

9 June 2023

Ms Melinda Hatton
VET Student Loans Tuition Protection Director
c/o Department of Education
GPO Box 9880
CANBERRA ACT 2601

Dear Ms Hatton

Re: 2023 VSL Tuition Protection Levy Final Advice

I am writing to you on behalf of the VET Student Loans (VSL) Tuition Protection Fund Advisory Board (the Board) in accordance with section 66R of the *VET Student Loans Act 2016* to provide final advice in relation to you making the legislative instrument for the Risk-rated Premium and Special Tuition Protection components of the VSL Tuition Protection Levy for 2023.

In formulating its advice, the Board has considered a number of issues including the advice of the Australian Government Actuary (AGA) and the quantum of funds required for the long-term sustainability of the VSL Tuition Protection Fund (the Fund).

The Board has been assisted in its deliberations by the Board's agreed 'guiding principles', namely:

1. Advice provided to the Tuition Protection Service/VSL Tuition Protection Director should reflect the overall risk environment and ensure that revenue matches what is needed to sustain the relevant fund, while also being sustainable for the industry;
2. The model for each levy should, as far as possible, reflect gradual change and assist the industry with business planning by providing a stable regulatory environment.
3. The model should be as simple and transparent as possible, preferably based on a small number of risk factors.
4. Risk premiums imposed should provide incentives for providers to adopt positive behaviours.
5. Additional imposts on industry, such as data collection, should be minimised as far as possible, consistent with the ability to set sound risk-based levies.

In formulating its final advice for 2023, the Board has considered the historical and current experiences of the domestic education and training sector for VSL providers. The Board is cognisant of the continued impact of the COVID-19 pandemic on the sector.

The Board agrees with the AGA's recommendation of retaining the risk factors of:

- financial strength;
- completion rate; and
- non-compliance history and registration renewal.

The Board is satisfied with the correlation of those factors with the risk of provider default and, therefore, a call on the Fund. The Board accepts the AGA's recommended values for the risk factors, which are outlined at the end of this letter for the purposes of section 13(1)(c) of the *VET Student Loans (VSL Tuition Protection Levy) Act 2020* (VSL Levy Act).

The Risk-rated Premium component formula includes a per student charge and a percentage rate multiple of the loan amounts paid to the provider.

Accordingly, the Board recommends that:

- the specified percentage rate for the Risk-rated Premium component of the Levy be 0.17% – section 13(1)(b), VSL Levy Act;
- the specified per student amount for the Risk-rated Premium component of the Levy be \$6.00 – section 13(1)(a), VSL Levy Act; and
- the specified percentage rate for the Special Tuition Protection component of the Levy be 0.10% – section 13(1)(d), VSL Levy Act.

Yours sincerely

Helen Zimmerman
Chair
VSL Tuition Protection Fund Advisory Board

**Risk factors and values for the Risk-rated Premium component
of the VSL Tuition Protection Levy in 2023**

Risk Factor	Category	Risk Factor Values
Financial Strength	8 or 9	0.0
	6 or 7	1.0
	1 to 5	2.0
	Provider did not submit data	2.5
Completion rate	85% or higher	0.0
	60% to <85%	1.0
	35% to <60%	2.5
	0% to <35%	3.5
Non-compliance history and registration renewal	A weighted late payment measure of 30 days or more	2.0
	There is a weighted late payment measure of less than 30 days but at least 15 days	0.9
	There is a weighted late payment measure of less than 15 days but at least 1 day	0.7
	There is no weighted late payment measure (payment made on time).	0.0
	Plus	
	Regulator-renewed registration for a shorter than maximum period due to risk management	1.0
	Regulator-renewed registration equal to the maximum allowable	0.0