



# Regulatory Impact Statement

**Education and Training Reform Act 2006**

**Schedule of Teacher Registration Fees 2012–13**

Victoria Institute of Teaching  
18 July 2012

This Regulatory Impact Statement has been prepared in accordance with the requirements of the *Subordinate Legislation Act 1994* and the *Victorian Guide to Regulation*

## Teacher Registration Fees 2012-13 REGULATORY IMPACT STATEMENT

In accordance with the *Victorian Guide to Regulation*, the Victorian Government seeks to ensure that regulations and other legislative instruments are well targeted, effective and appropriate, and that they impose the lowest possible burden on Victorian businesses and the community.

The Regulatory Impact Statement (RIS) process involves an assessment of regulatory proposals and allows members of the community to comment on proposed legislative instruments before they are finalised. Such public input provides valuable information and perspectives, and improves the overall quality of the instrument-making process.

This RIS has been prepared to facilitate public consultation on the proposed Schedule of Teacher Registration Fees 2012-13 made under the *Education and Training Reform Act 2006*. A copy of the proposed instrument is attached to this RIS.

Submissions are now invited on the proposed instrument. Unless requested by the author, all submissions will be treated as public documents and may be made available to other parties.

Written comments and submissions should be forwarded by no later than **5:00pm, 15 August 2012** to:

Gina Casalbuono  
Victorian Institute of Teaching  
PO Box 531  
Collins Street West  
Victoria 8007

or email:

[risfeedback@vit.vic.edu.au](mailto:risfeedback@vit.vic.edu.au)

© VIT 2012. This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the Copyright Act 1986.

This Regulatory Impact Statement was prepared for the Victorian Institute of Teaching by Regulatory Impact Solutions Pty Ltd. Visit: [www.regulatoryimpactsolutions.com.au](http://www.regulatoryimpactsolutions.com.au)

Disclaimer: This publication may be of assistance to you, but the State of Victoria and its employees do not guarantee that the publication is without flaw or is wholly appropriate for your particular purposes and therefore disclaims all liability for an error, loss or other consequence that may arise from you relying on any information in this publication.

## Table of Contents

<b>SUMMARY .....</b>	<b>i</b>
<b>1 INTRODUCTION.....</b>	<b>1</b>
1.1 Regulation of teachers .....	1
1.2 The requirement for a Regulatory Impact Statement .....	1
<b>2 THE REASONS FOR REGULATION.....</b>	<b>3</b>
2.1 Background .....	3
2.2 Nature of the problem .....	4
2.3 Extent of the problem.....	7
<b>3 THE PROPOSED FEES.....</b>	<b>9</b>
3.1 Objective .....	9
3.2 Base case.....	9
3.3 Setting the fees for 2012-13 .....	9
3.4 Groups affected .....	21
3.5 Implementation and enforcement.....	22
<b>4 ALTERNATIVE OPTIONS .....</b>	<b>23</b>
4.1 Spreading the total fee increase equally over all fee categories.....	23
4.2 Higher annual fee and lower other fees .....	24
4.3 Creating further sub-divisions within fee categories.....	24
<b>5 IMPACTS ON COMPETITION .....</b>	<b>26</b>
<b>6 STAKEHOLDER CONSULTATION .....</b>	<b>27</b>

## ABBREVIATIONS

**the Act** – the *Education and Training Reform Act 2006*

**the current fees** – the schedule of fees set out in Victorian Government Gazette No. S 171 Friday 3 June 2011

**the proposed fees** – the schedule of fees set out in the proposed legislative instrument attached to this regulatory impact statement

**CPI** – Consumer Price Index

**FTE** – Full-time equivalent (staffing measure)

**NCP** – National Competition Policy

**Premier's Guidelines** – *Subordinate Legislation Act 1994* Guidelines

**RIS** – Regulatory Impact Statement

**VCEC** – Victorian Competition and Efficiency Commission

**VIT** – Victorian Institute of Teaching

# SUMMARY

## Objective

The Victorian Institute of Teaching (VIT) is a statutory authority responsible for the regulation of the teaching profession in Victoria as established by the *Victorian Institute of Teaching Act 2001*. This Act was repealed by the *Education and Training Reform Act 2006*, under which the VIT continues to operate. Further amendments to the Act were made by the *Education and Training Reform Amendment Act 2010*.

The VIT registers teachers working in Victorian government, Catholic and independent schools. Like other professions occupying positions of trust and responsibility, teachers are required to be registered in order to practise their profession. All practising Victorian school teachers must be registered by the VIT.

The VIT:

- registers teachers to ensure only qualified people and suitable persons are eligible to work in Victorian schools
- supports provisionally registered teachers using a structured and school-sited evidence-based process, referencing standards of professional practice and leading to full registration
- ensures teachers maintain standards of professional practice through renewal of registration
- works with teachers to develop and implement a professional learning framework
- approves and accredits initial teacher education programs that prepare teachers in Victoria
- investigates and makes findings on instances of serious misconduct, misconduct, serious incompetence or lack of fitness to teach.

VIT funds its activities through fees charged for registration, annual fees, criminal record check fees, and a number of other activities funded on a fee-for-service basis. The Review of the Victorian Institute of Teaching<sup>1</sup> recommended phasing out direct grant funding and moving to a full cost-recovery approach. This recommendation was accepted by the Victorian Government.

Fees are needed to be set in order to provide sufficient income for the VIT to fulfil its statutory functions effectively. In the absence of setting appropriate fees, the VIT would not be able to deliver its required obligations or to maintain and improve the quality of the teaching profession in Victoria.

The objective of the proposed fee schedule is to set fees that reflect the costs to the VIT of performing its statutory functions, while being consistent with other policy objectives.

---

<sup>1</sup> Report to the Minister for Education prepared by FJ and JM King and Associates, March 2008, available at <http://www.education.vic.gov.au/about/statutory/vitreview.htm>.

## The proposed fees

It is proposed to set fees for 2012-13 as shown in the table below. The table also shows the percentage change from the fees set for 2011-12.

Fee type	Current fee	New fee	% change
Fee for application* (Victorian qualification)	\$111	\$113	1.8
Fee for application* (other qualification)	\$131	\$134	2.3
Annual fee for registered teachers	\$74	\$85	14.9
Fee for criminal record check	\$29	\$50	72.4
Late payment fee	\$30	\$30	-
Fees for services provided			
Replacement of card	\$22	\$22	-
Assessment of qualifications	\$100	\$102	2
Course accreditation	-	\$2,000	n/a

\* Application fees apply to both applications for teacher registration and for application for permission to teach. The applicant is also required to pay for a National Criminal History Record Check as part of a complete application

The proposed fees have been calculated to recover the costs to the VIT of undertaking its activities, excluding other available revenue sources. Among the fees for 2012-13, it is proposed to introduce a new fee category for course accreditation. Accrediting such courses is a substantial cost to the VIT that should not be charged to teachers, but rather to course providers.

With the exception of the annual registration fee and fee for national criminal history record check, fee increases have been linked to CPI to ensure these are relatively predictable over time (although have been rounded *down* to a whole dollar amount). The higher increases in the annual fee and criminal history check fee represent the overall under-recovery of costs by the VIT, which needs to be addressed to ensure the VIT can continue to perform its legislative functions.

The fees have been calculated in line with the government's *Cost Recovery Guidelines* (See Attachment B).

The groups affected by the setting of fees are:

- existing registered teachers, who will face an increase in the annual registration fee of around 15 per cent
- new teachers applying for registration or permission to teach, who will face an increase in application fees in line with inflation
- teachers who require a criminal record check, for which VIT expects there to be around 33,000 in 2012-13, will be required to pay a fee increase of 72 per cent
- Education providers seeking accreditation of courses that lead to registration as a teacher will now be required to pay a new fee of \$2,000.

Other fee-for-service costs are proposed to increase broadly in line with inflation.

The VIT considers that with these increases, the overall level of fees remains low, and is unlikely to be a material barrier in teachers wishing to become or remain registered. The setting of the application fees has given specific consideration to not inhibiting registration of new teachers.

The proposed fees represent a degree of cross-subsidisation between fee categories. Fees for applications, criminal record checks and assessment of qualifications do not fully recover the actual costs attributable to these activities with the costs instead being recovered through a higher annual registration fee. The amounts of the cross-subsidisation are shown below:

Fee category	Amount
Un-recovered costs from processing applications	\$1,558,510
Un-recovered cost from handling criminal history record checks	\$309,761
Un-recovered costs from assessment of qualifications	\$223,221
<b>Total amount paid for through annual registration fees</b>	<b>\$2,091,493</b>

The impact of this cross-subsidisation on annual registration fees is around \$18 per teacher. This cross-subsidisation is considered appropriate as:

- the largest component of the cross-subsidisation is to retain low fees for new applications, which is necessary to avoid discouraging new teachers from becoming registered
- while there is cross-subsidisation between fee categories, there is not actual cross-subsidisation between groups of people affected, as all the fees apply to the same group. The fee structure therefore tends to affect *when* costs are recovered rather than *who* they are recovered from.

The primary cause of this cross-subsidisation is the decision to only recover part of the costs associated with new applications for registration. This option was assessed against the generally preferred approach of full cost recovery as opposed to the criteria of efficiency, equity and the impacts on other government policy objectives. The key difference between full and partial cost recovery is that full cost recovery would involve considerably higher application fees (over \$325 for a teacher with Victorian qualifications), which VIT considers would have a detrimental impact on the incentives for new teachers registering to teach in Victoria. Supply of new teachers is an ongoing policy challenge within Victoria.

On a like-for-like basis (i.e., assuming no change in activity levels), the proposed fee increases would see overall fee revenue increase from around \$10 million in 2011-12 to around \$11.5 million in 2012-13, or an increase of around 15 per cent. This increase reflects the combination of inflationary impacts on costs and wages, and the current level of under-recovery of the current fees.

However, the VIT anticipates an increase in the level of activity in 2012-13. In particular, the number of criminal record checks is expected to increase from around 20,000 to 33,000. There are also additional costs to be recovered in 2012-13 that were not reflected in the 2011-12 cost measurement project, including clearing a backlog of formal hearings, increased numbers of renewal audits, and roll-out of



national standards. Due to these changes, actual total revenue from fees is expected to be around \$12 million.

Full cost recovery at the agency level is consistent with the government's *Cost Recovery Guidelines* and the *Victorian Guide to Regulation*, and also achieves the decision following an independent review of VIT in 2008 to phase out direct grant funding. This RIS concludes that the proposed fees do not have a material impact on competition.

## Other options considered

As the Act lists the fees that are able to be charged, and these are the only available options for the VIT to generate sufficient revenue to meet its costs, there are limited feasible alternatives to the proposed fees. Therefore, the alternative options identified are limited to variations in terms of the overall fee structure. Alternative approaches to the proposed fee structure are to change the balance of fees between fee categories, or to set different fees within fee categories.

The options discussed in this RIS are:

- spreading the total fee increase over all fee categories equally
- creating lower fees for applications, and other specific services, and increasing the annual registration fee
- creating further sub-divisions within fee categories. In particular, consideration was given to setting a different fee for applications for permission to teach, and a variable annual registration fee based on length of continuous registration.

Increasing some fees while reducing others results in further cross-subsidisation that is not necessary in terms of meeting policy objectives. Differentiating fees charged within a fee category—which reduces cross-subsidisation within a group—is not able to be achieved in any practical way as there is not a clear and reliable basis on which fees could be varied that are justified on the available data.

## Consultation

A primary purpose of this RIS is to invite comments on the proposed fees. Submissions are now invited on the proposed fees. Written comments and submissions should be forwarded to the VIT by no later than **5:00pm, 15 August 2012**.

While comments are welcomed on any aspect of the proposed fees, particular feedback is sought on:

- whether the increases in the annual fee for registered teachers and the criminal record check are likely to have any material impact on teachers' decisions to be registered
- whether it is necessary to continue the current practice of keeping application fees low for the purpose of avoiding a high cost barrier for new registrants. Would a higher application fee in fact discourage new registrations?
- whether it is appropriate to introduce a new fee for course accreditation, to be paid for by course providers, rather than meeting these costs through fees from teachers; and whether the proposed fee of \$2,000 is reasonable
- whether the activities listed in this RIS are efficient, without compromising the achieving of the VIT's legislative functions
- whether there are any further alternative options in terms of fee structure that would still meet the VIT's funding needs.

