



Australian Government
Department of Education and Training

Inquiry into the provisions of the Higher Education Support (Charges) Bill 2018 and Higher Education Support Amendment (Cost Recovery) Bill 2018

19 November 2018

Opportunity through learning

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Inquiry into the provisions of the Higher Education Support (Charges) Bill 2018 and Higher Education Support Amendment (Cost Recovery) Bill 2018

Introduction

The Department of Education and Training (the department) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee for the inquiry into the provisions of the Higher Education Support (Charges) Bill 2018 and Higher Education Support Amendment (Cost Recovery) Bill 2018. The department's submission should be read in conjunction with the Explanatory Memoranda on both bills and the Cost Recovery Implementation Statement (draft CRIS) for consultation. For ease of reference, the draft CRIS is provided at [Attachment A](#).

Higher Education Loan Program (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 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 contribution amount of their tuition fees directly to the approved provider, and the student accrues a debt to the Government, which is managed by the Australian Taxation Office. HELP for students in higher education is primarily delivered through the HECS-HELP and FEE-HELP loan programs.

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

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 *Higher Education Support Act 2003* (HESA) 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.

Recovering the costs of these regulatory activities promotes equity, as the recipients of the activity, not to be confused with the recipients of the program, meet the cost of its delivery. The costs are apportioned to the recipients, based on volume or effort associated with the activities by each higher education provider. Charging, via cost recovery, may also increase the department's efficiency, productivity and responsiveness through monitoring of specific charging activities, as resourcing can be matched to service where necessary. Further efficiency may also be achieved by providers streamlining or supplying more comprehensive information to students, potentially reducing the volume and associated costs of student enquiries.

The Case for Cost Recovery in the Higher Education Sector

In accordance with the Government's Charging Framework and the Cost Recovery Guidelines (CRGs), the department undertook a review of its activities in the higher education sector in 2017. This resulted in the Government including the following HELP cost recovery measures in the 2018-19 Budget (announced in May 2018):

- an **application fee** for registered higher education providers seeking approval as a higher education provider under HESA, to offer FEE-HELP to recover the Commonwealth's full costs of administering and assessing applications
- an **annual charge** on all higher education providers whose students are entitled to HECS-HELP and/or FEE-HELP assistance, to partially recover the costs incurred by the Commonwealth in administering the HECS-HELP and FEE-HELP programs.

The application of cost recovery measures under the Government's Charging Framework links the cost of providing regulatory services to providers of higher education who benefit from having access to the Commonwealth Government balance sheet to provide low cost, income contingent student loans on terms that would not be available under any commercial financing arrangement.

Higher education providers benefit from this regulatory activity as it is central element of the arrangements that support a well-resourced and growing sector. In 2018-19 the Education and Training portfolio is investing \$17.5 billion into higher education, growing to \$19 billion by 2021-22. This amounts to a total of \$73 billion in funding for higher education over the next four years.

As a result of Australia's world leading mixed model of funding, the higher education sector continues to be well funded against Organisation for Economic Co-operation and Development (OECD) standards. Australia's total expenditure per student for bachelor and above programs was the 6th highest in the OECD (USD PPP 20,122), out of 27 countries with data available. Australia's total expenditure from both public and private sources on universities for bachelor and above programs was 1.6 per cent of GDP, above the OECD average of 1.4 per cent.

Without access to the HECS-HELP and FEE-HELP programs, it is inconceivable that growth in the higher education sector in recent years could have been achieved. In 2017 there were 622,313 places funded at higher education providers, an increase of 153,239 places since 2009. In 2017 there were 1.51 million domestic and international students studying in Higher Education. In 2009 there were 1.13 million (33% increase) and in 1989 when HECS was introduced there were 441,076 (243% increase).

Currently the costs of regulating access to the student loan fees are borne by the Australian taxpayer. These measures raise awareness with the higher education sector of the costs incurred by the Commonwealth in administering HECS-HELP and FEE-HELP programs, and the costs of assessing applications from prospective FEE-HELP providers.

