



Australian Government
Department of Education

COST RECOVERY IMPLEMENTATION STATEMENT

Cost recovery activities for the HECS-HELP and FEE-HELP programs

Financial Year 2019-20

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework (Charging Framework), which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities.

¹ The Australian Government Charging Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

GLOSSARY

AAT	Administrative Appeals Tribunal
Activity	A service and/or support to the Australian public to achieve government policy outcomes
ATAR	Australian Tertiary Admission Rank
ATO	Australian Taxation Office
Business processes	The discrete steps undertaken in an activity for reporting and costing purposes, as relevant to the complexity, materiality and sensitivity, to deliver an output
CRF	Consolidated Revenue Fund
CRGs	Cost Recovery Guidelines
CRIS	Cost Recovery Implementation Statement
CSP	Commonwealth Supported Place
The department	Department of Education
FEE-HELP	Fee - Higher Education Loan Program
FVI	Financial Viability Instructions
HECS-HELP	Higher Education Contribution Scheme- Higher Education Loan Program
HEIMS	Higher Education Information Management System
HELP	Higher Education Loan Program
HEP	Higher Education Provider
HESA	<i>Higher Education Support Act 2003</i>
HITS	HELP IT System
ICL	Income Contingent Loan
ICT	Information and Communication Technologies
NUHEP	Non-University Higher Education Provider
OUA	Open Universities Australia
Output	The product or direct result of business processes
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RFI	Request for Further Information
Secretary	Secretary for the Department of Education
Table A providers	Table A providers listed under HESA
Table B providers	Table B providers listed under HESA
Table C providers	Table C providers listed under HESA
TEQSA	Tertiary Education Quality and Standards Agency
The Minister	The Minister for Education

1. INTRODUCTION

1.1 Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information to higher education stakeholders on how regulatory charging associated with the Higher Education Loan Program (HELP) for the Higher Education Contribution Scheme - Higher Education Loan Program (HECS-HELP) and Fee - Higher Education Loan Program (FEE-HELP) will be implemented by the Department of Education (the department). This includes charging an application fee for all prospective Higher Education Providers (HEP) seeking approval under the *Higher Education Support Act 2003* (HESA) to offer FEE-HELP, and an annual charge levy (on a partial cost recovery basis) on all higher education course providers whose students are entitled to HECS-HELP and/or FEE-HELP assistance under HESA.

The CRIS outlines the costs for each regulatory activity, and how the application fee and annual charge levy rates are determined. The application fee will recover the full costs of assessing applications. The levy will partially recover the costs of ongoing regulatory activities and will be calculated based on the cost drivers of the department's regulatory activities.

Financial and non-financial performance information for these cost recovery activities is also reported in this CRIS, which includes financial forecasts for 2020, and four forward years (note, the financial forecast on the relevant financial years are also included). The department will maintain the CRIS until the activity or cost recovery for the activity is discontinued.

1.2 Summary of HELP

HELP (including HECS-HELP and FEE-HELP) was introduced in 2005 and has been in operation since 1989 under the former name of HECS. It is an income contingent loan (ICL) program that supports access and participation to tertiary education by removing the up-front cost barriers for eligible students. When an eligible student accesses HELP, the Australian Government pays the student's tuition fees directly to the approved provider, and the student accrues a debt to the government, which is managed by the Australian Taxation Office (ATO). HELP for students in higher education is primarily delivered through the HECS-HELP and FEE-HELP loan programs.

The department regulates higher education providers who can offer courses under HECS-HELP and FEE-HELP, to ensure that providers are financially viable, making available required information to current and new students and complying with reporting obligations and legislative requirements.

Recovering the costs of these regulatory activities promotes equity, as the recipients of the activity meet the cost of its delivery. It is expected that cost recovery will encourage higher education providers to offer more comprehensive information for students to reduce the volume of enquiry services required by the department. Charging, via cost recovery, can also increase the efficiency, productivity and responsiveness by the department, as service levels can be streamlined where possible.

1.3 Description of the regulatory charging activities

The HELP program comprises two regulatory activities:

- **Applications** from registered higher education providers (as defined by *Tertiary Education Quality and Standards Agency Act 2011*) to be approved under the HESA legislation to offer FEE-HELP assistance to eligible students.
- **Ongoing regulatory activities** such as compliance and auditing costs, payments and estimates, processing and actioning complaints, and provider and student management. These activities ensure that approved higher education providers continue to meet the requirements as a higher education provider under HESA.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activities

The Government decided to apply full cost recovery for all prospective higher education providers applying for approval to offer FEE-HELP under HESA and partial cost recovery for ongoing regulatory activities for higher education providers offering HECS-HELP and/or FEE-HELP assistance in the 2018-19 Budget, as announced on 8 May 2018.

