



Australian Government

Tuition Protection Service Advisory Board

1 June 2022

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

Dear Ms Hatton

Re: 2022 VSL Tuition Protection Levy Advice

I am writing to you in accordance with section 66R of the *VET Student Loans Act 2016* to provide 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 VSL Tuition Protection Levy for 2022.

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 (VTPF).

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.

In formulating its advice for 2022, the Board has again considered the historical and current experiences of the domestic education sector for VSL providers. The Board is cognisant of the impact of the COVID-19 pandemic and its associated restrictions on the sector.

The Board notes that the Minister for Employment, Workforce, Skills, Small and Family Business waived the VSL Tuition Protection Levy for 2021.

The report from the AGA is a key document on which the Board has relied while preparing its advice. The AGA's report to the Board for the 2022 VSL Levy, provided in February 2022, recommended maintaining the levy settings adopted in 2021.

The Board has developed proposed risk factors in consultation with the AGA. The Board agrees with the AGA's recommendation of retaining the risk factors of:

- financial strength;
- completion rate; and
- compliance history.

The Board is satisfied with the correlation of those factors with the risk of provider failure and, therefore, a call on the Fund. The Board accepts the AGA's recommended weightings for the risk factors, which are outlined at the end of this letter for the purposes of section 13(1)(c) of the VSL Levy Act.

The Risk Rated Premium component formula also includes a per student charge and a percentage rate multiplier of the loan amounts paid to the provider.

The AGA recommends that the discretionary surcharge (Special Tuition Protection component) continue to be applied in 2022 and advised that, in the absence of any claims for a second year, the rate could be decreased to 0.10%. The Board accepts these recommendations.

The AGA has recommended that, following industry growth, the VTPF target fund size be increased to a range of \$6.75 to \$9.5 million. The Board accepts this recommendation.

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;
- the specified percentage rate for the Special Tuition Protection component of the levy be 0.10% – section 13(1)(d), VSL Levy Act; and

- that the target fund amount for the VSL Fund be increased to a range of \$6.75 to \$9.5 million.

Yours sincerely

Helen Zimmerman
Chair
VSL Tuition Protection Fund Advisory Board

**Risk Factors and Weightings for the Risk Rated Premium Component
for the VSL Tuition Protection Levy in 2021**

Risk Factor	Category	Risk Factor Weight
Financial Strength score of:	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%	0.0
	35% to <60%	1.7
	0% to <35%	2.7
Non-compliance history	A weighted late payment measure of 30 days or more and/or the provider has been sanctioned under the relevant (specified) section of the relevant Act.	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 For RTO registration periods* less than the maximum allowable	1.0
	For RTO registration periods* equal to the maximum allowable	0.0

* Where RTO registration period is the length of a provider's current registration period rounded to the nearest whole number of years.