

# Redesigning VET FEE-HELP

Discussion Paper

ACPET submission

June 2016

## Introduction

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Established in 1992, ACPET is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,000 members nationally who deliver a range of vocational education and training (VET), higher education, and English language programs across all states and territories, as well as internationally.

ACPET's mission is to enhance quality, choice and innovation in Australian higher education and training. It works with governments, industry and other stakeholders to ensure VET, higher education, English language and international education programs are well targeted, accessible and delivered to a high standard.

There has, of course, been real concerns with the standard of training delivered through VET FEE-HELP (VFH) as a result of program flaws that have been exploited by a small number of providers and their agents. These concerns have damaged the well-earned reputation of the sector for providing high quality training that responds to the career aspirations of students and the workforce needs of business and industry.

The ACPET board and members have been deeply engaged in considering measures that the industry can take to assist in addressing some of the concerns arising from VFH. The action taken early in 2015 to strengthen its Code of Ethics and introduce a Code of Practice governing members' use of agents and brokers are outcomes of these considerations.

ACPET strongly supported the vast majority of the Government's VFH reforms announced in March 2015 that sought to address many of the program's design and implementation flaws. Unfortunately, some of the measures announced at the end of 2015 penalised providers (and their students) that were delivering quality training and outcomes. Clearly it's time for a 'back to basics' consideration of the program.

It is important, therefore, in redesigning the program that, in addition to the broad consultation that has already been conducted, there is comprehensive targeted engagement with providers, industry and students. ACPET welcomes the opportunity to contribute to the redesign consultations and looks forward to supporting a program that provides quality training and outcomes for students, industry and the Australian economy.

## **VET FEE-HELP is one element of a strong VET sector**

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Australia's VET sector has built an enviable and proud reputation, both domestically and around the world, for its high quality training. It is important that the VFH 'experience' does not overshadow this achievement or lead to policies that seek to limit the ability of the sector to respond to the diverse needs of students and industry.

While the actions of a relatively few VFH providers have justifiably been condemned, including by ACPET, it is important to note the sector has maintained strong levels of student and industry satisfaction. The most recent data from the NCVET indicates well over 80% of students in government-funded training in 2014 being satisfied with the overall quality of their training. Similarly, in 2014 over 80% of employers were satisfied their apprentices and trainees were obtaining the skills they require from training.

Recently NCVET produced the first data on Total VET Activity, that is, government-funded as well as fee-for-service training. It reveals the great diversity and reach of a sector that was accessed by 23% of Australia's working-age population in 2014 with some 3.9 million enrolments. This training was delivered by a diverse mix of some 4,600 public, private and other providers across the country.

The government's VFH redesign discussion paper outlines that some 272,000 students were enrolled in VFH in 2015.

While the VFH 'experience' has clearly cast a cloud over the sector, it is important that the diversity and capacity built on more than 20 years of successful VET sector reforms are not impacted on the basis of the failings of the poorly designed and implemented VFH program.

Equally, it is important that VFH is re-cast so that it can contribute to greater student choice and opportunity, particularly for those students who would not otherwise have access to training.

### **Recognising some fundamental issues**

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The bulk of the discussion paper lays out the chronology of the implementation of VFH and the technical and regulatory limitations that precipitated the overall poor outcomes. It is less clear, however, that there is a recognition of more fundamental failings. Indeed, the very limited discussion of the program flaws seems to suggest that the differences between the VET and higher education sectors are as much to blame. There are, however, some basic program design and implementation flaws that need to be recognised.

The rapid growth in the program reflected the inadequate price signals, or "dampened price sensitivity" as it is described in the Regulatory Impact Statement that supported the legislative changes attached to the March 2015 reforms. In its submission to the Senate inquiry into those reforms, ACPET emphasised its concerns that this price insensitivity had not been adequately addressed. The continuing growth in tuition fees during 2015 confirmed these concerns.

This price insensitivity is the result of the ready availability of loans with repayment thresholds that mean, for many disadvantaged and low-income students, the prospect of repayment is low or non-existent. This price insensitivity, highlighted by rapidly growing tuition fees, enabled the program to be exploited by a small number of providers.