2.2 Statutory authority to charge

Under subsection 16-40(2) of HESA, applications from registered higher education providers applying for approval as a higher education provider (under HESA) must be accompanied by the fee (prescribed by the *Higher Education Provider Guidelines 2012*).

Under the *Higher Education Support (Charges) Act 2019*, higher education providers offering HECS-HELP and/or FEE-HELP assistance must pay the annual charge (a cost recovery levy) as and when it falls due. This is a condition of their continued approval as a higher education provider able to offer HECS-HELP and/or FEE-HELP assistance under HESA. The charge payable by providers (prescribed by the Higher Education Support (Charges) Regulations 2019) is estimated by the department to be the partial cost of administering the HECS-HELP and FEE-HELP programs and undertaking monitoring, compliance, financial viability assessments, investigations and auditing costs. Activities not included in the annual charge include general compliance activities (i.e. program risk management and administrative correspondence), payments and estimates activities, policy advice to government and drafting of legislation.

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activities

Generally, higher education providers eligible to offer HELP are categorised as universities or approved non-university higher education providers (NUHEPs). Students enrolled at an approved Australian higher education provider (under HESA) may be able to access Commonwealth assistance, through a Commonwealth Supported Place (CSP), HECS-HELP or FEE-HELP loan.

Universities

All universities are self-accrediting institutions, which means they are responsible for determining the curriculum and content for the courses they offer.

The majority of universities (Table A universities and certain Table B universities, as defined in HESA) and certain NUHEPs can offer eligible students a CSP. Students studying in a CSP may be eligible to access a HECS-HELP loan to defer payment of their student contributions. Eligible students in full fee-paying places at universities can access a FEE-HELP loan to defer payment of their tuition fees.

Approved NUHEPs

NUHEPs are generally not allocated CSPs (see Commonwealth Supported Places breakout box below). These providers offer a range of full fee-paying courses leading to a higher education award course (generally at the bachelor degree level and above). NUHEPs are approved under HESA, as higher education providers, to offer FEE-HELP loans to eligible students.

Open Universities Australia (OUA)

OUA provides distance education to tertiary students. OUA is owned and operated by a consortium of Australian universities and offers tertiary students a chance to undertake higher education study regardless of their Australian Tertiary Admission Rank (ATAR), previous education, age or location.

FEE-HELP loans are available to eligible students for undergraduate and postgraduate units of study undertaken through OUA.

3.1.1 Becoming an approved higher education provider

Applications from registered higher education providers (as defined by the *Tertiary Education Quality and Standards Agency Act 2011*) for approval under HESA to offer FEE-HELP must be accompanied by the application fee.

An organisation seeking approval as a higher education provider must meet legislative eligibility requirements. For example, an organisation must be a body corporate with its central management and control in Australia, be listed on the national register of higher education providers and offer at least one eligible accredited course.

Commonwealth Supported Places

Table A universities, certain Table B universities (as defined in HESA) and a small number of NUHEPs are entitled to offer HECS-HELP and FEE-HELP to students. Currently, these providers receive funding for CSPs through the Commonwealth Grant Scheme. A small number of non-Table A higher education providers receive funding for CSPs in national priority areas (predominantly teaching and nursing). This is due to historical allocations of CSPs through application processes conducted before 2011. Currently, there is no process in place to facilitate additional providers to be allocated CSPs.

3.1.2 Application activities

The key activities undertaken by the department in reviewing an applicant to be an approved higher education provider are:

