

Navitas submission – ANAO audit on the design and implementation of the VET Student Loans program

March 2018

Audit criteria

To form a conclusion against the audit objective, the following high-level audit criteria are proposed:

- Was an appropriate design process established to support the achievement of the Government's policy objectives?
- Were sound arrangements established to support the implementation and management of the program?

Please consider:

- the consistency, fairness and transparency of the departments' activities
- the effectiveness of the departments' engagement with your entity in relation to the design and early implementation of the new loans program
- any other matters related to the high level audit criteria outlined above.

Feel free to comment broadly, or provide detail under the specific objectives and key features.

Framing comments for consideration by ANAO

Navitas has been actively engaged in consultations regarding the design and implementation of the VET Student Loans program since mid-2016. We would like the ANAO to consider these previous responses as part of this submission, as the points we raise and the positions we put forward are highly relevant to the conduct of this current audit. The following responses can be accessed via the Navitas website:

- [Redesigning VET FEE-HELP](#) – June 2016
- [The Senate Inquiry into the VET Student Loans Package](#) – October 2016
- [Review of the VET Student Loans course list and loan caps methodology](#) – May 2017

Part A – Was an appropriate design process established to support the achievement of the Government's policy objectives?

The principles and objectives being:

1. *That the scheme is fiscally sustainable and contributes to national economic growth*

Navitas believes that the VET Student Loans (VSL) scheme has not contributed to national economic growth as much as it might otherwise have done with a different approach to its design, particularly the methodology for eligible courses and the capping of loan amounts. The loan caps especially have imposed financial barriers on learners wishing to access Diploma level courses. This reduces the number of skilled workers entering the workforce that in turn drives national economic growth.

This is evident in the nursing workforce. For example, there has been an overall drop in nursing enrolments in NSW. Fewer enrolments in VET is contributing to a larger skills shortage in trained nurses. According to a report published by the ABC earlier this year, by 2030 NSW will require 82,000 nurses, but only 74,000 qualified people will be available.¹

Further, data from the Department of Education and Training's latest six-monthly report on VSL show that there has been an overall reduction of 159,000 in the number of learners accessing VSL funding. In 2017, close to 60,000 learners accessed VSL compared to 219,000 accessing VET FEE HELP in 2016.² This substantial decrease in learners taking up the scheme does arguably support the fiscal sustainability of the program. However, Navitas believes that the measures outlined in our submission on *Redesigning VET FEE HELP* – particularly the setting of high barriers to entry for providers, and the ongoing monitoring of providers through best practice risk-based case management – could achieve its fiscal objectives without creating a drag on national economic growth.

2. *That the scheme removes financial barriers to training and improves equity of access to higher level VET*

Navitas' experience is that the VSL scheme has reduced equity of access to higher level VET as many learners are put off by the fee gap. In a previous submission, we argued that imposing loan caps would reduce access to tertiary education for learners and therefore their ability to secure the skills they need to succeed in the workforce.³

This is evident in our own enrolment numbers, which have fallen significantly since the introduction of loan caps with fewer learners able to fund the fee gap between the loan caps and the true full-fee cost of delivery. Learners who cannot pay the upfront fees are choosing to leave the sector and not continue training. In fact, we have found that a significant number of learners who would have normally enrolled in a VET course better suited to their specific skills needs and career aspirations have instead chosen to study in higher education diploma courses, as they can access a loan for the full course fee.

An additional financial barrier is the application of a 20 per cent loan fee that is applied to VSL loans – which again reduces equity of access to higher level VET qualifications.

The issue of financial barriers to participation in higher level vocational qualifications is best demonstrated by the imposition of a \$15,000 loan cap for the Diploma of Nursing. This is not sustainable nor equitable. The cost of delivery of a nursing diploma is well above this loan cap, as it includes mandatory requirements from the nursing professional body, such as a 400 hour work placement component and the provision of clinical laboratories for practising nursing skills. Learners at Navitas' Health Skills Australia (HSA) are required to pay the difference of \$10,000 as up-front fees. A viable and equitable loan cap structure is required to sustain quality delivery in vocational education.

3. *That the scheme promotes the delivery of quality and affordable training for students*

The scheme loan caps are not viable to sustain a quality program. To deliver high quality, industry relevant training programs requires significant investment, particularly for courses that include work placements and involve access to industry standard equipment and facilities. Navitas courses are priced appropriately, taking account of our investment in high quality

¹ NSW needs nurses as 'catastrophic' shortage predicted to affect patient care, 12 Jan 2018, <http://www.abc.net.au/news/2018-01-12/nsw-set-for-major-shortage-of-nurses-and-midwives/9321464>

² Australian Government, VET Student Loans Six-monthly report 1 July – 31 December 2017 <https://docs.education.gov.au/documents/vsl-six-monthly-report-1-july-31-december-2017>

³ Navitas submissions to [VET FEE-HELP Redesign Discussion Paper \(2016\)](#) and [Senate Inquiry into the VET Student Loans Package \(2016\)](#).

trainers, extensive learner support services and state of the art facilities and equipment. Delivering training and assessment at loan cap pricing impacts viability and could mean a significant compromise on quality.

