

**Processing of Student Loans  
by the  
Department of Work and Income**

*Final Report*

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An Independent Evaluation  
Prepared for the Ministry of Social Policy  
at the Request of the Minister of Social Services and Employment

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## **EXECUTIVE SUMMARY**

The purpose of this evaluation is to identify the problems experienced in processing student loans in the 2000 academic year and find solutions to them. The objectives are to ensure that operational changes are developed and implemented that will enable fast and efficient delivery of student loans in the 2001 academic year. This evaluation is *not* a review of performance, individual cases, financing, or strategic policy (apart from certain operational policy and definitional issues). The emphasis in the report is on what DWI needs to do, but it is acknowledged that institutions will also have to work towards more effective delivery along with DWI.

The decision to transfer loans was based on the following concerns identified by government about the administration of student loans:

- the reluctance of some tertiary institutions to accept accountability for the administration of loans;
- the potential for inconsistent treatment of loan assessment of entitlement across institutions caused by the variety of systems and processes used;
- the variability of the internal controls within each tertiary institutions' loan application processes;
- the escalating cost of contracting loan assessment services from tertiary institutions, particularly in response to demands for tighter internal controls and improved services;
- the creation of perverse incentives due to the way some tertiary institutions used the availability of loans to market their courses. (In this context there was a need to reinforce that the fact that the student's liability was with the Crown not the institution);
- the lack of opportunity both to integrate the processing of loans and allowances and thereby achieve efficiencies by reducing duplication of effort in the collection of some assessment information, and to realise potential for improvement in workflow management.

It is difficult to compare processing for 2000 with processing under the previous system as comprehensive, national statistics are not available. However, statistics show that DWI was significantly behind the number of loan accounts established under SLAM for 1995-1998 (see Appendix 2) and only overtook past years' numbers in mid March/April. Many students, such as Maori, Pacific Island people, or ESOL groups (such as refugees) have particular difficulty applying by phone.

Both students and institutions experienced delays in processing of student loans for the 2000 academic year. For students, delays resulted in difficulties paying for rent, food, course materials and caused frustration, stress and hardship. For institutions, delays caused cashflow problems and uncertainty around the validity of the enrolment process. These delays also showed up shortcomings in contingency planning, such as adequate information on access to Special Needs Grants (SNGs).

The fundamental issue with the new system is one of systems design. Other issues, such as delays on the 0800 service, largely flow from this. Problems tended to snowball, with the system going into a vicious downward spiral during the main enrolment period, as evidenced by the call centre overload.

Two events impacted on this situation. The new full interest write-off policy impacted on the forecast demand for loans, and hence resource requirements. Given this policy had been signalled (although the detail was not clear), this event could perhaps have been better risk managed. Secondly, a systems error resulted in 22,000 pieces of correspondence being sent out between the 4<sup>th</sup> and 8<sup>th</sup> of February with incorrect information on enrolment details.

Fundamental systems errors such as this should not recur in 2001, although the cycle has not yet been completed with the transfer of loan debts to IRD at yearend. Similarly, a considerable number of students' details are now on the database, which should reduce workloads for the 2001 academic year. DWI, institutions, and students have been through a learning curve which should also assist smoother processing next year.

There were a number of contributory issues: the addition of student loans and allowances processing to the core business of benefit processing for the newly restructured department, with the risk of overload; the issues from processing student allowances in 1999 which needed to be resolved, thus reducing the time available for reviewing the student loans systems design; the changing responsibility within the Department of Work and Income (DWI) for Community Wage Student (CWS) also distracting attention; and various operational policy or definitional issues such as full time study status only becoming apparent with a nationalised loans system. Finally, the short interval between implementation of allowances and implementation of loans meant there was no time to pilot the loans system.

The systems design was based on a centralised model, with a national call and processing centre located at Palmerston North, which was responsible for virtually all functions: advice, applications, and processing (although outreach centres provided some limited services). Students were strongly encouraged to apply by phone via the call centre, and were no longer able to do so on campus unless applying for both a loan and allowance via the combination application form. The impact of this approach was a segmentation of the various services: advice about the process, advice about enrolment and its relationship to eligibility and entitlement, and verification of documentary evidence. The extent to which students would use the call centre to inquire about their loan status was severely underestimated.

DWI staff were present on campuses from September 1999 to March 2000, to assist with applications and answer queries from students about entitlement (although on line access to individual records was not available so that queries on loan status could not be answered). Staff numbers were increased from 70 in September 1999, to 120 in January 2000.

The reasons for selecting the centralised approach appear to stem from DWI's style of operating. The focus was on what needed to happen, from DWI's perspective, to process student loans without sufficiently acknowledging the interdependency of student loans and enrolment from both the students' and institutions' points of view.

The way the system was designed has been characterised by institutions as “our way”. DWI designed a system without listening sufficiently to the concerns of and advice from institutions who had previously been responsible for administering part of the system (loans applications), and who would now be responsible for administering part of the new system (Verification of Study, or VOS). Where advice was offered by institutions on potential issues to be addressed, such as the likely timing of applications for loans just before or at enrolment, it appeared to be ignored.

A more co-operative and consultative style would have ensured the needs of students and institutions were better included in the systems design. The need to develop more effective relationships at more than one tier within institutions has now been recognised by DWI, but also needs to extend to student bodies and other key stakeholders. Similarly, greater information sharing on systems design and processes would assist institutions and make the total system operate more effectively.

The key request from both institutions and students is for a more effective on campus presence with on line access. This would divert some of the load from the call centre at Palmerston North, and eliminate many of the up front problems which led to the snowballing effect and reduce the error and anomaly rates experienced in 1999/2000. For example, students are more likely to fill in their application forms correctly, and use their full legal name as documentary evidence would be sighted concurrently. This would reduce the rework and number of contacts with students, and result in savings.

Inquiries regarding loan status could be made on site. Palmerston North would effectively become primarily a central processing centre and a source of expert advice via a “triaging system”. All relevant DWI staff would need adequate training, based on clearly defined functions, in order to assist students effectively.

The basic DWI-institutional interface is more fundamentally sound, but would benefit from a number of improvements. Verification of Study (VOS) is the key interface between DWI and institutions, and the subject of many problems in 2000. The primary request from institutions to DWI is for regular status reports on student loans, which would alleviate many of the problems experienced. In addition, DWI staff responding to inquiries on loan status need to be properly trained in how to find and interpret this information on the system, to avoid incorrect advice being given.

DWI propose moving to an account management approach with institutions for 2001, which will resolve many of the issues relating to differences between institutions (such as summer schools). This needs to be supported by adding the option of a face to face service for students for some services and a personalised service for students with complex circumstances.

A number of secondary issues also need to be resolved. However, the more fundamental issue of reliance on DWI’s call centre approach needs to be resolved first. For example, the confusing correspondence received by students, currently being reviewed by DWI, stems at least in part from the remote, automated, and segmented system. Clarification of forms, and

which one to use for what, would be assisted by providing them on site as part of the on campus service.

There are various options for providing a more effective on campus and localised service. There are options for both location of services, and the range of services which could be provided locally. For location of services:

1. DWI staff on campus with on line access
2. DWI outreach centres and/or local offices with on line access
3. DWI staff on campus with “read only” on line access
4. DWI outreach centres and/or local offices with “read only” on line access, and
5. Institutions having facilities for students (via a PIN number) to gain “read only” on line access to answer queries on loan application status.

An on campus service may not be appropriate or feasible for all institutions all of the time – an intermittent service may be provided to some, or students may be directed to the local outreach centre or district office. However, a relatively small number of institutions cover the majority of students, and these are also likely to be the institutions with appropriate facilities. The extent to which some services could also be provided locally as a supplement to the central call/processing centre needs to be evaluated and costed, as do the savings resulting from eliminating repeat work or errors.

There are also options about the extent to which various (currently centralised) functions could be provided locally by DWI (items which, as a minimum, should be provided locally are marked \*):

- information about the loan process\*
- advice about eligibility and entitlement
- checking of applications\*
- data entry of applications
- verification of evidential documents\*
- initial assessment
- issuing/collection of loan contract
- information on loan application status\*

The following functions would remain centralised:

- final assessment
- contract processing
- VOS (but with account management)
- payments to students and institutions
- account maintenance (interest calculation, statements etc)
- final transfer of account to IRD

These options need to be fully explored, in consultation with institutions and students, in terms of practicality, cost, and savings. Once these are developed, evaluated and decisions made, an implementation plan, with agreed milestones as to what is to be done by whom, needs to be agreed. The following section details the recommendations which can be summarised into four key areas:

1. improve external relationships, for example, with institutions
2. develop a more effective on campus and localised service for applications and inquiries by students, to reduce initial errors and reduce demand on the call centre
3. develop better information and communications, and
4. review some operational policy and definitional issues.

## **SUMMARY OF RECOMMENDATIONS**

The following recommendations can be summarised into four key areas:

1. improve external relationships, for example, with institutions
2. develop a more effective on campus and localised service for applications and inquiries by students, to reduce initial errors and reduce demand on the call centre
3. develop better information and communications, and
4. review some operational policy and definitional issues.

The following detailed recommendations follow the structure of the report.

### **Design of Student Loans Delivery System**

#### ***Objective***

1. DWI focus the objective of the student loan delivery system on enabling efficient and effective outcomes for students and institutions, based on the interdependence of the loans delivery system and enrolment systems.

#### ***Style***

2. DWI adopt a more co-operative and consultative style with key stakeholders, including institutions and students.
3. DWI develop effective external relationships with institutions, student bodies, and other key stakeholders, and develop a sufficient understanding of enrolment systems and other stakeholder requirements to meet the objective in recommendation 1 above.
4. DWI share information on the student loan delivery system with institutions to enable institutions to ensure their enrolment and other systems can effectively and efficiently interface with it.
5. DWI consult institutions (and students where appropriate) on how the student loans delivery system can most effectively and efficiently interface with enrolment systems.

#### ***Structure***

6. DWI develop more effective on campus and local services for students for some functions, as a supplement to the centralised call and processing centre at Palmerston North.
7. DWI develop an account management approach to institutions, and a more effective service for students with complex circumstances, for example, through expert advice and personalised service.
8. DWI appoint a risk officer who does not have any direct responsibilities for system implementation or management of student loans.

9. DWI develop a risk management strategy which recognises the interdependency of the student loan delivery system with institutions' enrolment systems, and reassesses processing risks in light of past experience.
10. DWI develop an enhanced capability which is able to respond to and comment on the potential and actual implementation implications of policy decisions.

### ***Systems***

11. DWI plan work flows and resource requirements based on actual enrolment patterns (while still encouraging students to apply early).
12. DWI plan resources for work flows based on actual numbers of anomalies and error rates, taking into account expected improvements.

### ***Staff and Skills***

13. DWI review the ratio of permanent to temporary staff, their functions, numbers, location, and training requirements.
14. DWI review and revise, for completeness and ease of use, the manual for DWI staff advising students and institutions.
15. DWI ensure staff who answer queries on loan status are able to use and correctly interpret the relevant information on the computer system.
16. DWI ensure sufficient specialised staff, whether located centrally or locally, are adequately trained to deal efficiently both with anomalies, and with students with complex circumstances (eg TIA or postgraduate students).

### **Solutions – Interface with Students**

#### ***Information about the Process***

17. DWI, in consultation with other agencies, institutions, and students, develop better information in publicity for the 2001 academic year on: respective roles of DWI, institutions, students, and other parties; and processes and expected processing times for loans.

#### ***Information About the Downstream Implications of Student Debt***

18. DWI clarify to Student Services staff that they are not to advise students on study choice in terms of ability to repay student debt.

#### ***Advice on Eligibility and Entitlement***

19. DWI develop a means of advising students of likely eligibility and entitlement earlier in the process, for example, by carrying out the initial assessment of applications on campus.

#### ***Correctness of Information on Application Forms***

20. DWI review the guidance given to students regarding adequate documentary evidence.

21. DWI review processes for checking data entry accuracy.
22. DWI develop an internal audit plan to regularly audit the student loan delivery system, including the accuracy of data entry.

### ***Document Security***

23. DWI review mailroom and other relevant procedures for security of student documents.

### ***Loan Contract Expiry***

24. DWI review the ten day expiry condition of loan contracts.

### ***Confusing Correspondence***

25. DWI ensure students and institutions are fully consulted in the review of correspondence currently being undertaken.

### ***Loan Status***

26. DWI develop means of giving students (and institutions where appropriate) more timely and precise information of the status of their loan application, for example, by ensuring that staff have competence in responding to detailed queries regarding loan status, and by corresponding promptly with students where there are VOS matching issues.

### ***Contingencies – Grants etc***

27. DWI develop means of better informing students of entitlement criteria for Special Needs Grants and other grants.
28. DWI review the guidelines for hardship grants given to frontline staff in terms of the particular circumstances of students.
29. Retain the seven day waiver for 2001.
30. DWI develop and communicate a clear, stepped complaints process for students.

### ***Solutions – Interface with Institutions***

#### ***Communication on System Design and Implementation***

31. DWI share information on systems design and business rules with institutions.
32. DWI ensure institutions are informed immediately of loans declined for part time or part year students, and are provided promptly with a detailed schedule of “Nil” payments.
33. DWI keep institutions properly informed on which parts of the system have been implemented, expected times for further implementation, and review, in consultation with institutions, any subsystems yet to be implemented, including transfer of loan debts to IRD at yearend.

