

2025 VSL, HELP and Up-front Payments Tuition Protection Levies

Sector Consultation on Draft Levy Settings

Mar-Apr 2025

Melinda Hatton
TPS Director



Outline

Tuition Protection Service (TPS)

Levy setting process, guiding principles and legislation

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2025 levy timeline and takeaways

Tuition Protection Service (TPS)

TPS Director, team and Advisory Board



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 tuition fee 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



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 Karen Sandercock**, Australian Government Department of Education
4. **Ms Jane Hayden** (a/g), Australian Government Department of Employment and Workplace Relations
5. **Mr Guy Thorburn**, Australian Government Actuary
6. **Ms Gloria Yu**, Australian Prudential Regulation Authority
7. **Ms Rebecca Mok**, Australian Government Department of Finance
8. **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

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

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

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



Domestic Tuition Protection Levy Setting Process

5 Feb 2025

TPS Advisory Board provided draft advice to the TPS Director on the 2025 domestic levy settings

Mar-Apr 2025

TPS Director consults the sector on the draft Levy settings

21 May 2025

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

By 1 August 2025

2025 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 overall risk environment
- Advice from the Australian Government Actuary (AGA)
- Views of the sector regulators, industry peak bodies and providers
- 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



Tuition Protection Levy Framework

Developed by the Australian Government Actuary (AGA)

Annual domestic levy settings are set through two legislative instruments each:

1. one for the administrative fee component (made by the relevant Minister)
2. one for the risk rated premium component and special tuition protection component (made by the TPS Director)

Providers operating across multiple sectors pay separate levies for each sector

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



Legislative Authority

VET Student Loans (VSL Tuition Protection Levy) Act 2020

www.legislation.gov.au/C2020A00005

Higher Education Support (HELP Tuition Protection Levy) Act 2020

www.legislation.gov.au/C2020A00004

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

www.legislation.gov.au/C2020A00102



2024 Levy Collection Snapshot



VSL and Higher Education Tuition Protection Funds

Two tuition protection Funds for domestic schemes:

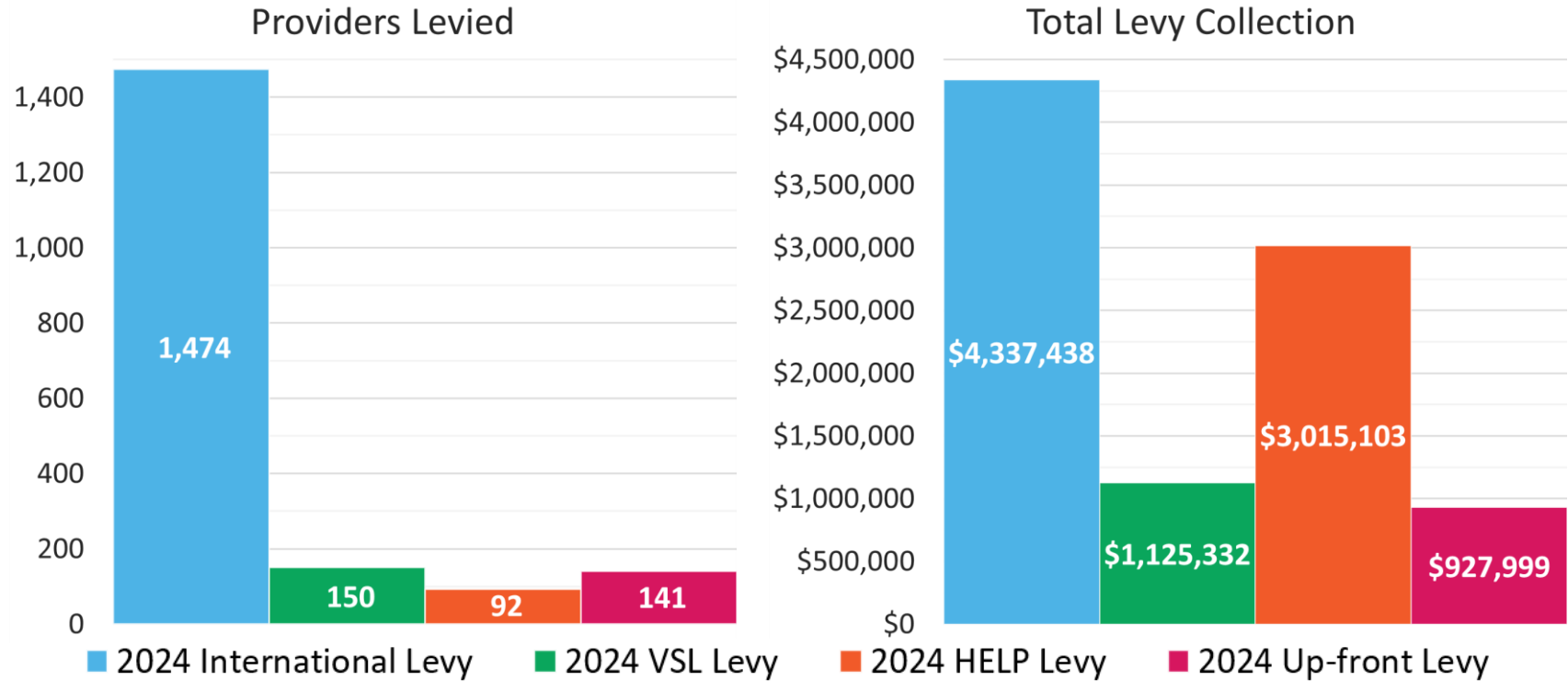
- VSL Tuition Protection Fund
- Higher Education Tuition Protection Fund

