



Australian Government

Department of Education and Training

Trades Recognition Australia

COST RECOVERY IMPLEMENTATION STATEMENT

Trades Recognition Australia

Registered Training Organisation (RTO) Assessment Services

1 March 2019 - 30 June 2022

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 (the 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 Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

1. INTRODUCTION

1.1 Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how Trades Recognition Australia (TRA) implements regulatory charging associated with the RTO Assessment Services. This includes the collection of an assessment fee from applicants and an administration fee from RTOs.

The CRIS provides financial and non-financial performance information for the RTO Assessment Services charges and contains financial forecasts for the period 1 March 2019 – 30 June 2022. TRA will maintain the CRIS while the activity or cost recovery is in place.

1.2 Summary of the RTO Assessment Services

TRA is a business unit within the Australian Government Department of Education and Training and an authorised assessing authority for trade occupations under the *Migration Regulations 1994* (Migration Regulations). TRA offers skills assessment services through a number of programs for migration, employment and licensing purposes. The purpose of these assessments is to ensure that an applicant is able to perform at the required skill level for their nominated occupation in Australia.

RTO Assessment Services consists of the following programs:

- Temporary Skills Shortage Skills Assessment Program (TSS Program) - the TSS Skills Assessment (formerly the 457 Skills Assessment Program), is a program for temporary visa applicants to provide skilled overseas workers in occupations when none are available within Australia. The program assesses the skills of applicants from specified countries and in specified occupations.
- Offshore Skills Assessment Program (OSAP) is for permanent migration. The program assesses the skills of applicants from specified countries in specified occupations.
- Trades Recognition Service (TRS) is for people in Australia who gained their skills outside a formal apprenticeship, including those who have undertaken their trade training overseas. The service assesses the skills of applicants from a range of automotive, electrical and engineering occupations.

Potential migrants and other applicants seeking formal recognition of their skills, qualifications and employment experience can apply to TRA for a skills assessment under these programs; RTOs approved by TRA assist with the delivery of these services. A positive assessment outcome can be used to support a visa application, to support employment outcomes or to access occupational licensing.

1.3 Description of the regulatory charging activity

Charging for the RTO Assessment Services activity ensures applicants contribute to the cost of program administration and regulation.

Assessment under the RTO Assessment Services presents a personal benefit to applicants. For applicants, a successful skills assessment is used to access either migration, licensing, or employment, or as a basis for further trade training.

The prices of the charges raised are for cost recovery and are set to recover the efficient full costs of specific activities. The Framework, which incorporates the Government's CRGs, sets out the framework under which government entities design, implement and review regulatory charging activities. The Government's overarching charging policy is that, where appropriate, non-government recipients of regulatory activities should be charged some or all of the efficient costs of those activities.

The cost recovery policy promotes consistent, transparent and accountable charging for government regulatory activity and supports the proper use of public resources².

² Australian Government Cost Recovery Guidelines, Resource Management Guide No. 304.

The cost recovery arrangements for the RTO Assessment Services consists of two regulatory activities designed in accordance with the Framework and the CRGs.

- The first fee is for a recognition of prior learning (RPL) assessment by a TRA approved RTO. This may involve a:
 - Documentary Evidence Assessment
 - Technical Interview
 - Practical Assessment
 - Review
 - Reassessment.
- The second fee is an Administration Fee for each application registered. This fee will be collected when the documentary evidence assessment fee is paid to recover costs for services provided by TRA. These include:
 - making the final skills assessment decision
 - providing support and technical assistance for reporting obligations
 - conducting site visits to ensure integrity and quality of skills assessment processes
 - providing quality assurance services for RTO assessment files to ensure specified procedures and processes are undertaken and documented appropriately
 - monitoring enquiries and providing advice to TRA approved RTOs and members of the public
 - responding to complaints that cannot otherwise be dealt with by the TRA approved RTOs
 - attending RTO Advisory Group meetings.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

The Administration Fee was announced in December 2015 as part of the Mid-Year Economic and Fiscal Outlook 2015-16 (MYEFO) as a budget measure. Partial cost recovery commenced on 1 October 2017.

