when legislative changes apply. Charging for these resources would provide an unnecessary monetary barrier to accessing information, which otherwise should be available.

⁹ Information about the international network of Education Counsellors can be accessed at <https://internationaleducation.gov.au/international-network/Pages/defaultOLD.aspx>

Australian Higher Education Graduation Statement (AHEGS)

The department issues Australian higher education providers with use of the AHEGS logo. Fifty-five non-university higher education providers have been issued with the AHEGS. Three applications were received in 2022 and 2023. Once issued with an AHEGS license deed, providers do not need to re-apply for the use of the AHEGS logo, provided they maintain current registration with the TEQSA. The effort to provide the service is minimal and therefore it would not be cost effective or efficient to charge for this activity.

Approved Research Institutes (ARIs)

ARIs non-charging activities provide tax incentives for approved research institutions based on the applicants ARI status. ARI status recognises that the applicant (institution, association or organisation) undertakes research which is, or may prove to be, of value to Australia. As part of the activity, applicants are required to submit thorough documentation when seeking this tax status. Due to the relatively low number of applications for ARI status per year, the cost of implementing and maintaining a charging system within the department would likely outweigh any charges or "fees" associated with assessing the application.

Applications to use the word 'university' in business, company and domain names

In 2022 and 2023, 38 applications were received to use the word 'university' in a business, company, or domain name. Applications are assessed against guidelines for the use of the word 'university' in a business, company, and domain name. The department has delegation to grant or refuse to consent to the application and a formal letter is sent to the applicant notifying them of the outcome. The effort to provide the service is minimal and therefore it would not be cost effective or efficient to charge for this activity.

Strengths and weakness of portfolio charging activities

Strengths

Overall, the portfolio is relatively strong in its approach to charging activities. The number of responses received demonstrates the variety of charging arrangements across the portfolio and reflects the portfolio's awareness of the Charging Framework and Government priorities of charging and cost recovering where appropriate.

Since the 2017 PCR review, the department introduced the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) annual registration charge and the FEE-HELP application fee.

The portfolio has a number of activities that it does not charge for on the basis that charging for these activities would be uneconomical, or result in adverse stakeholder or provider reaction. A good example of this is that the department requires large child care providers to report financial information about revenue, profits, and leasing arrangements as part of financial viability

assessments¹⁰. The department does not charge for these assessments as it would create a disincentive for providers to comply with obligations to report financial information.

Weaknesses

The department notes that there are two charging activities that currently charge below cost, and have been so for lengthy periods of times, the Country Education Profiles (CEPs) and the Annual administrative charges to all HECS-HELP and FEE-HELP approved higher education course providers.

The department does not have a consistent approach to managing charging activities, with policy owners having varying levels of engagement with their charging activity. Additionally, the department does not maintain a central database of charging and non-charging activities and their respective policy owners.

Key risks and opportunities for portfolio charging activities

Key risks

Cost Recovery Implementation Statement (CRIS)

The purpose of the CRIS is to provide key information on the entity's charging arrangement to the impacted stakeholders and public in general. The CRIS should be finalised, approved and published on the entity's website before charging commences.

As an explanatory document to those being charged and other stakeholders, it provides assurance and transparency that the regulatory charges are based on the minimum efficient cost and therefore maintained on an annual basis.

After charging commences, the CRIS becomes a continuous, annual disclosure tool. It reports how the activity is performing and provides the basis for ongoing engagement with stakeholders on various aspects of the regulatory activity.

The department's current regulatory charges in relation to CRICOS (published February 2022), HELP (published December 2019) and TEQSA (November 2023) are documented through a CRIS. The CRIS should be amended as needed and at least on an annual basis, to reflect any changes to the cost recovery model and to update regularly with financial and non-financial performance information¹¹.

The department has identified that its current regulatory charging activities do not meet conditions of the CRIS which require them to be amended at least annually.

¹⁰ Information on financial reporting obligations for large providers website can be accessed at <https://www.education.gov.au/early-childhood/provider-obligations/financial-reporting-obligations-large-providers>.

¹¹ [CRIS Information Sheet and Finance Minister Letter Template 0.docx \(live.com\)](#).

TPS

Policy and operational risk were identified in relation to the TPS' annual levies.

Pricing for levy charges is included in an annual instrument. Each relevant instrument must be published by a certain date to be utilised. It is important to ensure each instrument is drafted and published before the due date otherwise the levy setting may be inadequate to meet possible demand. In relation to operational risk, providers may not pay their annual levy, which could mean that there are insufficient funds to meet higher operational demand of provider closures. To mitigate that risk, reminder emails are sent to providers as well as overdue emails and follow-up calls. If a provider does not pay their annual levy, they risk suspension from their relevant sector.

The risk rated premium component and special tuition component levy setting are reviewed annually based on modelling by the Australian Government Actuary on overall sector risk and fund sustainability.