- **Completeness check** - Check application for completeness and rectify where required. This includes a check of corporate information, policy documentation, data, financial statements and declarations; ensuring that applicants have provided all necessary information before assessment begins.
- **Financial viability assessment** - Analysis of financial statements from the last four years or, where the applicant forms part of a larger corporate network, consolidated financial statements for the group, as well as business and risk mitigation plans, budget forecasts, corporate structures and supporting information. Financial performance assessments ensure the provider meets the HESA requirement that it is financially viable and likely to remain so.
- **Assessment of fit and proper person requirements** - An integrity check is performed on the applicant and all relevant senior staff, directors or persons of influence. This check ensures that both the organisation and its relevant officers are well suited to deliver the program.
- **Regulator risk rating** - The department liaises with Tertiary Education Quality and Standards Agency (TEQSA) to determine whether there are any significant outstanding issues in relation to the provider's recent performance. This aids in determining the applicant's ability to provide quality education.
- **Policy assessment and moderation** - Assessment of all policy documentation supplied by applicants to ensure consistency with the requirements of both HESA and the *Higher Education Provider Guidelines 2012*.
- **Request for Further Information (RFI), ongoing assessment and applicant engagement** - The department engages with applicants following the initial submission of an application and provides for the submission of additional information to address concerns or omissions found during the assessment process. This is done by issuing RFIs (formal notices under HESA requesting the provision of additional information) from applicants. Following the receipt of RFI responses, assessment processes relating to financial viability and policy documentation are repeated. Applicants may receive multiple RFIs throughout the application process, with the department required to repeat assessment processes after each response to the requests.

- **Conditional approval, courses, caps and delivery modes** - All approved higher education providers are subject to conditions to maintain their approval. These conditions must be determined during an application assessment and agreed to by both the applicant and the Minister's departmental delegate prior to the finalisation of an approval. Where it is deemed that additional compliance methods are required, such as caps on total loan values, delivery methods or student numbers, the additional compliance methods must be crafted specifically to address each applicant's individual risk profile.
- **Decisions and notifications** - the department notifies the applicant and other stakeholders of the decision. Internal notifications include input into the Higher Education Information Management System (HEIMS), to payment systems and the StudyAssist website. External notifications include to applicants, TEQSA and the ATO.

3.1.3 Ongoing Regulatory Activities

To maintain registration as a university or a NUHEP, entities must meet ongoing regulatory obligations, such as financial viability, policy standards and probity of key staff. The department undertakes compliance and auditing activities, payments administration, responding to queries and complaints, and provider and student management as part of the regulatory activities for HECS-HELP and FEE-HELP. These activities ensure that approved providers continue to meet the requirements under HESA.

Financial viability assessment

Providers must submit financial information to the department, to be assessed as being financially viable and likely to remain so. A HEP must submit information that assists the Minister in assessing their financial viability, including audited financial statements, submitted on a commercial-in-confidence basis.

The department can review a range of information when considering whether a provider meets financial viability requirements. The provider must meet these ongoing requirements, including alternative or additional arrangements requested by the Minister.

The Financial Viability Instructions (FVI) advises an approved provider on required financial information and how financial viability is monitored. The FVI is available from the department's website at <http://www.education.gov.au/financial-reporting-requirements>.

All providers are assessed annually to ensure that they remain financially viable. The effort of conducting financial viability assessments are approximately the same per provider type, regardless of size or number of students.

Desktop review of Provider Policies and Procedures

To be compliant with the requirements of HESA and related guidelines, all providers must make publicly available the following policies and procedures:

- Fair treatment and equal opportunity procedures;
- Student grievance procedures;
- Student refund and review procedures;
- Statement of tuition assurance (mainly NUHEPs);
- Personal information procedures; and
- Schedule of tuition fees.

Also, within this set and additional to it, there may be examination for new or focused issues (depending on policy and legislative changes to HESA). Providers are informed of changes to the department's focus at the start of the academic cycle.

Currently the department undertakes an annual review of relevant NUHEP websites to ensure that the required information is available. The effort of this activity varies according to provider compliance with existing and new requirements.

Provider Payments and Reconciliation

HELP payments are made to providers in advance based on provider estimates of student loan amounts, and estimates can be revised during the middle and end of the year for universities, and end of March, June and September each year for NUHEPs. They may also be revised based on an annual reconciliation submitted for prior years, including giving effect to remissions of HECS-HELP and FEE-HELP debts.

A provider must contact the department to request a variation when it becomes aware that the amount of advance payments differs materially from actual loan amounts. Additional variations for HECS-HELP and FEE-HELP advance payments can occur throughout the year.

The payment cycles for universities and NUHEPs follow distinctly different processes. The cost drivers for NUHEPs relate to the need to check and verify the accuracy of the estimates, due to the variability of enrolments (increases and decreases). Universities require a different level of scrutiny and the process utilises linked automated systems.

The Government has currently determined the costs of administering payments and general administration will not be recovered from providers.

Reporting

To ensure ongoing compliance with HESA, all providers must supply the department with statistical information and other data, such as student enrolment and course information, to continue as an approved provider under HESA.