# 1 INTRODUCTION

## 1.1 Regulation of teachers

Like other professions occupying positions of trust and responsibility, teachers are required to be registered in order to practise their profession. The registration and regulation framework is set out in the *Education and Training Reform Act 2006*.

Under the Act, the Victorian Institute of Teaching (VIT) registers teachers working in Victorian government, Catholic and independent schools. All practising Victorian school teachers must be registered by VIT.

VIT funds its activities through fees charged for registration, annual fees for its regulatory functions, and a number of other activities funded on a fee-for-service basis.

## 1.2 The requirement for a Regulatory Impact Statement

This Regulatory Impact Statement (RIS) formally assesses the proposed fees for 2012-13 against the requirements in the *Subordinate Legislation Act 1994* and the *Victorian Guide to Regulation incorporating: Guidelines made under the Subordinate Legislation Act 1994*.

A RIS is required for the proposed fees as the method of setting the fees is by a legislative instrument<sup>2</sup> (a Ministerial Order made under the Act<sup>3</sup>), which imposes a significant economic burden (being fees with an aggregate impost of around \$12 million<sup>4</sup>) on a sector of the public (being Victorian teachers).

As the legislative instrument deals only with the setting of fees, it is noted that where fees are proposed to be increased by an amount not exceeding the annual rate set by the Treasurer, a RIS is not required. The annual rate set by the Treasurer for 2012-13 is 2.47 per cent. While most of the current fees are proposed to increase below this rate, two fees are proposed to be increased above this rate, and a new fee category is proposed to be created. Therefore, a RIS is required for the instrument as a whole, although the emphasis on analysis will be on those fees increasing above the annual rate.

---

<sup>2</sup> The *Subordinate Legislation Act* was extended to impose new requirements for making legislative instruments after 1 July 2011. A RIS is required to be prepared for legislative instruments under s 12E of the Act.

<sup>3</sup> 'Legislative instrument' is a term to describe the broad range of subordinate legislation. The Subordinate Legislation (Legislative Instruments) Regulations 2011 specifically prescribes that Orders setting fees set under Part 2.6 of the *Education and Training Reform Act 2006* are legislative instruments.

<sup>4</sup> The guidelines made under section 26 of the *Subordinate Legislation Act* state that statutory rules and legislative instruments that impose fees or charges may impose a significant burden within the meaning of the Act. As a general rule, a RIS is likely to be required for proposals that introduce new fees or remake fees that recover \$500,000 or more in fee revenue per year, or increase existing fees that generate additional revenue of \$500,000 or more per year.

The assessment framework of this RIS:

- examines the nature and extent of the problem to be addressed by setting fees
- outlines the objectives of the proposed fees
- explains the effects of the proposed fees on various stakeholders
- assesses the impacts of the proposed Regulations.

Feasible alternatives to the proposed fees are also considered. The RIS also examines potential impacts on competition.

A primary function of the RIS process is to allow members of the public to comment on the proposed fees before they are finalised. Public input provides valuable information and perspectives and improves the overall quality of decision making. Accordingly, feedback on the proposed fees is welcomed and encouraged.

## 2 THE REASONS FOR REGULATION

### Key points

The Victorian Institute of Teaching is responsible for registering teachers in Victoria, and regulating the teaching profession. It also has statutory functions related to professional standards and professional learning, accreditation, qualification and investigations.

Fees are needed to be set in order to provide sufficient income for the VIT to fulfil its statutory functions effectively. In the absence of setting appropriate fees, the VIT would not be able to deliver its required obligation or to maintain and improve the quality of the teaching profession in Victoria.

### 2.1 Background

Before 2002, teachers in Victoria were only required to be registered by the Registered Schools Board if they were employed in the non-government school sector. Teachers in the government school sector had not been subjected to regulation since the 1980s. In 2001 the Registered Schools Board was discontinued and all people who wished to work as teachers in a Victorian school in any sector were required to be registered with the Victorian Institute of Teaching (VIT).

The VIT is a statutory authority for the regulation of the teaching profession in Victoria. It was established by the *Victorian Institute of Teaching Act 2001*, and now continues to operate under the *Education and Training Reform Act 2006*.

All practising Victorian teachers working in government, Catholic and Independent schools must be registered by the VIT. The creation of the VIT was the first time teachers from both government and non-government schools were registered by the one body.

The government established the VIT to raise the status of teachers, through standards based regulation. It also has a research capacity in relation to its functions and can make recommendations to the Minister about the professional development needs and other concerns of teachers.

Most professions delay registration until a period of internship in a workplace setting has been satisfactorily completed. After the establishment of the VIT, a graduate teacher's registration became dependent on completion of a period of 'provisional' registration during which they were required to develop their practice to meet the standards of professional practice for full registration.

The VIT registration process is an effective means for ensuring that actions are taken on a broad scale to implement organised support for new teachers.<sup>5</sup> Longitudinal evaluation of the process has indicated beneficial effects on retention rates for

---

<sup>5</sup> Kleinhenz, Elizabeth; Ingvarson, Lawrence; and Wilkinson, Jenny, "Supporting New Teachers In Victorian Schools: Making The Teacher Registration Process An Opportunity For Professional Learning" (2008).

teachers new to the profession and in the development of their professional knowledge and practice.

The VIT also undertakes a range of other functions under its legislative scope. These functions include:

- reviewing and approving initial teacher education programs
- recommending the qualification, criteria and standards for registration, and renewal of registration of teachers in Victorian schools
- maintaining a register of teachers
- developing, maintaining and promoting a code of conduct for the teaching profession
- investigation the conduct, competence and fitness to teach of registered teachers, and imposing sanctions where appropriate
- undertaking professional development programs and activities for teachers related to the VIT's functions
- undertaking and promoting research about teaching and learning practices
- providing advice to the Minister about the professional development of teachers.

Under the Australian Government Smarter Schools reforms on Improving Teacher Quality the VIT has a commitment to implement the National Professional Standards for Teachers and national consistencies in registration. These have been endorsed by the Victorian education Ministers and will involve significant changes to registration policy and procedures for full implementation in 2013.

## 2.2 Nature of the problem

The activities of the VIT align with its functions under the Act. As a regulator, the VIT's main functions relate to regulating members of the teaching profession, and to recognising and promoting the regulatory role and activities of the VIT. Other programs and initiatives run by the VIT have been to support the achievement of the VIT's mission:

*“ The Institute’s mission is to build a profession that aspires to the highest standards of teaching practice and conduct. We act in the public interest, behaving honestly, openly and accountably. We acknowledge the professionalism, needs and commitment of teachers and others with a legitimate stake in our work. We are aware of the impact the Institute’s work and decisions have on teachers, students and the wider community. We strive to be knowledgeable, objective, responsive, efficient and effective in all that we do.”*

The VIT funds its activities through a number of sources. The primary source of funding is via fees it charges under the Act. The other sources of income are interest on investments and other revenue such as sponsorships.

In 2010-11, about 92 per cent of all income was from fees. This proportion has been increasing, and is expected to increase further in future years.

A review of VIT in 2008 recommended moving to a full cost recovery framework, whereby all activities of the VIT would be funded through fees or other commercial revenue sources. Between 2008 and 2011, direct government grants have been

progressively phased out. 2011-12 is the first full year where VIT does not receive a direct grant from the government. This will mean there will be a greater reliance on ensuring that the fees match the actual cost of the VIT activities in the future.

There are only a limited number of fees that may be levied under the Act:

Fee type	Section of Act
<p>Fee for application for registration as a teacher  <i>Registration and full registration where the 4 years of qualifications have been completed in Victoria. Provisional registration is granted for 2 years to new graduates or inexperienced teachers who are yet to meet the standards of professional practice for full registration. Full registration is recognised for qualified, experienced teachers who have met the standards of professional practice.</i></p>	2.6.7(2)(b)(iii)
<p>Fee for application for permission to teach  <i>Permission to teach may be granted to persons who are not fully qualified as teachers but have the appropriate skills and experience to teach in circumstances where a fully qualified teacher cannot be found for a position in a school. It is a short-term grant of up to 3 years.</i></p>	2.6.13(2)(b)
<p>Fee for application for renewal of registration  <i>Registration lasts for one year and must be renewed. In practice, this is combined with the payment of the annual registration fee.</i></p>	2.6.18(1)(b)(iii)
<p>Annual fee for registered teachers  <i>Applicable to all registered teachers following their initial registration with provisional or full registration. The fee is required to be paid on an annual basis in order to maintain the teacher's full registration on an ongoing basis, provisionally registered teacher for 2 years and permission to teach for up to 3 years.</i></p>	2.6.21(1)
<p>Additional fee (late payment processing)  <i>If an invoice is not paid by the specified date a standard late payment processing fee may be applied to the invoice.</i></p>	2.6.21 2.6.77
<p>Fee for criminal record check  <i>An NCHRC is required by legislation to be undertaken every five years. A NCHRC is a national check of criminal history and is a requirement for ongoing demonstration of suitability to be a teacher. This is a requirement to maintain registration (full and provisional registration) and when applicable, permission to teach. Applied to all new applicants for registration including provisional registration and full registration as well as permission to teach, forms part of the required application process.</i></p>	2.6.22A(2)
<p>Fees for services provided  <i>This is the basis for the proposed accreditation fee for services under s. 2.6.3(1)(b).</i></p>	2.6.4(2)(g) 2.6.77

Fees are set by Ministerial Order, which must be published in the Victorian Government Gazette. The fees for 2011-12 were published on 3 June 2011 and are:

Fee type	Fee amount
Fee for application for registration as a teacher*	\$111
Fee for application for permission to teach*	
Annual fee for registered teachers	\$74
Late payment fee	\$30
Fee for national criminal history record check	\$29
Fees for services provided	
Replacement of registration card	\$22
Assessment of qualifications (outside initial registration)	\$100

\* A higher fee of \$131 is charged if the qualifications are from outside Victoria, reflecting higher cost of processing and assessing such applications. Applications must also include the fee for a national criminal history record check as part of their application for registration.

The current fees for services are:

- Replacement of registration card: A registration card is proof of being registered with the VIT. If a teacher loses their card a replacement card can be issued.
- Assessment of qualifications (outside initial registration): Service fee applied where a person, who has not lodged an application for registration, asks the VIT to assess their qualifications to ascertain if they have undertaken sufficient academic and initial teacher education qualifications for registration in Victoria.

There is currently cross-subsidisation between fee categories. Some of this cross-subsidisation is desirable while some is not:

- The current fee for the national criminal history record checks is significantly below the cost to the VIT of performing this legislative function. Of the \$29 collected, \$23 is paid to CRIMTRAC, leaving VIT with only \$6 to meet its processing and handling costs. The direct costs to VIT of processing these applications is in the order of \$11 per application, and around \$30 when overhead costs are included.
- There is currently no fee charged to course providers for accreditation of new courses. Course accreditation involves a process of panel review and assessment of an initial teacher education program to determine whether the program meets the required standards and a Committee approval process for programs that meet the standards. This is a substantial cost for each course accredited, which is currently paid for by annual registration fees paid by teachers.<sup>6</sup>

<sup>6</sup> Prior to the formation of VIT, the Standards Council of the Teaching Profession, a government-funded agency, evaluated pre-service teacher education courses for recommendation for employment in Victorian schools. This function was transferred to VIT, and was reflected in the government funding provided to the VIT, which ceased last financial year.



- The fees charged for applications are substantially below the actual cost to the VIT of processing these applications, with a large amount of these costs transferred to the annual registration fee. This practice has been in place since the commencement of the VIT registration system, and recognises that high upfront fees for new teachers are likely to have a detrimental impact on new teachers becoming registered. This has an important policy objective to support a high quality supply of teachers into the profession, and has had regard to regular teacher demand and supply analysis by the Department.

### 2.3 Extent of the problem

The current fees are expressed as applying to 2011-12. Therefore a new schedule of fees is required to be made in order for the VIT to continue to collect fees to fund its statutory functions. In the absence of setting fees, the VIT would not have sufficient revenue to meet its responsibilities as a regulator.

The current fees do not recover all the costs. While around \$300,000 of this is attributable to the phase out of grants, current fees still fall significantly below the levels required to allow VIT to recover its costs, resulting in expected losses. The following table shows the indicative under-recovery of fee revenue by fee type expected for 2011-12.

