

2024 Tuition Protection Levies

VET Student Loans, HELP and Higher Education Up-front Payments

2024 Sector Consultation

Melinda Hatton
TPS Director



Outline

Purpose of the Tuition Protection Service (TPS)

Tuition protection levy setting process, guiding principles and legislation

Levy components and draft 2024 risk rating settings

2024 levy timeline and takeaways

Purpose of the Tuition Protection Service (TPS)



Purpose of the Tuition Protection Service (TPS)

Australian Government initiative

Student tuition protection scheme

Developed for international student fee protection and expanded to specified domestic students

Supports students with refunds and loan re-credits, and facilitates alternative course placements following provider closures

Supports education providers to understand and meet obligations to students

Manages tuition protection levy collections



TPS Director, TPS team and Advisory Board



Tuition Protection Service Director

Melinda Hatton, TPS Director

Statutory office holder appointed by the federal Minister for Education

Operational oversight of the daily activities of the TPS

Responsible for the **annual collection of TPS levies** from CRICOS and eligible domestic education providers

Responsible for **managing the levy funds**



TPS Team



TPS Advisory Board

1. **Ms Sharon Robertson** (Chair)
2. **The Hon. Phil Honeywood** (Deputy Chair)
3. **Ms Yeganeh Soltanpour**, Council of International Students Australia
4. **Ms Karen Sandercock**, Australian Government Department of Education
5. **Mr Matthew Hardy**, Australian Government Department of Employment and Workplace Relations
6. **Mr Guy Thorburn**, Australian Government Actuary
7. **Ms Gloria Yu**, Australian Prudential Regulation Authority
8. **Ms Rebecca Mok**, Australian Government Department of Finance
9. **Ms Victoria Miller**, Australian Government Department of Home Affairs

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Domestic Tuition Protection Levies

Levy setting process, guiding principles and legislation



Domestic Tuition Protection Levies

Three annual sector-based tuition protection levies collected from **domestic** education providers

Domestic levies paid into quarantined accounts managed by the TPS Director

1. VSL Levy → VSL Tuition Protection Fund
2. HELP Levy → Higher Education Tuition Protection Fund
3. Up-front Payments Levy → Higher Education Tuition Protection Fund

Levies fund the student placement, loan re-credit and refund activities of the TPS following an education provider closure and **TPS operational costs**

Domestic levies collected for the first time in 2022



Domestic Tuition Protection Levy Setting Process

8 March 2024

TPS Advisory Board provided draft advice to the TPS Director on the 2024 domestic levy settings

March-May 2024

TPS Director consults the sector on the draft levy settings

12 June 2024

TPS Advisory Board considers the sector's feedback on the draft 2024 levy settings then provides its final advice to the TPS Director

By 1 August 2024

2024 levy settings finalised in legislative instruments



TPS Advisory Board's Advice on Levy Settings

When formulating its advice, the Board considers a range of factors including:

- The strategic risk environment
- Advice from the Australian Government Actuary (AGA)
- Views of the sector regulators, industry peak bodies and providers
- The post-COVID-19 operating environment
- The current balance of the respective levy Funds and the quantum of funds required for their long-term sustainability



Guiding Principles for Board's Levy Setting Advice

Advice should **reflect the overall risk environment**

The model for each levy should **reflect gradual change**

The model should be as **simple and transparent** as possible

Risk premiums should provide **incentives for education providers to adopt positive behaviours**

Additional imposts on industry, such as data collection, should be minimised as far as possible



TPS Levy Framework

Developed by the Australian Government Actuary (AGA)

Annual VSL, HELP and Up-front levy settings are set through two legislative instruments each:

1. one for the Administrative Fee component (made by the relevant Minister); and
2. one for the Risk Rated Premium component and Special Tuition Protection component (made by the TPS Director)

Education providers operating across multiple education sectors pay separate levies for each sector, which may be collected at different times during the year

Levy calculations based on an education provider's size and risk of closure

AGA provides advice on levy settings to ensure the arrangements are financially sound



Legislative Authority

VET Student Loans (VSL Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00005>

Higher Education Support (HELP Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00004>

Higher Education (Up-front Payments Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00102>