Information required to be reported to the department includes:

- Courses and student information that relate to all units of study with census dates from 1 January to 31 December of the reporting year.
- Information about students who are in receipt of an OS-HELP or SA-HELP loan from 1 January to 31 December of the reporting year.
- Information about students who commence or continue a Commonwealth Scholarship in the reporting year.

For cost recovery purposes, in-scope activities are related only to the provision of HECS-HELP and FEE-HELP loans.

Managing and resolving student and provider queries

The department manages a number of channels of communication with providers and students who may need to discuss their provider's services. The department expects to be handling, on average, 6,000 enquiries per annum via telephone, email, webform and through Ministerial correspondence relating to universities and NUHEPs. This figure is based on historical data of the number of queries that are monitored and recorded by the call centre and the department.

Simple queries can be resolved by directing people to the relevant information on the department's or the provider's website.

Complex queries may involve research and checking of information, and potentially escalation to a complaints or investigation process.

Delivery of legal services

Where a student seeks remission of their HELP debt, they must apply to their provider in the first instance, who as a delegate of the Secretary, decides on the application. If the student disputes the provider's decision, they can apply for an internal review of the decision and this can be conducted and decided by the provider.

If the student remains dissatisfied following internal review of the decision, they may apply to the Administrative Appeals Tribunal (AAT) for an independent merits review of the decision.

Where an application is made to the AAT, the Secretary is the respondent and the department manages the matter on the Secretary's behalf. This ensures the quality and consistency of the submissions made to the AAT, and to ensure that submissions reflect the government's policy on how the 'test' for remitting a HELP debt should be applied.

Activity Outputs

Based on the regulatory activities currently undertaken by the department in regards to HECS-HELP and FEE-HELP providers, below are the expected activity outputs to be included in the higher education regulatory charges.

Applications to be a NUHEP to offer FEE-HELP assistance:

- The decision on whether an applicant can be approved as a NUHEP.

Activities undertaken by the department to ensure the ongoing compliance and monitoring of higher education providers include:

- Financial viability assessment
- Reviews of provider websites for policy standards and information to students
- Responses to queries and complaints
- Ongoing provider and student management

3.2 Costs of the regulatory charging activities

In line with the Government decision (outlined in section 2 "Statutory and Policy Authority to Cost" of the CRIS above), the efficient costs of delivering these activities are shown in Tables 1 and 2. These costs relate to staffing and on-costs (worker's compensation, direct Information and Communication Technologies (ICT), superannuation) and relevant indirect costs (desktop ICT expenses, human resources support and organisation services and property costs).

The CRGs note that "the efficient costs are the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government."²

² CRGs, p. 34.

3.2.1 Application fee for new FEE-HELP providers

Example 1: 'Receive and register' process

- Receiving and registering a provider application would take one junior administration officer approximately two hours on average.
- The hourly wage for a junior administration officer is \$76.49 (including on-costs and indirect costs).
- $2 \times \$76.49 = \152.98
- The total cost of the 'receive and register' process is \$152.98 per application.

Example 2: 'Financial performance check' process

- It would take one senior administration officer and one junior executive-level officer on average, a combined effort of approximately 72 hours to analyse the applicant's provided audited general purpose financial statements from the last three years and/or additional financial information as required.
- The review would include analysis of data in the financial statements (financial ratio analysis including profitability, equity and liquidity) and budget analysis.
- The review also includes analysis on the applicant's business plans, student and staffing information and risk management plans.
- The appraisal will provide a risk rating and conclusion stating any major inclusions or exclusions.
- The hourly wage rate of a senior administration officer is \$87.48 (including on-costs and indirect costs).
- The hourly wage rate for a junior executive level officer is \$103.40 (including on-costs and indirect costs).
- $(60 \times \$87.48) + (12 \times \$103.40) = \$6,489.60$
- The total cost of the 'financial performance assessment' is \$6,489.60 per application.

Table 1: Process and costs per application- 2020

Outputs and processes	Cost per application (\$)
Receive	
Receive and register	\$152.98
Check	
Completeness	\$229.47
Assess	
Assessment of financial performance	\$6,489.60
Assessment of fit and proper person	\$76.49
Assessment and moderation	\$4,536.97
Assessment oversight	\$1,026.45
Decisions and notifications	\$305.96
TOTAL	\$12,817.92

