# VSL Course List and Loan Cap Methodology Review

# Discussion Paper

## Victorian TAFE Association Response

## May 2017

VICTORIAN
**TAFE**
ASSOCIATION

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**Introduction**

The Victorian TAFE Association is the peak body for Victoria's public providers of Vocational Education and Training (VET), including 12 TAFE Institutes, four Victorian dual sector Universities, and an Associate member, AMES.

The Victorian TAFE Association welcomes this opportunity to respond to the *Review of the VET Student Loans course list and loan caps methodology* Discussion Paper.

The VTA would like to endorse the submission made by its sister organisation, TAFE Directors Australia (TDA). All of VTA's TAFE and dual sector University members are also members of TDA. However, the governance and operational leadership model of Victoria's TAFE sector differs markedly from the models in other states, so it is incumbent upon the VTA to provide commentary from within a Victorian context.

As per the Discussion Paper, the VTA's comments can be grouped into two broad categories, including course lists and course fee caps. In short, the VTA would like to provide comments on the following issues to help make the current policy fairer, less onerous and more efficient:

- Methodology
- Superseded, transitioning and updated courses
- Capacity to add courses
- Loan caps and bands
- Comment on miscellaneous matters

Before proceeding, the VTA would like to reiterate its view that the provision of VET Student Loans should be driven first and foremost by the principle of access and equity. Its aim should be to increase participation and the depth of skills by providing students with access to education and training that is best suited to their needs and that they might not otherwise be able to afford. The imposition of an Eligible Course List inflicts a restriction on a VET student's liberty to choose the education and training that best meets his/her personal circumstances. It is worth noting that no such imposition or restriction is levied upon students of Higher Education.

**Methodology**

The current methodology to develop course lists relies heavily on lists developed by the states and territories. In short, courses that are subsidised by at least two states or territories are included in the Eligible Course List, as are science, technology, engineering and mathematics (STEM) courses and courses required to meet state/territory occupational licencing laws.

The VTA considers that the requirement for courses to be offered in at least two states or territories is problematic. While there is some recognition of courses that operate in a single state/territory to meet licencing or professional industry recognition, the addition of courses that operate in a single state/territory to address local or regional industry needs (sometimes at a niche level) are currently difficult to include. The VTA considers that the current two state/territory requirement be abandoned, and suggests instead that the Eligible Course List be made up of courses that are offered and subsidised by states or territories, whether it be one state or more than one. Consideration should be given to the creation of location based Eligible Course Lists. Under such a scheme,

Victorian students would have access to VET Student Loans for all courses on the Victorian *Skills First* funded course list, with similar provisions made for students in other states and territories.

There is also some allowance in the current scheme for loans to be made for students undertaking some higher education qualifications, including Diplomas, Advanced Diplomas, Graduate Certificates, and Graduate Diplomas. Often, enrolment in these qualifications is undertaken not for direct employment but to segue to higher degrees. The VTA therefore recommends that the assessment criteria be broadened to include 'direct pathways leading to higher qualifications'. This would recognise and help to preserve these higher education programs as important pathways to study at higher education level. The VTA further considers that the heavy focus on employment outcomes misses other important outcomes, such as the need to meet future skill requirements or support government policy outcomes. To recognise this, the set of assessment criteria should be broadened to include courses that 'meet skills shortages, future skills needs, employment prospects, pathways to further education or training and support government priorities (such as the NDIS)'.

The development of the Eligible Course List invites issues around maintenance and update. The current approach, which sees the Eligible Course List updated two times per annum, is problematic. It does not recognise the fluidity of course updates and changes, meaning that courses can be superseded and go into transition at any time, meaning the Eligible Course List quickly becomes outdated in the intervening six months. As a consequence, students may incorrectly choose not to undertake a course because it does not appear in the list, even though it is the most recent and updated iteration. Instead, they undertake the superseded course since it is on the Eligible Course List. For employers, it means employees who do not possess the skills necessary to carry out their duties. The VTA therefore recommends that the Eligible Course List be updated quarterly as a minimum, with a view to working towards monthly updates.

The VTA considers that it is far from clear that the current method adequately captures industry need, employment outcomes, or net benefit. Rather, it seems that the current approach based on state/territory lists is one chosen for relative ease, used more for convenience and in the absence of other, more rigorous methodologies. The VTA therefore considers that consideration be given to exploring alternatives that offer greater precision and that can be easily and regularly updated. The VTA would be happy to participate in any review that explored such alternatives.

**Superseded, transitioning and updated courses**

The VTA considers that the operation of the current methodology would be improved through changes made to the treatment of superseded, transitioning and updated courses. The VTA considers that the Eligible Course List should include both old and new courses where a course is transitioning to a new qualification. This would facilitate a smooth transition for the students enrolled in the course.

Moving from this, the VTA recommends that treatment of superseded courses be made to align with the principles adopted by the Australian Skills and Qualifications Authority (ASQA). Clause 1.26 of ASQA's *Standards for Registered Training Organisations 2015* includes provisions that give RTOs (*inter alia*), one year to complete training in a superseded product from the date of release of a replacement training product, and two years in cases where a product is no longer current and has not been superseded. The adoption of the ASQA approach would ensure parity of policy approaches

between the branches/arms of the Commonwealth Government and remove confusion for students and RTOs.

While outside the direct scope of this review, the VTA considers that issues associated with supersedure could be more adequately dealt with by providing greater certainty regarding the frequency and timing of course updates. The VTA recommends that consideration be given to a requirement that courses to be transitioned or superseded at fixed times and set frequencies, with some flexibility to allow for necessary or pressing amendments as they arise. For example, courses could be superseded quarterly by a given date and no more than once every three years. This would enable students and RTOs to better prepare for changes. It would give certainty on the timing of changes and minimise the possibility that changes slip through the proverbial 'crack'.

