

Senate Committee: Education and Employment

**QUESTION ON NOTICE
Supplementary Budget Estimates 2015 - 2016**

Outcome: Skills and Training

Department of Education and Training Question No. SQ15-000809

Senator Carr, Kim provided in writing.

VET FEE-HELP provider

Question

Is it true that to become a VET FEE-HELP provider, an RTO must be able to demonstrate that it is financially viable. Is that correct?
How is that done?

Answer

Yes. When making an assessment of financial viability, the department will consider the level of risk that an organisation presents. In its assessment, the department may consider:

- financial information provided by the applicant or provider
- failure to meet some or all of the financial ratio thresholds by the applicant or provider
- type of organisational structure
- the age and history of the applicant or provider
- student body profile of the applicant or provider and
- trends in financial performance of the applicant or provider.

The Financial Viability Instructions (FVIs) are available on the department's website at <https://docs.education.gov.au/node/33783>. The FVIs inform applicants and approved VET FEE-HELP providers of the financial information that is required, the form in which it must be prepared and how financial viability will be assessed.

From 1 January 2016, more stringent requirements relating to financial viability will be introduced (following the passage of legislation). These measures aim to improve the quality and transparency of the financial information provided by VET FEE-HELP providers and ensure providers maintain adequate liquid assets and minimise the reliance on the VET FEE-HELP scheme.

Specifically, the additional requirements being introduced are:

- Submission of general purpose financial statements - all applicants and approved providers will be required to submit general purpose financial statements.
- Increased requirements of auditors - audits of financial statements to be conducted by a registered company auditor, the Auditor-General of an Australian State or Territory, or a person specifically approved by the Minister. This will ensure accuracy and completeness of the financial information submitted by entities engaging with the VET FEE-HELP scheme.

- Maintenance of liquid asset balances - all applicants and providers engaging with the VET FEE-HELP scheme will be required to provide evidence substantiating they have access to liquid assets representing at least 25 per cent of the total value of expenses incurred during their previous annual financial reporting period (e.g. cash in hand or at bank, term deposits, shares held in listed companies, established overdraft or credit facilities with recognised Australian financial institutions or related parties, Deeds of Financial Guarantee or Deeds of Cross Guarantee). This requirement ensures sufficient financial resources to maintain operations during periods of financial downturn, or address the need to refund student or Commonwealth monies should it arise. Moreover, this measure will underpin the ongoing financial viability of VET FEE-HELP approved organisations.
- Revenue diversification requirements - approved VET FEE-HELP providers will be required to ensure at least 20 per cent of their revenue is generated through means other than the HELP loan schemes. This ensures providers do not become entirely reliant on the VET FEE-HELP scheme as a revenue stream and establishes a minimum level of revenue diversification.