### ***Verification of Study***

34. DWI clarify with each institution, as part of the account management approach being developed, how the enrolment process will impact on the timing of the approval of loans, and vice versa.
35. DWI ensure that the review of VOS currently being undertaken also reassesses risks and controls in light of past experience, and feeds into the risk management plan in recommendation 9.
36. DWI investigate the reasons for name mismatches, explore solutions with institutions, including whether name matching is still appropriate.
37. DWI develop, in consultation with institutions, a format for status reports on loan applications to be provided to institutions on a regular basis.

### ***Advice and Information to Institutions***

38. DWI develop mechanisms for providing more specialist advice and information to institutions, for example, by enabling institution staff to communicate directly with specialist DWI staff at Palmerston North or locally via the institution help line.

### **Contributory Issues**

#### ***Operational Policy and Definitional Issues***

39. DWI, in consultation with the Ministry of Education, advise institutions to check their course structures against the Loan Entry Threshold before the 2001 academic year, and to ensure they are able to correctly advise students on course eligibility for loans and allowances.
40. The Ministry of Education review the definitions of “full time study” status in terms of consistency between loans and allowances by October 2000.
41. DWI, in consultation with the Ministry of Education, investigate and mitigate any risk of confusion between the old and new course coding systems for institutions and student loans processing for 2001.
42. The Ministry of Education review the operational policy of requiring proof of Course Related Costs by October 2000.
43. DWI review the communication of requirements for Course Related Costs, once the review recommended in recommendation 42 is complete.

## **INTRODUCTION**

### **Background**

The decision to transfer loans was based on the following concerns identified by government about the administration of student loans:

- the reluctance of some tertiary institutions to accept accountability for the administration of loans;
- the potential for inconsistent treatment of loan assessment of entitlement across institutions caused by the variety of systems and processes used;
- the variability of the internal controls within each tertiary institution's loan application processes;
- the escalating cost of contracting loan assessment services from tertiary institutions, particularly in response to demands for tighter internal controls and improved services;
- the creation of perverse incentives due to the way some tertiary institutions used the availability of loans to market their courses. (In this context there was a need to reinforce that the fact that the student's liability was with the Crown not the institution);
- the lack of opportunity both to integrate the processing of loans and allowances and thereby achieve efficiencies by reducing duplication of effort in the collection of some assessment information, and to realise potential for improvement in workflow management.

It is difficult to compare processing for 2000 with processing under the previous system as comprehensive, national statistics are not available. However, statistics show that DWI was significantly behind the number of loan accounts established under SLAM for 1995-1998 (see Appendix 2) and only overtook past years' numbers in mid March/April. The total number of loans processed for 2000 is greater than previous years. Many students, such as Maori, Pacific Island people, or ESOL groups (such as refugees) have particular difficulty applying by phone.

Both students and institutions experienced delays in processing of student loans for the 2000 academic year. For students, delays resulted in difficulties paying for rent, food, course materials and caused frustration, stress and hardship. For institutions, delays caused cashflow problems and uncertainty around the validity of the enrolment process. These delays also showed up shortcomings in contingency planning, such as adequate information on access to Special Needs Grants (SNGs).

### **Purpose and Objectives**

The purpose of this evaluation is to identify the problems experienced in processing student loans for the 2000 academic year and find solutions to them. The objectives are to ensure that operational changes are developed and implemented that will enable efficient delivery of student loans in the 2001 academic year.

The evaluation specifically addresses the following:

- clarification of delivery problems of student loans and the extent to which students were affected;
- issues that contributed to delivery problems regarding student loans in early 2000, including delivery of student allowances;
- recommended solutions to those problems; and
- who is responsible for resolution, by when.

The Terms of Reference are contained in Appendix 1, including a list of the organisations from whom submissions were sought.

## **Methodology**

The evaluation was conducted during May 2000. It was commissioned by the Ministry of Social Policy at the request of the Minister of Social Services and Employment. A concentrated timetable was agreed in order to allow maximum time to fully develop and implement solutions in time for the 2001 academic year. The emphasis has been on solutions.

The evaluation was conducted under a Steering Group consisting of officials from the Ministry of Social Policy (chair), the Ministry of Education, and the Department of Work and Income. The actual evaluation was carried out by an independent contractor, Karen Erenstrom Associates Limited.

Input was sought from stakeholders, including issues of history, problems and solutions concerning the delivery of student loans. Representative organisations were invited to make submissions (see Appendix 1). All but one responded. Visits were made to a small number of institutions, given the limited timeframe. Relevant government agencies were interviewed, and documents and reports relating to the scheme were reviewed. In addition, the submissions made to the Ministerial Review into the Department of Work and Income, presented to the Minister of State Services on 8 May 2000 (the Hunn Report) which related to student loans were made available to this evaluation.

Since respondents were specifically asked for information on problems and solutions, the emphasis in this report has also been on these matters. This bias is reflected in the report and quotations from respondents. Some positive comments were received, and these have been noted.

## **Exclusions**

This evaluation is not a review of the performance or accountability of DWI as an organisation or of any of its individual staff members. Those are matters for the State Services Commission and other agencies. Comments made are directed at the design and implementation of the processes for student loans, not at any individuals, and should not be seen as a judgement of performance.

This evaluation is not a review of the strategic policy for the student loan scheme, tertiary resourcing in general, or any related benefit schemes. The evaluation has been conducted under the assumption that the broad parameters of the loan scheme will continue to be in

place for 2001. Certain “operational policy” or definitional matters are commented on only to the extent that they affect the efficient, effective, consistent and equitable operation of the loan scheme.

This evaluation is not a review of individual cases, either for students or institutions. Much information has been gathered that discusses detailed situations, but this has been used to the extent that it provides insight into more systemic issues. Other avenues exist for individuals or institutions to resolve their particular issues.

Lastly, this review does not include a financial review of the costs of delivering student loans for the 2000 academic year nor does it cost options for delivery for the 2001 academic year. Options, such as a more effective on campus presence and improved staff training, are likely to involve costs – but are also expected to save costs in terms of eliminating errors and delays downstream in the process.

### **Format of This Report**

This report is divided into two main parts:

1. the original design of the student loans delivery system, and
2. issues and solutions.

The first part reviews DWI’s objective, style, structure, systems, and staff and skills as they relate to the design of student loans delivery system. The second part discusses more specific issues and solutions to both the design and implementation of the system from the point of view of the two major groups of stakeholders: students and institutions.

Appendices contain more detailed supporting information: statistics on the processing of loans for the 2000 academic year; flowcharts of the loans system; a timeline of key events; and a summary of issues and suggested solutions from students, institutions, and other government agencies.

## DESIGN OF STUDENT LOANS SYSTEM

“The Department is confident that it has developed robust and flexible systems for the student allowances scheme and the student loan program (sic). The current indicators suggest that the processes and systems will be able to effectively handle the peak loads that will come onto the applications over the next two to three months.”

(Ministerial Briefing Paper, released publicly 26.12.99)

This section discusses whether the design of the student loans system was effective from an organisational perspective, in terms of:

- objective
- style
- structure
- systems, and
- staff and skills.

The systems design gave rise to a number of secondary issues once the system went live at the end of 1999, which are discussed in the next sections, Issues and Solutions – Interface with Students and Institutions.

### Objective

The original objective appears to be operationally focussed: to design and implement a student loans processing system, which would eventually be integrated with the student allowances processing system. An objective which recognised the interdependence of the loans delivery system and enrolment systems would probably have led to differences in style, structure, systems, staff and skills.

#### *Recommendation 1*

DWI focus the objective of student loan delivery system on enabling efficient and effective outcomes for students and institutions, based on the interdependence of the loans delivery system and enrolment systems.

The implications of this objective are discussed in the following subsections.

### Style

#### ***Consultation with Key Stakeholders***

“Despite repeated advice from institutions and their own experience of allowance processing in 1999, WINZ were still not prepared for the large number of students who chose to apply just before their courses start in January/February.”

“WINZ needs to realise that they are dealing with an intelligent but relatively inexperienced section of the population.....The only way to deal with the process is face to face.”

“there was a failure on WINZ’s behalf to listen to and acknowledge the experience being offered. There was a strong attitude that WINZ would do it their way and that it was not the concern of the institutions to anticipate implementation and service delivery problems or to offer suggestions and advice on how to deal with the client base.”

The way the system was designed has been characterised by institutions as “our way”. DWI designed a system with little consultation or involvement by institutions who had previously been responsible for administering part of the system (loans applications), and who would now be responsible for administering part of the new system (Verification of Study, or VOS). Where advice was offered by institutions, it appeared to be ignored. A more co-operative and consultative style would have ensured the needs of students and institutions were better included in the systems design.

*Recommendation 2*

DWI adopt a more co-operative and consultative style with key stakeholders, including institutions and students.

***Relationship Management***

DWI did not develop very extensive relationships with institutions, student bodies or other key stakeholders or seek to understand their requirements. The KPMG Quality Assurance Report (22 December 1999) noted “It is imperative for the ongoing success of the Student Loans function that the people managing it achieve and maintain pro-active working relationships with both other WINZ groups and external parties” (p.9).

The need to develop more effective relationships at more than one tier within institutions has now been recognised by DWI. However, more effective relationships also need to be developed with student bodies and other organisations. All parties need to contribute but this requires a lead from DWI. A student body representative has suggested, for example, that it would be beneficial for DWI to speak about changes to be made for the 2001 academic year at the national student association conference in September (which DWI has attended in past years). It needs to be recognised that the student loan scheme is a contentious issue for many student bodies, regardless of delays in processing.

*Recommendation 3*

DWI develop effective external relationships with institutions, student bodies, and other key stakeholders, and develop a sufficient understanding of enrolment systems and other stakeholder requirements to meet the objective in recommendation 1.

Another key relationship dimension is the need to acknowledge shared responsibility for getting things right. It is clear from many of the submissions, as well as many of the letters written to the Minister, that DWI’s response to errors, perceived or otherwise, is as important as the errors themselves. For example, “The endemic attitude of denial was as deplorable as it was unhelpful.”

Even in situations where it is not actually DWI’s “fault”, a defensive attitude prevents exploration of how the situation could have been avoided. For example, a response to a letter of complaint to the Minister in fact showed that DWI had carried out all the necessary steps according to the

system in place. However, what was clear was that the student was in the dark over the correspondence between the institution and DWI and therefore had no idea of their loan status. A more open approach would have explored how the student (and the institution) could have been better informed, thus avoiding the complaint. DWI need to be seen as striving to get things right for both students and institutions. The Hunn Report also sees shared responsibility as critical: “it does not matter whether others have sinned more than it has or that others must share the responsibility for some of these things” (p.5).

### ***Information Sharing***

Information on the proposed system design was shared with institutions on a limited basis, to the extent they needed it to carry out the tasks expected of them. Institutions were not given, for example, the “business rules” even where they specifically asked for them. In some cases they were given overview systems diagrams but not detailed systems specifications. Such information would have helped them design their own systems to interface effectively with DWI. It would, for example, have given them an understanding of the effects of actions they took, such as VOS responses (see below, under VOS).

DWI did not discuss the implications of the new systems for institutions’ own systems, and their need for good linkages with enrolment systems and prompt payment of fees. Similarly students’ needs for information, face to face advice, and prompt processing, were not adequately recognised. Systems design was based on DWI’s needs without sufficiently considering those of students and institutions.

#### *Recommendations 4 and 5*

DWI share information on the student loan delivery system with institutions to enable institutions to ensure their enrolment and other systems can effectively and efficiently interface with it.

DWI consult with institutions (and students where appropriate) on how the student loans delivery system can most effectively and efficiently interface with enrolment systems.

### ***Expectations***

“The process is taking an unacceptably long time, especially as we are now all customers and this is a commercial transaction!”

Students’ and institutions’ expectations were raised by the use of language such as “customers” which implies a more efficient commercial operation. There is already a ministerial directive to change the “corporate” language used.

There were differences in measurement of processing time by DWI and students. Students assessed the processing time from when they first lodged their application (even if they applied some time before enrolment) to when they received money in the bank. DWI emphasised its turnaround on internal processes. While recognising that external processes are not under the control of DWI, this emphasis led students to expect a faster service.

Expectations are reflected more in internal KPIs and the purchase agreement, rather than in any public standards. Information given to students did not clearly state the expected processing

time from students' point of view. In addition, students received little information on all the steps in the process, including the involvement of their institutions. This led to confusion and inquiries to the 0800 number. This issue is discussed further below under Issues – Interface with Students.

## **Structure**

### ***Centralisation and Standardisation***

“We continue to have reservations about the lack of face-to-face contact in the WINZ application process, and are strongly of the view that the rather dehumanized nature of the WINZ systems generates a considerable – *and avoidable* – level of resentment and stress.”

The heart of the system is the centre in Palmerston North which is responsible for calls and central processing, supported by six “outreach centres” (Auckland, Hamilton, Palmerston North, Wellington, Christchurch, and Dunedin). The basic design of the system was a centralised and standardised operation, based on a national call centre and central processing, which DWI compared with “car insurance by telephone” to one institution. The underlying assumptions of such a system are that it would be relatively simple and straightforward operation to process applications, and that processing can be successfully automated from beginning to end. All processes were routed through Palmerston North, which created bottlenecks at peak work flows.

With Palmerston North being the hub of operations, a significant part of the process was also based on the mailing out of contracts and letters to students, which, as one institution put it, “would inevitably take longer than the previous on-site service”. More effective alternative routes such as a more effective on campus or local DWI services would alleviate this problem.