**Capacity to add courses**

An important feature of the current policy is the ability for approved RTOs to request for courses to be added to the Eligible Course List. Each of the VTA's members have been approved and made eligible to request for courses to be added.

The VTA considers that this capacity should be maintained. However, the VTA considers that approved providers should be permitted to request additions to the Eligible Course List more frequently. At the very least, providers should be permitted to request the addition of courses to the list quarterly. This increase would give providers an opportunity to respond to industry needs more regularly, better respond to regional requirements, and provide training for emerging industries as they appear.

The VTA considers that the criteria used to determine eligibility to add courses should be expanded to take account of a provider's risk profile. This is particularly pertinent given recent high profile RTO collapses, and would help engender confidence in the sector.

Currently, providers are required to submit requests for additional courses on an individual basis. This is a time and resource-consuming process that could be eased by the sharing or pooling of resources and the development of coordinated submissions. The VTA recommends that consideration be given to permitting coordinated responses to additional course submissions. This could be in the form of partnerships/consortia, on a regional basis or through state-wide submissions made through the auspices of the relevant education and training authority.

**Loan caps and bands**

The VTA would like to provide the following comments and recommendations with respect to loan caps and bands:

- Not reflective of costs: the VTA considers that loan caps often do not reflect the real cost of provision. As a consequence, many providers charge higher than the cap amount, resulting in a 'gap'. The need to cover this 'gap' puts access to education and training beyond the reach of many students, particularly in cases where the 'gap' amount is high (such as in niche courses). This presents implications, for the students in terms of already mentioned access and quality, and for industry in the barriers it presents to the attainment of required

skills. The VTA considers that this barrier be properly analysed and a suitable solution established to ensure these deleterious outcomes are avoided.

- Indexation: the VTA recommends that loan caps continue to be subject to indexation to inflation. This enables costs to be covered and gives RTOs better long-term control over finances and planning.
- Expensive courses: the VTA considers that there should be an ability to have caps higher than the current maximum for specific courses that are expensive to run and are required by industry. Such courses generally have high resource and equipment costs, which the current caps do not cover. The VTA also considers that there should be some facility for caps to cover the costs associated with delivery in different geographical locations. For example, delivery in some regional areas may prove more expensive, since they face lower course enrolment numbers but the same fixed costs. The VTA recommends the introduction of additional bands to enable better reflection of delivery costs.
- Loan band inconsistencies: There appear to be inconsistencies in the way in which courses are allocated within bands. Examples exist of 'high cost' courses that use specialist facilities, have high amounts of consumable and mandate limited class sizes (leading to higher teaching costs) that should be in Band 3 but are placed in Band 2. An example is the Diploma of Outdoor Recreation, which sits in the $5,000 band, below the costs of delivery. The VTA recommends a review to ensure that courses are allocated to the cap that best reflects the costs of delivery and resource use. However, the VTA also recommends that where a course is deemed to be in the national interest or essential, that some form of subsidy be used to ensure that the required skills resulting from the course are maintained.
- Increasing access: The VTA recommends that the scope of this review be expanded to consider offering loans to lower qualifications, such as Certificate II, III or IV courses. This would increase access to education and training, facilitate pathways to higher qualifications and provide a significant benefit for many students.
- Provider fee limit: the VTA recommends that the TAFE institutes be excluded from the provider fee limit given the recent provider selection process and subsequent reduction of VET Student loans providers from 1 July 2017. The exclusion of TAFE from this requirement also recognises the very low risk profile of these publicly owned institutions.

**Miscellaneous matters**

The VTA would like to make brief comment on a number of other matters, including:

- Regulatory complexity: The current process poses a heavy administrative burden, with heavy increases in workload. The process developed to provide estimates of student numbers is overly complex, and there is a lack of clarity regarding what is required. This is further compounded by the fact that response and resubmission is often required at very short notice. Coupled with an annual charge to administer the program, these factors represent a dead weight loss. The VTA considers that the review look into how the current administrative burdens be lessened and streamlined.
- Enrolment limits: the VTA does not support the introduction of enrolment limits. Such limits would impact upon the ability to meet industry needs. It also restricts student access to quality training. Finally, the needs in different regions and locations will differ, so that some would quickly reach the enrolment limit while others do not.

- Mode of delivery: The VTA considers that the emphasis on the mode of delivery has been overstated. Many factors affect price, and delivery mode is just one of them. Policy should instead be driven by educational and employment outcome. In many cases, face-to face or blended approaches could be the optimal method of delivery to achieve these policy goals. To favour one delivery method over others fails to recognise this and could result in less than optimal outcomes. Indeed, to favour one method over another could result in perverse outcomes, pushing activity into areas that achieve greater loan amounts but not greater employment/training outcomes.
- Covering incidentals: The current loan scheme only allows for the tuition fee to be deferred. However, students face many other costs associated with their education and training that currently are not eligible for support, including many incidentals. In some cases, learners are required to pay amenities and materials fees upfront and out of their own pocket. The VTA considers that the loan scheme could be amended to allow for incidentals to also be eligible for a loan. This would help to remove some of the prohibitive barriers to undertaking education and training, particularly for those from disadvantaged backgrounds.
- Timing of Implementation: For many RTOs, recruitment of students commences in August of each year. This means that a 2018 commencement date for any changes arising from this review would place training providers in a difficult situation. The proposed timeline provides tight timeframe to implement changes, especially if system configuration changes are required, and severely limits the capacity of RTOs to provide students with information pertinent to their enrolment. For this reason, the VTA considers that any changes arising from this review instead be implemented in the second half of 2018.

**Key contact**

The VTA welcomes the opportunity to speak further to the issues outlined above. To do so, please contact:

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