Activity	Actual cost to VIT	Revenue collected through respective fee	Difference
New applications (Victorian)	\$1,382,904	\$482,739	-\$900,165
New applications (other)	\$791,987	\$181,042	-\$610,945
Late processing of annual payments	\$221,940	\$225,000	\$3,060
Criminal history checks	\$1,201,314	\$602,881	-\$598,433
Card replacement	\$22,744	\$22,000	-\$744
Assessment of qualifications	\$449,451	\$234,000	-\$215,451
Course accreditation	\$29,166	\$0	-\$29,166
Other VIT costs/annual fees	\$6,746,146	\$8,572,752	\$1,826,606

Without increasing fees, the net loss to VIT is expected to worsen in future years. This is due to general inflation factors and increasing wage costs, as well as declining income from investments as cumulative losses will further reduce the cash reserve of the VIT. There are also some material cost changes flowing from the decision to align annual renewals to a common 30 September date.

Assuming that all current fees were reset at their current level, the following table shows the anticipated under-recovery of fee revenue for 2012-13 (assuming wages growth of 3.25 per cent and non-wages growth of 2.25 per cent).

Activity	Expected cost to VIT	Revenue collected through respective fee	Difference
New applications (Victorian)	\$1,421,210	\$482,739	-\$938,471
New applications (other)	\$813,925	\$181,042	-\$632,883
Late processing of annual payments	\$228,088	\$225,000	-\$3,088
Criminal history checks	\$1,959,762	\$957,000	-\$1,002,762
Card replacement	\$23,374	\$22,000	-\$1,374
Assessment of qualifications	\$461,901	\$234,000	-\$227,901
Course accreditation	\$29,974	\$0	-\$29,974
Other VIT costs/annual fees	\$7,763,014	\$8,572,752	\$809,738

The expected costs to be recovered through the fees in the Ministerial Order over the life of the instrument is around \$12.7 million. The small amount of over-recovery through the annual registration fee is insufficient to offset the net costs to the VIT of its other activities. The overall losses could be in the order of \$1 million within three years' time.

Ongoing losses would mean that the VIT would not be able to effectively perform its role as regulator, or undertake any associated functions that aim to improve teaching quality through supporting teachers.

## 3 THE PROPOSED FEES

### Key points

The proposed fees are designed to reflect the full costs to the VIT of performing its statutory functions, while being consistent with other policy objectives.

Based on a detailed review of the activities of the VIT, it is proposed to increase the annual registration fee from \$74 to \$85, increase the fee for a criminal history check from \$29 to \$50, and introduce a new fee to education providers for accreditation of courses of \$2,000. All other fees are proposed to increase in line with inflation or below.

The VIT has reviewed its activities and considers the costs are efficient. The changes to the fees will affect existing and new teachers.

### 3.1 Objective

The objective of the proposed fee schedule is to set fees that reflect the costs to the VIT of performing its statutory functions, while being consistent with other policy objectives.

### 3.2 Base case

The base case is the “do nothing” scenario, where no action is taken, against which options for action can be assessed. The current fees only apply to 2011-12, and failure to set new fees will mean that the VIT is unable to collect any fee income to support its activities. This will mean its annual revenue would be in the order of \$300,000, while its expenses would be over \$10 million. This is clearly unsustainable, and the VIT would effectively stop its regulatory activities.

### 3.3 Setting the fees for 2012-13

#### 3.3.1 Principles of cost recovery

Cost-recovery may be defined as the recuperation of the costs of government-provided or funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs imposed by their actions.

The government’s *Cost Recovery Guidelines* set out principles underpinning cost-recovery arrangements. The Guidelines establish a whole-of-government framework thereby ensuring that cost-recovery arrangements in Victoria are transparent, efficient, effective and consistent with legislative requirements and government policy. These Guidelines are based on the principle that properly designed cost-recovery arrangements can deliver both equity and efficiency benefits to the community.

The government’s policy is that, in the absence of other policy objectives, fees should be set to fully recover an agency’s costs of undertaking the task.

As a means of necessity, full cost recovery at an agency level is consistent with the VIT meeting its statutory functions. The proposed fees are therefore calculated to

fully recover VIT's costs. Under the Guidelines, this is subject to establishing that the costs are efficient, which is discussed below.

However, within the different fee categories, consideration is needed as to how costs should be shared and their impacts on policy objectives.

The Guidelines set out ten steps to guide the development of cost recovery. These are detailed at Attachment B.

### 3.3.2 The proposed fee structure

The Act only allows the following fees to be charged.

Fee type	Section of Act
Fee for application for registration as a teacher	2.6.7(2)(b)(iii)
Fee for application for permission to teach	2.6.13(2)(b)
Fee for application for renewal of registration	2.6.18(1)(b)(iii)
Annual fee for registered teachers	2.6.21(1)
Late payment fee	2.6.21 2.6.77
Fee for criminal record check	2.6.22A(2)
Fees for services provided	2.6.4(2)(g) 2.6.77

The last item is the basis for setting fees on a fee-for-service approach for accreditation of courses s. 2.6.3(1)(b), and would be charged to the person or education provider requesting the service. All other fees may only be levied on teachers applying to be registered or already registered.

It is appropriate that teachers pay a fee, as they are the direct beneficiaries of the VIT services. By registering and monitoring teachers, teachers are able to be employed within Victoria. Registered teachers are also the primary beneficiary of the VIT's activities to support professional development, and to enhance the confidence and trust in the quality of the teaching profession.

In relation the above fee categories, it is recognised that the VIT activities in relation to processing applications for teacher registration are effectively the same as those for an application for permission to teach. It is therefore reasonable, and simpler, have the same fee for these categories.

However, the VIT has recognised a material cost difference between applicants with Victorian qualifications and those with qualifications that are from interstate or overseas. This is due to additional tasks related to verification and assessment of adequacy. It is therefore proposed to continue with the current arrangements of setting a different fee for applications with non-Victorian qualifications.

Further, the VIT has identified that accreditation of courses is a discrete activity that could be subject to a fee-for-service arrangement. This is not separately charged, however as it represents a large cost to the VIT, it is proposed to introduce this as a new fee item within the fee schedule.

### 3.3.3 The cost base

The cost base uses a combination of activity-based cost measurement and distribution of total costs. This is appropriate as some fee items are discrete activities performed by the VIT and therefore the fee should reflect the incremental cost of providing that service, while the annual registration fee reflects the majority of the core functions undertaken by the VIT.

A comprehensive cost model study was undertaken for VIT in March 2012 (see Attachment C). Based on this study, the 'direct activity' costs of each activity are shown below, together with an allocation of other (corporate overhead) costs:

Cost type	Direct costs	Other costs
Processing application (Victorian qualification)	\$464,299	\$918,605
Processing application (other qualification)	\$296,247	\$495,740
Processing criminal record check	\$699,469	\$501,845
Processing assessment of qualifications	\$195,850	\$253,601
Replacing registration cards	\$7,384	\$15,360
Accrediting courses	\$27,316	\$1,850
Additional costs for late annual payments	\$16,043	\$205,897

The full process mapping for these activities, undertaken for the review, is included in Attachment D. The distribution of 'other costs' is based on the proportion of total staff time allocated to each activity.

On a per unit basis, the costs are as shown below. The above costs are based on 2011-12 activities, and therefore the following table also shows an increase for inflation to produce the indicative costs for 2012-13.<sup>7</sup>

Cost type	Total costs	Number*	Unit Cost (2011-12)	Unit Cost (2012-13)
Processing application (Victorian qualification)	\$1,382,904	4,349	\$317.98	\$326.79
Processing application (other qualification)	\$791,987	1,382	\$573.07	\$588.95
Processing criminal record check and CRIMTRAC costs	\$1,201,313	20,789	\$57.79	\$59.39
Assessment of qualifications	\$449,451	2,340	\$192.07	\$197.39
Replacing registration cards	\$22,743	1,000	\$22.74	\$23.37
Accrediting courses	\$29,166	15	\$1,944	\$1,998
Costs for late payments	\$221,940	7,500	\$29.59	\$30.41

\* The number is based on the number of applications/registrations/etc performed in 2011-12, as this is the driver of the costs identified in the cost model review. This allows calculation of an average cost per activity, notwithstanding that VIT anticipates a higher number of some activities in 2012-13.

<sup>7</sup> Costs have been increased by 2.77 per cent, being a weighted average of expected labour costs increase (3.25 per cent) and non-labour price increase (2.25 per cent), and using the VIT's estimate of 51 per cent of total costs being labour costs.

After allocating these costs, the remaining VIT activities related to the regulation of registered teachers amount to \$6,746,146.<sup>8</sup> This includes direct incremental costs of around \$740,000 attributed to annual renewal of registrations and processing of annual fee payments. The other \$6 million in costs relates to the other statutory functions and activities of the VIT as regulator and its other statutory functions to support the teaching profession. This includes disciplinary action, compliance, communications, and other corporate support (see Attachment D for full list and costs). These costs would be recovered through the annual registration fee applying to all registered teachers. Based on this cost, the annual registration fee would be \$58.25 in 2011-12, indexed to \$59.85 for 2012-13.

### 3.3.4 Fee options

There are two broad options for the overall structure of the proposed fees. These are:

- Option 1: setting fees to match the per unit cost to VIT of undertaking each activity
- Option 2: some cross-subsidisation between different fee categories.

Based on the analysis that follows in this RIS, Option 2 is the preferred outcome and are the fees proposed to be made. A comparison of fees under each option is shown in the table below, together with the amount of cross-subsidisation under the proposed fees.

Fee category	Unit Cost (2012-13)	Option 1 fees	Option 2 fess	Per unit cross subsidy under Option 2
Processing application (Victorian qualification)	\$327	\$327	\$113	\$214
Processing application (other qualification)	\$589	\$589	\$134	\$475
Processing criminal record check and CRIMTRAC costs	\$59	\$50	\$50	\$9
Processing assessment of qualifications	\$197	\$197	\$102	\$95
Replacing registration cards	\$23	\$22	\$22	-
Accrediting courses	\$1,998	\$2,000	\$2,000	-
Additional costs for late payments	\$30	\$30	\$30	-
Costs to be recovered through annual fee	\$67	\$67	\$85	-\$18

<sup>8</sup> The total cost of VIT's regulatory functions was estimated at \$10,845,653 for 2011-12.

### Fees for service

Section 3.3.3 above indicates that the current fee for replacement of registration cards is about right in terms of matching the fee to the actual cost of the activity. It is therefore proposed to increase this fee by CPI for 2012-13<sup>9</sup> under both options. CPI is used as VIT considers it appropriate to have smooth and predictable increases in fees wherever possible, rather than exact matching year to year. Linking these fees to CPI also creates ongoing incentive for VIT to keep the costs of these activities efficient.

The current fee for assessment of qualifications is \$100, which is below the actual unit cost of around \$197. Option 1 increases this fee to \$197. However, as assessment is generally a pre-cursor to registration applications, there is a policy desire to keep this fee contained so that it does not deter potential teachers having their qualifications assessed by the VIT. It is therefore proposed under Option 2 to increase this fee by CPI from its current level. This represents *partial* cost recovery for this item—the rationale for partial cost recovery is the same as that for application fees and is discussed further below.

As noted in Section 2, there is currently no fee charged to course providers for accreditation of new courses. Based on the above analysis, it is proposed to set this fee at \$2,000 for 2012-13 under both options.

For these fee categories, the proposed fees are shown below. As fees are to be charged only in whole dollars, proposed fees have been rounded down after the application of a CPI increase, resulting in actual increases less than CPI in relation to the fees for card replacement and assessment of qualifications.

Fee type	Current fee	New fee	% change
Fees for services provided			
Replacement of card	\$22	\$22	-
Assessment of qualifications	\$100	\$102	2
Course accreditation	-	\$2,000	n/a

It is noted that, with the exception of the new course accreditation fee, that the proposed increases under Option 2 are below the annual rate of 2.47 per cent set by the Treasurer as the benchmark for fee increases. The total revenue collected via these fees is under \$500,000. As such, if these increases were made on their own, they would not require a regulatory impact statement.