As charging for government activities already occurs in tertiary education sector regulators and in relation to administration and application processes under the VET Student Loans program, it is considered appropriate and equitable that higher education providers that utilise Commonwealth funding contribute to the maintenance and operation of the HELP arrangements.

Financial Impact of the Measures

The HELP cost recovery measures provide an estimated combined saving of \$11.3 million over 2018-19 to 2021-22. The annual charge, based on partial cost recovery, is expected to deliver savings of \$10.9 million over the forward estimates (2019-20 to 2021-22). The application fee, based on full cost recovery, is expected to deliver saving of \$0.3 million over 2018-19 to 2021-22. (These figures have been updated as a result of additional analysis undertaken by the department of the activities and costs associated with the administration of the loan program.)

Higher Education Support (Charges) Bill 2018

Annual Charge

From 1 January 2019 onwards, all higher education providers whose students are entitled to HECS-HELP or FEE-HELP assistance under HESA will be required to pay an annual charge. This charge will partially recover the costs incurred by the Commonwealth each year in administering the HECS-HELP and FEE-HELP programs from higher education providers (OS-HELP and SA-HELP are excluded from the annual charge). This is reflected in the drafting of the Bill.

The Bill does not set the amount of the annual charge, as the amount will be prescribed by the regulations. The draft CRIS sets out the amount of the annual charge and the costing model.

While the annual charge will commence from 1 January 2019, higher education providers will be invoiced in arrears from 2020, after reconciliation of higher education providers' HECS-HELP and FEE-HELP student enrolment data.

Higher Education Support Amendment (Cost Recovery) Bill 2018

FEE-HELP Application Fee

The Bill amends HESA to implement a fee on applicants seeking approval as higher education providers under HESA, which will be levied from 1 January 2019. The application fee will ensure that the Commonwealth recovers the full costs incurred each year for administration and assessment of applications from prospective providers.

The level of the application fee will be set in the Higher Education Provider Guidelines. The application fee for all new FEE-HELP providers is expected to be \$12,926 per application (based on estimated 2019 costs and activities). The draft CRIS provides additional information on the costing model.

Administrative Arrangements of the Annual Charge

This Bill amends HESA to reflect the introduction of an annual charge under the Higher Education Support (Charges) Bill 2018 and enable the Higher Education Provider Guidelines to set out the administrative arrangements for the collection and recovery of the annual charge.

Consultation with the Higher Education Sector

HELP Charging Measures' Cost Recovery Implementation Statement

On 31 October 2018, the Government released the draft CRIS for consultation with the higher education sector. Comments are due on 23 November 2018. After conclusion of the consultation period, the finalised CRIS for the HELP Charging Measures is expected to be approved by the Minister for Education and the Finance Minister. The CRIS will then be published on the department's website.

The draft CRIS provides information to higher education stakeholders on how the department proposes to implement the HELP charging measures, and outlines the costs and related drivers for each regulatory activity. Financial and non-financial performance information for these cost recovery measures are also reported in the draft CRIS, including financial forecasts for 2018-19 and the forward years.

Conclusion

As HELP provides significant national benefit by supporting access and participation to tertiary education by removing the up-front cost barriers for eligible students, the Government plays an important regulatory role in ensuring providers meet their obligations under HESA.

These measures are intended to recover the costs of the department's regulatory activities in connection to HECS-HELP and FEE-HELP and avoid overlap with the cost recovery activities of the tertiary education sector regulators. This will ensure consistency and fairness across the tertiary education sector, as similar charging measures already operate in the vocational education and training sector.