4. *That the scheme balances industry needs, employment outcomes and student choice*

The scheme has not fully achieved its aim of balancing industry needs, employment outcomes and learner choice. Navitas believes that each of these aspects has been compromised to meet the need to impose strong fiscal controls on VSL. Responsible fiscal control is something Navitas supports. The ability of government to sustainably fund schemes such as VSL is paramount. However, we believe that the uniform application of arbitrary loan caps and an eligibility list that is not fit-for-purpose⁴ have diminished the success of the scheme - working contrary to industry needs, resulting in diminished employment outcomes and poor learner choice. Further, fiscal control can be achieved via more targeted measures in the governance of the program.⁵

Anecdotal evidence suggests that learners seeking training under this scheme tend towards courses with no fee gaps, for example business and management courses. Our concern is that learner choice driven primarily by the fee gap may skew training to create a surplus in areas not required by the Australian economy and, therefore, is a missed opportunity for the Australian Government to support investment in skills training in areas of most need. This position is also supported by observations from Andrew Norton from the Grattan Institute that the list of providers is so restricted that some learners will end up choosing courses based on favourable funding arrangements rather than their ideal course.⁶ The result is more graduates in fields with lower employment prospects, while the skills in demand, such as nursing, are not met.

5. *That the scheme is student centred through adequate protection for students (particularly from disadvantaged backgrounds) and access to information that enables informed decision making*

Navitas believes that appropriate and adequate protections for learners are in place under VSL. The excesses and bad behaviour by low-quality providers, enabled by poor program design and lax regulatory oversight under the VET FEE-HELP scheme, have been addressed.

More must be done to provide better access to information that enables informed decision-making by learners, their parents and employers. For detailed suggestions on this issue see pages three to four of Navitas' submission to the [Re-design of VET FEE-HELP](#).

6. *That the scheme has program integrity, manages risk and promotes confidence in the regulated VET market*

Navitas believes VSL has helped to repair some of the damage to the VET sector caused by the small number of low-quality and unscrupulous providers that were able to roort learners and public funds under VET FEE-HELP. However, VSL is a very blunt instrument that does not differentiate between providers with long track records of high quality outcomes and strong regulatory compliance – like Navitas – and those who do not demonstrate these qualities. On pages nine to 12 of our submission to the [Re-design of VET FEE-HELP](#) we detail the measures that should be applied to providers wishing to access the scheme and the mechanisms / criteria that could be implemented for best practice risk-based case management. These

⁴ Navitas articulates our views on the loan caps and course eligibility in our submission to the Senate inquiry into VSL in October 2016 available here – [Senate Inquiry into the VET Student Loans Package \(2016\)](#).

⁵ See Navitas' submission on [Redesigning VET FEE-HELP](#).

⁶ James Wells, 'Government's VET Loan caps three sizes won't fit: Norton', Campus Review, 5 October 2016 available at: <http://www.campusreview.com.au/2016/10/governments-vet-loan-caps-three-sizes-wont-fit-norton/>

measures allow for a more targeted, effective and efficient approach to risk than is currently present in VSL.

Part B – Were sound arrangements established to support the implementation and management of the program?

The key features of the program being:

1. *Course eligibility that aligns with industry needs and employment outcomes*

As discussed in point 4 of the previous section, courses based on state and territory skills lists do not necessarily align with industry needs and employment outcomes because they do not consider national skills needs. We believe that there are better ways of determining Australia's future skills needs, which includes allowing the market (learners) to respond to supply and demand signals in terms of the skills required in communities and the economy.

2. *Loan caps on eligible courses: \$5,000, \$10,000 and \$15,000 (based on cost of delivery)*

Navitas believes the loan caps set under VSL are unrealistic because they do not reflect the true cost of delivery of good quality, industry credible courses. We believe that the current caps are too low to support quality training outcomes and recommend that the Government undertake an extensive review of the loan caps and their allocation to specific courses. The review should also include an analysis of the patterns of delivery from a wide range of training providers, both private and public, and other relevant pricing data.

A direct result of the current loan caps has been the decrease in the number of Navitas learners in our creative media, counselling and nursing courses, which is attributable to their inability to fund the fee gaps between the loan caps and the full-fee cost of delivery.

3. *A student engagement requirement, where students must demonstrate their continued engagement in their course*

Navitas supports the requirement for learners to demonstrate their continued engagement in their course – this is noted in our submission to the [Senate inquiry into VSL](#).

4. *A new outcomes-focussed application process for providers to access the program, including time limited approvals*

In previous submissions, Navitas has consistently supported specific measures that would 'address unscrupulous conduct by high risk operators who deceived prospective learners, failed to deliver learning outcomes and misused taxpayer funds'.⁷ Navitas believes that the higher barriers to entry – including financial performance measures, industry links, learner outcomes and a three-year track record – represent sensible and prudent policy.

5. *A strengthened legislative, compliance and payment framework, including payment in arrears and the ability for the Government to impose loan caps on providers on a case by case basis*

Navitas is supportive of measures such as payment in arrears for the VSL scheme.⁸ We note however, that a strengthened legislative, compliance and payment framework is only effective if enforced with an appropriate risk-based approach that recognises quality in the market. We believe that while the current framework has greatly reduced or removed the poor behaviour

⁷ Navitas submission to [The review of the VSL course list and loan caps methodology](#), page 1.

⁸ Navitas submission to [The review of the VSL course list and loan caps methodology](#), page 1.

by some providers, it has also led to high quality providers, such as Navitas, reducing their presence in the VET market to the detriment of learners and industry.

6. *Prohibiting providers from using brokers or directly soliciting prospective students, and limiting arrangements to subcontract training delivery to third parties.*

In a previous submission, Navitas has argued that there is a role for brokers, marketing agents or other advisers within the scheme, provided that sufficient measures are implemented to ensure learners are protected from predatory, misleading and otherwise unconscionable behaviour.⁹ In our submission, we proposed a mechanism for regulating agents acting on behalf of providers that was analogous with the one defined in the Education Services for Overseas Students (ESOS) Act. This remains a relevant suggestion for consideration.

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⁹ Navitas submissions to [VET FEE-HELP Redesign Discussion Paper \(2016\)](#) and [Senate Inquiry into the VET Student Loans Package \(2016\)](#).