The fundamental issue then is whether the centralised model is still the most appropriate model in light of the experience of 2000. The proposed solution from DWI is further technological enhancements such as Interactive Voice Response (IVR), use of PIN numbers, and enhanced internet access. One institution queried whether IVR will be interactive and that it will probably require students to know their Social Welfare Information Number (SWIN) number, which they are given when they apply for their loan.

Alternative or supplementary solutions are based on a less purely centralised model. Students and institutions have asked for a more effective on campus presence, supplementing the call centre. A mixed approach, with some services available both centrally and locally, and some remaining centralised, is probably the most practical in the short term without increasing risks of other problems arising. This would involve Palmerston North being primarily a central processing centre, with a more effective on campus and local presence.

A mixed approach would entail the following services on campus: advice and application checking, receipting and inputting (although there are options as to which functions could be decentralised), and a centralised processing service. This is similar to the institutional/SLAM process of 1999, except that the two processes are carried out by one organisation (although some parts of the process may be subcontracted out), enabling greater consistency, efficiencies between loans and allowances, as well as an improved interface with the benefits system.

There are various options for providing a more effective on campus and localised service:

1. DWI staff on campus with on line access
2. DWI outreach centres and/or local offices with on line access
3. DWI staff on campus with “read only” on line access
4. DWI outreach centres and/or local offices with “read only” on line access, and
5. Institutions having facilities for students (via a PIN number) to gain “read only” on line access to answer queries on loan application status.

An on campus service may not be appropriate or feasible for all institutions all of the time – an intermittent service may be provided to some, or students may be directed to the local outreach centre or district office. However, a relatively small number of institutions cover the majority of students, and these are also likely to be the institutions with appropriate facilities.

There are also options about the extent to which various (currently centralised) functions could be also be provided locally by DWI (items which, as a minimum, should be provided locally are marked \*):

- information about the loan process\*
- advice about eligibility and entitlement
- checking and/or input of applications\*
- verification of evidential documents\*
- initial assessment
- issuing/collection of loan contract
- information on loan application status\*

The following functions would remain centralised:

- final assessment
- VOS (but with account management)
- payments to students and institutions
- account maintenance (interest calculation, statements etc)
- final transfer of account to IRD

These options need to be fully explored, in consultation with institutions and students, in terms of practicality and cost. Once these are developed, evaluated and decisions made, an implementation plan, with agreed milestones as to what is to be done by whom, needs to be agreed.

The extent to which services could be provided locally as a supplement to the central call/processing centre needs to be evaluated and costed, as do the savings resulting from eliminating repeat work or corrections. In developing options for an improved on campus service, there are a number of issues to be explored, including technology and security.

*Recommendation 6*

DWI develop more effective on campus and local services for students for some functions, as a supplement to the centralised call and processing centre at Palmerston North.

***Depersonalised Service***

“Please designate case managers to students. Please designate good case managers to students. The 0800 system DOES NOT WORK.”

“Some of our Students are reluctant to use the 0800 help line, either because of the delays in the call being answered or because the student did not feel comfortable about explaining their situation to someone they couldn’t see. In a number of cases where the students’ applications have been delayed the student would have understood the requirements better if they had been able to talk to someone face to face.” (Wananga)

Each time a student called the call centre they were likely to speak to a different operator, often a temporary staff member. This did not enable any personalised service to be given to either students or institutions, meant that students had to repeat information to different operators, and led to a disjointed process. Operators were instructed not to give their surnames to students, reinforcing the depersonalised nature of the service. More complex cases, such as postgraduate students or those on benefits, became quite entangled and prolonged. Many students, such as Maori, Pacific Island people, or ESOL groups (such as refugees) have particular difficulty applying by phone.

***Interface with Benefit System***

The interface with the benefit system, both technologically through SWIFTT and via staff knowledge, has not yet entirely bedded in, although it has improved greatly since 1999. The SWIFTT/SAL interface would benefit from being reviewed, as a few students who were on benefits were still asked for information when they applied for loans which should already have been available via SWIFTT. Some groups, such as those with disabilities, are particularly sensitive to being repeatedly asked for this information. Issues with TIA/DPB students would be resolved through a more personalised service and improved staff training and/or specialised staff (see Design of Student Loan System – Staff and Training above).

***Regional Variation***

A centralised and standardised operation did not allow for regional or local variation. Operators often did not understand the peculiarities of particular institutions and courses, leading them to give incorrect or conflicting advice. Nor were institutions able to speak to specific people within DWI, for example IT or accounts staff, who would be able to help them in a more direct and efficient manner than only dealing with the help desk personnel. This issue is discussed further below under Issues and Solutions – Interface with Institutions.

DWI have recognised the need to allow for more regional and local variation, and allow for different enrolment practices at different institutions, and are developing an account management approach to institutions. Submissions have requested a case worker for each institution.

However, the need to provide more personalised service to students with complex circumstances has not been considered by DWI – this is discussed further below under Issues and Solutions – Students.

*Recommendation 7*

DWI develop an account management approach to institutions, and a more effective service for students with complex circumstances, for example, through expert advice and personalised service.

***Risk Management***

The impression given by DWI to ministers and responsible government agencies about its ability to successfully design and implement the loans system, despite the problems experienced with the student allowances system, was “can do” (Hunn Report p.5). Government was given assurances with little discussion of any risks or any contingency planning.

DWI carried out two external and one internal evaluations of the proposed system. The key risks identified were:

- accuracy of data entry
- staff skills

The KPMG Quality Assurance Report noted the importance of accurate data entry: “While the system that has been developed to manage student loans is robust, its Achilles heel is the quality of data input into the system” (p.10).

The KPMG Student Loans Project – Control Assessment (22 November 1999) noted “the whole process is reliant on the people who operate it” (p.10). This report also noted that the “key areas where the risks inherent within the process are reliant on the accuracy of the employees are:

- accurate input of student details to SAL;
- training of Datamail staff;
- transfer of information from SWIFTT to SAL;
- VOS details are input correctly into SAL.”

(ibid)

An Internal Audit report of 17.1.00 also notes that the project manager during the development stage was also the risk management officer, and recommended that the roles should be separate. Although this development stage is complete, responsibility for risk is still held within Student Services at Palmerston North, and should be independent from any direct responsibilities for management of student loans.

*Recommendation 8*

DWI appoint a risk officer who does not have any direct responsibilities for system implementation or management of student loans.

In addition, an interagency project team oversaw the development project. However, because of the factors already discussed above, at that time risks were not scoped from point of view of systems interdependency nor from the perspective of a complex educational environment. This meant that risks around timing of work flow peaks, the number of anomalies that would arise, and the likely error rate in student applications were not sufficiently taken into account. These risks all have implications for the amount, volume and timing of processing. A new risk management strategy needs to be developed which recognises the interdependency of the student loan delivery system with enrolment systems and reassesses processing risks in light of past experience.

*Recommendation 9*

DWI develop a risk management strategy which recognises the interdependency of the student loan delivery system with institutions' enrolment systems, and reassesses processing risks in light of past experience.

***Operational Policy Capability***

The KPMG Quality Assurance Report commissioned by DWI in 1999 recommends that "although it is not WINZ's role to develop Government policy in relation to student loans and/or allowances, there is none-the-less a need to have a small team within WINZ who consider the policy implications of these functions within the Department" (p.11). Although some capability presently exists within DWI, an enhanced, separate capability would ensure effective communication with the relevant policy agencies on the operational implications of policy decisions before and after implementation. This may have cost implications which would need to be ascertained alongside the benefits of such a capability.

*Recommendation 10*

DWI develop an enhanced capability which is able to respond to and comment on the potential and actual implementation implications of policy decisions.

**Systems**

***Systems Interdependency***

"Under estimation of complexities and the part institutions play in the process."

As already discussed, student finance and enrolment systems are interdependent both from the institutions' and students' points of view. This interdependency was not sufficiently taken into account in designing the student loans system. The focus of the new system was on DWI's internal systems and processes, and the requirements from others to enable the DWI system to operate efficiently.

***Call Centre Model***

"We suggest that WINZ must reconsider its human resource management strategy on student loans and allowances processing. Rather than throwing large numbers of ill-trained staff at the problem, in a regimented, production-line model, WINZ should consider a different approach.

The customer service officer model adopted by most banks might be preferable: a smaller number of staff with a sound training in all the systems, who can take responsibility for effective processing and advice. The institution helpdesk staff we dealt with provide such a model.”

“It was inevitable that bottlenecks would occur and that the call centre would come under immense pressure as students sought information on the status of their application. WINZ failed to prepare for this predictable eventuality.”

Application and other special forms, such as the “exemption” for limited full time status, and “extension” forms, had to be requested by phone. Often students received conflicting advice about which form to use. Sometimes it was not clear from the title of the form which one to use (eg “extension” or “summer extension”). They were not available on campus or always available at local DWI offices. Once these supplementary forms had been returned to DWI, some students were still being told their loan had been declined, as either operators answering queries could not deal with such complexities, or the system was not being updated quickly enough.

Students were discouraged from applying face to face, unless using the combination application form. As at 11 May 2000, 56% of applications were received by phone, 23% by post, 17% via Outreach centres, and 4% by internet. Students either had to phone in with their application or mail it. Faxed applications were not acceptable. Some students were able to apply by internet, although there were some problems with this service. One institution commented that file transfer by internet, such as is done by banks, would be more secure than by PKZip which is currently done by DWI. The institution also saw the internet as a move to the future, providing greater self service (primarily for institutions). There is no intention to review technology for transfer of data at present.

### ***Assumptions About Work Flows***

“WINZ’s approach was “If they [students] did what they were supposed to do, it would have been OK.””

“WINZ once again failed to prepare for, and cope with, predictable peak loads (both phone traffic and processing bottlenecks)”

“The Department’s planning should be based primarily on the *likely* behaviour of students, not the behaviour it desires from students.”

Two key assumptions were made about expected work flows. Firstly, that students’ past behaviour in applying late (on enrolment) could be modified. Secondly, that processing would be relatively straightforward with little “rework” required (from incomplete or incorrect applications or information). Both of these assumptions turned out to be incorrect.

The system design attempted to change the past patterns of behaviour by students by encouraging students to apply early. Those students that did apply early did not appear to have their applications processed any faster (and were more likely to have their documents go missing) than those that left it to the last minute. The pattern of “loan accounts established” for 2000 had a similar profile to past years (see Graph in Appendix 2), since enrolment patterns are essentially similar, which means a significant part of the work (ie VOS) cannot be done until enrolment. Although students should be encouraged to apply early to smooth work flows as much as

possible, planning work flows and resource requirements needs to be realistically based on enrolment patterns.

*Recommendation 11*

DWI plan work flows and resource requirements based on actual enrolment patterns (while still encouraging students to apply early).

***Anomalies and Error Rates***

The system was designed on the assumption of a relatively simple work flow of applications coming in which were automatically processed, resulting in a contract being signed and an account being established. The systems design did not allow for many anomalies, such as interpretations of full time study status, or frequent course changes (now estimated by DWI to be 80% of students) after initial enrolment (which could affect full time study status and/or fees payable). Nor was the high error rate in student applications and other information supplied anticipated.

These combined factors meant that the system could not cope as well with the actual processing once it went live. Many students still applied for loans close to or at enrolment. Errors or missing information on applications meant more correspondence with students than anticipated. Many anomalies required manual override which was difficult to do in a system that had been designed to be automated, resulting in delays. Anomalies were put in the “pending” pile (which one visitor to Palmerston North was told was “on top of that filing cabinet”), for which proper processes did not appear to be designed. Processing delays resulted in more student queries to the call centre, overloading the system. All these factors had a snowballing effect.

*Recommendation 12*

DWI plan resources for work flows based on actual numbers of anomalies and error rates, taking into account expected improvements.

**Staff and Skills**

***Staff Specialisation and Training***

“Staff were trained to take loan applications over the phone. They were not initially expected to have to provide detailed information on the loan scheme. However, increased volumes meant these staff had to handle more complex enquiries without all of the training needed to effectively do so. This has impacted on the quality of some of the information provided on the 0800 service.”

*WINZ Student Allowances and Loans Newsletter, March 2000*

The national standardised system meant that call centre staff were primarily trained to receive applications by phone or do the data entry for mailed applications. There were insufficiently trained staff to answer student queries regarding eligibility and entitlement, or the status of their loan applications. Nor could they easily correct or update anomalies or errors since the automated system was not designed to require significant human intervention. For various

reasons, few staff were recruited from the institutions, leading to little transfer of knowledge of the loan scheme.

Most call centre staff did not understand how to access information on loan status, and this coupled with the pressure they were under, resulted in many students being told their application was awaiting the VOS response from their institution when in fact this was not always the case (discussed further below under Issues and Solutions – Interface with Institutions).

Under the original call centre model, most staff were expected to carry out all functions: taking applications as well as answering queries on eligibility, entitlement and status of loan application. Early in the process, the staff were divided into processing and call centre staff, but with limited specialist expertise for answering queries.

This also meant that a small core of permanent staff at Palmerston North were supplemented by a large number of temporary staff, which ranged from about 10-15 to 100 at peaks. Temporary staff were expected just to do data entry, but had to answer phone queries. They were insufficiently trained to deal with other than straight forward queries, a factor in their giving incorrect information to students. Some submissions have suggested that perhaps a fewer number of more highly trained permanent staff would be more effective. This needs to be considered alongside the other recommendations which would reduce the work flow through the call centre.