Another major design flaw in the program was the capacity for tuition fees to essentially be claimed up-front through the operation of a single unit of study and census date. This fundamental flaw, that runs counter to sound program management, attracted unethical behaviours and contributed to the poor completion rates relative to comparable students who did not undertake training with VFH assistance.

Of fundamental significance, also, was the lack of any significant barriers to entry by providers. That is, there were few if any performance or quality checks on providers given uncapped contracts to deliver training through the program. Untested and in some cases largely unknown providers were able to grow unsustainable levels of student enrolments with the consequences now all too evident.

These quality and price failings highlight a more fundamental lack of program objectives, priorities and outcomes. The program has a focus on the market 'guiding' decisions around priorities, pricing, delivery, and quality. Unfortunately, the market information that would guide rational, informed decisions are essentially absent.

A related issue exposed by the rapid growth and poor completions relates to the regulatory framework that underpins the operations of the Australian Skills Quality Authority (ASQA). While much of the criticism should sit rightfully in the flaws identified elsewhere in this paper, it is evident that ASQA did not have the power to monitor both enrolments and completions as a key element to their risk oversight and to intervene where growth, outcomes or general quality concerns were probable.

These shortcomings mean that a more fundamental consideration of the program needs to be in place to enable a proper consideration of the issues like loan ceilings, price caps and training priorities issues canvassed in the discussion paper. It is unfortunate, then, that there is so little consideration of the principles and objectives for the 2017 VFH redesign that are provided as an appendix to the discussion paper.

## **Fundamentals to guide future development of VET FEE-HELP**

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With student interest paramount, ACPET supported many of the reforms introduced by the Government in 2015 to address some of the clear program failings that needed urgent consideration. Measures like the implementation of multiple census dates were clear and necessary immediate responses to some basic program design flaws. So too were measures to strengthen the assessment criteria for, and the ongoing scrutiny of, all VFH training providers.

Unfortunately, some of the measures, such as tightened marketing practices and standards for language, literacy and numeracy (LLN) that were not consulted with the industry, appear to duplicate or extend existing regulatory requirements that govern all Registered Training Organisations.

The somewhat ad-hoc or piecemeal nature of some reforms reflect the lack of a sound program management framework that is typically used to guide the implementation of skills development

programs. While there are clear benefits to greater student choice and contestability, this does not negate the need for sound program management.

The benefits that can flow from greater contestability in training and other human services are highlighted in the Government's 2015 Competition Policy Review (Harper Review) final report. The Harper Review outlines the potential benefits of competition in human services including lower prices, greater efficiency in service provision, greater innovation and improved customer choice.

While acknowledging these benefits, the Harper Review provides some guiding principles to support greater competition and choice in human services, that include:

- User choice should be placed at the heart of service delivery
- Government should retain a stewardship function, separating the interests of policy (and funding), regulation and service delivery
- Governments commissioning human services should do so carefully, with a clear focus on outcomes
- A diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services
- Innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services.

A strong message from the Harper Review is that governments have a key role as stewards in the delivery of human services - they cannot distance themselves from the quality of services delivered. This stewardship role includes policy design, funding, regulation and provision.

Reflecting the need for a more nuanced approach to human services procurement than competitive tendering, where there may be an emphasis on price at the expense of other factors like fairness and responsiveness, the Harper Review highlights the need for a focus on outcomes.

### ***Recommendation***

*Implementation of the redesigned VET FEE-HELP program should include a program management framework that incorporates the guiding principles for competition in human services outlined in the Government's Competition Policy Review (Harper Review)*

For the redesign of VFH student choice is fundamental. As the Harper Review says, user choice should be placed at the heart of service delivery. This does not mean the Government has to contract with any and every Registered Training Organisation to deliver VFH-funded training. It means, once again drawing on the Harper Review principles, selecting providers that have a sound track record in delivering quality training and outcomes for students and industry, and closely monitoring the operation of the market. A key lesson from the recent VFH experience is that the Standards for Registered Training Organisations provide a regulatory 'base' and cannot guarantee quality outcomes. The Government needs to act as a discerning purchaser.