AGA recommends target range for Funds 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	\$12.27 million (as at 31 Dec 2024)	\$7.73 million (as at 31 Dec 2024)
Higher Education Fund	\$21-25 million	\$18.03 million (as at 31 Dec 2024)	\$8.62 million (as at 31 Dec 2024)



2024 Levy Collection Overview



2024 Domestic Levies: Late Payments

Invoices issued: 12 November 2024

Levy payments due: 12 December 2024

	VSL Levy	HELP Levy	Up-front Levy
Providers invoiced	150	92	141
Levies <u>not</u> paid by due date	22	12	24
Payments still not received (as at 28 Feb 2025)	11	0	0



Late or Non-Payment of Domestic Levies

The TPS is obligated to give providers notice of their levy amounts. The due date to pay the VSL Levy must be at least 14 days after the notice is given. The due date to pay the HELP Levy and Up-front Levy must be at least 30 days after the notice is given.

Providers that pay their levies after the due date will receive a **late payment penalty for the next three years' levy risk rating calculation.**

Levy invoices are sent to contacts identified in HITS with the contact type 'CEO/VC' and are copied to those listed as 'CFO', 'Senior Authorised Officer' and 'Primary Contact – HE/VET'. **Keep your contact information in HITS up to date.**



Domestic Levy Components and Draft 2025 Settings



Domestic Tuition Protection Levy Components

Component	Key elements	Purpose and authority
Administrative fee	Sum of a 'per provider' and 'per student' charge	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	Intended to reflect risk of provider default Set by TPS Director with Board advice
Special tuition protection	Percentage multiplied by total loan amounts or up-front payments received	Builds Fund balances when below target range and facilitates repayment of seed funding Set by TPS Director with Board advice



Draft 2025 Domestic Tuition Protection Levy Settings

Component	VSL Levy	HELP Levy	Up-front Levy
Administrative fee	\$125 per provider + \$10.55 per VSL student	\$125 per provider + \$10.55 per HELP student	\$125 per provider + \$10.55 per up-front student
Risk rated premium	\$6 per VSL student + 0.13% x total 2024 loan amounts	\$6 per HELP student + 0.06% x total 2024 loan amounts	\$2 per up-front fee-paying student + 0.04% x total 2024 up-front payments
Special tuition protection	0.10% x total 2024 VSL loan amounts	0.10% x total 2024 HELP loan amounts	0.10% x total 2024 up-front payments

*Administrative fee figures quoted were applied for the 2024 levies and may be indexed to CPI for 2025

Note: 2025 levies will be calculated using student enrolment numbers and revenue for the 2024 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
Calculations use providers' most recent financial data

Risk Factor 2 Unit Completion Rate

Based on the unit completion rate of students
Note: One change to the 2025 completion rate calculation

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 years but was first removed from the 2024 levy calculations in response to concerns raised by some not-for-profit providers at the 2024 consultation sessions





Financial Strength

Proposed 2025 risk factor values unchanged from 2024 (and since 2022)

Financial strength score	Risk factor value (2022-24)	Proposed risk factor value (2025)
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





Completion Rate: Change to calculation

Consultation feedback in 2024 included concerns raised by some providers about the use of 'withdrawn EFTSL' and 'ongoing EFTSL' in the unit completion rate calculation