Literacy and Numeracy Test of Initial Teacher Education (LANTITE)

The LANTITE charging activity identified a risk relating to charging of the ITE test. The ITE students, or prospective students, pay the ACER to sit the literacy and numeracy test. ACER charges to administer the test on a cost recovery basis. The Government provides funding to ACER for some elements of administering the test that is not covered by the test cost. If the Government did not cover these costs the test cost could increase. ACER sets the test cost but the contract between the Government and ACER sets the upper limit of what they can charge.

Assessment of Overseas Higher Education Qualifications

The fees for Assessment of Overseas Higher Education Qualifications have remained unchanged since 2006 and could be increased as they do not meet the costs of providing the activity. However, the risk of charging too much for the service may present a barrier to individuals seeking an assessment of their overseas qualification. The complexity of each case cannot always be predicted or determined without undertaking a partial assessment and more complex cases typically come from specific countries and education backgrounds. Charging a reduced rate for less resource intensive cases may open the department up to scrutiny noting state and territories typically do not charge for these cases. Therefore, charging a uniform rate for all assessments, regardless of complexity, mitigates equity risks or perceived discrimination that could result from charging resource intensive assessments only or at a higher cost.

To assist in mitigating these risks, the department is undergoing a review of the assessment services and expects that outcomes of the review will provide a robust justification for any changes in costing methodology.

Country Education Profiles (CEPs)

At present, many of the CEPs contain information that is outdated, posing a reputational risk to Australia's global leadership in qualifications recognition policy which would limit the policy effectiveness of the activity. The department has kept updating select CEPs to respond to priority issues; however, the purpose of the current review is to streamline the information in the CEP, so that it will be easier to update in line with stakeholder requirements. A new charging regime may be developed after the review is finalised. Charges will need to reflect a balance between the price

required to maintain a service as per the department's international obligation and policy goals, and one that provides customer value for money. Streamlining the service will make it easier to update the CEPs and mitigate the risks of having outdated information. This will reduce risk for decision makers who rely on the CEPs information.

Opportunities

Each portfolio entity manages their own program cost recovery arrangements and requirements - there is not a central area in the portfolio that oversees cost recovery arrangements.

To ensure CRIS and other cost recovery arrangements and requirements are implemented and updated as per the Charging Framework it might be appropriate for the department to build on internal Charging processes. For example,

- Updating the department's Charging Activities Accountable Authority Instructions to include the requirement for the CRIS to be updated on at least an annual basis to include the most recent financial information and any other changes.
- Maintaining a central repository of charging and non-charging activities within the External Budgets and Performance Branch.
- Meeting with charging policy owners on a bi-annual basis to ensure that they are aware of obligations under the Charging Framework including updates to CRIS documentation.

Stakeholder engagement mechanisms

The department

The portfolio works collaboratively with internal and external stakeholders, including participation in whole-of-government policy initiatives, to achieve a coordinated approach to policy issues.

The portfolio's stakeholder involvement has been successful when it is well planned and there is meaningful dialogue with stakeholders and consideration of their views. Stakeholder engagement is particularly important for cost recovered activities, as cost recovery charges have a direct impact on those who pay them. Engagement is essential to ensure activities remain fit for purpose and operate as intended.

TPS

The TPS continues to maintain strong working relationships with education provider regulators and peak bodies to ensure the TPS can respond to regulatory action in a proactive and constructive manner to achieve good outcomes for students. The TPS conducts both international and domestic sector consultations each year on the draft settings for each levy, meeting with peak bodies, education and training providers. The TPS works with TPS Advisory Board and the Office of the Commonwealth Ombudsman to resolve disputes between education providers and international students over the payment of tuition fee refunds.

TEQSA

In September 2023, TEQSA cost recovery arrangements were subject to a stakeholder consultation process. To ensure continued stakeholder confidence, any CRIS amendments will be supported by robust, valid and accountable cost model justifications that provide clear information about the approach to the review of the cost model. TEQSA's engagement strategy ensures that there is clear communication with the sector and external stakeholders on cost recovery movements. TEQSA consulted with the higher education sector and invited feedback when developing the 2022 version of the CRIS.

Impact of the COVID-19 pandemic

CEPs

CEPs subscriptions declined slightly due to migration agents not renewing their subscription during the COVID-19 period. Subscriptions are due to rise given the recovery in international student numbers and mobility.

TEQSA

Following the initial government decision to move toward 90 per cent cost recovery, the commencement of TEQSA's new cost recovery model was largely delayed due to the ongoing impacts of the pandemic on the higher education sector.

Fee waivers were introduced to assist the sector in navigating the impact the COVID-19 pandemic.

Higher Education data

Providers, government departments and agencies were exempt from charging through fee relief during the COVID-19 pandemic period.