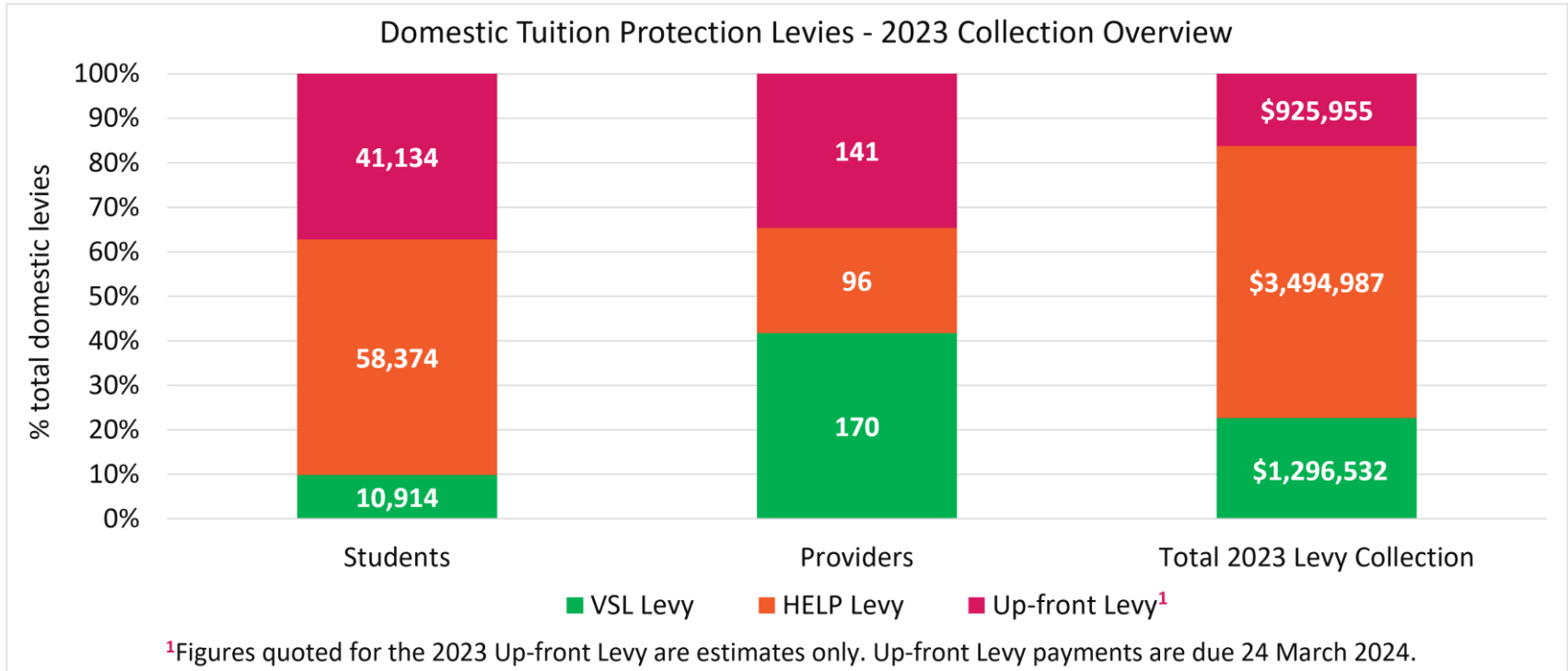
2023 Domestic Tuition Protection Levy Collection



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Domestic Levies – 2023 Collection Overview



Tuition Protection Funds

Two tuition protection Funds for domestic schemes:

- VSL Tuition Protection Fund
- Higher Education Tuition Protection Fund

AGA recommends target Fund balances to ensure sufficient funds are available for a large provider closure or multiple provider closures

Fund	Target range	Balance	Seed funding to be repaid
VSL Fund	\$6.75-9.5 million	\$10.85 million (as at 31 Dec 2023)	\$7.73 million (as at 31 Dec 2023)
Higher Education Fund	\$21-25 million	\$14.04 million (as at 31 Dec 2023)	\$8.62 million (as at 31 Dec 2023)



Domestic levy components and draft 2024 settings



Domestic Tuition Protection Levy Components

Component	Key elements	Purpose and authority
Administrative fee	Sum of a 'per provider' and 'per student' charge	<ul style="list-style-type: none">• Designed to cover administrative costs• Set by relevant Minister
Risk rated premium	Considers 3 risk factors : <ol style="list-style-type: none">1. Financial strength2. Completion rate3. Non-compliance history and registration renewal	<ul style="list-style-type: none">• Intended to reflect risk of provider default• Financial reward for positive provider behaviour and risk management practices• Set by TPS Director with Board advice
Special tuition protection	Percentage multiplied by total loan amounts or up-front payments received	<ul style="list-style-type: none">• Builds Fund balances when below target range• Facilitates repayment of seed funding• Set by TPS Director with Board advice



Draft 2024 Domestic Tuition Protection Levy Settings

Levy	Administrative fee *	Risk rated premium	Special tuition protection
VSL	\$119 per provider + \$10.01 per VSL student	\$6 per VSL student + 0.13% x total 2023 loan amounts	0.10% x total 2023 VSL loan amounts
HELP	\$119 per provider + \$10.01 per HELP student	\$6 per HELP student + 0.06% x total 2023 loan amounts	0.10% x total 2023 HELP loan amounts
Up-front	\$119 per provider + \$10.01 per up-front student	\$2 per up-front fee-paying student + 0.04% x total 2023 up-front payments	0.10% x total 2023 up-front payments