3.2.2 Annual charge for HECS-HELP and FEE-HELP providers

Example 3: 'NUHEP and Table C provider's financial viability assessment' process

- This process would take one junior administrative officer, one senior administrative officer, one junior executive-level officer and one senior executive-level officer, 24 hours to complete an average.
- The process involves reviewing provider input including their financial statements and company information. Any follow up queries to providers occur in order to seek clarification of uncertainties or to seek additional information.
- The department assigns and monitors follow up actions for providers arising from the financial and non-financial information provided.
- The hourly wage for a junior administration officer is \$76.49 (including on-costs and indirect costs).
- The hourly wage rate of a senior administration officer is \$87.48 (including on-costs and indirect costs).
- The hourly wage rate for a junior executive level officer is \$103.40 (including on-costs and indirect costs).
- The hourly wage rate for a senior executive-level officer is \$126.49 (including on-costs and indirect costs)
- There are 94 providers in this category (estimated for 2020).
- It is assumed that, the department will record and assess the results of approximately 87 providers, with the senior executive-level officer making direct contact with the remaining providers' Chief Financial Officer/Chief Executive Officer (around seven each year) to formally follow up on further analysis or clarification of information.
- For approximately 87 providers, the total cost per assessment is $(5 \times \$76.49) + (10 \times \$87.48) + (4 \times \$103.40) = \$1,670.85$
- For approximately seven providers who are contacted directly by the department's senior executive-level officer, the total cost per assessment is $(5 \times \$76.49) + (10 \times \$87.48) + (4 \times \$103.40) + (2 \times 126.49) = \$1,923.83$
- The total cost of the 'NUHEP and Table C provider financial viability assessment' is \$158,830.76

Table 2: Process and costs per regulatory activity - 2020

Activities and outputs	Direct costs (\$)
Enquiries (including telephone and email queries, and ministerial correspondence in relation to compliance of HEPs)	\$1,078,322.79
Standard enquiries	\$611,195.26
NUHEP and Table C provider specific enquiries	\$312,256.13
University specific enquiries	\$154,871.40
Stakeholder engagement	\$552,366.48
Published materials	\$397,683.21
HELP Provider Workshops and forum	\$154,683.27
Provider management and compliance	\$1,376,794.05
NUHEP and Table C providers - training, working groups	\$306,156.81
University - training, working groups	\$409,525.85
NUHEP and Table C providers - desktop audits	\$148,153.89
NUHEP and Table C provider -investigations and forensic audits	\$194,701.55
University - Investigations	\$318,255.95
Management of the payment cycle*	\$200,146.63
NUHEP and Table C provider payment management*	\$191,743.03
University payment management*	\$8,403.59
Program Administration*	\$108,369.08
Program risk management*	\$42,038.72
Ministerial correspondence and communications*	\$66,330.36
Financial viability assessment	\$452,253.03
NUHEP and Table C providers	\$158,830.76
University	\$293,422.27
TOTAL cost of activities	\$3,768,252.05
Total cost of activates not subject to cost recovery*	\$308,515.70
Total cost of activities subject to cost recovery	\$3,459,736.35

*Not subject to cost recovery, as per Government decision.

3.3 Design of cost recovery charges

3.3.1 Applications to be an approved higher education provider

Applications to become an approved higher education provider will be subject to a fee. This activity is carried out at the request of an individual or organisation and, if approved, enables the organisation to become a higher education provider able to offer FEE-HELP assistance. Costs of this activity can be attributed directly to the applicant.

The charge per application to be approved under HESA is fully reflective of the costs of delivering this activity as detailed in Table 1, however is rounded up to the nearest dollar for administrative simplicity.

3.3.2 Ongoing regulatory activities

To continue to offer HELP assistance to eligible students, higher education providers must comply with HESA, including through financial viability assessment, investigations and forensic audits.

As per the Government decision, and per the requirements of the Australian Government Charging Framework, the direct costs and an appropriate share of the indirect costs of delivering compliance, monitoring, investigations, communications and advice activities are appropriate for inclusion in a levy on listed and approved higher education providers.

The annual charge comprises:

- a student-based amount for NUHEPs and Universities, representing costs that are incurred in greater proportion for providers with more students, such as communications, enquiries and stakeholder engagement. A portion of these costs are split into general enquiries (applicable to all providers), NUHEP and Table C provider specific enquiries and University specific enquiries.
- a student-based amount for NUHEP and Table C providers specific costs, related to provider management activities such as provider training, working groups, system support and legal support, investigations, compliance and audits representing costs that are incurred in greater proportion for NUHEPs and Table C providers with more students.
- NUHEP and Table C providers' specific costs allocated on a flat rate basis. These costs are in relation to the financial viability assessment of these providers.
- university specific costs are allocated on a flat rate basis. These costs are in relation to provider management, financial viability assessment and compliance of these providers.