In response to this feedback, the AGA tested alternative calculation methods

AGA recommendations supported by the TPS Advisory Board for 2025:

- **Remove 'withdrawn EFTSL'** from the calculation, as withdrawn students no longer qualify for TPS assistance following a closure
- **Maintain 'ongoing EFTSL'** in the calculation. In the event of a closure, providers with a higher number of ongoing students pose a greater cost to the levy funds as it is students with incomplete units that are eligible for TPS assistance





Completion Rate

Low student unit completion rates are correlated with an increased likelihood of closure

Unit completion rate percentage calculation:

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

EFTSL: Equivalent full-time student load for a year

‘Withdrawn EFTSL’ was included in the calculation denominator in previous years, but is recommended for removal in accordance with AGA and Board advice for 2025





Completion Rate

Proposed 2025 risk factor values unchanged from 2024 (and since 2023)

Completion rate percentage	Risk factor value (2020)	Risk factor value (2022)	Risk factor value (2023-24)	Proposed risk factor value (2025)
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. 2022-2024)

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 2025 risk factor values unchanged from 2024 (and since 2022)

Non-compliance history and registration renewal	Risk factor value (2022-24)	Proposed risk factor value (2025)
Weighted late payment measure of 30 days or more	2.0	2.0
Weighted late payment measure of 15 to >30 days	0.9	0.9
Weighted late payment measure of 1 to >15 days	0.7	0.7
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:

$$\left[\left(\frac{\text{total students for 2024}}{\text{specified amount}} \right) + \left(\frac{\text{total tuition fee income received in 2024}}{\text{specified percentage}} \right) \right] \times (\text{sum of risk factor values} + 1)$$

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

$$\left[\left(\begin{array}{c} 75 \text{ VSL students} \\ \text{for 2024} \\ \times \\ \$6 \end{array} \right) + \left(\begin{array}{c} \$250,000 \text{ VSL Loans} \\ \text{received in 2024} \\ \times \\ 0.13\% \end{array} \right) \right] \times (\text{total risk factor value of } 4.7 + 1)$$

= \$450

= \$325

= 5.7

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

= \$4,417.50



Risk Rated Premium Component: HELP Example

$$\left[\left(\begin{array}{c} 650 \text{ HELP students} \\ \text{for 2024} \\ \times \\ \$6 \end{array} \right) + \left(\begin{array}{c} \$10\text{m HELP Loans} \\ \text{received in 2024} \\ \times \\ 0.06\% \end{array} \right) \right] \times (\text{total risk factor value of } 1.0 + 1)$$

= \$3,900

= \$6,000

= 2.0

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

= **\$19,800**



Risk Rated Premium Component: Up-front Example

$$\left[\left(\begin{array}{c} 350 \text{ up-front} \\ \text{students for 2024} \\ \times \\ \$2 \end{array} \right) + \left(\begin{array}{c} \$400,000 \text{ payments} \\ \text{received in 2024} \\ \times \\ 0.04\% \end{array} \right) \right] \times (\text{total risk factor value of } 6.4 + 1)$$

= **\$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 2025 levies: 0.10%



2025 Domestic Levies Timeline and Takeaways



2025 Domestic Tuition Protection Levies Timeline

Feb 25

5 February

- Draft advice on 2025 Levy settings confirmed at TPS Advisory Board meeting

Mid-February

- Draft advice letters published on TPS website

Mar-Apr 25

March

- Online consultation session for all providers
- Consultation sessions in Sydney, Melbourne and Brisbane
- Meetings with stakeholders

April

- Online feedback session for all providers

May-Jul 25

21 May

- TPS Advisory Board considers sector feedback
- Final advice on 2025 Levy settings confirmed at TPS Advisory Board meeting

June-July

- Legislative Instruments prepared

Aug 25

1 August

- Legislative Instruments must be made by 1 August and published online

Oct-Dec 25

October

- Request for Information (RFI) sent to up-front providers
- Early advice notices sent
- Return of RFI forms and results compiled

November

- Domestic levy invoices issued

December

- Domestic levy payments due



Takeaways

One proposed change for the 2025 levy settings: Withdrawn students to be removed from the Unit Completion Rate risk factor calculation

Seed funding repayments for VSL Fund to commence in the 2024-25 financial year subject to balance of the Fund

2025 domestic levies collected November/December 2025



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 (2024)
- display the **ABN of the entity** the TPS is levying

Do not use Parent company's financial statements





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