DWI has recognised the deficiencies in call centre staff knowledge of loans policy and process and is developing an extensive staff training exercise. However, the ratio of permanent to temporary staff (including local staff as well as call centre staff) and their functions need to be considered as well.

*Recommendation 13*

DWI review the ratio of permanent to temporary staff, their functions, numbers, location, and training requirements.

Training material and manuals for staff training may need to be reviewed, in particular the *Student Loan Scheme Manual for Tertiary Administrators* manual would benefit from being revised and reformatted as an easy reference guide for DWI staff advising students and institutions.

*Recommendations 14, 15 and 16*

DWI review and revise, for completeness and ease of use, the manual for DWI staff advising students and institutions.

DWI ensure staff who answer queries on loan status are able to use and correctly interpret the relevant information on the computer system.

DWI ensure sufficient specialised staff, whether located centrally or locally, are adequately trained to deal efficiently with both the anomalies and with students with complex circumstances, for example, TIA or postgraduate students.

**Summary**

The issues discussed above are summarised in Table 1 over the page.

DWI deal with two main groups in terms of students' loans processing:

- students
- institutions

The issues for these two groups are discussed in the following two sections.

**Table: Systems Design Issues and Solutions Summary**

<p><b>Objective</b></p> <p>Design and implement a centralised student loans processing system</p>	<p>recognise interdependency of student loans and enrolment systems</p>
<p><b>Style</b></p> <p>focus on DWT's own internal requirements "can do" focus on internal systems and processes information sharing on external systems only internal KPIs</p>	<p>co-operative and consultative risk management focus on external relationships and interfaces information sharing and consultation on total system public standards</p>
<p><b>Structure</b></p> <p>centralised and national standardised depersonalised</p>	<p>decentralised: regional and local variation account and case management approach personalised</p>
<p><b>Systems</b></p> <p>simple, automated, remote system student finance self contained system call centre model work flow spread: change student behaviour anomalies rare exceptions (systems design) low error rate (student applications)</p>	<p>complex educational environment student finance and enrolment interdependent systems mixed: central processing and personalised advice and applications more severe peaks: model on past student behaviour anomalies common significant error rate</p>
<p><b>Staff and Skills</b></p> <p>homogeneous call centre emphasis on application data entry</p>	<p>specialist staff emphasis on advice and processing</p>

## ISSUES AND SOLUTIONS – INTERFACE WITH STUDENTS

### Prior to Loan Application

#### *Information About the Process*

“The publicity campaign was inadequate, gimmicky and failed to target a significant portion of prospective Polytechnic students, as the focus was on secondary school students and Polytechnic returning students.”

“A major mail-out to students prior to the end of year was doomed to failure. The student population is far too mobile for this to ever be a successful method of targeting. Exams, moving flat and often moving city means that mail has an extremely low impact percentage.”

Currently, students receive little information about what process to expect. For 2000, this was probably exacerbated by the changeover from the previous system being radically different from 1999 where applications were made on campus along with the enrolment process.

The advertising campaign for 2000 was regarded as insufficient by institutions and student bodies in terms of both getting key messages across and reaching all groups of prospective students. The “guy in undies” advertisement, while perhaps amusing, was regarded by institutions as not getting across the right message. Advertisements need to include messages about the importance of accuracy of applications etc, and to be run prior to the academic year (about October).

School visits should also give more specific information, such as showing students exactly what acceptable documentary evidence looks like.

The booklet, *How to Get a Student Loan and How to Pay One Back*, produced in conjunction with IRD, is focussed primarily on individual eligibility and entitlement rather than process. These were sent out with application forms, and made available on campuses. The supply of SL5 booklets ran low, so that more needed to be printed at relatively short notice. An A3 folded brochure has now been produced for distribution on campus, with two or three copies of the full booklets given to institutions for reference purposes.

A one page diagram showing the system was only sent (without any instructions) to institutions to be distributed to students and others once the 2000 enrolment process was well underway. If this had been made available earlier, it could have been distributed by institutions with enrolment packs and been made available on campus. Furthermore, the one page systems diagram distributed is an “all purpose” diagram, which would benefit from being customised for different audiences, and supplemented by other information.

#### *Recommendation 17*

DWI, in consultation with other agencies, institutions, and students, develop better information in publicity for the 2001 academic year on: respective roles of DWI, institutions, students, and other parties; and processes and expected processing times for loans.

### ***Information About the Downstream Implications of Student Debt***

Students also receive little information about the downstream implications of student debt. The application process is focused on how much they need to borrow in terms of the shortfall between income and expenditure. Some DWI staff advised students not to do certain courses since they would earn insufficient income to repay their loan. DWI staff lack the knowledge of the education system and job market to do this, nor is it a DWI function, except for TIA students. It needs to be made clear to all Student Services staff that they are not to undertake this role.

#### *Recommendation 18*

DWI clarify to Student Services staff that they are not to advise students on study choice in terms of ability to repay student debt.

### ***Advice on Eligibility and Entitlement***

Students seeking advice on eligibility and entitlement had to do so through the call centre, instead of doing so in conjunction with their enrolment as they had previously done. Consequently, they did not know whether they would receive a student loan until the end of the process when the VOS process verified their entitlement. Furthermore, advice given by call centre staff was sometimes inaccurate.

Some institutions endeavoured to advise students but lacked sufficient information to do so effectively. Since eligibility and entitlement to student finance can affect study choice and enrolment practice (eg enrolling in some courses now and some later, or all at once), it is critical that students can receive accurate advice earlier in the process. Students enrolling in nonstandard (and some standard) courses are often unaware of the implications for their eligibility and entitlement to student loans, unless they either seek advice or their institution informs them. If they knew they would not be entitled to a loan for a particular course they may change their decision about what to enrol in.

Provision of advice is one function which could also be provided locally, with co-location and a co-operative approach. Provision of services locally is discussed more broadly above under Design of Student Loans System – Structure.

#### *Recommendation 19*

DWI develop a means of advising students of likely eligibility and entitlement earlier in the process, for example, by carrying out the initial assessment of applications on campus.

### **After Application**

#### ***Incorrect Information Given or Recorded on Applications***

A number of applications either had information incorrectly given or recorded on them. One significant “error” was students giving a name that was not their full legal name, although they were apparently requested to do so. This should be corrected when documentary evidence is provided before the contract is sent out (although likely to delay the process). The solution to

delays in ensuring the correct name is recorded on the system is to take applications face to face, sighting evidential documents at the same time, to ensure the correct, full legal name is recorded on the application at the beginning of the process (see Design of Loan Delivery System – Structure, above) as part of providing more effective on campus and local services for students for some functions. However, institutions still reported name mismatches occurring in the VOS process (see below).

Call centre operators are expected to read the information given back to the caller, but this did not always happen. Nor would this practice necessarily pick up spelling variations, or correct spelling of non European names. The “read back” check needs to be reviewed for effectiveness. Where applications are received by mail, data entry could be double keyed for checking, as some institutions did in the past. Neither of these practices, however, will solve the “not full legal name” issue so long as documentary evidence is provided at a later stage.

The robustness of internal checks and audit need to be reviewed with regard to data entry errors. Currently, DWI Internal Audit does not monitor student loans processing on a regular basis, but upon request.

*Recommendations 20, 21 and 22*

DWI review the guidance given to students regarding adequate documentary evidence.

DWI review processes for checking data entry accuracy.

DWI develop an internal audit plan to regularly audit the student loan delivery system, including the accuracy of data entry.

A further issue was that corrections made by students subsequent to the initial application were not always immediately picked up, eg name misspellings, incorrect address. Institutions also sent corrections (especially correct names), but these could not necessarily be accepted by DWI without verification from the applicant (see VOS below).

Other errors appeared to originate in the system, such as other applicants’ details being entered on contracts or in correspondence. Some students received correspondence with incorrect information, eg saying they were married or were in prison, which they were not. A similar issue was a systems error which resulted in 22,000 pieces of correspondence being sent out between the 4<sup>th</sup> and 8<sup>th</sup> of February with incorrect information on enrolment details. This one off incident resulted in severe overload of the call centre in the week following (more than seven times the usual number of calls).

Lastly, consideration could be given to including more information on the application form, primarily details of programme or courses. One suggestion was for institutions to provide stickers with course codes on, another was that at least the programme code be entered. This could assist with the VOS process (see below). This would need to be optional as students may not know the programme details when they apply.

DWI are looking at improvements in this area, but it is not clear at this stage what the intended improvements are.

### ***Delays in 0800 Service***

“Student Help Desk I was less than pleased with as they appeared to have a standard first line of excuse with the students and that was to blame the institution for not returning a VOS. In every case this was incorrect and there were at least 3 dozen instances of this. It was a fob-off, the students recognised [it] as such and it made everyone upset.”

“Listening to almost half a Split Enz album gave me some cold comfort that the New Zealand government had decided to make up its New Zealand music quota by playing it directly through the WINZ telephone holding system.”

A key issue for students has been the delay on the 0800 service, for both students and student associations (who had a separate line). Call centre overload was symptomatic of a number of underlying issues. Apart from initial applications, students call the call centre to inquire about the status of their loan application, especially if it is delayed or they do not understand what they are required to do in response to further communication from DWI, such as another contract being mailed out without a covering letter. The volume and nature of calls was unanticipated.

The 0800 service has already been discussed above under Design of the Loans System – Structure.

### ***Wrong or Conflicting Advice from Call Centre Staff***

“I get off the phone and scream. And scream.”

Many students complained of the frustration of being given wrong or conflicting advice by call centre staff. This issue is covered elsewhere in this report: see in particular Staff and Skills above.

### ***Lost Documents***

Lost documents were more of an issue for the processing of student allowances in 1998/99, but still occurred to a lesser extent for loans in 1999/2000. The KPMG Control Assessment rated the risk of student documentation being lost as “medium”. The control put in place was “Documentation being inserted into an addressed courier bag when received so if misplaced and found, it will be posted back to the student” (Business Process: Student loan applications, p.2). However, this control has either not worked efficiently or is insufficient, since a number of complaints of lost documentation have come through the submissions as well as through letters to the Minister.

Sighting evidential documents on campus or at local DWI offices would not only reduce the risk of losing them, but it would also ensure greater accuracy of application details, primarily by ensuring students’ full legal names were entered on application. Alternatively, students should be able to send in certified photocopies, or if originals are sent in, they should be scanned by DWI and returned (although scanning is likely to involve cost). Mailroom and other relevant procedures need to be reviewed for security of student documents.

*Recommendation 23*

DWI review mailroom and other relevant procedures for security of student documents.

***On Campus Service***

In response to difficulties more DWI officers became available on campus to answer queries and assist students and institutions. However, their effectiveness was severely limited by their lack of on line access to information regarding students' loan status or VOS requests. Most of these staff were trying to obtain this information via the same overloaded helplines available to institutions and students. Some of these DWI staff spent many hours waiting on the helpline on their cell phones. Some institutions provided facilities for students to phone the call centre, with phones programmed to automatically call Palmerston North.

Furthermore, temporary staff were frequently used on campus (more so as problems escalated), who did not have sufficient knowledge and expertise to answer queries. Both students and institutions have asked for more effective on campus service to supplement the 0800 service. This is discussed above under Design of the Student Loan Delivery System – Structure.

***Loan Contract Expiry***

Under the current system, loan contracts expired after ten days unless signed and returned by the student. This meant that a new contract needed to be sent out where there were delays of more than ten days. This is not the comparable practice in banking, for example, and the requirement needs to be re-examined.

*Recommendation 24*

DWI review the ten day expiry condition of loan contracts.

***Confusing Correspondence***

There were a number of reasons students became confused by correspondence:

- lack of covering letters eg with new contracts (this led some students to believe they had received their copy of the contract already signed rather than a replacement one to be signed)
- separate mailings arriving at once, often with conflicting messages
- messages in letters unclear in terms of what the student was required to do, for example, number of weeks in the course is not enough to qualify
- rigid requirements leading to rejections, eg manual corrections to contracts being unacceptable, requiring a new contract to be issued

Other factors: receiving lots of correspondence made students more intolerant so that they did not always read what they received. In addition, students tend to be transient, which makes a system reliant on mail outs more risky.

Some changes were made during 2000, for example, clearly flagging places in applications where students are required to sign (loan contracts were to be signed in two places, which many students did not realise). DWI is reviewing correspondence with students in terms of clarity, timing, and frequency. It is important that students and institutions are involved in this review. Simplification of the system would also simplify the correspondence, as would other measures described in this report.

*Recommendation 25*

DWI ensure students and institutions are fully consulted in the review of correspondence currently being undertaken.

***Complex Cases***

Some groups of students have more complex circumstances than others, which are not easily handled through the standard call centre approach. These include:

- summer school students or other flexible programmes
- distance education students with flexible end dates
- postgraduate students
- extensions
- students on benefits such as DPB and TIA

This is also an operational policy issue (see Contributory Issues below). These anomalies are likely to increase as tertiary education becomes more flexible. Such students need appropriate and accurate advice in advance of enrolment, and DWI needs to ensure that they are accurately processed. A more personalised service for students with complex circumstances would avoid some of the downstream problems. This has already been discussed above under Design of the Student Loans Delivery System – Structure.