Government policy approval of cost recovery for the RTO Assessment Services is subject to a final decision, noting feedback from consultation.

2.2 Statutory authority to charge

TRA is specified under Regulation 2.26B of the Migration Regulations, in legislative instrument IMMI 18/051, as a relevant assessing authority for skills assessments applications.

The fees TRA can charge for skills assessments are specified by the Minister for Immigration, Citizenship and Multicultural Affairs in an instrument in writing under sub-regulation 5.40 of the Migration Regulations (currently IMMI 13/037).

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

The CRGs note the need to break down activities into distinct outputs and key business processes. The regulatory charging output is a skills assessment outcome that can be used to support a visa application, an employment outcome, access to occupational licensing or access to further trade training.

3.2 Costs of the regulatory charging activity

The cost driver is the number of applications registered for the RTO Assessment Services.

The cost to conduct a skills assessment has been determined according to the following methodology:

1. Identifying the activities that comprise a skills assessment for each applicant
2. Estimating the effort (time) required to complete each activity
3. Identifying whether these costs are direct, indirect or capital related
4. Determining the full cost of assessing each application
5. Determine the total cost to be raised by dividing the full costs with the estimated number of applications.

To derive the fee structure at Table 2, TRA has taken an average of the costs based on existing RTO market share and applied a reasonable inflation rate (3% per annum). The Administration Fee has been calculated using the costs incurred by TRA to deliver the RTO Assessment Services, for example salaries and departmental on costs, IT costs, supplier costs and the Service Delivery Office (SDO).

The costs incurred in the delivery of the RTO Assessment Services include:

- **Direct** costs that are attributable to TRA including:
 - Salaries and departmental on costs - these have been calculated using the Department of Education and Training's Costing Template.
 - Contractor expenses – these have been allocated to reflect the proportion of the contractors time spent on activities that support delivery of the RTO Assessment Services.
 - RTO Assessment Costs – these are costs the RTOs charge the applicant for an assessment and include the fees for the Documentary Evidence Assessment, Technical Interview and Practical Assessment.
- **Indirect** costs are expenses associated with utilising the services of the SDO. The SDO provides financial processing services for TRA and charge a cost per transaction.
- **Capital investment** costs relate to the costs associated with the development and delivery of an Online Payment Portal using the RBA's platform (IT system).

The regulatory charging activity will be reviewed at least on an annual basis. This is to ensure costs are adjusted to reflect any changes in the cost drivers and ensure that the charges represent the minimum efficient costs of providing the service.

Table 1: Costs of regulatory charging

Output/ business processes	Business cycle 1 Mar 2019 – 30 Jun 2022		
	Direct Costs	Indirect Costs	Capital Costs ^(a)
Output 1 – Skills assessment application ^(b)	\$88,647,950	\$0	\$0
Assessment business processes ^(c)	\$7,932,312	\$804,168	\$1,180,000
TOTAL	\$96,580,262	\$804,168	\$1,180,000

(a) Capital investment costs have been approved in *Budget 2018-19, Portfolio Budget Statements 2018-19, Budget Related Paper No. 1.5, Education and Training Portfolio*

(b) Costs that relate to the services provided by RTOs over the business cycle.

(c) Costs associated with Direct and Indirect costs are listed in the text above.