In the absence of a sound program management framework, the response to the problems with VFH has resulted in program guidelines and other requirements that almost defy interpretation, implementation and administration. They simply add additional compliance costs for providers, students and administering agencies.

A focus on engaging quality providers with a track record would mitigate the need for the proliferation of regulation that was associated with the 2015 VFH reforms. Clearly many of the measures, like marketing guidelines and LLN testing tool requirements, would not be necessary if quality providers only were contracted.

The pre-qualified provider arrangements that are widely used to guide the contracting of User Choice and other competitively funded programs in a number of states and territories provide one such approach.

It is acknowledged that the identification of quality providers is not a simple task, and should not be a burden for government alone. Pre-qualification should require recognition by a provider's industry body, plus further assurance through evidence of independent peer review of their educational practices.

### ***Recommendation***

*The government implement pre-qualification or other arrangements that enable the selection of quality providers to deliver VFH-funded training.*

As outlined above, the use of complex guidelines and other restrictions in an attempt to minimise instances of poor performance has simply added to the administrative burden for students, providers and administering agencies. A more appropriate response would be to adopt a risk-based approach that calibrates oversight and regulation to the calculated risks. This would consider risk factors like the student cohort, industry area, and provider performance, including enrolment growth and outcomes. It would enable the program's administrators and regulators to focus resources on identified risk priorities. It would enable quality providers to focus on the important task of supporting students and maximising their outcomes.

A risk-based approach would also include the capacity of government to suspend the enrolment of students by providers who are of concern or under investigation.

### ***Recommendation***

*A risk-based approach be used to guide the monitoring and management of training delivered under VFH.*

The discussion paper devotes considerable attention to questions related to managing the system, including consideration of courses to be funded and capping the numbers available to particular providers. While picking courses to be funded might seem reasonable, the dynamic needs of the workforce and labour market means the need for particular courses can quickly become redundant.

Additionally, students often select qualifications based on their personal needs and interests. The transition, then, from completion of a qualification to the labour market is not linear. That is, graduates do not transition directly from the industry they study into an industry specific occupation. The focus, therefore, should be on ensuring the quality of the qualification, and that the course ensures the skills and knowledge to facilitate portability in the labour market. This requires the continuous improvement of training packages rather than government selecting the best qualifications for students.

Care should also be taken in any consideration of prescriptive, narrow price settings at the qualification level. Such settings would not support the flexibility, innovation and choice necessary to respond to the diverse needs of students and industry. The benefits that arise from price contestability, within industry standards, would also be reduced.

Similarly, arbitrary price caps would remove quality providers whose delivery models are more expensive than the cap or result in upfront student fees. Alternatively, providers will cut costs and offer 'discount' qualifications. None of these options would appear to be in students' interests.

What is required to guide informed choice is far more transparent mechanisms to provide students and industry with greater information about providers, their pricing, qualification and other outcomes, audit findings and student and industry satisfaction survey results. Much of this information is held by regulators and state and federal government agencies. It's time to get this information into the market.

### ***Recommendation***

*Comprehensive information on VFH providers including pricing, fees, completion and employment rates and audit outcomes should be made widely available.*

Many of the recent reforms respond to the 'technical' issues identified with VFH, like census dates, marketing protocols and financial viability benchmarks. Similarly, a number of the possible options for future reform address similar technical matters like loan ceilings, VFH provider application processes and course priorities.

In developing new VFH program there needs to be a greater focus on student academic achievement, progression and outcomes. Maximising student academic achievement and outcomes should be the core of the program.

Continued enrolment in the face of poor academic achievement and progression serves neither the interests of students who may be ill-equipped to undertake their course or the broader priority of building workforce skills. Student academic achievement and progression also needs to be an explicit

part of the greater scrutiny of provider performance that was highlighted in the Government's 2015 reform package. While the reform package included some measures focused on continuous improvement in student participation and outcomes this needs to be an explicit element in the redesign of VFH.