***Loan Status***

*Recommendation 26*

DWI develop means of giving students (and institutions where appropriate) more timely and precise information of the status of their loan application, for example, by ensuring that staff have competence in responding to detailed queries regarding loan status, and by corresponding promptly with students where there are VOS matching issues.

**Contingencies – Grants etc**

The most optimistic estimate of time it was expected to take to process a loan for 2000 was 21 days from receipt of an application to payment. It is difficult to compare processing for 2000 with processing under the previous system, as comprehensive, national statistics are not available. However, statistics show that DWI was significantly behind the number of loan accounts established under SLAM for 1995-1998 (see Appendix 2) and only overtook past

years' numbers in mid March/April. The total number of loans for 2000 has exceeded previous years.

Delays in student loan processing left significant numbers of students with insufficient funds to pay rent, buy course materials, pay fees, or buy food and other essential items. A small number accessed grants such as the Special Needs Grant (SNG): a total of 3,589 SNGs were issued by Student Services between November 1999 and March 2000. Additional SNGs or Recoverable Assistance Programme (RAP) grants were also given to a number of students via DWI local offices, for which it is difficult to ascertain numbers. Many students were either not aware of their entitlement, or were unwilling to access such grants (for example, because they needed to tell their landlord of their situation). Others accessed hardship funds via their institution or students' association, borrowed off friends and relatives, used credit cards and overdrafts, and sought to delay payments.

Institutions seeking to assist students' access to grants did not know the DWI criteria for assistance, nor did the institution help desk have this information.

DWI did not appear to expect or plan for this situation. As the numbers of students awaiting loan payments grew, restrictions on rules for hardship assistance were lifted to enable more students to access grants more easily. The additional measure taken was to eliminate the 7 day rule for uplifting the living cost portion of the loan (although it remained in place for payment of the fees portion).

*Recommendations 27, 28 and 29*

DWI develop means of better informing students of entitlement criteria for Special Needs Grants and other grants.

DWI review the guidelines for hardship grants given to frontline staff in terms of the particular circumstances of students.

Retain the seven day waiver for 2001.

Lastly, the complaints process was not entirely clear. An escalated process for issue resolution would assist.

*Recommendation 30*

DWI develop and communicate a clear, stepped complaints process for students.

## ISSUES AND SOLUTIONS – INTERFACE WITH INSTITUTIONS

“The overriding concern from the polytechnic sector’s point of view is the absence of trained personnel, backed up by computer access to all necessary information, on campuses to assist students.”

Both institutions and students had common issues, but the following issues were more specific to institutions.

### Communication on System Design and Implementation

DWI did involve institutions in the systems design to a certain extent. However, institutions did not have information on the full system design, only the external interface (although most gave DWI full structural diagrams of their own systems). This meant that they could not redesign their own enrolment and VOS interface systems with the full information of how the total system would work. For example, if an institution sent a VOS response less than 5 days after the last one (for example, because of a course change) for the same student, the DWI system would see it as an error (requiring manual intervention). This resulted in delays in processing and differences in fees payments.

Such actions by institutions were attempts to assist DWI but, under the existing business rules, effectively confused the system. Greater information sharing on DWI’s systems and business rules would alleviate this problem.

#### *Recommendation 31*

DWI share information on systems design and business rules with institutions.

Some aspects of the system were not implemented but institutions were not informed, for example, the system for part time part year students. This had implications for fees collection for these students.

A significant aspect for institutions was that a schedule was to be provided to institutions with details on those students shown as “NIL” on their payment schedules. This schedule was to show whether the student had withdrawn or had been declined a loan. Instead, a manual schedule was produced. The institutions had expected to be notified of such students immediately, as per the information matching agreement.

#### *Recommendation 32*

DWI ensure institutions are informed immediately of loans declined for part time or part year students, and are provided promptly with a detailed schedule of “Nil” payments.

Some students declined loans are part time or part year students, who may be enrolled (or will be enrolled) in more than one institution or for only one semester at a time. Others resulted from course complications, for example one institution’s Certificate of Travel at levels 2 and 4 across two different programmes: VOS picks up the highest level only even though this is a standard four year study course.

Some parts of the system which are still to be implemented may need to be reviewed and amended as it is some time since they were designed and changes may now be apparent in light of experience.

*Recommendation 33*

DWI keep institutions properly informed on which parts of the system have been implemented, expected times for further implementation, and review, in consultation with institutions, any subsystems yet to be implemented.

## **Issues After Implementation**

### ***Verification of Study (VOS)***

The VOS process is the crucial interface between DWI and institutions. Probably the most important issue was the “catch 22” of DWI not approving loans until students had been enrolled and institutions not enrolling students until their loans were approved. Variations arose from differing interpretations of the requirement under s.224 of the Education Act 1989 for students to pay (or “arrange to pay”) their fees before being fully enrolled.

35 institutions, who successfully tested the system at the end of 1999, used the electronic VOS transfer, which accounted for about 80% of students, with the remainder doing VOS manually. Of the 35 institutions, 19 used the same system, Artna, which made the transfer simpler. Artna was not ready in 1999, requiring manual VOS, which had caused more issues for student allowance processing.

Most institutions introduced additional steps in their enrolment process whereby students were provisionally enrolled pending loan approval. However, because loan approvals usually came some time after courses had started, institutions had to enable students to attend classes, etc before fees were paid. Some institutions had students with unresolved loan applications, and therefore unpaid fees, as the first semester closed. This situation was worse for some institutions than others. A clear understanding between both parties is required.

*Recommendation 34*

DWI clarify with each institution, as part of the account management approach being developed, how the enrolment process will impact on the timing of the approval of loans, and vice versa.

Some VOS requests were sent to the wrong institution. This particularly seemed to be the case for wananga, which tend to have longer names. One has suggested that a larger space be provided on the application form for the institution name and a place to write the institution code number (which institutions could advise students of on enrolment). As with programme details, providing their institution’s code number would need to be optional.

A further complication was that institutions understood that the loan was “valid” once a VOS request was sent. In some cases further information, such as IRD or bank account numbers (which do not affect eligibility but are required for processing), was still pending which led to further delays in payment of fees and created more uncertainty for institutions.

The KPMG Control Assessment rated the residual risk of the VOS sub-process as “low” (p.9). The process risks did not include a number of anomalies in VOS responses which occurred once the system went live. The Synergy team estimate that there are 12-14 “bad VOS” responses, and are working on reducing these by systems changes.

*Recommendation 35*

DWI ensure that the review of VOS currently being undertaken also reassesses risks and controls in light of past experience, and feeds into the risk management plan in recommendation 9.

All of the institutions matched on date of birth and institution ID at the beginning of the VOS loans process. This caused delays, as many students did not have their institution ID numbers. DWI negotiated with the institutions to match using the name also. Many had system change expenses to include the name in the match. Two institutions still do not match using the name. Institutions are now required to match on two out of three items: name, student ID, or date of birth (DOB).

Name mismatches occurred, and it is still not entirely clear why so many name mismatches occurred. Students sometimes did not give their full legal name on application, but the system was supposed to correct this in processing the loan contract (although this caused delays). The reason for name mismatches needs further investigation and the appropriateness of matching by name needs to be reviewed.

*Recommendation 36*

DWI investigate the reasons for name mismatches, explore solutions with institutions, including whether name matching is still appropriate.

Further confusion arose when institutions also noted a mismatch on name even if they were only required to match on student ID and DOB. Because a mismatch was noted on name, the VOS system recorded an error which needed correction. Institutions were primarily doing this to be helpful, without realising the impact within DWI. Others faxed through correct details without realising that DWI could not correct names without the student’s authorisation. This is an information sharing issue, discussed above under Design of Student Loan Delivery System.

Institutions did not receive information on the status of students’ loan applications. Some institutions have asked to be informed of students’ application, rather than waiting until they receive the VOS request. Institutions could also be told when loan contracts had been sent out to students. Such information sharing would need to be agreed by the student beforehand, probably via an extension of the declaration they already sign to enable VOS to be processed. This information would give institutions more certainty regarding students’ statements that they have applied for a loan, which triggers a “provisional enrolment” at most institutions. This information could be provided in a regular status report to all institutions.

One of the key requests from institutions is for status reports. In 2000, status reports were sent to the PTEs but not to the larger institutions. Submissions have commented that these reports are not user friendly, containing “pages and pages of detail” making it hard to find

things. It is understood that Synergy is looking at the format of the report. The reports also appeared to be erratic at times: one institution got one report, then they stopped.

Further discussion needs to be held on exactly what information is contained in these reports, how it is presented and sent, and the privacy implications. Students will need to sign a declaration enabling information on their loan status to be given to their institution. DWI and Synergy staff are currently reviewing the VOS interface, including giving status reports to all institutions.

*Recommendation 37*

DWI develop, in consultation with institutions, a format for status reports on loan applications, to be provided to all institutions on a regular basis.

For students, the VOS process is a “black hole”. Usually they do not know the problems that DWI and their institutions are having until they inquire about delays, or their loan is declined. More timely and precise information to students would assist, for example, telling them there is a name mismatch instead of “the institution has not heard of you”. This is covered above under Issues – Interface with Students, Loan Status.

***Fees Payment***

Some institutions have said that their fees payments did not come through within the stated 7 working days in the information matching agreement. Often part payments were made without it being clear why some students’ fees were not paid (some of this is likely to relate to outstanding information eg IRD number or bank account number). Some institutions have spent considerable time sorting out the issues relating to unpaid fees as well as unresolved loan applications. This has caused cash flow problems for institutions.

***Institution Helpline***

“The introduction of the Institution Help Desk has been a very positive move. At the times that we have contacted the helpdesk, the staff contacted have been very helpful. However this service could be improved.”

Institutions contacting DWI help lines both on their own behalf as well as their students’ behalf also experienced significant delays. Significant delays ranging between 25 and 40 minutes were reported by institutions. Some staff would leave the phone on speaker phone while trying to do other work, or ask another staff member to listen for the response – both time consuming. One request was for the facility to leave a voicemail message for the helpdesk staff to ring back with answers later.

Provision of status reports to all institutions is likely to reduce the traffic on the institution helpline, as is more precise information being given to students, such as “incorrect bank evidence provided” rather than “no bank evidence”.

As mentioned above, institution staff were not able to speak directly to specific staff members such as IT staff, but were required to communicate only through the institution helpline.

Alternatively, a separate helpline could be provided for financial queries on, for example, delays in fees payments.

*Recommendation 38*

DWI develop mechanisms for providing more specialist advice and information to institutions, for example, by enabling institution staff to communicate directly with specialist DWI staff at Palmerston North or locally via the institution help line.

***Local DWI Offices***

“...very good service but constrained by lack of access to data...”

“One of the issues already identified is the relatively low level of Contact Centre staff knowledge. This is due mainly to a large number (50%) temporary staff and consequently a high turn-over” (Internal Audit Report, 17.1.00, p.4).

When the institution or student helplines became overloaded, institutional staff sometimes tried to obtain help from local DWI staff instead. These staff had no on line access and were therefore essentially in the same situation as their clients. Submissions commented on how local staff tried hard to assist despite these severe drawbacks. Provision of on line access to local staff who are properly trained to answer queries would alleviate this problem. This issue has already been discussed above under Design of Student Loan System – Staff and Skills.

**Contingencies – Late Fee Payments**

Institutions experienced significant delays in receiving fees payments, with a number still unresolved at the beginning of the second semester. One solution suggested by institutions is for advances on fees portions to be made based on past EFTS (similar to tertiary resourcing via the Ministry of Education).

These delays have often placed the institution in the position of being the go between for DWI and the student, in order to resolve the issue for both the student and the institution. For example, a student who has still not had their loan application approved and believes they have done everything required (sometimes several times), may not have done so in the correct format – but have not been told: one student thought they had supplied the bank account evidence, but this was a teller slip without the bank stamp and therefore unacceptable. This had not been communicated to either the student or the institution, but rather “no bank account evidence” was the stated situation.

Apart from a more fundamental change to the system for students (ie face to face verification of documentary evidence), there are two specific ways to resolve this problem. Firstly, the student should receive clear communication regarding the type of evidence required, and a prompt and specific response when the wrong type is submitted. Secondly, *if* a clear note had been made in the system by the person sighting the bank evidence, and *if* the operator responding to the query had the expertise to access this note on the system, any query via the 0800 service would give the same information. Both of these actions are supposed to be happening, but from the number of submissions on such problems, the system is not operating as planned all the time.

## **CONTRIBUTORY ISSUES**

This section discusses issues which contributed to the delays in processing student loans for the 2000 academic year. These are:

- the addition of student loans and allowances to the newly restructured department
- issues re student allowances in 1999
- changing responsibility within DWI for Community Wage Student, and
- operational policy and definitional issues.

These contributory issues meant that there was less time to review the design of the system. The short interval between implementation of allowances and implementation of loans meant there was no time to pilot the loans system. Technical aspects of the system were tested, but if a pilot had occurred, other problems may have been picked up before it went live, such as the confusing correspondence or the VOS “catch 22” (discussed above). On the other hand, the advantage of the short interval between allowances and loans was that the development team had continuity.