### Late payment processing fee

The Cost Model Report found that the activity-based cost of processing late payments is around \$30, the same as the current fee. It is therefore proposed to retain this fee at the same level in 2012-13 under both options.

<sup>9</sup> CPI increase of 2.25 per cent has been used, based on Victorian Government forecasts detailed in 2012-13 Budget papers.

### **Fee for National Criminal History Record Check**

The above analysis indicates that the unit cost of this activity is about \$59 in 2012-13, well above the current fee levied of \$29. There is therefore a compelling need to increase the fee for this activity to reflect costs incurred.

However, it is noted that the estimated indicative cost for 2012-13 is based on the level of activity in 2011-2 (i.e, 20,789 checks) continuing into 2012-13. Based on the time profile of when checks are due, VIT estimates that it will be required to perform over 33,000 checks in 2012-13. It is unclear how this might affect unit costs, as there may be economies of scale realised. VIT considers that increases to this fee should remain smooth and predictable over time, and not necessarily be adjusted frequently based on parameters subject to change each year. Recognising that the current fee is substantially below the actual cost, it is proposed to increase this fee to \$50 in 2012-13 under both options. VIT will then closely monitor how the increase in checks undertaken in 2012-13 will affect per unit costs, with a view to better informing this setting of this fee in future years.

### **Fees for registration applications**

The cost of processing applications is substantial, at around \$327 for an application based on Victorian qualifications and \$589 for interstate or international qualifications. Charging fees at this level is likely to have an impact on application decisions, therefore it is appropriate to consider whether full cost recovery in this context.

As stated in the *Victorian Guide to Regulation*, general government policy is that regulatory fees should be set on a full cost recovery basis because it ensures both efficiency and equity objectives are met. However, there are situations where it may be desirable to recover at less than full cost. A prime example is where full cost-recovery might adversely affect the achievement of other government policy objectives. In relation to teacher application fees, there are also subtle implications for equity objectives, as amounts not recovered via application fees results in higher annual fees for registered teachers (who themselves have previously benefited from lower application fees).

The two broad options available are:

- *Full cost recovery with no cross-subsidisation*: fees for applications would be levied at \$327 for Victorian qualifications and \$589 for other qualifications. This is based on the measured costs of each activity performed by the VIT, including both direct costs and an allocation of corporate overhead costs.
- *Full cost recovery with cross-subsidisation between new applicants and existing teachers*: fee for applications would be levied at \$113 for Victorian qualifications and \$134 for other qualifications. These amounts are chosen based on increasing the current fees by CPI (rounded down to whole dollars), which recognises that new applicants will already face a significant increase in fees associated with the criminal history record check, which all applications must also pay. The cost of processing applications not recovered through these fees will be spread across all existing teachers through the annual registration fee.

These proposed fees are broadly in line with other jurisdictions: NSW (\$100), Queensland (\$121.05), South Australia (\$325, which includes three years of registration), Western Australia (\$130), Northern Territory (\$75 or \$115), and Tasmania (\$136).



### Annual teacher registration fees

The annual teacher registration fees are proposed to be \$85 for 2012-13. The annual fee must recover all other costs of the VIT not met by the above fees or other revenue sources.

The cost base for the annual fees is shown below.

Cost type	Option 1	Option 2
Costs of regulating registered teachers	\$6,933,014	\$6,933,014
Un-recovered costs from processing applications	-	\$1,558,510
Un-recovered cost from handling criminal history record checks	-	\$309,761
Un-recovered costs from assessment of qualifications	-	\$223,221
Additional costs to be recovered in 2012-13	\$830,000	\$830,000
<b>TOTAL</b>	<b>\$7,763,014</b>	<b>\$9,854,507</b>
<i>Unit cost (based on 115,848 teachers)</i>	<i>\$67</i>	<i>\$85</i>

*The figures in this table have been indexed to reflect 2012-13 costs and the proposed new fees.*

This table includes an allocation of \$830,000 not identified in the Cost Model Project. This amount is required to recover the costs of new activities for VIT in 2012-13, or activities that were not captured at a lower rate during the Project's measurements in 2011-12. These additional costs cover:

- clearing a backlog of formal hearings (required as part of VIT's regulatory function) due to delays in appointing disciplinary panel members
- implementation of National Standards which will be rolled out to new graduates (around 11,000) in 2012-13 and rolled out to the rest of the teaching population over the next 4 years
- roll out of annualised renewal and annualised audit, which will increase the number of audits from around 200 per year to 1000 per year.

The additional costs of these activities is estimated by VIT to be over \$2 million in 2012-13, however through reprioritising some programs and taking into account other income sources, VIT considers that around \$830,000 in additional revenue will need to be recovered through fees.

Spread over the 115,848 registered teachers, this equates to an annual registration fee of \$67 per registered teacher in the option where other fees are charged their full cost. Under the proposed fees (Option 2), the annual registration fee is \$85 to reflect the lower fees charged for application fees and qualification assessments.

### 3.3.5 Assessing the options

The appropriateness of the two options has been assessed by scoring each option against the following weighted criteria.

Criterion	Description	Weighting
Efficiency	Incorporating the costs of administering government regulation into the prices of regulated products and services ensures that the costs to the community of the resources used to allow the regulated activity to take place will become apparent to producers and consumers. This criterion indicates the allocate efficiency.	33%
Equity	When used in a public finance context, equity can have both horizontal and vertical dimensions. In setting fees, horizontal equity (fees are levied based on who directly benefits from the activity) generally aligns with efficiency, and is therefore addressed in the first criterion. This criterion therefore focuses on vertical equity (matching fees to the ability of people to pay).	33%
Effectiveness	This criterion measures the impact on government policy objectives. Specifically, high fees may have an impact on decisions of new teachers to register, and therefore on the overall supply of teachers in Victoria.	33%

Against these criteria, options were scored on a scale of -10 to +10.

The consideration of the impact on new entrants is important. Over the past two years, the number of new registrants has fallen significantly, by 9 per cent in 2010-11 and an anticipated 7 per cent in 2011-12. New registrants each year are now around 1,000 less than two years ago. However, this is against a backdrop of continued shortages of available teachers, in part driven by the age profile of teachers leading to increasing rates of retirement. Minimising any deterrent on new registrants is therefore paramount.

It is very relevant in relation to application fees that:

- any amount of costs not recovered through application fees will need to be recovered through higher annual registration fees paid by existing teachers
- while application fees and annual fees are separate fee categories, the affected people are the same, in that once an application is approved, an applicant becomes a registered teacher subject to annual fees.<sup>10</sup> This means that any amounts not fully recovered at the point of application tend to be recovered by the teachers as a group at a later point
- existing teachers subject to annual registration fees have already benefited from previously paying initial application fees below their full cost

<sup>10</sup> To date, only two applications have been refused in 2011-12.

- fees for applications represent an 'entry cost' for new teachers entering the Victorian teaching profession, and even at current levels are significantly above the annual fees paid by existing teachers.

Therefore, while setting fees for applications below their actual cost represents cross-subsidisation at a technical level, it is more akin to a deferred payments arrangement, whereby part of the application fee is paid upfront, with the remainder spread over a teacher's career. But as the remainder is spread over all registered teachers as a group, rather than individual teachers, any changes to fee structure will have equity considerations for those existing teachers that have already benefited from low application fees.

The assessment for full cost recovery without cross-subsidisation is shown below.

#### No cross-subsidisation

Criterion	Assessment	Score	Weighted score
Efficiency	The fees reflect the full costs of the relevant activity and satisfy the objective of allocative efficiency. As there are a number of fees that do not match exactly the associated costs under this option, it was scored slightly less than the maximum score for this criterion.	+9	+3.0
Equity	New teachers seek registration prior to gaining relevant employment and generally have limited capacity to meet costs before employment. Vertical equity suggests that delaying some costs to when a teacher becomes registered is appropriate. Without cross-subsidisation, new applicants would be required to pay a large fee before they are able to be employed as a teacher, while existing teachers would pay a lower fee. A large increase in application fees at this time would also be unfair to new teachers as existing teachers have already benefited from low application fees in the past.	+5	+1.6
Effectiveness	Fees based on full cost recovery are substantial, and VIT believes that it would discourage new teachers from becoming registered. While this impact may be small overall, teacher supply is a critical issue and the VIT seeks to limit any negative impact on this by containing costs of entry into the teaching profession.	-5	-1.6
<b>TOTAL</b>			<b>+3.0</b>

The above analysis reflects VIT's expectation that an increase in application fees will have a material effect on new entrants.

The *2009 Teacher Supply and Demand Report* projected a decline in primary trained teachers over the period 2010 to 2013. An existing shortfall in secondary graduate teachers was also expected to persist. The largest projected shortfall of secondary graduate teachers over the forecast period was 240 in 2013. The study factored in a decline in supply of new graduate teachers of around 10 per cent over the five-year

forecast period. However, as noted above, the number of new registrants has fallen significantly, by 9 per cent in 2010-11 and an anticipated 7 per cent in 2011-12. New registrants each year are now around 1,000 less than two years ago.

To charge application fees at their full cost would place Victoria's fees as the highest in Australia, at a time when all states are competing to attract interstate teachers to fill gaps. While it is noted that the fee for application is small compared to costs of undertaking relevant studies to become a qualified teacher, university funding arrangements recognise that course tuition fees are re-paid through income-contingent loans (i.e., after a teacher begins earning an income from teaching). Registration application fees are, however, required to be paid before a teacher is allowed to teach.

Of the limited consultation undertaken prior to issuing this RIS, two stakeholders strongly advocated that application fees for new registrants were high and should not be increased. This RIS provides an opportunity for other parties to comment on whether a significant increase in application fees is likely to have a detrimental impact on new registrants.

The assessment for cross-subsidisation a proportion of application processing costs via higher annual registration fees is shown below.

#### Cross-subsidisation

Criterion	Assessment	Score	Weighted score
Efficiency	While the fee is below the cost of this particular activity, the overall fees paid by teachers (applications and annual registration fees) reflect the full costs of the regulating the teaching profession and therefore satisfy the objective of allocative efficiency. As there is a degree of cross-subsidisation that means fees do not exactly match the associated costs, this option was scored less than the maximum score, and slightly less than option 1 on this criterion.	+8	+2.7
Equity	Vertical equity suggests that delaying some costs to when a teacher becomes registered is appropriate. A large increase in application fees at this time would also be unfair to new teachers as existing teachers have already benefited from low application fees. Therefore, containing application fees to be around their existing levels contributes to inter-temporal equity between new and existing teachers.	+7	+2.3
Effectiveness	VIT believes that the current fees have only a minimal, if any, impact on decisions to register, and therefore this option would have only a very small impact on policy objectives.	-1	-0.3
<b>TOTAL</b>			<b>+4.7</b>

On this basis, VIT considers that the proposed cross-subsidising of costs between new applicants and existing teachers is preferred to full cost recovery without cross-subsidisation in relation to application fees.

### 3.3.6 Are the costs efficient?

For cost recovery, the *Cost Recovery Guidelines* and the *Victorian Guide to Regulation* require costs to represent the efficient cost of providing the service.

For those fees that represents specific incremental activities, the following table shows the amount of staff time used in estimating the *wage costs* of each activity.

Activity	Total FTE for 2011-12	Hours per unit
Processing application (Victorian qualification)	9.8	3.8
Processing application (other qualification)	5.8	7.0
Processing criminal record check and CRIMTRAC costs	10.0	0.8
Processing assessment of qualifications	2.8	2.0
Replacing registration cards	0.2	0.4

*Hours per unit is based on one full time equivalent (FTE) staff working 38 hours per week for 44 weeks per year.*

Further details on the breakdown of labour costs is shown in Attachment E. This shows that the staff time allocated to each activity is relatively small, and is performed at an appropriate VIT staff level.

Processing applications for course accreditation is relatively time intensive. However, there are comparisons available within the teaching sector: the Australian Children's Education and Care Quality Authority charges \$2000 for course accreditation and the Australian Nursing and Midwifery Accreditation Council charges \$35,000 to accredit a program of greater than 12 months duration. The costs to VIT are within this range, with the direct incremental costs at the bottom of this range.