Table 3: Annual charge activities and costs by provider type (cost subjected to recovery only)

Activities	University costs	NUHEPs and Table C providers costs
Provider-type specific enquiries	\$154,871.40	\$312,256.13
Standard enquiries	\$1,163,561.74 Apportioned across all providers based on verified student numbers	
Stakeholder engagement		
Provider management and compliance	\$727,781.80	\$649,012.25
Financial viability assessment	\$293,422.27	\$158,830.76

In May each year, the true costs of administering and regulating the HECS-HELP and FEE-HELP programs will be reviewed and assessed, and applied to providers based on verified student data for the relevant calendar year. Charging on a calendar year basis reflects the business cycle of providers. The charge will occur in arrears based on provider's verified prior year student data and other activity driver costs.

Therefore, the first annual charge to providers (i.e. annual charge for 2020) will be invoiced to providers in May 2021 based on verified student data for payment by June 2021. Going forward, providers will be invoiced in May for payment in June for annual charge of the prior calendar year.

Table 4: Annual charge for approved higher education providers

Activity Group	Effort Cost	Activity driver (HECS-HELP and/or FEE-HELP only)	Annual Charge Estimate
Stakeholder engagement and standard enquiries	\$1.16m	Number of verified students enrolled with a provider	\$1.15 per verified student for the provider (applicable to all providers)
NUHEPs and Table C specific enquiries and provider management and compliance	\$0.96m	Number of verified students enrolled with a NUHEP/Table C provider	\$19.49 per verified student at the NUHEP/Table C provider
NUHEPs and Table C financial viability	\$0.16m	Delivered equally across all NUHEP/Table C providers	\$1,689.69 per NUHEP/Table C provider
University provider management, compliance and financial viability	\$1.02m	Delivered equally across all universities	\$24,314.38 per university
University specific enquiries	\$0.15m	Number of verified students enrolled with a university	\$0.16 per verified student for the provider

Noting Tables 1 and 2, the department can adjust the assessment of the application fee and annual charge based on changes in future policy/legislation. Due to the nature of the program being activity-based, the department will be charging on the efficient costs and will be reviewing the annual charge on a yearly basis. Table 5 identifies changes in activities that could potentially create a change in the regulatory charge.

Table 5: Potential change in future costs of the application fee and annual charge

Example activities	Reason for change in effort
Registration of applications	Potential providers may become more compliant and informed. They may be able to provide a more complete application with supporting documentation for approval
Enquiries	As providers become more informed, they may become more proactive in providing their students with better information on HELP
Desktop audits	As providers becoming more compliant with HELP policy/legislation over time, the department may be able to conduct fewer, shorter, and less complex investigations and audits

4. RISK ASSESSMENT

There are specific risks regarding the implementation of cost recovery under HELP. Cost recovery for HECS-HELP and FEE-HELP programs from approved higher education providers is new, and there is a concern from sector as to whether the charges reflect true and efficient costs of each business process. Due to this uncertainty, providers could be over or under charged when compared to the actual cost of the regulatory activity. There is also uncertainty around the numbers of providers that will be approved over time. Providers report student numbers based on a calendar year and due to this basis, the department will be recovering the annual charge in the following financial year. Even though charging in arrears will assist in mitigating this uncertainty, actual costs of providing regulatory activities will not be known until the end of the financial year. The uncertainty impacts on the total estimated revenue raised through the cost recovery mechanisms.

To mitigate these risks, cost drivers for the application activity and ongoing monitoring, compliance and management activities will be reviewed on an ongoing basis. This will ensure that the application fee and annual charge rates reflect the efficient costs, the drivers of those costs and will include consultation with stakeholders.

In the event of revenue not being aligned with actual costs, the department will aim to review its processes and prices; and reconcile this difference in the following year's charges.

If there is:

- a 10 per cent surplus/shortfall – the department will not undertake a review of the charge and its processes;
- a shortfall/surplus between 10 per cent and 20 per cent – the department will review its charges and reconcile this difference in the following year's charge; and
- a shortfall/surplus more than 20 per cent – the department will review its processes for the charge and reconcile this difference in the following year's charge.

In the event of changes to the profile of the higher education sector, or legislative/policy changes, the department will review and assess the processes and implications to the annual charge and the application fee in order to ensure that the costs of providing regulatory activities remains consistent with the Charging Framework.