### ***Recommendation***

*The redesign of VFH should include an explicit and clearly articulated focus on student academic achievement in enrolment and provider payment arrangements.*

The significant concerns with some VFH providers has highlighted potential shortcomings in the regulatory framework that, as noted in the discussion paper, has seen a call for clarity regarding the roles of the regulators and purchaser of VET. There is a real risk that ongoing uncertainty and inadequacy of these arrangements will see further duplication of existing regulations by government program purchasers with the adverse outcomes highlighted previously. There needs to be a review of the current regulatory arrangements, including those added by State and Territory Governments, to ensure the regulators have the necessary powers.

### ***Recommendation***

*The VFH reforms must be accompanied by further consideration of the Standards for Registered Training Organisations 2015 (RTO Standards) to ensure that ASQA and state regulators have the tools to regulate the market (including VFH providers) effectively.*

It is clear that brokers and agents have been responsible for many of the unethical practices most readily associated with the program. While the RTO Standards and the VFH reforms respond to some of these concerns, more should be done. These arrangements are not enough given the evidence of the market power exercised by some brokers.

ACPET believes an industry-led model for the registration of brokers, agents and their staff should be established. Importantly, there is a need to include a mechanism to provide induction training for staff in order to ensure a minimum standard of service is provided.

### ***Recommendation***

*The establishment of an industry-led register that can provide for the training, registration and monitoring of agents, brokers and their staff.*

## Response to Options for change

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### Protecting students

#### *Student eligibility to access a loan*

##### *1. Are further student eligibility requirements necessary?*

Noting the concern expressed above about the complexity of the existing program guidelines, further student eligibility requirements should be avoided. The concerns outlined in the discussion paper arise from the inappropriate application, by providers with poor records in delivering quality training, of existing entry requirements.

The preferred course of action would be to only engage quality providers that have sound record of achievement evidenced by their completion outcomes and other objective measures.

Where there are systemic issues with qualifications within a particular training package this may then highlight the need for a review of the entry requirements.

##### *2. Can the administrative complexities involved in taking a Language, Literacy Numeracy Assessment be reduced while ensuring this standard regarding student preparedness remains?*

The administrative complexities currently of the LLN testing regime recently introduced for VFH can be addressed by its abolition. This LLN testing regime is unnecessary if quality providers only are engaged to deliver VFH or any other program. This knee jerk reaction has simply added to the administrative burden for providers and program administrators.

If there are specific LLN requirements associated with particular qualifications, they should be articulated in the relevant training package. The redesign of the VFH program cannot be expected to solve systemic concerns.

#### *Lifetime loan limits for students*

##### *1. Should a separate and lower lifetime loan limit apply just to VET FEE-HELP?*

The need to consider a separate and lower loan limit arises from the broader price insensitivity that has been a fundamental flaw of the program. There has been no 'brake' on students enrolling in programs that may not meet their career aspirations nor on providers to control fees. Without other measures to address the more fundamental problem of price insensitivity the outcome for many students of a much lower lifetime limit may be a loan limit 'spent' on an overpriced program that may not support their career aspirations.

A significantly reduced loan limit may also hinder the need for reskilling that will be a growing feature of the labour market as technological change restructures the workforce. This activity needs to be supported - not hindered.

A more appropriate response is to more critically review multiple VFH applications to ensure there is some link to career goals and not simply expending a VFH 'entitlement'. Such an approach might be warranted particularly where there is a history of non-completion. In other words, some prudent assessment of loan applications should be undertaken in those instances and not some blanket reduction of loan limits.

*2. If a separate limit was applied, what would a suitable limit be?*

The challenge of setting a loan limit is the potential impact on those more complex and expensive programs that may exceed any limit set. The ability for students to undertake aviation and some engineering programs, for example, is likely to be impacted by a significant reduction in lifetime loan limits. There would need to be exception provisions that bring their own complexity.

ACPET would prefer to see a more prudent assessment of student applications combined with other measures to address the price insensitivity highlighted above.

*3. If a separate limit was applied, how should this interact with the current lifetime loan limit for FEE-HELP?*

Given the need for lifelong learning to support multiple career changes that are an increasing feature of the workforce, ACPET supports a single loans program that integrates VFH with FEE-HELP. The establishment of separate loan programs with their own eligibility requirements would simply add to the administrative burden and stifle the flexibility that is necessary for workers and job seekers to respond to the technological and other changes of the workforce.