*Administrative fee figures quoted were applied for the 2023 levies and may be indexed to CPI for 2024

Note: 2024 levies will be calculated using student enrolment numbers and revenue for the 2023 calendar year



Risk rated premium component

Considers 3 risk factors designed to reflect the risk of provider closure

Providers receive a risk value against each risk factor

The sum of a provider's risk values give a **total risk factor value**

Providers with a high total risk factor value present a higher risk of closure and will pay a higher levy amount



Risk Rated Premium Component: Risk Factors

Risk Factor 1 Financial Strength

Based on 2 ratios: return on assets and debt to equity

Note: One change to the 2024 financial strength calculation
Calculations use providers' most recent financial data

Risk Factor 2 Unit Completion Rate

Based on the unit completion rate of students

Risk Factor 3 Non-Compliance History and Registration Renewal

Late payment history of the relevant tuition protection levy and annual registration provider charges; and

If a provider's registration was renewed for a period less than the maximum allowable for risk management reasons





Financial Strength

Assessed using two ratios:

Ratio	Formula
Return on Assets: Measures the profitability of a provider relative to its total assets	NPBT / total assets
Debt to Equity: Measures the degree to which a provider is financing its operations through debt	Total liabilities / total equity

NPBT: Net profit before tax

‘Net profit ratio’ was also used to calculate financial strength in previous levy calculations

The Board proposes removing the ‘net profit ratio’ from the 2024 levy calculations to respond to concerns raised by some not-for-profit providers





Financial Strength

Proposed 2024 risk factor values unchanged from 2023

Financial strength score	Risk factor value (2022 and 2023)	Proposed risk factor value (2024)
8 or 9	0.0	0.0
6 or 7	1.0	1.0
1 to 5	2.0	2.0
Provider does not submit financial statements	2.5	2.5

Providers receive a score of 1.5, 3.0 or 4.5 for each ratio, which are summed together to give an overall financial strength score

Financial strength scores determine providers' financial strength risk factor values





Financial Strength: Removal of net profit ratio

Previous financial strength calculations were based on three ratios:

1. **Net profit ratio:** Net profit before tax / total revenue
2. **Return on assets:** Net profit before tax / total assets
3. **Debt to equity:** Total liabilities / total equity

In 2023, some not-for-profit providers raised concerns about the use of the net profit ratio to calculate financial strength by suggesting the ratio unfairly penalised them

AGA tested alternative calculations that are less weighted towards profit for 2024 levies

AGA recommendation: Remove net profit ratio from the 2024 Financial Strength calculation

- Not-for-profit providers will yield a better financial strength risk score
- Increases the proportion of not-for-profit providers in the lowest risk category to similar levels to the for-profit providers





Unit Completion Rate

Providers with low student unit completion rates correlated with an increased likelihood of closure

Unit completion rate percentage calculation:

$$\left[\frac{\text{Passed EFTSL}}{(\text{Passed} + \text{Failed} + \text{Withdrawn} + \text{Ongoing} + \text{Data missing EFTSL})} \right] \times 100$$

EFTSL: Equivalent full-time student load for a year





Unit Completion Rate

Proposed 2024 risk factor values unchanged from 2023

Completion rate percentage	Risk factor value (2020)	Risk factor value (2022)	Risk factor value (2023)	Proposed risk factor value (2024)
85% or higher	0.0	0.0	0.0	0.0
60% to <85%	0.0	0.0	1.0	1.0
35% to <60%	3.5	1.7	2.5	2.5
0% to <35%	5.5	2.7	3.5	3.5





Non-Compliance History and Registration Renewal

Assesses the risk of a provider based on their **history of non-compliance and lack of risk management practices**

Non-compliance history

- Penalises providers for a late payment history of the relevant levy and annual registration provider charges over the previous 3 years (i.e. 2021-2023)

Registration renewal

- Penalises providers that applied for renewal of its registration and, **for risk management reasons**, had its registration renewed for a period less than the maximum allowable





Non-Compliance History and Registration Renewal

Proposed 2024 risk factor values unchanged from 2022 and 2023

Non-compliance history and registration renewal	Risk factor value 2022 and 2023	Proposed risk factor value 2024
A weighted late payment measure of 30 days or more	2.0	2.0
A weighted late payment measure of 15 to >30 days	0.9	0.9
A weighted late payment measure of 1 to >15 days	0.7	0.7
A weighted late payment measure of >1 day	0.0	0.0
PLUS		
Applied to have its registration renewed and, for risk management reasons , had its registration renewed for a period less than the maximum allowable	1.0	1.0