Australian Government
Department of Education and Training

DRAFT FOR CONSULTATION

COST RECOVERY IMPLEMENTATION STATEMENT

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

Financial Year 2018-19

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, 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

Activity	A service, support and/or benefits to the Australian public to achieve government policy outcomes
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 and Training
FEE-HELP	Fee – Higher Education Loan Program
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
The Minister	The Minister for Education
NUHEP	Non-University Higher Education Provider
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 and Training
TEQSA	Tertiary Education Quality and Standards Agency

1 INTRODUCTION

1.1 Purpose of the CRIS

This consultation 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 HECS-HELP and FEE-HELP programs will be implemented by the Department of Education and Training (the department). This includes charging an application fee for all prospective higher education providers 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 2018-19, and three forward years. The department will maintain the CRIS until the activity or cost recovery for the activity is discontinued.

The timeframe for consultation and implementation is outlined below:

Action	Date (by)
Consultation paper released for comment	31 October 2018
Comments due	23 November 2018
Consideration of feedback and adjustments made to cost recovery measures	30 November 2018
Passage of legislation for statutory authority of cost recovery measures	7 December 2018
Final approval of the CRIS by Ministers	14 December 2018
Cost recovery charging commences	1 January 2019

How to provide feedback

The department welcomes stakeholder input to this matter. Comments should be sent **by close of business on 23 November 2018** to:

HELP.Policy@education.gov.au OR

Attention: Higher Education Group

Department of Education and Training

C50MA7

GPO Box 9880

Canberra ACT 2601

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 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 HESA 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.

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

Subject to the passage of legislation, the statutory authority for the annual charge and the application fee will be provided through amendments to the *Higher Education Support Act 2003* and the *Higher Education Provider Guidelines 2012*. The Higher Education Support (Charges) Bill 2018 implements the annual charge levy.

The authority for the Australian Government Department of Education and Training to undertake the regulatory activities for HECS-HELP and FEE-HELP programs and engage in processes for assessment and administration of provider applications is provided under the following:

- *Higher Education Support Act 2003*
- *Higher Education Provider Guidelines 2012*

In addition, the *FEE-HELP Provider Guidelines 2017* provide the authority for the department to undertake regulatory activities for FEE-HELP in relation to Open Universities Australia.

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 private higher education providers. 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 loans.

Universities

In Australia, universities are classified as either public or private. All universities are self-accrediting institutions, which means they are responsible for determining the curriculum and content for the courses they offer.

All public universities 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 either public or private universities can also access a FEE-HELP loan to defer payment of their tuition fees.

Approved private higher education providers

Non-University Higher Education Providers (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 public 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

Public universities are automatically entitled to offer HECS-HELP and FEE-HELP to students. Currently, public universities receive funding for CSPs through the Commonwealth Grant Scheme. A small number of private higher education providers receive funding for CSPs in national priority areas (predominantly teaching and nursing). This is due to historical allocations of CSPs through various application processes. Currently, there is no process in place to become a university or 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 the Tertiary Education Quality and Standards Agency (TEQSA) to determine the risk level of the applicant. 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*.
- **Requests for Further Information (RFIs), 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 of 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 the ATO. Internal notifications include input into 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 checks

Providers must submit financial information to the department, to be assessed as being financially viable and likely to remain so.

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.

A provider must submit information to assist the Minister in assessing the level of risk associated with their financial viability. This information should include audited financial statements, submitted on a commercial-in-confidence basis.

The Financial Viability Instructions (FVI) advise 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 checking the financial viability varies according to size and risk presented by the provider. The legislative requirements for NUHEPS and universities vary and therefore, the processes, effort and costs are different for the different types of providers.

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, general administration and compliance 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 checks
- 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 the Tables 1 and 2. These costs relate to staffing and on-costs (worker’s compensation, direct ICT, superannuation) and relevant indirect costs (desktop ICT expenses, human resources support and organisation services and property costs).

The CRG’s notes 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 \$77.77 (including on-costs).
- $2 \times \$77.77 = \155.54
- The total cost of the 'receive and register' process is \$155.54 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).
- The hourly wage rate for a junior executive level officer is \$104.41 (including on-costs).
- $(60 \times \$87.48) + (12 \times \$104.41) = \$6,501.72$
- The total cost of the 'financial performance check' is \$6,501.72 per application.

