Australian Government

Tertiary Education Quality and Standards Agency

Fees and charges proposal for cost recovery for quality assurance and regulation of higher education

Consultation paper response template

Please complete and return your submission to the cost recovery consultation team at: consultation@teqsa.gov.au by 5:00pm AEST Thursday 3 June 2021.

Submission cover sheet

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☑ **I consent to** this submission being published in full on the TEQSA website.

OR

☐ **I do NOT consent to** this submission being published on the TEQSA website.

Signature: E L Burd

Date: 3/6/2021

Consultation response

Please refer to the submission guidelines as outlined in Section 7 (p. 28) of the Consultation paper.

Q1: What are your views on TEQSA's proposed approach to implementing increased cost recovery in line with the Government's policy?
We understand the new TEQSA cost recovery model gives effect to the Government's decision to fully recover TEQSA expenditure from higher education providers, except on matters of academic integrity and admissions transparency. Griffith University has concerns about transferring the financial burden of cost recovery to low-risk, self-accrediting universities where much of the administrative work is performed by these institutions and at a time when the sector is already experiencing unprecedented economic challenge as a result of COVID-19, including the loss of international students. We note the methodology for cost recovery considers cost differentials between different types of providers (e.g. self-accrediting and non-self-accrediting; providers with small and larger student enrolment numbers). Griffith University recognises, in principle, the need for a base cost to be assigned to each activity and agrees that institutional size is not the only factor on which additional charges ought to be applied. However, imposing cost recovery on universities for TEQSA activities which are largely directed at higher risk, non-university education providers, appears inequitable. We are pleased to note that the proposed model, through tiered and reduced costs, recognises that self-accrediting institutions incur considerable hidden costs when they undertake preliminary work on behalf of TEQSA in advance of TEQSA registration renewals. These costs are on top of activity-based fees charges identified in the cost recovery schedule. Implementing new and unanticipated costs at this juncture, will be a considerable impost to providers and impact on universities' business modelling and planning. Under the proposed fees and charges levy, budgeting becomes challenging and less easily predicted because it may vary significantly year to year according to the amount of quality enhancement activity conducted by an institution. As providers reflect on the balance of their face-to-face or online degree offerings, additional costs are likely to be incurred and cause additional budgetary strain. Further financial impost is likely through the alignment of TEQSA and Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) registration. This will involve considerably more expense to providers in preparing for two registration renewals concurrently even before evaluation and reporting fees are charged. The consultation paper refers, at page 28, to concurrent cost recovery reviews underway across the Higher Education sector, including the separate consultation on proposed amendments to cost recovery arrangements for CRICOS charges,[1] also announced as part of the 2020/2021 Budget. Both reviews require close alignment to mitigate the risk of potential overlap and fee duplication. While we understand the decision has been made that providers will bear the full cost of their own regulation, Griffith University urges the Government to reconsider when the result will mean that providers will be funding TEQSA without recourse. This is an anomalous circumstance in which institutions must pay for service no matter the fee or activity on behalf of the TEQSA regulatory body for their own regulation.

Q2: Do you agree or disagree with TEQSA's proposed approach to attribute application-based costs according to relative regulatory effort?
While it seems reasonable to engage in a complexity-driven schema for application-based costs, there are issues of concern to Griffith University in relation to proposed application-based charges, and about which further transparency is required to minimise the financial impost to providers.

[1] https://www.dese.gov.au/esos-framework/announcements/consultation-revised-commonwealth-register-institutions-and-courses-overseas-students-cricos

Three levels of application-based charges have been outlined for registration renewal (Levels 1 -3), with an approximate $120,000 difference in costs between levels 1 and 3. TEQSA advised in the online consultation session that providers would be informed of their relevant level prior to registration commencing. Clearer definitions of the three levels and clarification on how and when this will be advised to providers is critical given the potential cost variance and budget impact. Under the proposed model, planning will prove challenging given providers will not be informed early about their level of risk assessment and expectations required for the cost of the services provided.

Greater transparency is needed about the breadth of costs attributed to each of the proposed application-based activities. At present we cannot comment on proposed costs because there is insufficient detail provided. To support effective business planning, we recommend that fees are conveyed according to two clear principles rather than expressed as an overall figure:

- the number of investigation costs, including hours of service, and
- the seniority of investigators needed to conduct each activity.

Providers may not support a full-cost recovery approach but expressing fees in this way provides a greater level of transparency as to the cost allocation and rationale. Costs could be reduced for institutions that are low risk assuming that applications are more likely to be assessed quickly and by a more junior staff member than high-risk institutions.

A framework and service standards would be valuable to inform how TEQSA will manage and respond to compliance assessments.

Q3: Do you have any comments on the proposed method of adjusting course accreditation fees based on a provider's student numbers?

The proposed method of adjusting course accreditation fees based on a provider's student numbers will lead to low-risk university providers paying more for the same administrative activity based on an EFTSL metric than higher-risk providers. While some consideration should be given to enable fee relief for smaller for-profit providers, we propose that it is not equitable for lower-risk providers to cover these costs. This is an area in which the Government could consider making additional contributions.

Q4: Do you agree or disagree that the cost of compliance and investigatory activities should be borne by those providers being investigated?

In addition to investigatory costs being decided by an analysis of staff effort, we also suggest further nuancing of levels of cost determined in line with level of expertise required and case complexity related to institutions' high or low risk status. By means of example, for lower-risk institutions such as self-accrediting universities, investigation costs can be reduced because they are likely to be completed quickly and by more junior staff members than those being undertaken for high-risk institutions. This more nuanced approach would provide greater transparency and equity across the sector so that investigatory costs are less likely to be viewed as a penalty for institutions which have not yet been able to achieve higher education standards. Instead they can be directly related to the specific investigation costs of staff effort and seniority, institutional risk and hence case complexity.

A clear framework and service standards must be developed for managing and responding in a timely way to non-application-based activities (e.g. complaints from external sources, which may occur at any time) and compliance assessments imposed on providers in the future.

Q5: Do you have any comments on the structure of the proposed new annual levy?

Annual regulatory costs should to be adjusted in line with the principles in the TEQSA Act relating to regulatory necessity, reflecting risk and proportionate regulations. In this way, an annual levy, would necessarily be apportioned equitably according to provider risk level.

Are there any other comments you wish to make in relation to the fees and charges proposal for cost recovery consultation paper?
Providers seek assurance that TEQSA is committed to delivering cost efficient services thereby ensuring that providers are not burdened with unnecessary administrative costs and that furthermore only those activity costs which fall under the TEQSA Act are recovered. What impetus exists to drive TEQSA service and business efficiencies when the costs are covered by providers. It is essential that this anomaly be addressed to maintain an independent, equitable and streamlined regulatory system, a system that enables public-funded universities to focus resources on the core business of delivering high quality teaching and research to support economic sustainability and growth. From a quality assurance perspective, the new cost recovery model may unintentionally stifle educational innovation and quality assurance. Rather than supporting institutions to make ongoing incremental and quality enhancing changes to their educational products, it may encourage providers to delay quality adjustments and group-batch course and other applications in one less-costly submission. Griffith University recommends that implementation of the cost-recovery model be delayed to 2023/2024 in recognition that budgeting for the coming financial year has been completed by most providers and that there remain many issues to be defined and clarified, which may impact disproportionately and heavily on providers.