Annual registration fees are 85 per cent of revenue, and therefore are most indicative of the overall efficiency of VIT. Modelling of registration fees in 2003, based on an activity-based assessment of the legislative functions at that time, found that an annual fee of \$85 per registered teacher was required to fund the relevant activities of the VIT at that time. Since then, there has been an increase in statutory functions assigned to the VIT. These additional functions, many of which resulted from recommendations from the 2008 King Review, include:

- the introduction of broadened investigative functions including investigation of health matters, consideration of misconduct not of a serious nature, informal hearings and the power to launch own motion investigations
- the introduction of continual criminal recording checking
- the strengthening of the ability to investigate health impairments on application for registration
- audits of all sectors to ensure all teachers are registered
- the move from five year to annual renewal of registration
- the introduction of the national agenda, including national professional standards, nationally consistent registration and a national approach to accreditation of initial teacher education programs, all of which are administered by the VIT.

As the VIT is able to set annual registration fees at \$85 in 2012-13 (or effectively lower if cross-subsidies were excluded), the increased scope of functions assigned to the VIT and the inherent cost inflation due to wages and price increases since 2003, suggests that the VIT has made substantial improvements in its overall efficiency since that time.

A useful perspective is to compare the proposed annual registration fee with the same fee levied in other states. The table below shows the current annual fees in Australian jurisdictions.

Jurisdiction	Annual Fee
Queensland	\$70.50
Northern Territory	\$75
Western Australia	\$80
Tasmania	\$86
New South Wales	\$100
ACT	\$100
South Australia	\$100

Noting that some jurisdiction receive government funding or deliver a lower number of functions than the VIT, the calculated cost per registered teacher of around \$85 suggests that the VIT's costs are within an acceptable benchmark.

A recent (December 2011) audit by the Victorian Auditor-General's Office (VAGO) concluded that the VIT is a sound regulator and its registration practices give a high level of assurance that only those teachers who meet the regulatory standards are registered and that any unregistered practising teachers are identified. The audit found that VIT has sound practices in place to fulfil its regulatory responsibilities and manage risks. The audit did note that further consideration should be given to reviewing efficiency of activities.

Following this audit, the new VIT Council at its first Strategic Planning Workshop conducted in March 2012, considered the projected budget shortfall for 2011/12. An analysis of the VIT's current functions against its legislative functions showed the extensive broadening of the functions and activities of the VIT that have occurred since the creation of the VIT ten years ago. The Council established a program of measures to reduce costs, and discontinued some initiatives. The cost saving measures included increased control on new recruitment, and ceasing activities such as twilight seminars. As a result, the VIT is confident that its activities represent the appropriate balance of meeting its legislative responsibilities without unnecessary costs.

The only activity that could be considered 'discretionary' is the number of audits. VIT will undertake around 1,000 audits of registered teachers in 2012-13. The number has increased from around 200 following the move to annual registration renewals—the increase is directly linked to the increase in the number of renewal decisions that are made each year and thereby the volume of decisions subject to audit.

VIT considers that to do less than 1,000 audits will compromise the integrity of the audit process. At 1,000 audits, the audit rate is quite low, at around 1 per cent of the number of renewals each year. This is much lower than similar agencies: the teacher regulators in both New South Wales and Queensland report a much higher audit rate, Queensland audits 10 per cent of its renewal cohort and New South Wales currently

audits 5,000 teachers per year with this expected to rise to 7,000 teachers per year as the number of accredited teacher rises.

The VIT performance audit conducted by VAGO identified the importance of reviewing the reliability of risk mitigation in this area and the importance of focussing efforts to strengthen teacher compliance. Therefore, the VIT considers that a lower level of audit activity is inconsistent with effectively meeting its legislative responsibilities.

Investigations and the pursuant hearings are driven by detection, including through audits and complaints.

### 3.4 Groups affected

The groups affected by the setting of fees are:

- existing registered teachers, who will face an increase in the annual registration fee of around 15 per cent
- new teachers applying for registration or permission to teach, who will face an increase in application fees in line with inflation
- teachers that require a criminal record check, for which VIT expects there to be around 33,000 in 2012-13, will be required to pay a fee increase of 72 per cent
- education providers seeking accreditation of courses will now be required to pay a new fee of \$2,000.

Other fee-for-service costs are proposed to increase in line with inflation.

The VIT considers that with these increases, the overall level of fees remains low, and is unlikely to be a material barrier in teachers wishing to become or remain registered. The setting of the application fees has given specific consideration to not inhibiting registration of new teachers.

The proposed fees represent a degree of cross-subsidisation between fee categories. This cross-subsidisation involves fees for applications, criminal record checks and assessment of qualifications not fully recovering the actual costs attributable to these activities, with the costs instead being recovered through a higher annual registration fee. The amounts of the cross-subsidisation is shown below:

Fee category	Amount
Un-recovered costs from processing applications	\$1,558,510
Un-recovered cost from handling criminal history record checks	\$309,761
Un-recovered costs from assessment of qualifications	\$223,221
<b>Total amount paid for through annual registration fees</b>	<b>\$2,091,493</b>

The impact of this cross-subsidisation on annual registration fees is around \$18 per teacher. This cross-subsidisation is considered appropriate as:

- the largest component of the cross-subsidisation is due to retaining low fees for new applications, which was shown to be necessary to avoid discouraging new teachers becoming registered
- while there is cross-subsidisation between fee categories, there is not actual cross-subsidisation between groups of people affected, as all the fees apply to the same group. The fee structure therefore tends to affect *when* costs are recovered rather than *who* they are recovered from.

On a like-for-like basis (i.e., assuming no change in activity levels), the proposed fee increases would see overall fee revenue increase from around \$10 million in 2011-12 to around \$11.5 million in 2012-13, or an increase of around 15 per cent. This increase reflects the combination of inflationary impacts on costs and wages, and the current level of under-recovery of the current fees.

However, the VIT anticipates an increase in the level of activity in 2012-13. In particular, the number of criminal record checks is expected to increase from around 20,000 to 33,000. Due to these changes, actual total revenue from fees is expected to be around \$12 million.

### 3.5 Implementation and enforcement

All new fees will be published in the Government Gazette, on the VIT website and advised to applicants at the time of application. In relation to annual registration fees, the VIT writes to each teacher each year to advise them of the amount that is required to be paid.

Fees are required to be paid at the time of application, or in the case of annual registration fees, by a due date advised by the VIT. Late payments attract an additional processing fee.



## 4 ALTERNATIVE OPTIONS

### Key points

Alternative approaches to the proposed fee structure are to change the balance of fees *between* fee categories, or to set different fees *within* fee categories.

Increasing some fees while reducing others results in further unjustified cross-subsidisation beyond that needed to address policy objectives, which is inconsistent with *Cost Recovery Guidelines*.

Differentiating fees charged within a fee category—which is actually reducing cross-subsidisation—is not able to be achieved in any practical way as there is not a clear basis on which fees could be varied that are justified on the available evidence.

As the Act lists the fees that are able to be charged, and these are the only available options for the VIT to generate sufficient revenue to meet its costs, there are limited feasible alternatives to the proposed fees. Therefore, the alternative options identified are limited to variations in terms of the overall fee structure. The options discussed in this section are:

- spreading the total fee increase over all fee categories equally
- creating lower fees for applications, and other specific services, and increasing the annual registration fee
- creating further sub-divisions within fee categories.

Analysis focused on potential options that were likely to make a material difference in fee levels.

Stakeholders are encouraged to comment on whether there are any further alternative options that could meet the VIT's funding needs.

### 4.1 Spreading the total fee increase equally over all fee categories

This option would see the following fees for 2012-13.

Fee type	Current fee	Alternative new fee	% change
Fee for application (Victorian qualification)	\$111	\$129	16%
Fee for application (other qualification)	\$131	\$152	
Annual fee for registered teachers	\$74	\$86	
Late payment fee	\$30	\$35	
Fee for criminal record check	\$29	\$34	
<i>Fees for services provided</i>			
Replacement of card	\$22	\$26	
Assessment of qualifications	\$100	\$116	

To achieve the same overall revenue (assuming constant activity level) with the proposed fees, a uniform increase of 16 per cent on all fees would be required. (Under this option, the separate fee of \$2,000 for course accredited has been assumed, and the associated revenue excluded from the above required increase.)

There is no net cost or benefit associated with this option (compared to the proposed fees), as the total amount of higher fees paid by some teachers is exactly offset by lower fees paid by others.

However, this approach would lead to significant further cross-subsidisation between different fee categories and reduce the transparency of fee setting.

The small number of teachers who require replacement registration cards, require assessment of qualifications prior to an application for registration, or who make late payments, would also be subsidising costs attributable to the larger group of existing teachers. As this set of fees are charged on a fee-for-service basis, unless there were market or commercial reasons for setting higher fees, charging above actual costs for these items would amount to more of a penalty than a fee.

For these reasons, this option is not preferable to the proposed fee schedule and was not considered further.

## **4.2 Higher annual fee and lower other fees**

As an indicative example, increasing the annual fee for registered teachers to \$100 (in line with some other states) would allow all other fees to be halved.

This approach would exacerbate the degree of cross-subsidisation between fee categories. While this would likely have minimal impact on people concerned (affecting the time when costs are recovered rather than who ultimately pays), it is desirable to limit cross-subsidisation as far as possible without adversely affecting policy objectives. The proposed fee structure has had regard to the disincentives for new teachers, and further cross-subsidisation is not justified. This option was therefore not considered further.

## **4.3 Creating further sub-divisions within fee categories**

The following table examines the scope for creating additional categories within the proposed fee categories.

Fee category	Potential options
Application for registration	The proposed fee schedule already distinguishes between teachers with Victorian qualifications and those with non-Victorian qualification. One theoretical option is different fees for registration vs. permission to teach, although the data does not point to a material difference in unit costs for these application types.
Criminal record check	The activities of the VIT are identical for all checks, and there is no practical basis for differentiation.
Annual registration fee	The annual fee could be varied depending on certain characteristics of each teacher, such as length of registration.
Card replacement fee	No practical differences between individual cases.
Late processing fees	The fee relates to the additional cost to the VIT of processing fee payments outside the normal processing period, and cannot be differentiated due to individual characteristics, including length of delay.
Assessment of qualifications	While the costs to the VIT may differ for each assessment, this cannot be determined at the time of application, which is when the fee must be paid.
Course accreditation	While the costs to the VIT may differ for each assessment, this cannot be determined at the time of application, which is when the fee must be paid.

#### 4.3.1 Different annual fees for registered teachers

The range of factors on which annual fees could be differentiated is limited. Ideally, fees could be based on teacher performance, however the VIT does not assess teacher performance. The primary characterise that could be feasible is the duration that a teacher has been registered. The rationale for this approach is that the longer a teacher has been registered, the less likely that the VIT will need to conduct investigations or other disciplinary action in relation to that teacher. However, VIT does not have specific data on this relationship that can be readily quantified.

Further, the costs to the VIT associated with investigations and prosecutions is small, at about 10 per cent of the total costs attributable to registered teachers. A larger cost component relates to teacher support and other programs, for which VIT considers are especially applicable to teachers that have been teaching for long periods, or have moved in and out of the teaching workforce. For example, some support has been targeted at casual relief teachers, a large proportion of whom are teachers that have retired from permanent, full-time teaching employment.

Overall, it is unlikely that a clear and significant relationship between length of registration and costs to the VIT can be robustly established. The VIT considers it cannot differentiate annual fees on this basis at this time, and therefore this is not a feasible option to be considered in this RIS.

## 5 IMPACTS ON COMPETITION

This section of the RIS discusses the impact of the proposed fee schedule on competition. A measure is likely to have an impact on competition if any of the following questions can be answered in the affirmative:

Test question	Assessment
Is the proposed measure likely to affect the market structure of the affected sector(s) – i.e. will it reduce the number of participants in the market, or increase the size of incumbent firms?	NO
Will it be more difficult for new firms or individuals to enter the industry after the imposition of the proposed measure?	NO
Will the costs/benefits associated with the proposed measure affect some firms or individuals substantially more than others (e.g. small firms, part-time participants in occupations etc)?	NO
Will the proposed measure restrict the ability of businesses to choose the price, quality, range or location of their products?	NO
Will the proposed measure lead to higher ongoing costs for new entrants that existing firms do not have to meet?	NO
Is the ability or incentive to innovate or develop new products or services likely to be affected by the proposed measure?	NO

The application fees apply to teachers seeking registration or permission to teach, and the annual registration fee applies to all registered teachers. However, the amount of the fees is relatively small, and is not expected to have any impact on decisions to obtain or maintain teacher registration. The fee for applications has been set below the actual cost of processing these applications to minimise the “entry barrier” for new teachers.