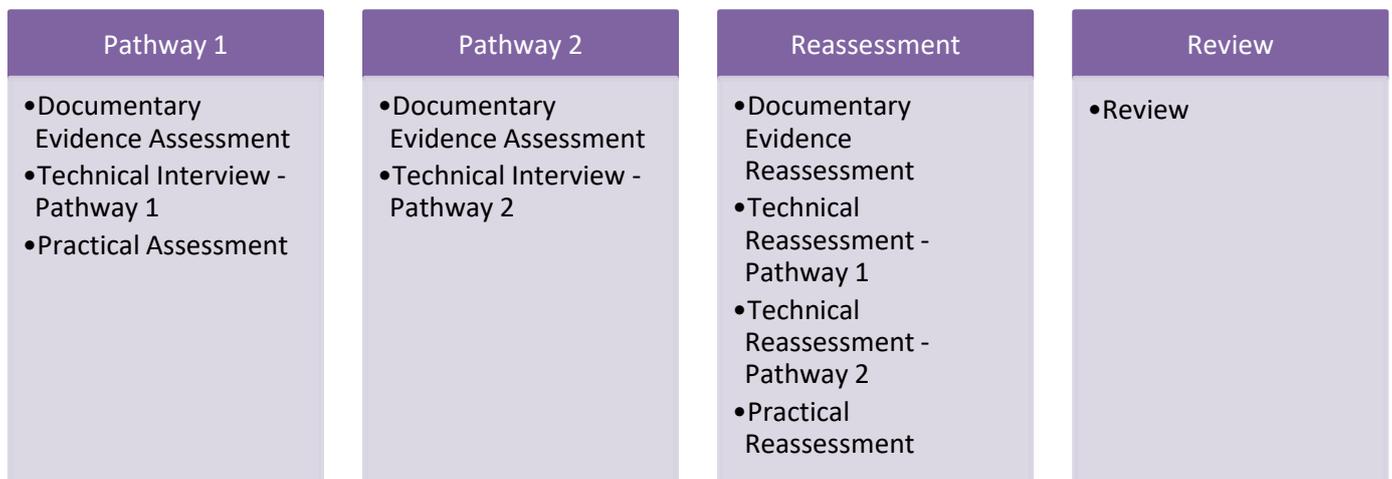
3.3 Design of regulatory charges

Cost recovery fees have been chosen as the basis for this regulatory charge because the skills assessment services are provided for the direct benefit of applicants.

Skills Assessments

The costs of delivering the different steps of a skills assessment (Figure 1) have been determined using 2018-19 RTO market rates using fees which were originally set through a competitive tender process conducted in 2015. Potential service providers were evaluated and selected for their capacity to deliver RTO Assessment Services to specified service levels relating to quality of delivery, timeliness, integrity, industry linkages and cost.

Figure 1: Steps of an RTO skills assessment



Administration Fee

The Administration Fee represents the cost to TRA of providing administrative services which support management of the programs. The cost of TRA's administrative support comprises seven business processes (Figure 2).

Figure 2: Administration Fee business processes



Each of these business processes have been broken down into various activities. Business processes have been calculated per activity by staffing level, effort (time) and demand (Examples 1 and 2).

Example 1: Registering an application

- In 2019-20, this activity will take a junior administration officer approximately 10 minutes
- The hourly wage rate for the junior administration officer is \$64.09 (including departmental on costs)
- 10 minutes x \$64.09 = \$10.90
- The total cost to register one application is \$10.90

Example 2: Final decision assessment (including quality assurance)

- This activity includes assessing and quality assuring the application and notifying RTOs of the final decision
- In 2019-20, this activity will take two junior administration officers and one manager approximately two hours
- The average hourly wage rate for the above staff is \$74.00 (including departmental on costs)
- Two hours x \$74.00 = \$148.00
- The total cost to make the final decision on one application is \$148.00.

Table 2 lists the proposed applicant fees under the cost recovery model, which will be fixed for the business cycle. The total cost to individual applicants will depend upon their assessment pathway, occupation and the overall needs of their skills assessment. RTO Assessment Services fees will be published on the TRA website.

Table 2: Charge rates and revenue estimates for the 1 Mar 2019- 30 Jun 2022 business cycle

Charge title	Type	Rate	Estimated Volume	Estimated total revenue	Output	Business process
Administration Fee	Fee	\$380	26,096	\$9,916,480	1	Assessment business processes
Documentary Evidence Assessment	Fee	\$900	26,096	\$23,486,400	1	Assessment business processes
Technical Interview - Pathway 1	Fee	\$2,000	20,877	\$41,754,000	1	Assessment business processes
Technical Interview - Pathway 2	Fee	\$900	5,219	\$4,697,100	1	Assessment business processes
Practical Assessment	Fee	\$2,200	7,829	\$17,223,800	1	Assessment business processes
Documentary Evidence Reassessment	Fee	\$450	247	\$111,150	1	Assessment business processes
Technical Reassessment - Pathway 1	Fee	\$1,000	789	\$789,000	1	Assessment business processes
Technical Reassessment - Pathway 2	Fee	\$450	198	\$89,100	1	Assessment business processes
Practical Reassessment	Fee	\$1,100	295	\$324,500	1	Assessment business processes
Review	Fee	\$700	247	\$172,900	1	Assessment business processes
Total revenue				\$98,564,430		