HELP program

The annual charge was due to commence in 2020 and invoiced in 2021, however, the Government provided fee relief in response to the COVID-19 pandemic. The annual charge will be introduced for the first time in 2023 (for costs incurred in 2022).

Relief from the annual cost recovery charge provided the sector with certainty in a situation of flux where the impact of the pandemic was not fully known.

TPS

Education services were greatly impacted by border closures, lockdowns and the shift to virtual delivery of education programs.

The Government waived all domestic tuition protection levies in 2020 and 2021, and the international TPS levy in 2022, as a COVID-19 pandemic relief measure for education providers. All levy settings were adjusted to accommodate the changing operational environment of the sector, such as adjustments to the student volatility risk settings.

Flexibility in the levy setting design and framework was critical to support providers, as was ongoing engagement with all stakeholders.

CRICOS

International students were prohibited from travelling to Australia during the COVID-19 pandemic border shutdown, severely limiting the number of students studying in Australia during the pandemic period. This greatly reduced the business of international education providers as well as the number of enrolments (which is a variable element of the charging model).

In 2020, fees and charges were returned via an act of grace before the *Education Services for Overseas Students Amendment (Refunds of Charges and Other Measures) Bill 2020* was introduced to allow the refunds. In 2021 and 2022 the Government waived fees and charges as part of its COVID-19 response. The act of grace was difficult to execute as departmental systems were not set up to return funds to providers. Clear and early communication with the sector assisted with ensuring providers could make decisions with clarity on how the department's charging model, and fee waivers, would impact their business.

Conclusion

The department's Portfolio Charging Review (PCR) was undertaken in accordance with the Charging Framework and in collaboration with the Department of Finance.

The department sought information on all existing and potential charging activities in-scope of the Charging Framework from the department as well as relevant portfolio entities. The PCR has provided the department with an opportunity to assess the extent of charging and bring greater consistency to charging across the portfolio.

The PCR found that the portfolio has an ad-hoc approach to how it manages charging activities, with some policy owners taking a more proactive role in managing their charging activity than others and the department not having a central repository of charging activity data and contacts.

The PCR has identified 10 findings and makes 4 recommendations.

Recommendation 1: Propose to introduce an annual charge to all CRICOS-registered education providers for the international network of Education Counsellors service.

Recommendation 2: The costs of monitoring provider compliance with OS-HELP and SA-HELP requirements continue to be excluded from cost recovery.

Recommendation 3: Ongoing review of Tertiary Education Quality and Standards Agency's (TEQSA) cost recovery model.

Recommendation 4: Updating internal departmental processes to improve record keeping of charging activities in the portfolio and to better align charging activities with the Charging Framework.

Attachment A: Portfolio Charging Review Terms of Reference 2022-23

Authority

A Portfolio Charging Review (PCR) is a requirement of the Australian Government Charging Framework (Charging Framework) agreed by the Government in 2015. Departments of State must conduct a periodic review of all activities within their portfolios at least every five years, in accordance with the published Schedule of PCRs.

Government agreed in September 2017 that 'Terms of Reference' must be agreed between the relevant Minister/s and the Finance Minister for each PCR to assist in appropriate focus and timely delivery.

Portfolio Charging Reviews

The PCR provides an opportunity to assess the extent of charging and bring greater consistency to charging across the portfolio. It will identify potential to charge for new and existing activities. It is also an opportunity to identify whether charging is still appropriate and efficient and assess the effectiveness of stakeholder engagement.

Scope and Objectives

The Department of Education will collect information on all regulatory, resource and commercial activities in-scope of the Charging Framework. Information is to be collected from non-corporate and corporate entities within the Education Portfolio.

In-scope entities in the Education Portfolio include:

- Department of Education
- Australian Curriculum, Assessment and Reporting Authority (ACARA)
- Tertiary Education Quality and Standards Agency (TEQSA)
- Australian Research Council (ARC).

Information is to be collected over the 2022-23 financial year.

Out-of-scope entities within the Education Portfolio include:

- Australian National University (ANU) because the ANU is not part of the general government sector included in the Commonwealth general government sector fiscal estimates
- Australian Institute for Teaching and School Leadership Limited (AITSL) is a Commonwealth Company which is not within scope of the Australian Government Charging Framework.

All activities that are out-of-scope are specifically excluded from the Charging Framework as detailed at [Appendix A](#).

The PCR will:

- identify and analyse all activities in the portfolio, including activities that are currently not charged for
- for activities that are not charged for, determine whether there is a policy decision that charging is not appropriate

- assess consistency of all existing charging activities with the principles and requirements of the Charging Framework and Australian Government Cost Recovery Guidelines
- compare and evaluate the performance of charging activities, using external and/or internal benchmarks
- develop indexation strategies for all charging activities
- identify new charging opportunities, including for existing budget funded activities, where appropriate
- identify opportunities to amend or discontinue charging activities
- assess the effectiveness of stakeholder engagement strategies
- identify opportunities to improve efficiency, transparency and accountability of charging in the portfolio
- examine whether any existing partial cost recovery arrangements are still appropriate and investigate timing to move to full cost recovery

In addition to the above, the PCR will:

- ensure activities/programs under the former Department of Education, Skills and Education are split and agreed according to the 1 July 2022 machinery of government (MOG) changes.