The introduction of a course accreditation fee (\$2,000 per course) is considered to be a very small amount in the context of the costs of establishing and running courses. VIT does not anticipate that the introduction of this fee will have a material impact on the availability of courses in the future.

## 6 STAKEHOLDER CONSULTATION

In preparing this RIS, the VIT has undertaken preliminary consultation. Feedback was invited from 24 organisations in May 2012. Submissions were received from Victorian Parents Council, Catholic Education Office (Archdiocese of Melbourne), Independent Education Union, Victorian Principals Association, Victorian University (School of Education), Melbourne Graduation School of Education (University of Melbourne), University of Ballarat (School of Education and Arts), Deakin University, Monash University, and Department of Education and Early Childhood Development.

The views of these stakeholders were:

- Consensus that appropriate fees were vital to maintaining standards and registration of teachers, and were generally in line with other professions
- General support from non-providers for the introduction of a fee for course accreditation provided the charging of a fee did not lead to increases in the cost of undertaking such courses
- An understanding of the context of fee setting, including the need to fully recover costs, the increased regulatory requirements and changes to government funding arrangements that need to inform the consideration of proposed fees.

A view was expressed by one stakeholder that the current fee for new applications for registration is “high”, compared to other states. Another stakeholder suggested that a small increase in annual fees was preferable to a large increase in fees for applications. VIT notes that the current fee for applications represents only a small proportion of the actual cost of assessing applications, however the structure of fees has aimed to minimise increases to application fees in recognition that teachers not yet registered may find it difficult to pay a higher fee before being allowed to commence employment as a teacher.

Stakeholders were asked about their views on the introduction of a course accreditation fee. Of those stakeholders representing course providers (i.e., universities), there was a broadly even balance between those who recognised the need to introduce such a fee, and those who considered the introduction of the fee would lead to an increased cost burden on universities and change the nature of the ‘partnership’ style of providers working with the VIT. In relation to these views, the VIT considered that a course accreditation fee should be considered in this RIS on the basis that it represents a significant cost to the VIT, and on a per unit basis would only be a small fee for providers.

Stakeholder feedback emphasised the need for a clear rationale for any fee changes, and to establish that the activities of the VIT were efficient. Other comments in the submissions to date sought further understanding of the basis of some fees (such as the late processing fee), and the rationale for the difference in application fees for Victorian and non-Victorian qualifications. This RIS allows interested stakeholders to examine and understand the basis for the setting of the fees and to make further comment on the rationale for fee changes.

**The *Subordinate Legislation Act 1994* requires that the public be given at least 28 days to provide comments or submissions regarding the proposed fees. Given the nature of the fees, the consultation period for this RIS will be 28 days, with written comments required by no later than 5.00pm, 15 August 2012.**

## **ATTACHMENTS**

## Attachment A

### THE PROPOSED FEES

The proposed fees will apply to 2012-13.

Fee type	Proposed fee
Fee for application (Victorian qualification)	\$113
Fee for application (other qualification)	\$134
Annual registration fee if paid by 31 October 2012	\$85
Annual registration fee if paid from 1 November to 31 December 2012 ( <i>incorporating the additional [late payment processing] fee</i> )	\$105
Additional fee ( <i>late payment processing</i> )	\$30
Fee for criminal record check	\$50
<i>Fees for services provided</i>	
Replacement of card	\$22
Assessment of qualifications	\$102
Course accreditation	\$2,000

## Attachment B

### MEETING THE COST RECOVERY GUIDELINES

The *Cost Recovery Guidelines* set out ten steps to consider when setting fees. These are set out below, together with a summary of VIT's consideration of each step in accordance with the Guidelines.

#### Cost Recovery Guidelines

Step	Issues to be addressed	VIT consideration
<b>APPROPRIATENESS OF COST RECOVERY</b>		
1	Is provision of the output or level of regulation appropriate?	The activities of VIT have been reviewed to ensure they are directly related to a legislative function. The Auditor-General recently found that the VIT was a sound regulator meeting its legislative responsibilities.
2	What is the nature of the output or regulation?	The VIT registers and regulates the teaching profession.
3	Who could be charged?	The <i>Education and Training Reform Act 2006</i> provides for fees to be charged only to those applying for registration, certification or approval, and annual registration fees of registered teachers. While there are other indirect beneficiaries of the VIT's functions (such as schools), the Act does not allow the VIT to levy fees on other parties.
4	Is charging feasible, practical and legal?	Fees for registration, applications, criminal record checks, and other fee-for-service items are allowed under the Act. Fees are charged at the time of application, or in the case of annual fees the VIT writes to each teacher advising of the amount and time payable.
5	Is full cost recovery appropriate?	Yes, at the agency level. Direct government grants have been phased out following a 2008 review, and full cost recovery is necessary to continue to meet legislative functions as regulator. Other sources of income (such as interest income) have been excluded from the cost base. However, some cross-subsidisation has been considered appropriate to keep fees for applications low, to avoid discouraging registration of new teachers.
<b>COST STRUCTURES AND NATURE OF CHARGES</b>		
6	Which costs should be recovered?	As VIT no longer received direct grant funding, it is appropriate that all its costs are recovered through fees. All the activities of the VIT relate to the regulation of the teaching profession. Other sources of income (such as interest income) have been excluded from the cost base.
7	How should charges be structured?	VIT considers the fees are relatively small, and there is no necessity to spread fees over a longer period. This RIS has considered alternative fee structures. The fee schedule reflects what fees may be charged under the Act.
8	Are cost recovery charges based on efficient costs?	While benchmarking has inherent limitations, the proposed annual registration fee (which reflects over 85 per cent of VIT's costs) remains low compared to other jurisdictions.
<b>IMPLEMENTATION FEATURES</b>		
9	What is the importance of consultation?	Consultation of fees is occurring via this RIS process.
10	How should cost recovery arrangements be monitored and reviewed?	VIT will monitor the impact of the proposed fees. The fees will apply only for 2012-13 and be reviewed within 12 months to allow the fees for 2013-14 to be determined.



## Attachment C

### COST MODEL METHODOLOGY

HLB Mann Judd was commissioned in January 2012 to assist the VIT in developing the VIT Cost Model.

The purpose of developing the Cost Model was to enable management to:

- define and manage the organisation's services and capabilities
- understand its cost base for purpose of managing its business
- understand the costs so that VIT's pricing of services can be reviewed
- identify specific opportunities for cost savings and service improvements
- further develop a tool that will assist in the facilitation of future resource planning.

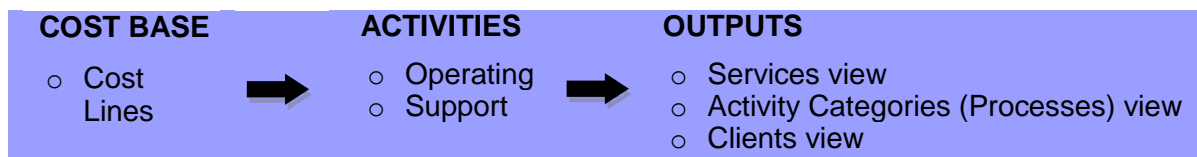
The methodology involved mapping and attributing individual tasks within VIT to its functions, services and activities. The resulting costs were based on:

- discussion with VIT corporate staff to establish the process
- surveys for VIT staff
- analysis of the non-salary costs to develop distribution for each figure
- analysis of VIT revenue and distribution to services
- analysis of activities for distribution to services
- analysis of activities for a distribution to activities groups
- establishment of a Driver Plan for the cost model
- VIT cost of providing services and activities to the 8 client groups.

#### *VIT Cost Model*

A standard Activity Based Costing (ABC) Model Framework was used to develop the VIT Cost Model. The software used for this project was ABC Focus Gold.

#### ABC Model Framework



### ***Assumptions and Accuracy Level of the Model***

The following assumptions, which form an integral part of the models, have been made. The accuracy of each assumption has been graded to allow management to focus on improving the accuracy of the input data.

<b>Factor</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Comments</b>
VIT cost lines equate to budget	✓			Costs in the model are linked to the VIT 2011-12 budget
VIT survey results equate to accurate result of what is being undertaken within VIT	✓			Survey based on staff activities for both permanent and casual staff.
VIT model framework fair representation of what is undertaken within VIT	✓			Structure is robust and has ownership within VIT but it will change as demands on the model increase.
Drivers linking services to clients are a fair representation of what is taking place within VIT		✓		The availability of data relating to the services/client can be refined for future model construction as better data becomes available
Drivers linking activities to services fair representation of what is taking place within VIT	✓			Many of the relationships are direct links but again VIT can review them for future models
Non salary drivers provide fair representation of what is taking place within VIT	✓			The budget information for VIT is broken down in an effective manner and has been reviewed over the course of the model build

## Attachment D

### MAPPING PROCESSES AND COSTS

The following mapping is based on the Cost Model Project described in Attachment C. The numbers are expressed in costs for 2011-12. For the labour cost component of these costs, see Attachment E.

#### Processing Application (Victorian qualifications) – 4349 units

Step	VIT costs
Assess application	\$132,891
Assess/advise permission to teach	\$31,118
Communicate results	\$27,787
Contact other jurisdictions	\$719
Issue card and welcome pack	\$80,465
Obtain approval	\$51,082
Receive application	\$119,478
Receive payment	\$8,735
Scan documents	\$12,025
Share of overhead costs (15.8%)	\$918,605
<b>TOTAL</b>	<b>\$1,382,904</b>

#### Processing Application (other qualifications) – 1382 units

Step	VIT costs
Assess application	\$154,214
Assess/advise permission to teach	\$13,336
Communicate results	\$11,909
Contact other jurisdictions	\$308
Issue card and welcome pack	\$34,485
Obtain approval	\$21,892
Receive application	\$51,205
Receive payment	\$3,743
Scan documents	\$5,154
Share of overhead costs (8.5%)	\$495,740
<b>TOTAL</b>	<b>\$791,987</b>

#### Criminal History Record Check – 20,789 units

Step	VIT costs
Postage	\$15,540
Mailroom (packaging and distribution)	\$17,000
Investigate CRIMTRAC response	\$33,363
Issue card	\$3,524
Receive advice from CRIMTRAC	\$11,925
Receive payment/forms	\$49,395
Scan documents	\$44,577
Send consent/invoice	\$9,803
Send details to CRIMTRAC	\$36,195
Payment to CRIMTRAC	\$478,147
Share of corporate overhead costs (8.5%)	\$501,845
<b>TOTAL</b>	<b>\$1,201,314</b>

### Late Processing Costs – 7500 units

Step	VIT costs
Administer processing of late fees	\$16,043
Share of overhead costs (3.5%)*	\$205,897
<b>TOTAL</b>	<b>\$221,940</b>

\* the Cost Model Project did not separately identify a share of overhead costs for late processing. In this RIS an allocation of 3.5% has been used. Late payments of fees occurs by about 6.5% of registered teachers.

### Replacement of registration card – 1000 units

Step	VIT costs
Assess and scan documents	\$3,233
Issue replacement card	\$4,151
Share of corporate overhead costs (0.3%)*	\$15,360
<b>TOTAL</b>	<b>\$22,744</b>

\* the Cost Model Project had allocated a further \$33,833 in corporate overhead costs to the replacement of registration cards. This was based on a straight-line apportionment of all costs across functions. However, some of these costs are not properly attributable to card replacement, such as some communications activities, council fee elections, annual report, newsletters, promotion (expos and world teaching day). As only a small number of teachers require replacement of registration cards, these costs have been excluded, and are more appropriately recovered through the annual registration fee.

