MONASH University

## Monash University Feedback

## TEQSA Fees and charges proposal

Monash University welcomes the opportunity to respond to TEQSA's consultation on its proposed approach for introducing cost recovery measures. This response incorporates the views of both Monash University and Monash College.

While Monash appreciates the decision to introduce a cost-recovery model to support the essential activities of TEQSA was determined by the Commonwealth Government in the 2018-19 Budget, we wish some reconsideration of the introduction of EFTSL-based means of cost recovery (when risk is not necessarily correlated with student size) and are in principle opposed to measures that increase the financial burden on the higher education sector, particularly at a time when the sector is experiencing significant uncertainty as a result of the current policy environment combined with the impact of the covid-19 pandemic.

Monash's response to TEQSA's specific consultation questions follow:

1. **What are your views on TEQSA's proposed approach to implementing increased cost recovery in line with the Government's policy?**
    - Monash University is opposed in principle to all measures that will increase the financial burden on the higher education sector, particularly at a time when the sector is experiencing significant uncertainty as a result of the combination of the current policy environment and the impact of the covid-19 pandemic.
    - Monash notes the Australian Government Cost Recovery Guidelines require TEQSA to apply three principles across all stages of the cost recovery process: 1) transparency and accountability; 2) effectiveness and efficiency; and 3) stakeholder engagement. Whilst the University acknowledges the sector engagement undertaken by TEQSA to date, it is not assured that the proposed approach speaks sufficiently to the agency's future cost recovery policies, methodologies and practice, particularly in relation to effectiveness and efficiency. For example:
        - will TEQSA continue to provide data to higher education providers on how its cost recovery model is applied in practice, and how it may be refined following its introduction in 2022?
        - as the majority of costs will be allocated equally across all providers, based on a provider's student enrolments (EFTSL), how will TEQSA endeavour to use data that is current to a provider's circumstances? At present, TEQSA's reliance on HEIMS data is out-dated.

2. **Do you agree or disagree with TEQSA's proposed approach to attribute application-based costs according to relative regulatory effort?**
    - Monash agrees that costs should be proportional to regulatory effort, however we strongly disagree with the assumption that on proportionality and risk in all areas, larger institutions require more regulatory effort. Monash would propose that the introduction of EFTSL-based means of cost recovery is not an effective way to apportion cost by relative regulatory effort.
    - In addition, the methodology outlined in the consultation paper fails to demonstrate that the proposed increase in charges recover only the <u>efficient costs</u> of TEQSA activities, and avoid recovering more costs than projected and/or the recovery of costs associated with inefficient TEQSA activities.

- For example, TEQSA does not adequately document how costs associated with a compliance investigation will be determined, and TEQSA has noted that such costs may be negotiated between itself and a provider following the conclusion of an investigation, and only where an adverse outcome is determined. Monash queries how any efficiency is gained through this proposed arrangement.

3. **Do you have any comments on the proposed method of adjusting course accreditation fees based on a provider's student numbers?**
    - Monash agrees that costs should be proportional to effort, however we strongly disagree with the assumption that student numbers have a direct impact on the cost of course accreditation effort.
    - Given there is no causal connection between enrolment numbers and course quality/compliance, it would seem more appropriate to adopt a similar approach as that proposed for the tiered charging of renewal of registration fees: courses accredited by low-risk providers should require less regulatory scrutiny and accordingly be charged lower.
    - The proposed costs for course accreditation and re-accreditation are prohibitive.
    - Taking a sector-view, these costs may cause providers that do not have self-accrediting authority to be discouraged from developing new courses in response to emerging needs, and from offering a diversified portfolio of courses.
    - As one of Australia's largest pathway providers and a consistently low-risk institution, Monash College should not be expected to subsidise regulatory activity undertaken in response to higher-risk providers, even if they have fewer enrolments.
    - Even without the additional costs based on student enrolment numbers, the estimated costs for Monash College for course accreditation and re-accreditation will increase three- to four-fold under TEQSA's proposed model. Specifically:
        - The College's upcoming course accreditation will cost $30,400; under the new model it would cost $117,000.
        - In the next cycle of course accreditation, if TEQSA aligns accreditation periods via the usual practice, the College will pay $163,800 for this activity under the new model. Currently it would cost $41,600.
        - In the two-year period 2019-20, the College accredited six new qualifications. In some cases, fees were waived due to COVID, but in ordinary circumstances this would have cost $54,000. Under the new model it would cost $168,000.

4. **Do you agree or disagree that the cost of compliance and investigatory activities should be borne by those providers being investigated?**
    - While Monash acknowledges the proposed cost recovery seeks to attribute increased fees and charges to application-based activities, including hourly charges for compliance and investigation, the University is very concerned that large providers will be disproportionately disadvantaged.
    - For example, should TEQSA initiate an investigation into a sector-wide issue with a potential to impact many students and the outcome of such a scenario resulted in a finding of widespread non-compliance across the sector, TEQSA's regulatory effort would be unfairly borne by Monash, by virtue of our number of students as opposed to the incidence of the issue within the institution.

5. **Do you have any comments on the structure of the proposed new annual levy?**
    - The University notes the 2018–19 Auditor-General Report No. 38 Performance *Audit Application of Cost Recovery Principles* concluded, amongst other things, that some agencies

significantly over-recovered costs through levies. TEQSA's proposal is silent on the strategies that will be implemented by TEQSA to monitor and assess suitability of costs recovered through the annual levy and the conditions that will trigger a rate review.

- Monash agrees that costs should be proportional to regulatory effort, however we strongly disagree with the assumption that larger institutions require more regulatory effort. Monash would propose that the introduction of EFTSL-based means of assessing the annual levy is not equitable.
- A formula that weights/adjusts the levy with reference to the annual risk assessment rating would be more suitable and would serve to ensure that low-risk providers such as Monash (who have consistently received a 'low risk' rating in each annual risk assessment since such reporting was introduced in 2013), do not bear the greatest share of the financial burden.