4. RISK ASSESSMENT

The key risk for the RTO Assessment Services is the difficulty in forecasting demand for the programs, as external factors such as the unemployment rate and skilled migration reforms affect program numbers. There is a consequent risk that charges may under or over recover the costs associated with effective and efficient program administration.

Program numbers and actual costs will be reviewed at least on an annual basis throughout the business cycle to ensure that TRA mitigates any substantial changes within the RTO Assessment Services.

TRA will inform applicants of any changes to the RTO Assessment Services by publishing notifications on the TRA website.

As part of the design of the Framework TRA completed a Charging Risk Assessment (CRA). According to the CRA methodology, the RTO Assessment Services overall rating was medium. Two implementation risks fall into the high category. These are:

- the change in annual cost recovery revenue is over 10%
- the total proposed annual cost recovery revenue exceeds \$20m.

The following three risks fall into the medium category:

- change to the structure of existing cost recovery charges
- the type of cost recovery charges are fees
- a legislative change is required (amendment of a fee instrument under the Migration Regulations).

The expected impact of cost recovery on payers and stakeholder engagement are both low risks under the CRA.

Proposed review in the 2020-21 financial year

The costs of delivering the RTO Skills Assessment Services have been set by reference to market rates from a competitive tender process conducted in 2015, which were measured on the following factors:

- quality of delivery
- timeliness
- integrity
- industry linkages, and
- cost of service delivery.

To calculate the costs of the assessment for the period 1 March 2019 to 30 June 2022, the 2015 service costs were averaged, based on the existing market share of the providers, and an inflation rate of 3% per annum was added.

There is a risk that, over time, these fees increasingly do not capture the efficient cost of service delivery.

To address this, the department will in the 2020-21 financial year, review the activities, outputs and key business processes of the RTO Assessment Services to ascertain whether there is a need to adjust the pricing. This process will provide confidence to program applicants in the business cycle commencing on 1 July 2022 that prices reflect the most efficient cost for the service being delivered.

5. STAKEHOLDER ENGAGEMENT

In 2016, TRA engaged an external consultancy to evaluate TRA's services; including consulting the TRA approved RTOs about the proposed implementation of an Administration Fee. Because of perceived risks related to an additional fee, in its final report the consultancy recommended that TRA monitor the impacts of the introduction of the fee. A partial cost recovery fee was introduced in October 2017 with no apparent impact on applicants and RTOs; program numbers continued to increase.

Consultation was completed with the existing TRA approved RTO network on the revised fee collection and payment arrangements in June 2018. RTOs have been fully informed and have expressed no adverse reactions and generally been very positive about the proposed changes.

6. FINANCIAL ESTIMATES

Table 3: Financial estimates 2018-19 to 2021-22

	Budget Year	Forward Estimates		
	2018-19 \$	2019-20 \$	2020-21 \$	2021-22 \$
Expenses – RPL Assessment ^(a)	7,993,700	23,227,250	26,710,400	30,716,600
Expenses – Administration Fee ^(b)	2,009,419	2,197,923	2,451,807	2,825,677
Revenue – RPL Assessment ^(a)	7,993,700	23,227,250	26,710,400	30,716,600
Revenue – Administration Fee ^(b)	902,880	2,595,780	2,984,900	3,432,920
Balance = revenue - expenses	1,106,539	-397,857	-533,093	-607,243
Cumulative balance	1,106,539	708,682	175,589	-431,654
Explain material variance ^(c)	Revenue generated by applicant fees will offset the expenses incurred by RTOs for their assessment services. The RTO Assessment Services will aim to be cost neutral, which will lead to an immaterial variance.			
Explain balance management strategy	Cost recovery activities will be reviewed on a monthly basis to ensure that the estimates of revenue and expenses are current.			