### ***Addressing course costs***

*1. What action could the Commonwealth take to address the rising costs for students undertaking VET with access to VET FEE-HELP?*

The price insensitivity driving rising course costs arises from a lack of any real price restraints. This fundamental failure needs to be addressed through a range of measures that are elements of a sound program management framework.

This includes, first and foremost, only contracting (and continuing to contract with) providers with a sound record of performance. The lack of barriers to entry and effective review or intervention mechanisms created the environment where some providers were able to lift fees without any contractual consequences.

Consideration of providers to be engaged would include assessment of their fee structures. While ACPET does not support the narrow prescriptive fees that limit innovation and flexibility it is prudent to include value-for-money assessments in contracting decisions.

There is also some support amongst ACPET members for some modest student contribution to address the 'free training' issue identified in the discussion paper.

Actions to improve the course pricing information available would also assist students to make more informed value-for-money decisions.

### ***Calculating 'reasonable costs' as a basis for maximum loan amounts***

- 1. Should the Commonwealth target its investment in VET FEE-HELP to courses that align with industry needs, lead to employment outcomes, result in a public good or private pathways to higher education?*

Given the VET sector has a very direct role in responding to the workforce needs of business and industry, some recognition of them needs to be taken in to account in determining priorities for the Government's investment. Of course, VET programs can also support a broader range of career outcomes, particularly at the diploma level and above.

As acknowledged earlier in this submission, students make decisions to undertaken VET for a range of reasons and the link between study and career outcomes is often not linear.

There are risks in some narrow prescription of courses to be supported given the dynamic nature of the labour market can see skill needs shift quite rapidly. Rather than some narrow prescription of courses to supported, there needs to be a more nuanced approach that balances the assessment of exist industry needs with the broader career opportunities provided.

- 2. What are the implications of the Commonwealth setting national prices or loan values for qualifications despite significant diversity in the cost of training across different geographic locations, student populations and mode of delivery?*

As outlined previously, setting narrowly defined national prices will result in a reduction in the ability to respond to the needs of student cohorts and offer innovative responses to the changing workforce needs arising from technology and other factors. The benefits that arise from price contestability, within industry standards, would also be reduced.

Similarly, arbitrary loan caps for qualifications would remove quality providers, whose delivery models are more expensive than the cap or result in upfront student fees. Alternatively, providers will cut costs and offer 'discount' qualifications. None of these options would appear to be in students' interests.

What is required to guide informed choice is far more transparent mechanisms to provide students and industry with greater information about providers, their pricing, qualification and other outcomes, audit findings and student and industry satisfaction survey results.

*3. If the Commonwealth did set prices or maximum loan values for qualifications, what parameters should be used to determine how to set these values?*

There has been some 20 years of contestability in VET, that includes the User Choice arrangements that govern apprenticeship training through to the contestability arrangements that govern the student entitlement models that states and territories have implemented as part of their commitments under the National Partnership Agreements.

Considerable information on the factors taken into account through these programs would provide a sound evidence base on which to make price and loan value decisions. The key is to set parameters that cater for the diversity of the sector whilst ensuring value-for-money considerations are addressed.

As noted above, it is important to recognise that no single price will be able to meet the needs of students and industry. To do so will limit innovation, efficiency and other benefits of competition.

### ***Delivery mode***

*1. Should mode of delivery be factored into any calculation on reasonable cost? If so what mechanism could be used?*

Advice from the industry does not support the assertion in the discussion paper that contemporary on-line delivery is typically less costly than face-to-face delivery. This advice indicates the development costs of on-line or mixed mode delivery strategies for quality training are often no less than that for face-to-face delivery. Certainly the program development, coordination and other administration costs are at least comparable.

The mode of delivery, like a number of other delivery variables, should be factored into any consideration of delivery prices. Once again, there is significant evidence from a range of contestable VET programs on which to make assessments.

It is important, however, that the benefits that can flow from new delivery strategies that harness technology and other innovations are not unnecessarily hindered by restrictive pricing arrangements. The more important consideration is to ensure there is appropriate monitoring of progress and completions and to intervene where required. It may also be appropriate for the regulators to more vigorously monitor arrangements where there are delivery mode concerns.