5. STAKEHOLDER ENGAGEMENT

The HELP programs' stakeholders in regards to the regulation of higher education include: higher education providers and potential new entrants; peak bodies (Universities Australia, Australian Council for Private Education and Training, Council of Private Higher Education, TAFE Directors Australia, the International Education Association of Australia); and students.

The HELP programs' stakeholders will be consulted regarding these charging arrangements on an ongoing basis, including on specific operational matters on a case-by-case basis.

6. STAKEHOLDER FEEDBACK

The Government undertook consultation with the higher education sector on the various aspects of the HELP charging measures outlined in the CRIS.

Stakeholders who provided feedback and comments on the CRIS accepted the principle of the application fee. However, in relation to the annual charge, stakeholders mainly concluded that:

- there was little to no prior consultation with the higher education sector;
- it was unfair the government was seeking to shift costs of HELP regulation to the higher education sector;
- the CRIS did not present a convincing case for the need to recover costs from the higher education sector for the activities;
- the charging measures would create additional burden of providers' capacity to deliver quality teaching, learning and research outcomes;
- the imposition of a risk levy that creates inequality between universities and NUHEPs;
- there be more clearly formulated and fairly distributed approach to the costs provided, including justification;
- full cost calculations of all activities included in the annual charge were not provided;
- the implementation date of 1 January 2019 is unreasonable given that most providers have already developed operational budgets for 2019;
- there is a significant difference in the Budget forecast and the revenue expected to be raised from the charging measures in the CRIS;
- there were certain references in the CRIS that were confusing due to the occurrence of these not occurring in HESA; and

As a result of this consultation, the Government has made the following changes to the CRIS:

- the risk levy in relation to NUHEP financial viability costs has been removed and a flat fee (based on the number of NUHEPs) created to account for NUHEP financial viability costs;
- amending the CRIS to clearly outline the shared and individual provider type;
- better aligning references in the CRIS with HESA.

7. FINANCIAL ESTIMATES

Financial performance for the FEE-HELP application fee is provided at Table 6 below. The 2019-20 financial year and four forward years will be updated each year as financial information becomes available. The department expects to receive and process seven FEE-HELP applications each year. The department has historically approved up to 60 per cent of applications received.

Table 6: Application fee for new FEE-HELP providers, Expenses and Revenue (\$m)

Calendar year	2020	2021	2022	2023	2024	Total*
Expenses (\$m)	\$0.09	\$0.09	\$0.09	\$0.10	\$0.10	\$0.47
Revenue (\$m)	\$0.09	\$0.09	\$0.09	\$0.10	\$0.10	\$0.47
Expense less revenue (\$m)	\$-	\$-	\$-	\$-	\$-	\$-
Cumulative expense less revenue, funded by Government (\$m)	\$-	\$-	\$-	\$-	\$-	\$-
Financial year	2019-20	2020-21	2021-22	2022-23	2023-24	Total*
Expenses (\$m)	\$0.05	\$0.09	\$0.09	\$0.09	\$0.10	\$0.42
Revenue (\$m)	\$0.05	\$0.09	\$0.09	\$0.09	\$0.10	\$0.42
Expense less revenue (\$m)	\$-	\$-	\$-	\$-	\$-	\$-
Cumulative expense less revenue, funded by Government (\$m)	\$-	\$-	\$-	\$-	\$-	\$-
* Difference in total between calendar year and financial year is due to the cost for the last six months of 2024 being recovered in the 2024-25 financial year.						

Financial performance for the annual charge applied on higher education providers offering HECS-HELP and/or FEE-HELP assistance to students is provided at Table 7 below. The 2019-20 financial year and four forward years will be updated each year as financial information becomes available.

The annual charge assumes that seven applications will be received each year of which four providers will be approved (an estimated net growth in the number of higher education providers each year). Therefore, the growth in total expenses for the annual charge is attributable to the estimated growth in approved providers from 2019-2023.

Table 7: Annual charge for higher education providers, Expenses and Revenue (\$m)