### **The Addition of Student Loans and Allowances Processing to DWI**

The Department of Work and Income came into being in October 1998, as a merger between Income Support (previously part of the Department of Social Welfare); and the New Zealand Employment Service (NZES), the Community Employment Group (CEG), and Local Employment Co-ordination (LEC) (all previously part of the Department of Labour). The new department is not only the largest department in the New Zealand public sector, but also sought to implement the cutting edge employment policies of the Government of the day. The Hunn Report discusses the surrounding issues in detail, including:

- the concentrated timeframe for the restructuring (pp.7, 20)
- the lack of experience in mergers in the public sector (p.11)
- the merger of two quite distinct cultures (p.14)
- the resulting dominance of the “corporate culture” (p.9)
- the addition of other operations, such as student loans and allowances, to the core business of benefit processing, with a risk of overload (p.10)
- the complex policy and reporting relationships (p.9)

Cultural issues are discussed below under Style.

The fact that student loans and allowances was a relative “sideline” for DWI, combined with the “corporate” style, may also have contributed to the distinction of students as clientele group not being fully appreciated, despite the fact that Student Services is a separate division within DWI.

In addition, the Hunn Report notes the “shoot the messenger” syndrome relating to work first and benefit reductions not being universally popular (p.4). Similarly, since the student loan

scheme has been the subject of much controversy, this view could have prejudiced opinion and reduced tolerance of errors in processing student loans for 2000.

### **Issues from Student Allowances**

A number of problems occurred with the processing of student allowances for the 1999 academic year. This meant that DWI spent time after the peak enrolment period attending to those issues in preparation for the 2000 academic year. Although this meant that student allowance processing went more smoothly in 2000, less time was available to review the design of the loans system. Because of the timeframe for implementation required by the previous Government, there was insufficient time to pilot the loans system, although some testing was carried out.

Nevertheless, some of the issues relating to student allowances also were of relevance to student loans, and therefore the resolution of them benefited both systems. For example, the SAL/SWIFTT interface had some problems in 1998/99, which have since been largely solved, including the student allowances team now being insufficiently trained in using SWIFTT.

Another key issue during allowances processing was the relatively homogeneous nature of the main centre at Palmerston North. The call centre and central processing were combined. There was no separate mail centre. Staff taking calls had no time to process applications, which required a different skill set in any case.

In March 1999, Palmerston North was split between a call centre (including initial data entry) and main processing, with a separate call centre for allowances at Lower Hutt. A screening/receipting process was also put in the main processing centre at the front end of the process so that documents could be sent straight back to students. During the peak enrolment period of 2000, the processing of student loans was further split into about ten different segments which enabled temporary staff to be trained in one, more simple operation.

One effect of the emphasis on the call centre approach for allowances was that 70% of applications were incomplete in 1999. For 2000, more than 90% were complete, largely as a result of revamping the application form and putting screening/receipting people on campus (although the effect of each is difficult to assess). A lesson that does not appear to be learnt from this is that a more effective on campus presence for loans may have also been desirable. Instead, DWI appears to have stayed with the call centre approach for loans because it was seen as a less complex process than that of allowances.

However, experience with student allowances also resulted in avoidance of some issues for student loans. One significant issue for allowances which did not recur with loans was verification of approved courses, since Prospectus, the Ministry of Education database used, went live about the same time as the allowances system. The electronic transfer of information on approved courses went relatively smoothly for both loans and allowances in 2000. A further advantage was that a student database was partly established.

At the end of 1999, Student Services sent the new combination application form (allowances/loans/CWS) out to those students (about 30,000 in total) they thought intended

to study in 2000, using the allowances database. According to DWI, approximately 20,000 responded.

For 2000, there were:

- 16,804 allowance only applications
- 61,529 loan only applications, and
- 58,728 loan and allowance applications.

Certainly for 2001, there should now be a largely established database, meaning returning students will not need to resubmit evidence of identity, IRD number, and bank account. This should reduce processing time for 2001.

### **Community Wage Student**

There were various changes in responsibility within DWI for Community Wage Student (CWS) in the period leading up to the implementation of student loans, which also channelled off some of the attention available for student loans.

Student Services was responsible for administering CWS between September and November 1998, which it found difficult to manage on top of the implementation of student allowances. Consequently, CWS was transferred to the mainstream DWI service centres in November 1998, and returned to Student Services in November 1999 (signalled in May 1999). A number of problems with administering CWS needed to be sorted out in the second half of 1999.

DWI have acknowledged that, in retrospect, dealing with the issues relating to student allowances and CWS detracted from their ability to concentrate on student loans during 1999. The lesson from this experience is, as far as possible, to allow time for these systems to be got right by not introducing other major changes too soon.

### **Y2K Compliance**

In the event, Y2K compliance has been a virtual non event. However, prior to 2000, concerns about Y2K compliance created uncertainty and entailed work to ensure compliance. This had two effects on student loans. Firstly, Y2K compliance influenced the decision to transfer loans and allowances to DWI. There were concerns as to whether the previous system operated under contract to the MOE by Student Loans Administration Management (SLAM) (although this primarily affected allowances rather than loans), already held together “by glue and sellotape”, was Y2K compliant. Secondly, it involved work to ensure the new system was Y2K compliant. In order to avoid any possible Y2K risks over the new year period, no loans payments could be made to students until 10.1.00, which adversely impacted on DWI’s processing results during that time (see graph in Appendix 2).

### **Operational Policy and Definitional Issues**

#### ***Full Interest Write-Off***

On 20 December 1999 the policy of allowing full time full year students an interest write-off on student debt was announced. Given this policy had been signalled (although the detail was

not clear), this event could perhaps have been better risk managed.. The actual implementation of this new policy is the responsibility of the Inland Revenue Department (IRD), but it had two effects on DWI:

- a large volume of enquiries about the policy
- revision of the forecast demand for loans for 2000 and outyears

On 7 January a brief flyer prepared by DWI and IRD explaining the policy was distributed. However, because of the timing of the policy announcement, this flyer was not able to be included in pre-enrolment packs sent out to students about October 1999. Call centre staff also needed to be trained in answering queries about this policy, but this could not be done until the policy was clarified about mid January. It cannot be ascertained from the documentation at the call centre how many queries on the new policy actually eventuated, although the number of calls increased markedly midJanuary. The information for students for the 2001 academic year needs to be reviewed, in consultation with IRD, to ensure full and clear information on the full interest write-off policy is provided.

Because the interest is not written off until the year end, some students may be confused or concerned when they receive their first loan statement from IRD at the beginning of 2001. IRD is preparing a high level communication strategy in consultation with students, other government departments, and borrowers. There is a risk that DWI will also receive enquiries as some students may not think the information on their study status was transferred correctly from DWI to IRD at the end of 2000.

The Ministry of Education (MOE), under contract to DWI, prepares short term forecasts on demand for loans. The forecast for 2000 was revised substantially upwards as a result of the policy announcement: from 100-110,000 to 170,000 at the end of January 2000. This forecast had considerable uncertainty because of the difficulty in predicting student behaviour. When the number of actual applications was checked against the forecast, the forecast was revised downwards in May 2000 to 133,660. The actual number of loans processed in 2000 was greater than previous years (see Appendix 2), but it cannot be ascertained how much of this increase is due to the policy change and how much is due to other factors. There is still uncertainty about the impact of the full interest write-off policy on demand for 2001.

The practical effect of this policy change was on planning for resourcing, given the forecast increased demand. It is not clear how many additional staff were employed (either permanent or temporary) as a result of the revised forecast demand. However, it is clear that the policy change introduced a degree of uncertainty into planning.

### ***Benefit Policy: Training Incentive Allowance (TIA)***

Another area where policy was changed as student loans went live was the Training Incentive Allowance (TIA), restored to 100% of course costs on 1 January 2000, to a maximum of \$3,000 per annum. Some students were confused about the rules regarding the maximum. Others sought to retrospectively apply for student loans for fees (even though they had already used their TIA to pay fees) when they became short of money later in the academic year.

Because of the complex circumstances of catering for TIA students, which involves two parts of DWI: Student Services (for loans) and Benefits (for the TIA), the interface between these requires further examination. Clear timely advice is needed for TIA students. Most (Student Services) call centre staff were not trained to deal with the complex area of TIA. This situation could have been alleviated by better advice being given to such students earlier, along with a more personalised service and improved access to specialised advice within DWI (see below under Issues – Interface with Students: Anomalies).

### ***Full time Study Status***

There are three issues surrounding “full time” study status:

- the impact of the Loan Entry Threshold (LET) on course structure
- a number of anomalies, and
- different definitions for different purposes.

“Full time” status for both loans and allowances is complicated and defined in a table, which lists “gross weeks” of length of enrolment and “EFTS values” to calculate the LET. This table was provided to institutions in August 1999, and is included in the revised Funding Guide for institutions from the Ministry of Education, which is to be distributed in August 2000.

The MOE advised institutions to “check the LETs against their qualifications that currently are approved for access to student loans and allowances”, and that DWI would use the LETs “through the Verification of Study (VOS) process, to determine a student’s fulltime status against the LET” (MOE Student Allowances and Loans Newsletter, August 1999, p.2).

From some of the comments received from respondents, not all institutions checked or adjusted their course structures against LET, which meant some students did not qualify as “full time” for loans. For example, whether a course is 19 or 21 weeks has implications for full time study status, therefore a decision about course structure needs to be an informed and considered choice. Institutions may need to re-examine some of their course structures in relation to LET. They also need to ensure they are able to correctly advise students taking them about eligibility for student finance in 2001. Similar advice to the August 1999 newsletter may need to be given to institutions for 2001. DWI will need to have some understanding of institutions’ course structures as part of their proposed account management.

#### *Recommendation 39*

DWI, in consultation with the Ministry of Education, advise institutions to check their course structures against the Loan Entry Threshold before the 2001 academic year, and to ensure they are able to correctly advise students on course eligibility for loans and allowances.

There are a number of anomalies relating to “full time study” including: summer school students, some postgraduate students, students seeking extensions, or exemptions.

Some summer school students are not full time, which may affect their eligibility for loan purposes. Depending on the institution, summer school students may enroll separately in summer school courses, or attach them to the semester before or after, each of which has implications for “full time status”. Some institutions require a pass at a summer school course as a prerequisite for entry into the next course and therefore cannot provide enrolment information to determine entitlement until after the completion of the summer school.

Similar issues arise for some postgraduate students, or those seeking extensions. Full time study status for these students was probably interpreted differently by different institutions in the past, with differences not being apparent under the previous system. The number of students seeking extensions is not large (about ten were approved by the MOE for 1999). They have previously been approved (in order to access student finance) on a case by case basis by the MOE. The MOE is reviewing whether this function could be passed to DWI, which would reduce the delays for these students.

Students enrolling in more than one institution, such as a university and a college of education, often cannot have their full time study status confirmed until they enroll at the second institution. This issue can only be resolved if universities are able to confirm students’ courses at the same time as the colleges of education.

Similarly, enrolment practices at some institutions affect full time study status, particularly where students enroll one semester at a time. Institutions may need to re-examine their enrolment practices vis a vis student finance, in order to be able to assist students on eligibility and entitlement.

These students need to be managed through the account management approach being proposed by DWI, as well as by a more effective service to students with complex circumstances.

The definition of “full time” differs for loans and allowances (although they use the same LET table), so that students may be “full time” for one but not the other. For allowances, students can only be enrolled in one programme (leading some institutions to create new “programmes” to fit the rules), but can be enrolled in several programmes for loans. This difference in definition also makes it more difficult to integrate the two systems, which was one of the stated intentions of transferring loans and allowances to DWI.

*Recommendation 40*

The Ministry of Education review the definitions of “full time study” status in terms of consistency between loans and allowances by October 2000.

The definition of “full time” also differs for the full interest write-off policy announced at the end of 1999. For example, students who are full time part year qualify for a loan but are below the study threshold for full interest write-off. The policy also applies to students who have loans from previous years and are not currently studying (and are therefore not on DWI’s database). For these reasons IRD will not be able to use the “full time” status recorded by DWI for students who took out loans in 2000, but will verify “full time” status

for the interest write-off with the MOE, thereby obtaining the data from one source. The MOE in turn relies on obtaining correct data from institutions.

### ***Course Coding Systems***

Finally, the Ministry of Education is changing the course coding system to the New Zealand Standard Classification of Education (NZSCED). From 2001 institutions will be required to classify under both the old and the new system, although some institutions have been already been doing so voluntarily. The old system (Prospectus) will be used in 2001 for verifying accredited courses for student loans. There is a risk that course coding may cause confusion in 2001.

#### *Recommendation 41*

DWI, in consultation with the Ministry of Education, investigate and mitigate any risk of confusion between the old and new course coding systems for institutions and student loans processing for 2001.

### ***Course Related Costs (CRC)***

Since 1999, the CRC component of loans is payable on production of receipts or quotes. The process of obtaining quotes and receipts puts compliance costs onto students, suppliers and institutions. This process has been unpopular for many reasons. One assertion is that it encourages the purchase of new books and discourages trade by students in old books. Students often need to purchase course related materials before courses start, but cannot obtain payment until their loan application is completed.

The take up of CRC entitlement is low on average, compared to the fees component. However for some courses, CRC are significant. For many polytechnic students, for example culinary students needing equipment, lack of funds for course related costs effectively means they cannot commence study. Such equipment is costly and beyond the means of many students to purchase without obtaining their student loan.

For 1999/2000, the process of applying for CRC was variable, being cumbersome and time consuming for many students. There was confusion about the degree of proof required for some students and institutions, especially in the earlier stages. Some students sought precise lists of course materials and stationery, involving book shop staff in long and complicated processes, where generic lists for courses were acceptable.