Timeframe

The PCR 2022–23 will be completed, and a copy provided to the Finance Minister, prior to reporting any PCR outcomes in Education 2024–25 Portfolio Budget Submission (PBS).

Information sources

The PCR will utilise information from existing sources where possible, including statutory reviews, pricing reviews, charging surveys, previous PCRs, and other relevant sources.

Deliverables

Key deliverables for the PCR include:

- PCR report provided to the Minister for Education and Minister for Early Childhood and Minister for Youth for consideration and agreement, and copied to the Finance Minister,
- a summary of PCR outcomes for inclusion in the Education Portfolio PBS, and
- any NPP/s for Government consideration to implement PCR outcomes.

Consultation

The Department of Education and its portfolio entities will consult with relevant stakeholders (where appropriate) as well as the Department of Finance during the PCR process, in particular where NPPs will be brought forward in the Budget context.

Timeline

Task	Timing	Stage
Develop and CFO to agree Terms of Reference for PCR by 26 May 2023	15 May 2023 (2 weeks)	Authority
Portfolio Minister's agreement to PCR by 16 June 2023	29 May 2023 (3 weeks)	Authority
Minister of Finance agreement to PCR by 7 July 2023	19 June 2023 (3 weeks)	Authority
Consultation – working group by 14 July 2023	10 July 2023 (1 week)	Consult
Seek information across Education Portfolio by 1 Sept 2023	17 July 2023 (6 weeks)	Consult
Analysis findings and prepare report by 20 Oct 2023	4 Sept 2023 (6 weeks)	Report/approvals
Prepare summary of PCR outcomes and any New Policy Proposals for PBS	To align with PBS timeline	Budget

Appendix A Out-of-scope Activities for the PCR

A range of activities are out-of-scope of the Australian Government Charging Framework. These activities include:

- inter- and intra-government charges¹²
- charging by Commonwealth companies¹³
- investment returns, interest, dividends, debt charges and related charges
- repayments of loans to the Australian Government
- co-payments, co-funding, partnership activities or similar arrangements
- charges under the *Freedom of Information Act 1982*
- grants, donations or similar amounts paid to the Australian Government
- contractual penalties and settlements, court fees and similar fees
- receipts from asset sales, investments or similar activities
- general taxation.

Source: Australian Government Charging Framework, 2015, page 5.

¹² Intra-government and inter-government payments may be between entities from the Australian Government, state, territory, local or foreign governments, and usually involve may involve charging for specific goods or services. Where a government entity provides an activity to both the government and non-government stakeholders, charges should generally be set on the same basis for all stakeholders.

¹³ As at 17 May 2023, there were 17 Commonwealth companies, in addition to 100 non-corporate Commonwealth entities, and 72 corporate Commonwealth entities. A flipchart of Commonwealth entities and companies can be found at <http://www.finance.gov.au/flipchart>.

Glossary

ACARA: Australian Curriculum, Assessment and Reporting Authority

ACER: Australian Council for Educational Research

AHEGS: Australian Higher Education Graduate Statement

AIHW: Australian Institute of Health and Welfare

ARC: Australian Research Council

CARC: CRICOS Annual Registration Charge (CARC)

CCS: Child Care Subsidy

CEPs: Country Education Profiles

Charging Framework: Australian Government Charging Framework

CRICOS: Commonwealth Register of Institutions and Courses for Overseas Students

CRIS: Cost Recovery Implementation Statement

ECY: Early Childhood and Youth

ESOS Act: Education Services for Overseas Students Act 2000

ESOS: Education Services for Overseas Students

FEE-HELP: Financial help for students to pay tuition fees

Finance: The Department of Finance

HECS-HELP: Financial help for students to pay for student contributions

HELP: Higher Education Loan Program

HERI: Higher Education, Research and International

ITE: Initial Teacher Education

LANTITE: Literacy and Numeracy Test of Initial Teacher Education

MoG: Machinery of Government

NHMRC: National Health and Medical Research Council

OS-HELP: Financial help for students to pay for overseas study expenses

PCR: Portfolio Charging Review

SA-HELP: Financial help for students to pay for student services and amenities fees

TEQSA: Tertiary Education Quality and Standards Agency

The department: The Department of Education

~~PROTECTED: Cabinet~~

This security classification and caveat are no longer current. This document has been reclassified as 'Official: Sensitive'.

TPS: Tuition Protection Service

VSL: Vocational Education Training Student Loans