### *Improved information for consumers and the role of brokers and agents*

#### *1. How could existing information resources be improved to ensure greater access to information for VET FEE-HELP students?*

The need for improved information to guide better decision making sits, first and foremost, with the agencies administering and regulating VFH. It is apparent that the systems to effectively monitor the performance of the program, in a timely manner, have been lacking. Any reforms need to put in place more regular provider reporting and monitoring.

Given the relatively modest number of providers, a case management approach might be worthy of consideration, in order to bring a more rounded understanding of provider performance and to enhance a stronger risk-management approach. The approach adopted by the Tertiary Education Quality Standards Agency would be worthy of consideration.

It would also be appropriate for stronger mechanisms to be put in place for the sharing of information with the regulators and state and territory VET purchasers.

In terms of improving information for students, there should be arrangements that require more regular reporting by providers on key parameters and outcomes with this information required to be accessible for students in a way that enables ready comparisons. The Quality Indicators for Learning and Teaching (QILT) website provide one such example.

#### *2. Should VET FEE-HELP providers have an obligation to provide information in a consistent form about the scheme to students?*

Students have access to a raft of information as specified in the RTO Standards with the 2015 VFH reforms adding further measures in relation to marketing and publishing, notices to students, provision of information and the enhancements to MySkills web site. In some senses there is an overload of information.

The ability to provide some summary information on key parameters, much like that on the QILT web site, would assist in students with the key considerations in making informed decisions.

#### *3. Is there a role for an agent, or an intermediary, to assist students to make a choice regarding a course and provider?*

The use of brokers, agents or other intermediaries is a legitimate feature of the higher education and training landscape. They can play an important role in assisting both students and providers.

There have, of course, been problems with some brokers involved in VFH largely driven by the price insensitivity and unhindered growth that enabled supernormal profits to be achieved. The reforms

introduced during 2015 together with an appropriate program management framework advocated in this submission will address the excesses associated with some brokers and agents.

The endorsement of brokers and agents by the providers using them can provide a practical means of validating the quality of brokers and agents. It is a prominent feature of ACPET's arrangements that govern its members use of agents and brokers.

*4. If so, how should such an agent be regulated to ensure the interests of students are paramount, rather than the interests of providers?*

Noting the important and growing role of brokers, agents and other intermediaries in the sector, it would be appropriate for such bodies to be monitored by the sector and more importantly provide professional development and other strategies to improve the quality of services.

ACPET has introduced a Code of Conduct that governs members use of agents and brokers. Under the Code of Conduct provider members are required to give priority to agents and brokers on the ACPET preferred agents/brokers list with these agents and brokers having to meet rigid entry requirements and their staff undertake a specifically developed induction program.

This model has a key focus on ethical behaviour as well as relevant sector and program specific matters. It could readily be expanded to a sector wide and industry-led strategy to endorse and register brokers, agents and their staff. It should not be limited to VFH.

#### ***VET FEE-HELP ombudsman***

*1. Would a VET FEE-HELP ombudsman help address student complaints and issues?*

ACPET has been advocating the establishment of a national training ombudsman for some 18 months and welcomes the inclusion of this initiative in the discussion paper.

A consumer-focused training ombudsman dealing with complaints between students and providers would go a long way to providing a simple, timely response to addressing the legacy issues with VFH.

It would complement the National Training Complaints Hotline that provides a vehicle to receive complaints. The VET regulators have limited capacity to respond to complaints with the focus on complaints informing audits and strategic reviews.

The introduction of an ombudsman would have a number of benefits: improved industry image, cost-effective dispute resolution, improved communications, early advice to program managers and regulators of potential systemic issues and advocacy of good practice.

For these reasons the ombudsman should not be limited to VFH matters only.

Several jurisdictions have a Training Ombudsman or similar arrangements. Nonetheless it should be possible to put in place co-operative arrangements that ensure domestic students across the country have access to a simple, cost-effective mechanism to deal with their complaints.