The basis of the Course Related Costs (CRC) policy is that students ought to be able to claim reasonable CRC in a way that does not abuse the loan scheme. However, whether it is consistent from a policy perspective to require proof of CRC but not living costs is questionable. Furthermore, CRC are part of a loan (and repayable) compared with a benefit or non recoverable grant. If the amount given is an estimated average of CRC, then it could be applied for without any proof along with the application for living costs. Communication on the required standard of proof needs to be clear for 2001, whatever policy is agreed.

One possible solution proposed by DWI is to advance the CRC component to students after they have returned their contract but possibly before the VOS process. However, there are

two issues with this. Firstly, the terms of the loan contract may need to be reviewed, to ensure the CRC is repaid should the student not proceed with the rest of their loan (unlikely for most students, but is likely to be administratively costly). Secondly, advancing CRC does not solve the main issue of the living costs and fees components being delayed.

*Recommendations 42 and 43*

The Ministry of Education review the operational policy of requiring proof of Course Related Costs by October 2000.

DWI review the communication of requirements for Course Related Costs, once the above review is complete.

## **APPENDICES**

## **Appendix 1: Terms of Reference**

### **TERMS OF REFERENCE FOR EVALUATION OF THE PROCESSING BY THE DEPARTMENT OF WORK AND INCOME OF STUDENT LOANS**

#### **OBJECTIVES:**

To ensure that operational changes are implemented that will enable fast and efficient delivery of student loans in the 2001 academic year.

#### **AIMS:**

A report to the Minister of Social Services and Employment will be submitted by mid June 2000, after consultation with stakeholders. The report will include issues of history, problems and solutions concerning the delivery of student loans, and will specifically identify:

- Clarification of delivery problems of student loans and extent to which students were effected
  - Issues that contributed to delivery problems regarding student loans in early 2000, including delivery of student allowances;
  - Recommended solutions to those problems
  - Who is responsible for resolution, by when

Responsibility for the Evaluation: Chief Executive of the Ministry of Social Policy

#### **INVITED STAKEHOLDERS:**

General submissions will not be sought. Submissions and/or interviews will be invited from specific stakeholders as follows:

### ***Government***

- Department of Work and Income
- Ministry of Education
- Inland Revenue Department

### ***Tertiary Institutions and Student Bodies***

- New Zealand University Students' Association (NZUSA)
- Te Mana Akonga: The Maori University Students Association
- Aotearoa Postsecondary Student Union (APSU)
- University of Canterbury Students' Association (UCSA)
- New Zealand Vice-Chancellors' Committee (NZVCC)
- Association of Polytechnics in New Zealand (APNZ)
- Association of Colleges of Education in New Zealand (ACENZ)
- New Zealand Association of Private Education Providers
- Association of Maori Private Training Establishments
- Association of Private Providers of Training and Education
- Te Tauihu o nga Wananga: The National Association of Wananga

### ***Other***

- Any other group which the Evaluation Team consider would assist the Evaluation.

The State Services Commission will be consulted during the course of the Evaluation.

Written documentation from the Department of Work and Income and the Ministry of Education will be provided on request to the review team, at the direction of the Minister of Social Services and Employment/Associate Minister of Education.

**TIMEFRAME:**

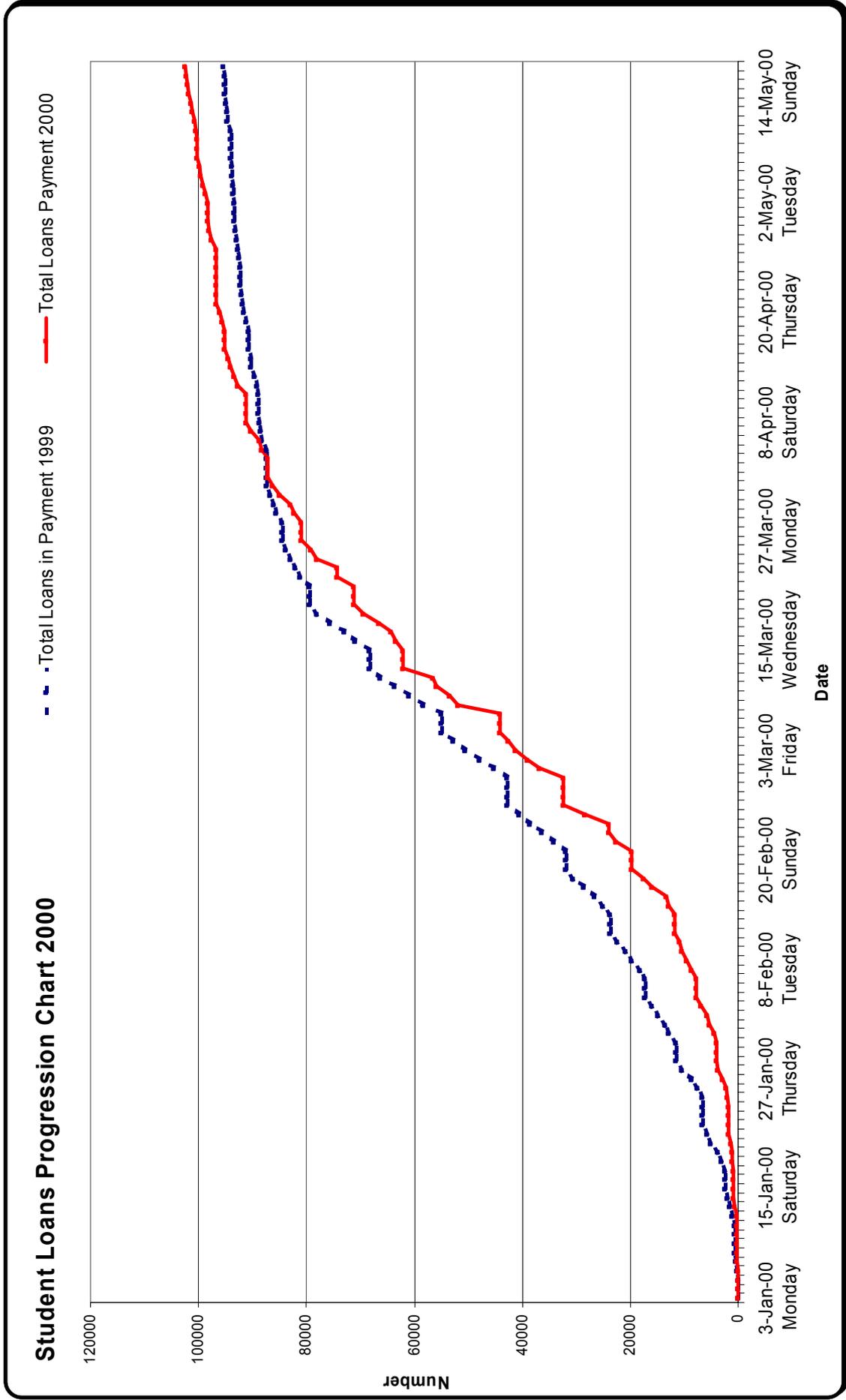
(Year 2000)

Thursday 20 April	Terms of Reference announced
Thursday 20 April	Invitations for Submissions
20 April – 12 May	Interviews with government agencies
	Obtain and evaluate government reports and other data on student loans
Friday 12 May	Submissions close
12 May - 5 June	Evaluation of submissions
16 June	Report to Minister of Social Services and Employment
Remainder of 2000	Implementation of solutions

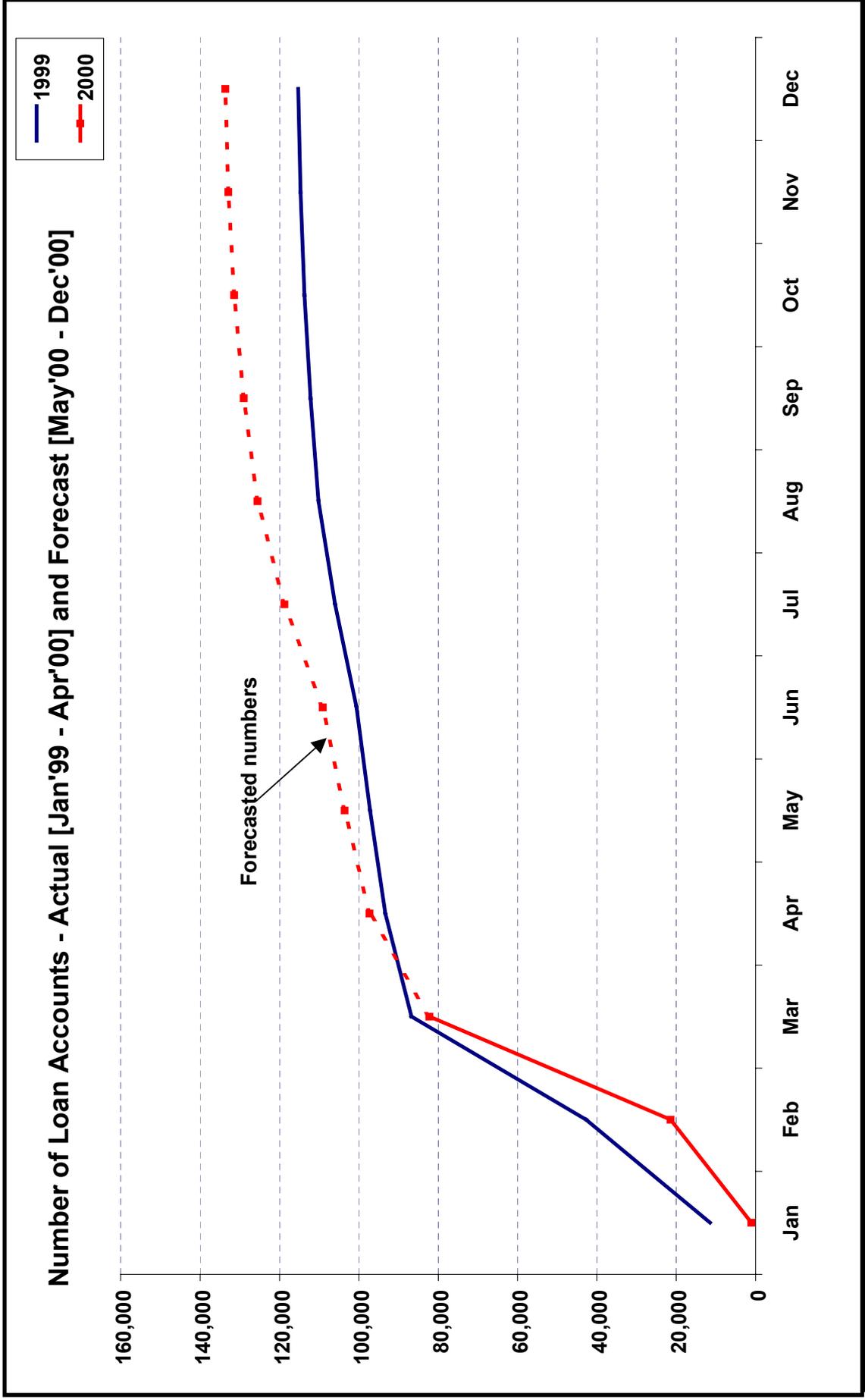
19 April 2000

Ministry of Social Policy

### Appendix 2a: Loan Account Statistics DWI



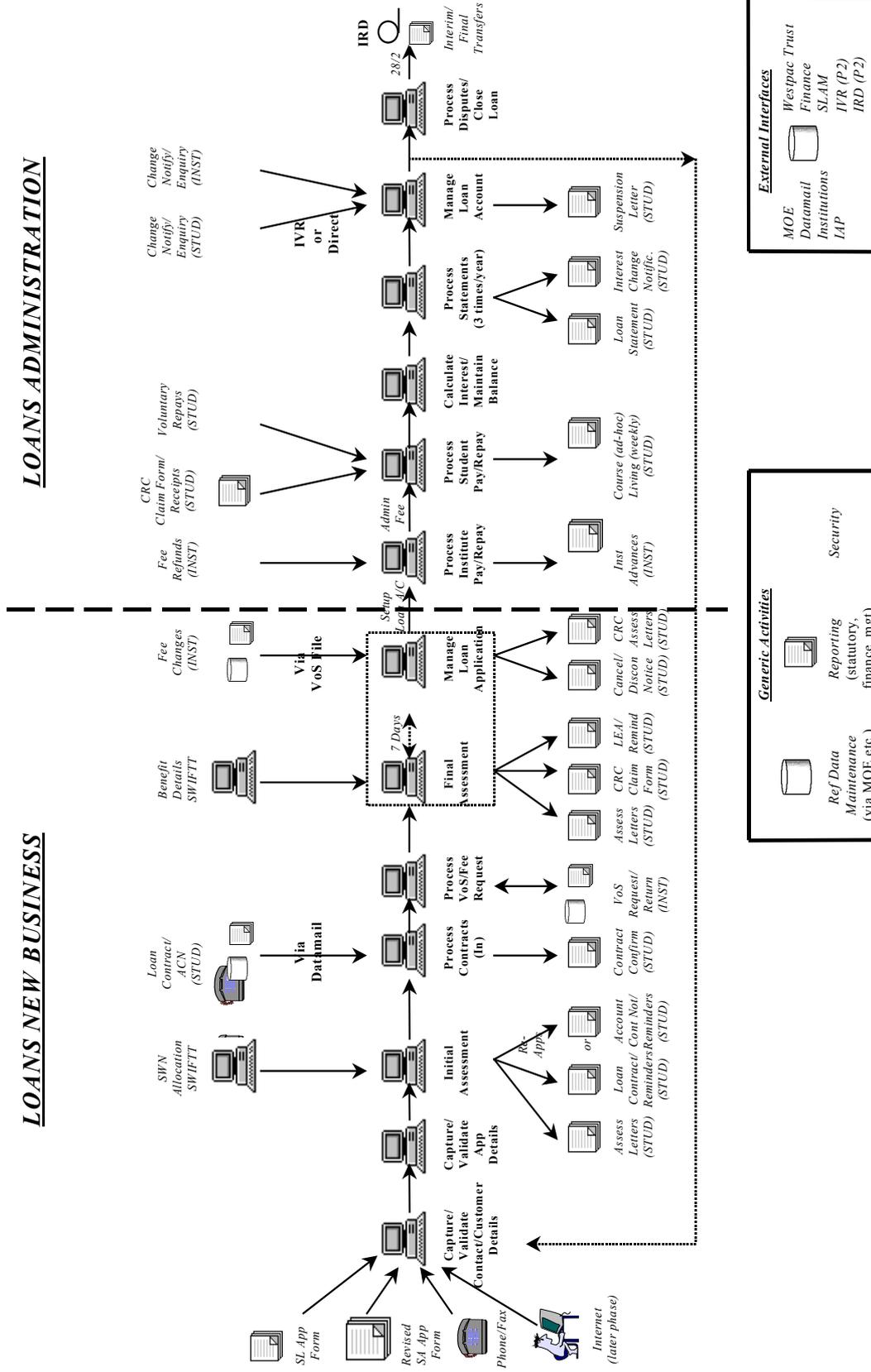
Appendix 2b: Loan Account Statistics MOE