### Assessment of qualifications (outside initial registration) – 2,340 units

Step	VIT costs
Provide advice	\$72,917
Receive document	\$23,130
Receive enquiry	\$48,129
Undertake assessment	\$51,675
Share of corporate overhead costs (4.4%)	\$253,601
<b>TOTAL</b>	<b>\$449,452</b>

### Course accreditation – 15 units

Step	VIT costs
Accreditation/Accreditation Committee support	\$27,316
Share of corporate overhead costs (0.1%)	\$1,850
<b>TOTAL</b>	<b>\$29,166</b>

\* the Cost Model Project identified total costs attributable to course accreditation of \$433,184. However, these costs do not relate solely to the consideration of an accreditation application, but includes consequential costs to VIT as a result of a course being accredited. This includes liaising with institutions, providing policy advice, compliance, and general panel support. These consequential costs are more appropriately considered to be general costs of VIT as regulator, and as such the amounts not included in the above table have been included in calculation of the annual registration fee.

**Costs related to the regulation of registered teachers (recovered through annual registration fee) – 115,848 units**

<b>Step</b>	<b>VIT costs (2011-12)</b>	<b>VIT costs (2012-13)</b>
Costs identified in the Cost Model project		
Cost directly attributable to registered teachers		
<i>Disciplinary appeal - legal fees</i>	\$5,000	\$5,139
<i>Disciplinary hearing - legal fees</i>	\$66,565	\$68,409
<i>Disciplinary Investigation - legal fees</i>	\$65,900	\$67,725
<i>Disciplinary appeal - attend VCAT</i>	\$13,262	\$13,629
<i>Disciplinary appeal - notify decision</i>	\$5,730	\$5,889
<i>Disciplinary appeal - prepare appeal to VCAT</i>	\$14,603	\$15,007
<i>Disciplinary hearing - attend hearing</i>	\$165,588	\$170,175
<i>Disciplinary hearing - communication of decision</i>	\$35,979	\$36,976
<i>Disciplinary hearing - organise hearings</i>	\$129,002	\$132,576
<i>Investigations - communicate decision</i>	\$12,574	\$12,922
<i>Investigations - document investigation committee determination</i>	\$47,469	\$48,784
<i>Investigations - Medical Report Costs</i>	\$3,200	\$3,289
<i>Investigations - follow-up investigation</i>	\$14,030	\$14,418
<i>Investigations - undertake investigation</i>	\$451,144	\$463,641
<i>Investigations - undertake investigation into health matters</i>	\$573	\$589
<i>Prosecutions - undertake prosecutions</i>	\$32,028	\$32,915
<i>Assess application for full registration</i>	\$51,096	\$52,511
<i>Audit application for full registration</i>	\$59,906	\$61,565
<i>Communicate full registration application result</i>	\$7,969	\$8,190
<i>Issue full registration card and registration renewal info</i>	\$22,266	\$22,883
<i>Receive full registration application</i>	\$26,667	\$27,405
<i>Full Registration - printing (\$3,000), graphic design (\$12,000)</i>	\$15,000	\$15,416
<i>Advise school of non compliance</i>	\$24,839	\$25,527
<i>Advise teachers of non compliance</i>	\$27,591	\$28,355
<i>Notify school of teacher compliant</i>	\$23,230	\$23,874
<i>Resolve compliance</i>	\$91,693	\$94,233
<i>Update database re compliance</i>	\$25,221	\$25,919
<i>Undertake annual census</i>	\$16,899	\$17,367
<i>Registration - Annual - issue new card</i>	\$34,765	\$35,728
<i>Registration - Annual - receive payment</i>	\$7,412	\$7,617
<i>Registration - Annual - refund of overpayments</i>	\$13,873	\$14,257
<i>Registration - Annual - send invoice/advice</i>	\$213,573	\$219,489
<i>Registration annual - Registration Committee fees (\$4,067), printing (\$26,000), graphic design (\$10,300)</i>	\$40,367	\$41,486
<i>Research - develop and publish policy</i>	\$68,592	\$70,492
<i>Revocation-assess rationale and provide advice</i>	\$10,035	\$10,313
<i>Revocation-receive payment and rationale</i>	\$1,254	\$1,289
<i>Revocation-revoke suspension</i>	\$2,654	\$2,727
<i>Revocation-send invoice</i>	\$2,298	\$2,362
<i>Revocation-send suspension notice</i>	\$15,018	\$15,434
<i>Teacher Renewal - provide CRT support</i>	\$303,618	\$312,028

<b>Step</b>	<b>VIT costs (2011-12)</b>	<b>VIT costs (2012-13)</b>
<i>Teacher Renewal - provide teacher support</i>	\$70,517	\$72,470
<i>Teacher Standards - IFTRA Costs</i>	\$4,334	\$4,454
<i>Teacher Renewal - provide information about requirements</i>	\$72,869	\$74,887
<i>Communicate teacher standards</i>	\$28,164	\$28,944
<i>Implement standards</i>	\$188,912	\$194,145
<i>Prepare &amp; revise resource/material on standards</i>	\$32,001	\$32,888
<i>Research standards</i>	\$123,052	\$126,461
<i>Professional Learning - teacher standards website expenses (\$7,000), postage (\$1,000), mailhouse – packaging &amp; distribution (\$1,000), seminar expense (\$1000)</i>	\$10,000	\$10,277
<i>Teacher support to full registration - advertise programs</i>	\$5,575	\$5,730
<i>Teacher support to full registration - conduct programs</i>	\$74,315	\$76,374
<i>Teacher support to full registration - develop mentoring program</i>	\$71,384	\$73,361
<i>Teacher support to full registration - develop PRT seminar program</i>	\$47,574	\$48,892
<i>Teacher support to full registration - seminar expenses (\$5,000)</i>	\$5,000	\$5,138
<i>Teacher support to full registration - evaluate program</i>	\$9,191	\$9,446
<i>Teacher support to full registration - Mentor Training Cost</i>	\$104,000	\$106,881
<i>Teacher support to full registration - Provisionally Registered – seminar expenses (\$142,000), postage (\$2,000), printing (\$3,000), graphic design (\$10,000)</i>	\$157,000	\$161,349
<i>Teacher support to full registration - register participants</i>	\$6,099	\$6,268
<i>VicPol Check - check weekly results</i>	\$4,053	\$4,165
<i>Waivers - advise of assessment</i>	\$7,822	\$8,039
<i>Waivers - assess application</i>	\$13,049	\$13,410
<i>Waivers - cancel/refund invoice</i>	\$9,809	\$10,081
<i>ATRA - executive support</i>	\$22,224	\$22,840
<i>Ongoing police checking – payments to VicPol</i>	\$100,000	\$102,770
Share of corporate overhead costs (58.8%)	\$3,410,718	\$3,505,194
Additional costs identified for 2012-13*		\$830,000
<b>TOTAL</b>	<b>\$6,746,146</b>	<b>\$7,763,014</b>

\* this is an estimate allowance for 2012-13. VIT estimates that significant additional costs factors in 2012-13 not captured in the Cost Model Project are: clearing backlog of formal hearings (\$928,659), commencing roll-out of national standards (\$500,000), increased audits due to annualised renewal (\$555,000). However, against this, VIT estimates interest income of around \$180,000, and will reprioritise other spending, reducing the amount needed to be recovered through fees.

As noted in the above table, there are a number of processes that contribute a large share of these costs. The major activities reflected in the above table are:

- **Disciplinary hearing:** Where VIT determines that there is sufficient ground for a prima facie case of serious incompetence, misconduct or serious misconduct or indictable offence matters then it is referred to an independently constituted panel for determination of the issues. The panel is the tribunal exercising quasi-judicial functions. The panel is drawn from a pool of persons appointed by the Governor in Council. VIT leases space for the hearing room and makes it available to the Panels together with recording equipment and staff to assist the panel. The panel members are entitled to remuneration in accordance with the terms of their appointment. The panel operates in the same way as a tribunal or court; calling evidence; testing of that evidence in court; reaching conclusions; and then writing, delivering and publishing its decision. Barristers are briefed to assist the Panel. There were 329.1 staff days spent on disciplinary hearings in 2011-12. VIT staff levels for these activities range from VIT3 to VIT7.
- **Investigations:** Section 2.6.33 of the Act requires VIT to investigate where: a complaint of serious incompetence or misconduct or serious misconduct is made; there is a question of fitness to teach a teacher's ability to teach is impaired a registered teacher has been convicted of an indictable offence. VIT is informed by an employer of any action taken against the registered teacher. The investigation involves the gathering of information to a level sufficient for VIT to reach a conclusion as to whether the complaint or offence is sufficient to convene a hearing. It involves looking at the available documentary material, seeking out any other documentary material, interviewing witnesses, preparing witness statements or obtaining expert opinion, sufficient to found an action against a teacher. There were 976.7 staff days spent on investigations in 2011-12. VIT staff levels for these activities range from VIT3 to VIT7.
- **Registration:** New teacher registrants are assessed in terms of qualifications and suitability to be a teacher. All documents must be checked for validity and where courses have not been accredited by the VIT they are assessed against guidelines. Individual follow up is required where teachers do not provide all required information or documents. Other issues are case managed. Information about previous teaching experience and meeting standards is assessed for determination of immediate full registration status. Invoices are sent and fee payments are aligned with teacher requirements prior to mailing the registration card. Existing registrants are required to make payment of an annual fee and maintain their National Criminal History Record Check (NCHRC) within a five-year period and their renewal of registration annually to be able to teach in a Victorian school. Notification of requirements and invoices for these activities are mailed to teachers annually. This requires identification of teacher groups according to requirements for compliance, development of letters and cards each and case management of individual teachers where there are issues or anomalies. All teacher documents and applications are filed and sorted for storage off-site. The Group Manager Registration and Accreditation (VIT7) oversees these processes. There were 226.4 staff days spent on registration in 2011-12. VIT staff levels for these activities range from VIT2 to VIT5.
- **Teacher standards:** Registered teachers are required to meet and maintain professional standards through successful application for full registration and renewal of registration respectively. Full registration requires teachers to undertake at least 80 days teaching and complete a school sited evidence-based process to meet the standards. The VIT audits a percentage of teachers annually, which requires correspondence with teachers and assessment of evidence. Renewal of registration requires teachers to make a declaration about their

continuing suitability to teach and maintenance of professional practice, which requires 20 hours of standards-referenced professional development activities and 10 days of teaching annually. The VIT corresponds with a proportion of teachers to conduct an audit process. A Group Manager Standards & Professional Learning (VIT7) oversees these processes. There were 322.2 staff days spent on teacher standards in 2011-12. The VIT staff level involved is VIT5.

- **Teacher support to full registration:** Provisionally registered teachers (PRTs) entering the profession demonstrate they meet the standards for full registration through a school sited evidence-based process that requires collegial support from experienced colleagues. To ensure teachers understand the requirements and to facilitate the process in schools, the VIT runs after school seminars for PRTs in March and July and Principal briefings in March. Training for teacher mentors is conducted in partnership with the Department of Education and Early Childhood Development in February and May. These activities involve 28 locations across regional and metropolitan Victoria and reach over 3,500 teachers annually. The VIT also produces a manual and other support materials for PRTs who are applying for full registration and their mentors. A Group Manager Standards & Professional Learning (VIT7) oversees these processes. There were 455 staff days spent on teacher support to full registration in 2011-12. VIT staff levels range from VIT2 to VIT5.



## OVERHEAD COSTS

The calculation of fees includes a component for corporate overhead costs. These form a large proportion of some of the fee cost bases. Corporate overheads costs includes all costs of the organisation associated with its regulatory functions, but which are not directly linked to individual activities. These include activities that support the organisation as a whole (e.g., payroll and IT, annual reports), and would be undertaken irrespective of the composition and mix of individual activities. These are shown in the table below.

### Total Overhead costs\* (2011-12)

Activity	VIT costs
Communications support (includes customer visits, answering emails and phone calls, content for website, and costs of services)	\$843,770
Corporate Support finance (includes accounting and audit costs, software costs)	\$530,391
Council Fees Elections	\$140,000
Accommodation support	\$56,072
Council support	\$385,986
IT support	\$135,915
Human resources	\$245,966
Administrative support staff (6 administrative officers and 1 executive assistant)	\$352,000
Rent	\$468,000
Depreciation/amortisation expenses	\$692,000
Other general administrative expenses (includes utilities, office maintenance/repairs, insurance, travel costs, postage and freight handling, printing, stationery, photocopying, subscriptions/newspapers/journals, furniture rental) †	\$767,787
Advice to government	\$23,153
Records management	\$159,373
Staff development	\$153,733
Business continuity	\$97,703
Risk management (includes committee sitting fees, contractors, staff time)	\$336,941
Annual report	\$42,379
Teacher conference	\$5,356
Freedom of information	\$4,240
Legal advice (in-house)	\$33,789
Newsletters	\$61,710
Event costs	\$1,200
World Teaching Day participation	\$53,749
Teachers Expos	\$20,180
Accreditation (stakeholder liaison, compliance)	\$190,370
<b>TOTAL</b>	<b>\$5,801,766</b>

\* VIT's capital costs have been included as overhead costs on an amortised basis.