Risk Rated Premium Component

Risk rated premium component formula:

$$\left[\left(\frac{\text{total students for 2023}}{\text{specified amount}} \right) + \left(\frac{\text{total tuition fee income received in 2023}}{\text{specified percentage}} \right) \right] \times (\text{sum of risk factor values} + 1)$$

The sum of a provider's risk factor values is a multiplier for the risk rated premium component calculation



Risk Rated Premium Component: VSL Example

$$\left[\left(\begin{array}{c} 75 \text{ VSL students} \\ \text{for 2023} \\ \times \\ \$6 \end{array} \right) + \left(\begin{array}{c} \$250,000 \text{ VSL Loans} \\ \text{received in 2023} \\ \times \\ 0.13\% \end{array} \right) \right] \times (\text{total risk factor value of } 4.7 + 1)$$

= \$450

= \$325

= 5.7

$$= (\$450 + \$325) \times 5.7$$

= **\$4,417.50**



Risk Rated Premium Component: HELP Example

$$\left[\left(\begin{array}{c} 650 \text{ HELP students} \\ \text{for 2023} \\ \times \\ \$6 \end{array} \right) + \left(\begin{array}{c} \$10\text{m HELP Loans} \\ \text{received in 2023} \\ \times \\ \mathbf{0.06\%} \end{array} \right) \right] \times (\text{total risk factor value of } 1.0 + 1)$$

= \$3,900

= \$6,000

= 2.0

$$= (\$3,900 + \$6,000) \times 2.0$$

= **\$19,800**



Risk Rated Premium Component: Up-front Example

$$\left[\left(\begin{array}{c} 350 \text{ up-front} \\ \text{students for 2023} \\ \times \\ \$2 \end{array} \right) + \left(\begin{array}{c} \$400,000 \text{ payments} \\ \text{received in 2023} \\ \times \\ 0.04\% \end{array} \right) \right] \times (\text{total risk factor value of } 6.4 + 1)$$

= \$700

= \$160

= 7.4

$$= (\$700 + \$160) \times 7.4$$

= **\$6,364**



Special tuition protection component

Helps to build the balance of the Funds when below their target range

Facilitates repayment of seed funding

Proposed percentage for 2024 levies: 0.10%



2024 Domestic Levies Timeline and Takeaways



2024 Domestic Tuition Protection Levies Timeline

Feb-March 2024

Mid-Late February

- **Up-front** levy invoices issued

24 March

- **Up-front** levy payments due

8 March

- Draft advice on 2024 levy settings confirmed at TPS Advisory Board meeting

Mid-March

- Draft advice letters published on TPS website
- Online consultation session for all providers

March-June 2024

March-May

- Consultation sessions in Perth, Adelaide, Sydney, Brisbane and Melbourne
- Meetings with stakeholders

Late May

- Online feedback session for all providers

12 June

- TPS Advisory Board considers sector feedback
- Final advice on 2024 levy settings confirmed at TPS Advisory Board meeting

June-July 2024

Mid-Late June

- Final advice letters published on TPS website
- Legislative Instruments prepared

Early July

- Legislative instruments prepared

July-August 2024

Late July-Early Aug

- Legislative instruments made by 1 August and published online
- TEQSA annual information collection – **HELP providers' students numbers data verified (TCSI)**

Mid-Late August

- Providers emailed with levy settings
- **Request for Information (RFI) sent to up-front providers**
- Early advice notices sent

Sept-Nov 2024

September

- Return of RFI forms and results compiled
- Levy estimate notice with link to estimator tool sent to **VSL** and **HELP** providers

October

- **VSL** and **HELP** levy invoices issued

November

- **VSL** and **HELP** levy payments due
- TEQSA annual information collection – **student numbers data submission by up-front providers due**

Dec 24 - Jan 25

Late Dec-Early Jan

- TEQSA annual information collection – **up-front providers' student numbers data verified (TCSI)**

Mid-Late Jan

- Levy estimate notice with link to estimator tool sent to **up-front** providers

Late Jan-Early Feb

- TEQSA annual information collection – **student numbers data submission by HELP providers due**



Takeaways

Two proposed changes for the 2024 levy settings:

1. VSL Levy risk rated premium component specified percentage reduced from 0.17% to 0.13%
2. Net profit ratio removed from the Financial Strength risk factor calculation

VSL and HELP levies collected October/November

Up-front levy collected February/March the following year



Key messages

Ensure **contact information in HITS** and **enrolment data in TCSI** are **up to date**

Check account details before making a payment

Pay the full and correct amount on time to avoid receiving a late payment penalty for the following three years

Ensure all financial statements:

- are signed by an auditor
- contain financial information from previous year (2023)
- display the **ABN of the entity** the TPS is levying

Do not use Parent company's financial statements



Feedback

Any questions?

How have you found the levy collection process?

- What works well for you?
- What would you like to see done differently?





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