

13 February 2025

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

Dear Ms Hatton

Re: 2025 VSL Tuition Protection Levy Draft Advice

I am writing to you in accordance with section 66R of the *VET Student Loans Act 2016* to provide draft advice and make recommendations to you in relation to you making the legislative instrument for the Risk Rated Premium and Special Tuition Protection components of the VET Student Loans (VSL) Tuition Protection Levy (the Levy) for 2025.

In formulating its advice, the VSL Tuition Protection Fund Advisory Board (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 TPS 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.

The Board agrees with the AGA's recommendation to make no changes to the financial strength and non-compliance and registration renewal risk factors.

The AGA considered three aspects of the completion rate risk factor given industry feedback. These were:

1. removing the number of ongoing students from the denominator of the completion rate calculation;
2. removing the number of withdrawn students from the denominator of the completion rate calculation; and
3. reducing the thresholds for which the completion rate loadings apply.

Although the AGA tested the removal of the ongoing students from the denominator of the completion rate calculation, it was agreed by both the AGA and the Board that a provider with a high number of ongoing students poses a greater cost to the Fund in the event of a provider default and, therefore, this change was rejected. The AGA also tested the removal of the withdrawn students from the denominator of the completion rate risk factor. The Board agreed with the AGA that, as withdrawn students no longer qualify for TPS assistance, it is reasonable to remove the withdrawn students from the completion rate calculation. The Board has recommended removing the number of withdrawn students from the denominator of the completion rate calculation.

The AGA considered lowering the thresholds for which the completion rate loadings apply, however, it was noted this would result in a material reduction in the revenue collected. The Board discussed this proposal in the context of the current operating environment, and sustainability of the Fund. The Board agreed to maintain the thresholds as they currently stand for 2025 and to consider this again in 2026.

The Board is satisfied with the correlation of the risk 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 subsection 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 0.13% – subsection 13(1)(b) of the VSL Levy Act;
- the specified per student amount for the Risk Rated Premium component of the Levy be \$6.00 – subsection 13(1)(a) of the VSL Levy Act; and
- the specified percentage rate for the Special Tuition Protection component of the Levy be 0.10% – subsection 13(1)(d) of the VSL Levy Act.

Yours sincerely

Sharon Robertson
Chair
VSL Tuition Protection Fund Advisory Board

Risk factors and values for the Risk Rated Premium component of the 2025 VSL Tuition Protection Levy

Risk factor	Category	2024 values	Proposed 2025 settings
Financial strength ¹	8 or 9	0.0	0.0
	6 or 7.5	1.0	1.0
	3 or 4.5	2.0	2.0
	Provider did not submit data	2.5	2.5
Completion rate ²	85% or higher	0.0	0.0
	60% to <85%	1.0	1.0
	35% to <60%	2.5	2.5
	0% to <35%	3.5	3.5
Non-compliance history ³ and registration renewal	A weighted late payment measure of 30 days or more	2.0	2.0
	A weighted late payment measure of 15 days or more, but less than 30 days	0.9	0.9
	A weighted late payment measure of 1 day or more, but less than 15 days	0.7	0.7
	No weighted late payment measure exists (payment received on time)	0.0	0.0
	Plus⁴		
	For registration periods less than the maximum allowable due to risk management	1.0	1.0
	For registration periods equal to the maximum allowable ⁵	0.0	0.0

¹ The risk factor value for the financial strength risk factor for a leviable provider is as follows:

- (a) if the provider did not submit its financial statement, the risk factor is 2.5,
- (b) if the provider was not required to submit a financial statement, the risk factor is 0.0,
- (c) if the provider submitted its financial statement, the financial strength score is the sum of the return on assets score and the debt to equity score for the risk factor as set out in the table.

² The risk factor value for the completion rate risk factor for a leviable provider is as follows:

- (a) if the provider did not report any units of study for the calendar year beginning on 1 January 2024 (previous calendar year) in its statement of general information, the risk factor is 0.0,
- (b) otherwise—the risk factor value is set out in the table.

³ A provider's weighted late payment measure calculation considers how many days past the due date the TPS received payment from the provider for the TPS Levy payments and VSL provider charges over the past three years.

⁴ applied under:

- (a) section 16 of the *National Vocational Education and Training Regulator Act 2011* to renew the leviable provider's registration and, for risk management purposes, the period of registration set out in the most recent notice given to that provider under section 18 of the Act is less than the maximum period specified in subsection 17(5); or
- (b) section 4.3.15 of the *Education Training and Reform Act 2006* (Vic) to renew the leviable provider's registration and, for risk management purposes, the most recent period of registration granted by the Authority under that Act in respect of that provider is less than the maximum term specified in section 4.3.18 of that Act; or
- (c) regulation 16 of the *Vocational Education and Training (General) Regulations 2009* (WA) to renew the leviable provider's registration and, for risk management purposes, the period of registration set out in the most recent registration document given under regulation 12(7) of those Regulations is less than the maximum period specified in regulation 14.