† Does not include printing, postage and handling costs that are directly attributable to individual activities (see Attachment E).

As noted above, these overhead costs have been allocated across the fee categories based on the following percentages:

<b>Activity type</b>	<b>Percentage of overhead costs</b>
New application (Victorian qualifications)	15.8
New application (other)	8.5
Late payment processing fee	3.5
Criminal history record check	8.6
Assessment of qualifications	4.4
Card replacement	0.3
Course accreditation	0.1
Activities related to regulation of registered teachers	58.8

These overhead costs were allocated between fee categories within the Cost Model Project based on proportional share of FTE staff attributable to each activity.

## Attachment E

### DETAILED STAFF COST INFORMATION

The following table shows how the staff component of the cost base for each of the direct activities in Attachment D has been calculated. It was based on a survey of VIT staff to determine the proportion of each staff's time spent on each activity. For casual staff, actual timesheets subject to VIT's audit processes were used. The table shows the time spent by staff in each VIT staff category for each activity in terms of Full-time Equivalent (FTE) employment, and the resulting time (in hours) per unit. Non-labour costs are shown in italics in order to produce the total cost.

Step	FTE of each VIT Level								Total FTE	Total Costs <sup>A</sup>	Units	Time per unit <sup>B</sup> (hours)	Cost per unit	
	VIT2	VIT3	VIT4	VIT5	VIT6	VIT7	EO2	Casual						
<b>Processing Application (Victorian qualifications)</b>														
Assess application		1.89							0.42	2.31	\$132,352	4,349	0.89	\$30.43
Assess/advise permission to teach		0.38		0.015			0.014		0.35	0.759	\$30,727	4,349	0.29	\$7.07
Communicate results		0.36	0.01	0.0197					0.07	0.4597	\$27,786	4,349	0.18	\$6.39
Contact other jurisdictions				0.0069						0.0069	\$719	4,349	0.00	\$0.17
Issue card and welcome pack	0.05			0.007	0.014					0.071	\$4,518	4,349	0.03	\$1.04
Obtain approval		0.2	0.1515	0.05			0.14			0.5415	\$51,081	4,349	0.21	\$11.75
Receive application	0.53	0.5		0.065				3.185	4.28	\$92,408	4,349	1.65	\$21.25	
Receive payment		0.04		0.0053				0.175	0.2203	\$8,735	4,349	0.08	\$2.01	
Scan documents				0.0069				1.12	1.1269	\$12,025	4,349	0.43	\$2.77	
<i>Multi-media kits, printing, postage</i>										<i>\$103,948</i>	<i>4,349</i>			<i>\$23.90</i>
<b>TOTAL</b>	<b>0.58</b>	<b>3.37</b>	<b>0.1615</b>	<b>0.1758</b>	<b>0.014</b>	<b>0.154</b>	<b>0</b>	<b>5.32</b>	<b>9.7753</b>	<b>\$464,299</b>	<b>4,349</b>	<b>3.76</b>	<b>\$106.76</b>	
<b>Processing Application (other qualifications)</b>														
Assess application		2.15		0.05				0.5	2.7	\$121,201	1,382	3.27	\$87.70	
Assess/advise permission to teach		0.175		0.01			0.006	0.05	0.241	\$13,177	1,382	0.29	\$9.53	
Communicate results		0.1524	0.01	0.0045				0.03	0.1969	\$11,909	1,382	0.24	\$8.62	
Issue card and welcome pack	0.0135			0.003	0.006				0.0225	\$1,556	1,382	0.03	\$1.13	
Obtain approval		0.1029	0.06	0.03			0.05		0.2429	\$21,893	1,382	0.29	\$15.84	
Receive application	0.274	0.175		0.028				1.365	1.842	\$44,251	1,382	2.23	\$32.02	
Receive payment		0.0171		0.0023				0.075	0.0944	\$3,743	1,382	0.11	\$2.71	
Scan documents				0.0029				0.48	0.4829	\$5,154	1,382	0.58	\$3.73	
<i>Multi-media kits, printing, postage</i>										<i>\$73,363</i>	<i>1,382</i>			<i>\$53.08</i>
<b>TOTAL</b>	<b>0.2875</b>	<b>2.7724</b>	<b>0.07</b>	<b>0.1307</b>	<b>0.006</b>	<b>0.056</b>	<b>0</b>	<b>2.5</b>	<b>5.8226</b>	<b>\$296,247</b>	<b>1,382</b>	<b>7.04</b>	<b>\$214.36</b>	

Step	FTE of each VIT Level								Total FTE	Total Costs <sup>A</sup>	Units	Time per unit <sup>B</sup> (hours)	Cost per unit
	VIT2	VIT3	VIT4	VIT5	VIT6	VIT7	EO2	Casual					
<b>Late Processing Costs</b>													
Administer processing of late fees		0.1308		0.07			0.01		0.2108	\$16,043	7,500	0.05	\$2.14
<b>TOTAL</b>	<b>0</b>	<b>0.1308</b>	<b>0</b>	<b>0.07</b>	<b>0</b>	<b>0</b>	<b>0.01</b>	<b>0</b>	<b>0.2108</b>	<b>\$16,043</b>	<b>7,500</b>	<b>0.05</b>	<b>\$2.14</b>
<b>Criminal History Record Check</b>													
Investigate CRIMTRAC response		0.5575							0.5575	\$33,363	20,789	0.04	\$1.60
Issue card				0.011	0.0239				0.0349	\$3,524	20,789	0.00	\$0.17
Receive advice from CRIMTRAC		0.1826						0.05	0.2326	\$11,925	20,789	0.02	\$0.57
Receive payment/forms				0.15				4.7	4.85	\$49,396	20,789	0.39	\$2.38
Scan documents	0.46							2.65	3.11	\$44,577	20,789	0.25	\$2.14
Send consent/invoice		0.1076		0.0275	0.01				0.1451	\$9,804	20,789	0.01	\$0.47
Send details to CRIMTRAC	0.3	0.3321						0.4	1.0321	\$36,196	20,789	0.08	\$1.74
<i>Postage, fee to CRIMTRAC</i>										\$510,684	20,789		\$24.57
<b>TOTAL</b>	<b>0.76</b>	<b>1.1799</b>	<b>0</b>	<b>0.1885</b>	<b>0.0339</b>	<b>0</b>	<b>0</b>	<b>7.8</b>	<b>9.9624</b>	<b>\$699,469</b>	<b>20,789</b>	<b>0.80</b>	<b>\$33.65</b>
<b>Replacement of registration card</b>													
Assess and scan documents								0.15	0.15	\$3,233	1,000	0.25	\$3.23
Issue replacement card	0.045	0.0266		0.005					0.0766	\$4,152	1,000	0.13	\$4.15
<b>TOTAL</b>	<b>0.045</b>	<b>0.0266</b>	<b>0</b>	<b>0.005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.15</b>	<b>0.2266</b>	<b>\$7,385</b>	<b>1,000</b>	<b>0.38</b>	<b>\$7.39</b>
<b>Assessment of qualifications (outside initial registration)</b>													
Provide advice		0.65	0.21	0.08			0.05		0.99	\$72,918	2,340	0.71	\$31.16
Receive document		0.2486	0.1						0.3486	\$23,131	2,340	0.25	\$9.89
Receive enquiry		0.6394	0.1	0.01					0.7494	\$48,131	2,340	0.54	\$20.57
Undertake assessment		0.3931	0.35						0.7431	\$51,674	2,340	0.53	\$22.08
<b>TOTAL</b>	<b>0</b>	<b>1.9312</b>	<b>0.76</b>	<b>0.09</b>	<b>0</b>	<b>0.05</b>	<b>0</b>	<b>0</b>	<b>2.8312</b>	<b>\$195,854</b>	<b>2,340</b>	<b>2.02</b>	<b>\$83.70</b>
<b>Course accreditation</b>													
Accreditation/Accreditation Committee support			0.1152	0.17					0.2852	\$27,316	15	31.79	\$1,821.07
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0.1152</b>	<b>0.17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.2852</b>	<b>\$27,316</b>	<b>15</b>	<b>31.79</b>	<b>\$1,821.07</b>

Notes:

**A:** For the purposes of deriving the total labour costs, the actual salaries of individual staff were used. As a guide, the salary that applied for VIT staff in 2011-12 were: VIT2 (\$40,771 to \$52,357), VIT3 (\$53,502 to \$64,962), VIT4 (\$66,235 to \$75,151), VIT5 (\$76,424 to \$92,467), VIT6 (\$93,740 to \$125,443), VIT7 (\$127,323 to \$173,160), EO2 (\$172,087 to \$274,181). The average equivalent annual salary paid to casual staff in 2011-12 was \$50,310.

**B:** Estimate of hours based on 1 FTE = 38 hours per week for 44 weeks per year (allowing for leave, etc).

17 July 2012

Ms Melanie Saba  
Chief Executive Officer  
Victorian Institute of Teaching  
Level 24, 570 Bourke Street  
MELBOURNE VIC 3000

Level 14, 55 Collins Street  
Melbourne Victoria 3000  
GPO Box 4379  
Melbourne Victoria 3001  
telephone (03) 9092 5800  
facsimile (03) 9092 5845  
email [contact@vcec.vic.gov.au](mailto:contact@vcec.vic.gov.au)  
web [www.vcec.vic.gov.au](http://www.vcec.vic.gov.au)

Dear Ms Saba

### **ADVICE ON THE ADEQUACY OF REGULATORY IMPACT STATEMENT**

Thank you for seeking advice on the Regulatory Impact Statement (RIS) on the proposed *Education and Training Reform Act 2006 — Schedule of Teacher Registration Fees 2012-13*.

The Victorian Competition and Efficiency Commission (VCEC) advises on the adequacy of RISs as required under section 12H(3) of the *Subordinate Legislation Act 1994* (the Act). I advise that the final version of the RIS received by the VCEC on 16 July 2012 meets the requirements of section 12H of the Act.

The VCEC's advice is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, the VCEC's advice that the RIS is adequate does not represent an endorsement of the proposal.**

The RIS transparently shows that the proposed option will recover some of the costs of processing specific application types, including the fees for initial teacher registration, via the annual registration fee. This is because the Victorian Institute of Teaching considers that setting fees based on the full cost of processing applications for initial teacher registration may affect the decision of new teachers to register. The VCEC notes that the RIS invites stakeholder feedback on this issue.

It is Government policy that, in the interests of transparency, VCEC's advice be published with the RIS when it is released for public consultation.

If you have any questions, please contact [RegulationReview@vcec.vic.gov.au](mailto:RegulationReview@vcec.vic.gov.au).

Yours sincerely



Andrew Walker

**Assistant Director**

**Victorian Competition and Efficiency Commission**

Education and Training Reform Act 2006  
VICTORIAN INSTITUTE OF TEACHING  
Schedule of Registration Fees 2012–13

In accordance with the *Education and Training Reform Act 2006*, the following fees concerning teacher registration have been fixed by the Minister Responsible for the Teaching Profession.

The fees are for a period of twelve months.\*

Fee schedule

Initial registration – applicants with Victorian qualifications	\$113**
Initial registration – applicants with interstate or overseas qualifications	\$134**
Annual registration if paid by 31 October 2012	\$85
Annual registration if paid from 1 November to 31 December 2012 (incorporating the additional [late payment processing] fee)	\$105
National Criminal History Record Check (NCHRC)	\$50
Additional (late payment processing) fee	\$30
Replacement of registration card processing fee	\$22
Assessment of qualifications	\$102***
Course Accreditation	\$2,000

\*Where a fee payable is for a period less than 12 months it will be calculated on a pro-rata basis.

\*\* there is an additional cost for a NCHRC

\*\*\*fee for service outside normal initial registration application

Enquiries

Contact the Victorian Institute of Teaching on 1 300 888 067 or email <vit@vit.vic.edu.au>.