To increase sector recognition, support and responsiveness, an industry-led model would be appropriate. This model could be funded by a modest additional charge attached to provider registration arrangements.

*2. Should such an ombudsman be time-limited?*

While it is clear such a position would have a significant focus on VFH in its early period, an industry ombudsman with broader responsibilities should not be time-limited.

## **Regulating providers**

### *Use of maximum scheme or provider loan caps*

*1. If the Commonwealth were to maintain a cap on provider loan values, how could this ensure the current issues are addressed?*

It is clear that many of the VFH concerns were due to the unsustainable growth of a small number of providers and the apparent inability of the Government to intervene in the face of poor outcomes due to fundamentally flawed program design and implementation. The Government needs to have the capacity to establish provider caps based on past performance, delivery capacity and indications of student demand.

Caps alone would not be sufficient. The caps would need to be complemented by some basic program management arrangements that are clearly articulated in its guidelines and contractual arrangements with providers.

Such measures, that include key performance indicators and timely reporting arrangements would enable program administrators to more readily identify potential risks and to take appropriate action.

While rigid application of caps might restrict growth and responsiveness, periodic review (which once again should be a basic element of a program management framework) would provide an opportunity to assess and make adjustments. Caps could also be used as part of a risk-management approach.

Certainly a transparent, well understood and predictable approach would be much better than a repeat of the 2015 'overnight' provider cap freeze that has caused considerable distress for providers and their students.

## *Quality measures*

### *1. Should access to VET FEE-HELP loans include a requirement for students to be engaged in their training and working towards completion?*

One of the fundamentals identified earlier in this submission is that in developing new VFH program there needs to be a greater focus on student academic achievement, progression and outcomes. This progress and outcomes should provide the basis for continued enrolment and provider payments.

Continued enrolment in the face of poor academic achievement and progression does not serve the interests of students. Academic achievement and progression needs to be an explicit part of the greater scrutiny of provider performance that was highlighted in the Government's 2015 reform package.

Consistent with a stronger risk-management approach to monitoring performance and outcomes, there also needs to be measures to validate assessments where concerns are identified.

### *2. How could student engagement, progression or completion be measured or tracked?*

As part of their normal business operations, quality providers have the student management systems or other arrangements to monitor the engagement, progression and participation of their students.

Through the national reporting arrangements all providers are required to report student enrolments and results using AVETMISS. VFH providers are also currently required to submit reports that enable the determination of progression and completion.

### *3. Should providers be required to meet minimum specified course completion or progression rates?*

The establishment of rigid course completion or progression rates is problematic given the diversity of student cohorts, programs and other delivery variables. There are also the unintended consequences of setting such measures.

As the discussion paper indicates, not all VET students enrol to compete a qualification, but rather to gain the skills that will support their career aspirations. The NCVET student satisfaction data highlights the high levels of satisfaction of module completers.

A more appropriate approach would be to establish a number of parameters by which student academic achievement, progression and completion can be assessed and, taking into consideration student cohort and other factors, determine benchmarks that can be used to assess provider performance.

*4. Should higher quality standard be applied to RTOs seeking to provide VET FEE-HELP?*

A fundamental of this submission is that the Government should seek to contract with providers that have a track record of performance in relation to program outcomes. As outlined earlier, these requirements should be encapsulated in preferred provider or similar arrangements that have been developed in consultation with industry to ensure their effective implementation 'on the ground'.

*5. What additional standards should be considered when granting VET FEE-HELP provider status?*

As is the case with state and territory competitive programs, there are a broad range of matters that can be considered in relation to granting provider status. In several there is a focus on ethical standards, responsiveness to student needs and accountability along with a strong emphasis on student outcomes. A recent NCVET review of contestability frameworks across Australia provides some detail of these arrangements.

Membership of an industry peak body could also assist in determining provider status. A professional body can provide additional independent quality assurance, specifically designed to help provider selection. This could include independent review of student learning support and teacher standards incorporating peer review.

***Reapplication process for all providers***

*1. Should all existing providers be required to re-apply for the new VET FEE-HELP scheme?*

It is clear that there needs to be a major redesign of VFH with a strong emphasis on ensuring only those providers with a record of achievement and able to meet revised program expectations are contracted. On this basis there will need to be a re-application process.