Appendix 3: Student Loans System – Process Lifecycle

9/7/99

# Student Loans System...Process Lifecycle





## **Appendix 5: Summary of Submissions: Students**

### *Issues*

“focussed on business rather than people which goes against the whole concept of a public service that is supposed to assist people when they are in need”

“image of invincibility”

“stonewalling leaves the community feeling disempowered and often angry”

“the new system has created a middle-man as it were in the Tertiary Institution”

“when I eventually did manage to speak to someone, they tended to know very little about procedure in anything beyond the most straightforward circumstances”

“ ‘customers’ (who are nothing more than another number or output production measure, it seems)”

“unrealistic estimate of the volume of business”

“delays, confusion, stress and hardship”

- WINZ ignored the warnings of students’ associations re unrealistic expectations about the nature of students
- WINZ were told more staff would be needed over the enrolment period because of the numbers of late applications
- students encouraged to apply early but those that did still waited which compounded the problems when the majority of students applied
- the call centre was not equipped for the number of enquiries
- 0800 sole point of contact and not appropriate point of contact
- linkage between CWS and student loans and allowances stop and start dates should be seamless
- students treated rudely by WINZ staff, especially when staff overloaded, frustrated and stressed
- contradictory advice given to students
- many students told they were ineligible where others doing same course had loans approved
- postgraduate students: PhD student refused loan because WINZ looked at 1999 income rather than 2000 income
- WINZ staff tried to deter students from studying chosen programmes, especially humanities and arts and design, including TIA students
- Maori students requested services available in Te Reo Maori

- case manager issues (TIA etc): asked to make an appointment even when it was urgent, eg no food
- WINZ staff more willing to provide information when student had an advocate present, often talking to the advocate instead of the student
- long waits on the 0800 number, cut off, “melt downs”
- call centre did not record all calls
- call centre operators would not give name
- input errors
- lost documents
- confusing correspondence: same letter sent several times or no letter at all
- one institution asked for the format of letters sent to students, but didn’t get it
- lack of information on campus
- WINZ tends not to make specific time commitments in the delivery of some services
- students not informed of appeal process
- students not informed of SNGs
- narrow interpretation of Social Security Act, eg SNG declined if not specifically listed under policy directive: eg costs essential for students, such as transport to institution, not considered essential under current SNG interpretations
- call centre staff did not know about special benefits
- inconsistent application of discretionary items
- students told to make appointments for emergency grants – should have priority if hardship
- contracts were sent out with details from other applicants’ files – a privacy issue – eg married, have children and/or in prison, wrong programme, wrong course start and end dates, wrong sex
- attitude: a denial of responsibility
- underlying attitude of lack of acceptance of issues being dealt with – can’t get around problem while like this
- applications that deviates form an “easy to do” process scenario is experiencing much more difficulty – they seem to be set aside while WINZ concentrates on the “easy to process” applications

### *Solutions*

- WINZ should operate on a “community partnership” model: understand the difficulties that students face, and also would enable student associations to understand the

constraints that WINZ faces – recognise that changes cannot occur overnight and that it is a two way process

- if proper communication on reasons for delays, eg the type of evidence required, this would reduce the number of calls to the call centre
- WINZ should not tell students that the university has “never heard of them” but that there is a name mismatch or whatever the precise problem is
- call centre staff need to be fully trained in policy and in good phone manners and stress management
- increase the number of call centre staff for peaks
- some institutions requested separate helpline for financial queries
- alternatively, institution staff should be able to speak to relevant person within DWI (via main help line or switch board)
- WINZ should look realistically at student patterns of applications
- review policy directives for students’ circumstances and be more flexible re discretionary elements of SNGs and advances
- Student Appeal Authority should be aligned with the Social Security Appeal Authority
- reasons for loan applications being declined should be given in writing
- return processing to the institutions [note: only one institution has suggested this solution]
- want guarantee that payment will go through in under ten working days after application submitted or have access to immediate government relief funds [petition]

## Appendix 6: Summary of Submissions: Institutions

### *Positives*

“great service on the institution helpline”

“We found the daily advice of student loan payments very useful but we would also appreciate a monthly summary of payments made to assist with our reconciliation of payments received.”

- institutional help desk polite and helpful [experience re waits varied across institutions]
- administration of emergency payments system exemplary

### *Issues*

“punitive, user unfriendly culture”

“unnecessarily cumbersome, time consuming, slow and expensive”

“system is seen as distant and faceless by students as no one has personal responsibility for an individual”

“never clear why it was to be centralised in the first place”

“communication and technology problem not a logistics problem”

“WINZ set up resources as if it would run smoothly”

“culture of ‘it’s up to the clients to make the system work’ ”

“seeking to fix obvious problems, without reviewing the original design of the system as a whole, or the underlying assumptions about the WINZ-client relationship”

“They blamed the overloads on unexpected policy changes and media coverage, and on students tending to ring during normal working hours, and joked that they should try ringing during *Shortland Street*, as there were no queues at that time.”

- WINZ took on a large and complex staff without the necessary prior consideration of capability and knowledge required
- “we know best” attitude and poor listening resulted in underestimation of the task
- lack of service orientation
- communication unsatisfactory re planning of VOS, VOS problems, programme approval information
- poor planning of the solution as a whole
- testing went well but testing of contingencies poor (including solutions)
- no contingency planning
- no disaster recovery planning

- VOS testing only checked whether the VOS exchange provided information to the WINZ SAL database in the format requested, rather than possible problem scenarios
- crisis fighting: could have been alleviated if post “go live” support had been thought of
- communication of changes in processing of student loans and how they would impact on institutions inadequate and too late to enable institutions to amend their processes
- VOS: staff relied too much on communicating via technology instead of lifting the phone and getting a quick answer
- poor communication re options: one institution told in May that could have faxed lists of students with problems for checking – had understood that they could only phone re maximum of 3 students at a time
- Palmerston North staff lacked knowledge of the education sector, eg wrong EFTS values, incorrect status
- WINZ staff often give incorrect advice re TIA
- 0800 service very frustrating with average wait times of 45 minutes
- students still experienced delays on 0800 service when called out of peak times
- 0800 calls being cut off
- call centre staff inadequately trained for the wide range of queries they received
- high ratio of temporary to permanent staff at call centre (3/4:1)
- most permanent call centre staff did not come from a background of previous student loans system
- loan application process unnecessarily cautious and ponderous eg 7 day rule, undated loan contracts not accepted – some rules relaxed as crisis intensified
- DWI should not give students advice on academic merit of programmes, including TIA students
- WINZ customers often use an alias rather than name on birth certificate which results in name mismatches at VOS
- name mismatch primary problem for many institutions because application did not record full legal name (although institutions had been told this would be the case) – institutions changed to matching on ID and date of birth
- one institution told could correct name mismatch and faxed correct names daily – not told it couldn’t do this (only students could do this)
- faxed manual VOS corrections within 7 days of VOS response caused problems
- one student sent fifteen loan contracts and still no approval
- students told delays caused by institutions

- confusing correspondence: students given little idea of what the problem with their application was
- one institution had about 25% loans outstanding at the end of March, with teaching having started mostly at the beginning of February
- inconsistent advice given re acceptable documentary evidence
- data entry errors
- cost of reissuing loan contracts for even small amendments
- “intransigence of staff” in asking students to supply “evidence” eg mother’s income – probably from lack of experience
- lack of sympathy for students’ situation eg eviction notice required for SNG
- for students in hardship, WINZ staff on campus tried to clear up the loan application rather than give grants
- one institution had 92% increase in applications to its hardship fund in first quarter
- often difficult for ESOL students to provide some of the documents, eg parents’ income – usually the parent is on a benefit so why can’t WINZ do the check?
- lack of knowledge of staff on regulations and requirements for student loans, even when asked to check with a supervisor
- wrong advice given to students re entitlement to loan if not an accredited institution eg a community college (usually suburban centre staff, not Student Services)
- returning students still had to resubmit ID, IRD number, bank account details
- students asked repeatedly for the same information – lack of a case manager
- delays in fees payments caused significant cash flow problems
- students withdrew from courses because of delays
- inadequate hardship assistance for students
- lack of field testing of VOS system
- WINZ staff need to be available in person
- when a student is enrolled in two study contracts from the same institution, the system currently reads the last entry only, meaning the student is not entitled to a loan or allowance
- some student helpline operators were unfamiliar with the computer system and believed they had sent out loan contracts but had failed to complete all the commands to bring this about – on inquiry, experienced operators completed the necessary steps
- operator errors a major cause of processing delays: calls to the help desk would result in the experienced operators there clearing flags and alerts that had been missed by the temporary staff in the processing centre

- students are told incorrect details, eg VOS not returned by institution when it hasn't been generated by WINZ
- call operator staff unable to read the VOS screens correctly
- told could fax manual corrections for VOS responses but business rules (unknown to the institution) dictated that VOS responses received within 7 days of the last one required manual intervention, leading to further delays
- TIA service erratic
- high turnover of staff in some areas
- system cannot cope with leap year (366 days) – distance education courses can go over 365 (or 366) days
- institutions on manual VOS ready to test electronic transfer, but no resources available from WINZ to do this

### *Solutions*

- change approach from “them” and “us” to a more co-operative approach to a total solution which includes: who does what, risk analysis, communication strategy, identification of what WINZ will do to support institutions and vice versa, how to alleviate contingencies – on an institutional basis
- give institutions more information on WINZ systems – full flow charts of loans process etc
- advance bulk fund institutions based on historic EFTS levels
- advance loans to students with prepaid allowances deducted at source from loans
- continue waiver of 7 day stand down
- clarify policy re entitlement to benefits
- students should not be required to revalidate ID or financial details
- institution staff need more information on criteria so as to give clearer advice to students
- When students' details mismatched, WINZ should contact the institution by phone or fax or email within 24 hours to alert institution of mismatch. The institution should then have the opportunity to correct the information and if need be, contact the student.
- When a student is enrolled in two study contracts from the same institution, the two contract should be combined and processed together.
- increase the staff at the 0800 call centre and have a “troubleshooter” on campus at each institution with the right resources to delve into applications
- call centre staff should be fewer but more highly trained (50-60 with proper knowledge, rather than 200-300 poorly trained)

- all WINZ staff should have access to all screens so that they can see the entire process of an application
- WINZ staff need to be aware of all forms which apply to students
- applications should be processed in smaller batches, especially for manual VOS requests, to enable swifter turnaround by institutions
- the same team should be responsible for processing from application through to payment
- “change the childish automated message on the 0800 number”
- “stop blaming institutions when it is not their fault”
- initiate monthly reports to institutions on progress of loans (status reports)
- enable institutions to make enquiries re individual students as well as status reports
- have people with the appropriate skills and knowledge at local WINZ offices or institutions who can show students how to fill in forms
- need direct access to, and identity of, specific managers in WINZ to deal with specific problems, rather than going through an interpreter
- WINZ to check parents’ income where parent on a benefit
- institutions to act as “agent” for student if student requests it – avoids privacy issues on inquiries re loan status
- extend information matching agreement so that authorised institution staff could be agents for WINZ in collection of information since institutions collect much of the same information
- rather than waiting for the VOS requests, institutions could, via web access, update study details fields, fees requests fields, and verification of limited full time status (all presently supplied by VOS response)

## **Appendix 6: Summary of Submissions: Other Government Agencies**

### *Issues*

- student loans unrelated to core business of SWI – benefits, or to key policy objective of reducing unemployment
- “one stop shop” approach meant a very different relationship with client base
- significant policy changes at key points did not make transfer any easier – significant redesign of operational systems had to be done quite late in the piece
- approach was “the way we do things”
- WINZ is capable of being effective, but needs a more co-operative approach
- concern that ongoing relationship with borrowers will be affected by the negative image of WINZ – the “infection of people’s perceptions”