Table 1: Process and costs per application- 2019

Outputs and processes	Cost per application (\$)
Receive	
Receive and register	\$155.54
Check	
Completeness check	\$233.31
Assess	
Financial performance check	\$6,501.72
Assessment of fit and proper person check	\$77.77
Assessment and Moderation	\$4,607.13
Assessment oversight	\$1,039.28
Decisions and notifications	\$311.08
TOTAL	\$12,925.83

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

Example 3: 'NUHEP and Table C provider's financial viability check' 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.
- Providers are then informed of their results including a risk classification ('Low', 'Medium' or 'High').
- The department assigns and monitors follow up actions for providers arising from their risk classification.
- The hourly wage for a junior administration officer is \$77.77 (including on-costs).
- The hourly wage rate of a senior administration officer is \$87.48 (including on-costs).
- The hourly wage rate for a junior executive level officer is \$104.41 (including on-costs).

- The hourly wage rate for a senior executive-level officer is \$129.07 (including on-costs)
- $(6 \times \$77.77) + (11 \times \$87.48) + (5 \times \$104.41) + (2 \times \$129.07) = \$2,461.82$ per check
- There are 94 providers in this category. It is assumed that, the department will need to follow up, clarify information, and seek further information from at least 38 providers each year. The senior executive-level officer will contact 'high' risk providers (around seven each year) to inform them of their risk classification and follow-up actions.
- The total cost of the 'NUHEP and Table C provider financial viability checks' is \$150,095.48.

Table 2: Process and costs per regulatory activity - 2019

Activities and outputs	Direct costs (\$)
Enquiries	\$1,080,048.17
Telephone queries	\$496,500.17
Email queries	\$471,751.75
Ministerial correspondence in relation to compliance of HEPs	\$111,796.25
Stakeholder engagement	\$549,358.11
Published materials	\$395,389.34
HELP Provider Workshops	\$153,968.77
Provider management and compliance	\$1,458,359.64
NUHEP and Table C providers - training, working groups	\$306,547.94
University - training, working groups	\$407,812.08
NUHEP and Table C providers - desktop audits	\$149,592.49
NUHEP and Table C provider -Investigations and Forensic Audits	\$196,511.45
University - Investigations	\$397,895.68
Management of the payment cycle*	\$200,732.88
NUHEP and Table C provider payment management*	\$192,228.66
University payment management*	\$8,504.22
Program Administration*	\$115,016.21
Risk management*	\$42,470.51
Ministerial correspondence and communications*	\$72,545.70
Financial viability checks	\$445,081.89
NUHEP and Table C provider	\$150,095.48
University	\$294,986.41
TOTAL	\$3,848,596.90
Total cost of activities subject to cost recovery	\$3,532,847.81

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

The main cost drivers for the regulatory activities are student numbers enrolled with the provider, and the risks presented by the provider.

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, however is rounded up to \$12,926.00 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 checks, 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 levy comprises of:

- a student-based amount, representing costs that are incurred in greater proportion for providers with more students, such as communications, enquiries and stakeholder engagement.
- a student-based amount for NUHEP and Table Cs' specific costs, related to provider management activities such as provider training, working groups, system support and legal support, investigations and audits representing costs that are incurred in greater proportion for NUHEPs and Table Cs with more students.
- a risk-based element, representing costs incurred according to the risks represented by the provider. In general, universities are different to NUHEPs and Table Cs due to their student population, structures and operating model. NUHEPs and Table Cs are monitored more closely and are required to lodge more specific financial data with the department, than their university counterparts. This information is then used by the department to provide each NUHEP and Table C provider with a risk-rating. The risk-rating correlates with the level of ongoing monitoring, compliance and conditions of registration that the department applies to these providers and it is appropriate that these providers are charged a levy accordingly.
- university specific costs are allocated on a flat rate basis. These costs are in relation to provider management, financial viability checks and compliance of these providers.