The VFH experience has caused considerable concern not only for the sector but the broader community. A 'clean sheet' approach would also assist in restoring confidence in the program.

*2. How would transition arrangements for existing students be managed?*

The transition arrangements will be dependent on the scale of changes and the implementation timeframe. Depending on these factors, it would seem appropriate for existing contracts and student enrolments to be honoured given the vast majority of providers have delivered high quality training and outcomes.

### ***Time limited registrations***

*1. Should access to VET FEE-HELP scheme be time limited?*

While sound contract management principles support time limits, the limits for individual providers should be based on performance risk assessments. Where there are concerns the contract period may be limited. Conversely, for those providers that have a strong record of achievement a longer contract period would be appropriate. Clearly, to provide continuity and effective planning there should be a bias towards longer contract periods.

*2. If so, how long should 'licences' apply for?*

Noting the response above, a maximum contractual period of five years would be consistent with a prudent program management approach.

### **Managing the system**

#### ***Courses to be funded***

*1. Should all VET courses be eligible for VET FEE-HELP?*

ACPET supports a 'first principles' approach that all courses should be eligible for VFH given some concerns with the ability of the Government to match courses to the dynamic needs of the labour market. However, a more nuanced approach that involves an evidence-based validation and review process should be utilised to restrict courses where necessary.

*2. If not, how should course eligibility be determined?*

To validate course eligibility consideration should be given to program performance data and particularly student progress, completion and employment outcomes. Similarly, monitoring activity that identifies rapid enrolment growth should trigger some further analysis.

*3. Should the Commonwealth consider capping the number of courses students can enrol in?*

The capping of the number of courses students can enrol should not be considered. This approach runs the risk of stifling genuine career development and the need for re-skilling that is necessary as technology impacts on the future workforce.

*4. Should the Commonwealth consider capping the number of places in any given course?*

The Commonwealth should consider capping the number of places in a particular course where there are evidence-based concerns with student progression, completion and employment outcomes. Similarly, capping the number of places should be considered where there are concerns the level of growth in enrolments are clearly out of alignment with labour market indicators.

*5. Should the Commonwealth consider capping the number of places a provider may offer?*

On a similar basis to that outlined above, using a risk-based approach, there should be the provision to cap the number of places a provider may offer with review processes to allow for appropriate adjustments.

***Information on performance***

1. How could provider data requirements be enhanced in the redesigned VET FEE-HELP scheme at what frequency could providers report to the Commonwealth?

The current reporting arrangements for VFH are clearly inadequate to support prudent monitoring and the identification of potential concerns. Most state and territory competitively funded VET programs have multiple reporting periods during a contract period, often linked to payment schedules.

***Tuition Assurance***

1. *What tuition assurance arrangements are necessary in a redesigned scheme?*

As an approved Tuition Assurance Scheme (TAS) provider that has managed a number of activations as a result of VFH provider closures, ACPET has noted the importance of its diverse membership network in providing alternative study options for impacted students. This network has enabled the core function of the TAS - the continuation of training wherever possible - to be delivered. The detailed knowledge and skill of ACPET members has been pivotal in developing responses to the needs of individual students that reflect a shared industry responsibility to provide the best possible support to students.

A scheme that, first and foremost, has an emphasis on placing students with another provider needs to be maintained. This will best ensure that students are able to have their studies recognised and complete qualifications that enhance their career outcomes. Industry participation and leadership is, therefore, critical.

A scheme that simply credits student fees will not support this goal and the reputation of the sector for providing quality outcomes for students. The 'shared' industry responsibility to place students also helps to minimise provider premiums which would increase with a model that simply credits student VFH accounts.

*2. How can tuition assurance arrangement be more responsive to direct regulation?*

The exponential and unmanaged growth in VFH has placed considerable pressure on TAS schemes. TAS providers have responded with enhanced processes to support students displaced by provider closures.

Stronger and more frequent reporting of TAS provider student information will also assist in identifying the impact on students where closures occur.

These changes provide a sound basis for robust, effective TAS arrangements to support a redesigned program into the future.