(a) Expenses and revenue are cost neutral and relate to costs payable to RTOs for their services.

(b) Expenses and revenue are cost neutral and relate to activities conducted by TRA, IT costs and SDO costs. These are used to calculate the Administration Fee.

(c) As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister’s Orders.

7A. FINANCIAL PERFORMANCE

The three programs that make up the RTO Assessments Services commenced at different times between 2009 and 2014. The programs have operated on a fee-for-service basis with applicants directly paying RTOs for their skills assessment. As a result, no financial data is available for skills assessments conducted by RTOs. Over the forward estimates, financial data will include tracking estimated expenses and revenue against actual expenses and revenue.

Table 4: RTO skills assessments financial performance 2018-19 to 2021-22

	2018-19 ^(a,b) \$	2019-20 ^(a,b) \$	2020-21 ^(a,b) \$	2021-22 ^(a,b) \$
Expenses = X	0	0	0	0
Revenue = Y	0	0	0	0
Balance = Y – X	0	0	0	0
Cumulative balance	0	0	0	0
Explain material variance ^(c)	Revenue generated by applicant fees will offset the expenses incurred by RTOs for their assessment services. The RTO Assessment Services will aim to be cost neutral, which will lead to an immaterial variance.			
Explain impact on balance management strategy	Cost recovery activities will be reviewed on a monthly basis to ensure that the estimates of revenue and expenses are current.			

(a) Estimated expenses and revenue.

(b) Actual expenses and revenue data will be populated on a monthly basis.

(c) As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister’s Orders.

TRA commenced collecting the Administration Fee from 1 October 2017. The revenue budget estimate for 2017-18 was \$921,000.

Table 5: Administration Fee financial performance 2017-18 to 2021-22

	2017-18	2018-19 ^(a,b)	2019-20 ^(a,b)	2020-21 ^(a,b)	2021-22 ^(a,b)
	\$	\$	\$	\$	\$
Expenses = X	0	0	0	0	0
Revenue = Y	1,063,800	0	0	0	0
Balance = Y – X	1,063,800	0	0	0	0
Cumulative balance	1,063,800	0	0	0	0
Explain material variance ^(c)	2017-18 actual revenue against budget is due to an increase in demand for the RTO Assessment Services.				
Explain impact on balance management strategy	Cost recovery activities will be reviewed on a monthly basis to ensure that the estimates of revenue and expenses are current.				

(a) Estimated expenses and revenue.

(b) Actual expenses and revenue data will be populated on a monthly basis.

(c) As defined by AASB1031 and Division 12 – Materiality and Disclosure of the Finance Minister’s Orders.

7B. NON-FINANCIAL PERFORMANCE

The key non-financial driver will be the number of registered applications. These will be monitored on a monthly basis and compared to the financial data for that month.

There is the potential for a significant variation in revenue when compared to Table 3 (Financial estimates 2018-19 to 2021-22). The estimated non-financial registration in Table 6 (Historical and forecast volume actuals and estimates) drive the estimated revenue, therefore up to and including a 10% variation from the amount of applicant registrations for the RTO Assessment Services will be accepted. Any greater variation than 10% will trigger a review of the charging activities and any changes will be reflected in a subsequent CRIS.

Table 6: Historical and forecast volume actuals and estimates

Year	Total registrations – actuals	Total registrations – forecast
2014-15	3,272	N/A
2015-16	3,495	N/A
2016-17	4,224	N/A
2017-18	5,165	N/A
2018-19	Not available	5,940
2019-20	Not available	6,831
2020-21	Not available	7,855
2021-22	Not available	9,034

8. KEY FORWARD DATES AND EVENTS

The key forward dates and events for the cost recovery activity are:

Date	Event
N/A	

9. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
25/10/2018	Draft CRIS	Department of Finance	New regulatory charging activity