The levy estimates, reflecting the above cost drivers, are provided at Table 3 below. This model represents the costs of the activity and applies these to the cost drivers. The levy estimate is the amount that providers could expect to be charged, based on verified 2017 student data. Student data is already provided to the department as part of the payment cycle and to meet reporting requirements.

Table 3: University and NUHEP and Table C provider regulatory activity costs

Activities	University costs	NUHEPs and Table C providers costs
Enquiries	Apportioned across all providers based on verified student numbers	
Stakeholder Engagement		

Provider Management and compliance	\$805,707.76	\$652,651.88
Financial viability checks	\$294,986.41	\$150,095.48

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.

Table 4: Annual charge for approved higher education providers

Activity Group	Effort Cost	Activity driver	Annual Charge Estimate
Stakeholder engagement and Enquiries	\$1.63m	Number of students registered with a provider	\$1.82 per registered student for the provider
NUHEPs and Table C provider management and compliance	\$0.65m	Number of students registered with a NUHEP/Table C provider	\$13.18 per registered student at the NUHEP/Table C provider
NUHEPs and Table C providers financial viability	\$0.15m	Risk assessment and risk management of providers: high/not assessed yet, medium, low	NUHEP/Table C provider specific: Low: \$544 Medium: \$1,631 High (or not assessed yet): \$2,719
University provider management, compliance and financial viability	\$1.10m	Delivered equally across all universities	\$26,207 per university

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 assessing 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 become more compliant and informed. They are able to provide a more complete application with supporting documentation for approval
Enquiries	Providers will become more informed and be proactive in providing their students with better information on HELP

Desktop audits	Due to providers becoming more compliant with HELP policy/legislation, the department could be conducting fewer, shorter, and less complex investigations and audits
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4 RISK ASSESSMENT

There are specific risks regarding the implementation of cost recovery under the HELP scheme. Cost recovery for HECS-HELP and FEE-HELP programs from approved higher education providers is new, and there is a minor level of uncertainty 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 Government's 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

Feedback from consultation prior to implementation of the cost recovery arrangements will be summarised in this section.

Departmental responses to the feedback from consultation with the higher education sector will be provided in this section.

7 FINANCIAL ESTIMATES

Financial performance for the FEE-HELP application fee is provided at Table 4 below. The 2018-19 financial year and three 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)

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Expenses	\$0.05	\$0.09	\$0.10	\$0.10
Revenue	\$0.05	\$0.09	\$0.10	\$0.10
Balance	-	-	-	-
Cumulative balance funded by Government	-	-	-	-

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 5 below. The 2018-19 financial year and three 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 2019-2022.

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

	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Expenses	\$0.00	\$3.53	\$3.64	\$3.75
Revenue	\$0.00	\$3.53	\$3.64	\$3.75
Balance	-	-	-	-
Cumulative balance (or shortfall funded by Government)	-	-	-	-

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. Historical information on financial and non-financial performance regarding the management of the application fee 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 anticipated 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.

The department welcomes stakeholder feedback on these indicators, including suggestions for new or amended performance indicators.

9 KEY FORWARD DATES AND EVENTS

Date	Events
January 2019	<ul style="list-style-type: none"> Application fee and annual charge commences
Early 2019	<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)
2019 - 2020	<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
Mid - 2020	<ul style="list-style-type: none"> Providers invoiced annual charge for 2019
Mid - 2021	<ul style="list-style-type: none"> Providers invoiced annual charge for 2020

2022	<ul style="list-style-type: none"> • Next portfolio charging review commences • Providers invoiced annual charge for 2021
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10 CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
XX/XX/20XX	Certification of the CRIS	Title of accountable authority	New regulatory charging activity
XX/XX/20XX	Agreement to the CRIS	Title of responsible minister	New regulatory charging activity
XX/XX/20XX	Approval for the CRIS release	Finance Minister	High risk rating for the regulatory charging activity
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)