Calendar year	2020	2021	2022	2023	2024	Total*
Expenses, including not recovered activities (\$m)	\$3.77	\$3.96	\$4.15	\$4.35	\$4.56	\$20.79
Expenses – recovered activities only (\$m)	\$3.46	\$3.63	\$3.81	\$4.00	\$4.19	\$19.09
Revenue (\$m)	\$-	\$3.46	\$3.63	\$3.81	\$4.00	\$14.90
Expense less revenue – recovered activities only (\$m)	\$3.46	\$0.17	\$0.18	\$0.19	\$0.19	\$4.19
Cumulative expense less revenue - recovered activities only (\$m)	\$3.46	\$3.63	\$3.81	\$4.00	\$4.19	-
Expense less revenue – including not recovered activities (\$m)	\$3.77	\$0.50	\$0.52	\$0.54	\$0.56	\$5.89
Cumulative expense less revenue, funded by Government (\$m)	\$3.77	\$4.27	\$4.79	\$5.33	\$5.89	-
* Expenses incurred in 2024 that are recoverable will be recovered in 2025						
Financial year	2019-20	2020-21	2021-22	2022-23	2023-24	Total**
Expenses, including not recovered activities (\$m)	\$1.89	\$3.86	\$4.05	\$4.25	\$4.46	\$18.51
Expenses – recovered activities only (\$m)	\$1.73	\$3.55	\$3.72	\$3.90	\$4.09	\$16.99
Revenue (\$m)	\$-	\$3.46	\$3.63	\$3.81	\$4.00	\$14.90
Expense less revenue – recovered activities only (\$m)	\$1.73	\$0.09	\$0.09	\$0.09	\$0.09	\$2.09
Cumulative expense less revenue – recovered activities only (\$m)	\$1.73	\$1.82	\$1.91	\$2.00	\$2.09	-
Expense less revenue – including not recovered activities (\$m)	\$1.89	\$0.40	\$0.42	\$0.44	\$0.46	\$3.61
Cumulative expense less revenue, funded by Government (\$m)	\$1.89	\$2.29	\$2.71	\$3.15	\$3.61	-
** Difference in total between calendar year and financial year is due to the cost for the last six months of 2024 will be recovered in the 2024-25 financial year, and some costs are funded by government (i.e. not recovered from providers).						

8. FINANCIAL AND NON-FINANCIAL PERFORMANCE

HELP was introduced in 1989 (formerly known as HECS) while FEE-HELP was introduced in 2005 as a new loan scheme under HELP. There are about 150 providers approved to offer HECS-HELP and FEE-HELP, the effort and the associated cost to administered HELP and the providers regarding the management of the application and the annual charge is not available because these are new cost recovery measures. The department will report this information once data determining financial and non-financial performance is generated.

The department will closely monitor the expenses of the charging activity and cost recovery revenue, as per the above risk management section, to ensure that these are aligned over the business cycle. This will ensure that the cost-recovered activities are managed efficiently, productivity improvements are identified and that there is responsiveness and accountability for the activities.

As well as monitoring the expenses of the program, the department will review activities and processes regularly, at least within three years.

By increasing cost consciousness for stakeholders, it is expected that the quality of information that providers have available to students will increase. This could be shown through the reduced demand for the department to provide students with this information (decrease in the level of interactions the department has with the student).

Charging for regulatory activities could promote efficiency, in potentially reducing the number of compliance issues identified by the department's desktop audits. It is anticipated that providers would improve their compliance with HELP policy and legislation, which would allow the department to conduct faster and fewer investigations and audits, and therefore reduce the cost to providers.

The annual charge recovers the costs associated with administering the HECS-HELP and FEE-HELP programs, thereby strengthening the integrity and sustainability of HELP.

9. KEY FORWARD DATES AND EVENTS

Date	Events
January 2020	<ul style="list-style-type: none"> Application fee and annual charge commences
Early 2020	<ul style="list-style-type: none"> Provider application round opens, will require an application fee Ongoing stakeholder engagement on the cost recovery charges commences (including via higher education provider communications working group meetings)
2020-2021	<ul style="list-style-type: none"> Ongoing review of the cost drivers for the cost recovery charges commences Next update of forward estimates for the cost recovery charges Next update of actual results on the cost recovery charges will be provided in the department's Annual Report
May - 2021	<ul style="list-style-type: none"> Providers invoiced annual charge for 2020 for payment by June 2021
May - 2022	<ul style="list-style-type: none"> Providers invoiced annual charge for 2021 for payment by June 2022
2023	<ul style="list-style-type: none"> Next portfolio charging review commences Providers invoiced annual charge for 2022 in May 2023

10. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
XX/XX/20XX	Update of financial estimates	Title of accountable authority	Changes in assumptions (e.g. at Additional Estimates)
XX/XX/20XX	Update description of costs and charges	Title of responsible Minister	Changes in costs of resources
XX/XX/20XX	Amend description of business processes	Title of accountable authority	Revalidation of the costing model (operational change)
XX/XX/20XX	Amend description of the regulatory charging activity and cost recovery model	Government	Addition of a new group of fee payers (policy change)