



# Tuition Protection Service Advisory Board

1 June 2022

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

Dear Ms Hatton

## **Re: 2022 Up-Front Payments Tuition Protection Levy Advice**

I am writing to you in accordance with subsection 167-35(1)(b) of the *Higher Education Support Act 2003* to provide advice and make recommendations to you in relation to your making the legislative instrument for the risk rated premium and special tuition protection components of the Up-front Payments Tuition Protection Levy for 2022.

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

In formulating its advice for 2022, the Board has considered the domestic education sector for Up-front providers and considered the history of previous tuition assurance arrangements.

The Board notes that the Acting Minister for Education and Youth waived the domestic TPS levies for 2021 and, therefore, 2022 is expected to be the inaugural collection of the Up-front Payments Tuition Protection Levy.

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 Up-front Payments Levy, provided in February 2022, recommended readopting all the settings determined for 2021. This includes applying the Special Tuition Protection component at the reduced rate of 0.10 per cent.

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 Funds. 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 Levy Act.

The Board has considered the levy parameters for the Up-Front Payments Tuition Protection Levy on the basis that the majority of higher education providers are both HESA-approved HELP providers, as well as TEQSA-registered higher education providers, and share similar characteristics.

The Board agrees that the risk factors for the HELP Levy are appropriate and equally applicable to Up-front Payments providers and, therefore, agrees that they apply for the Up-front Payments Tuition Protection Levy.

The Risk Rated Premium component formula includes a per student charge and a percentage rate multiple of the loan amounts paid to the provider. The Board accepts the AGA's recommendation that these be set lower than for the HELP levy, given the different nature of many Up-front Payments providers and that it will be the inaugural year of the Up-front Payments levy.

Accordingly, the Board recommends that:

- the specified percentage rate for the Risk Rated Premium component of the levy be 0.04% – section 13(1)(b), the Levy Act;
- the specified per student amount for the Risk Rated Premium component of the levy be \$2.00 – section 13(1)(a), the Levy Act; and

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

Yours sincerely

Helen Zimmerman  
Chair  
Higher Education Tuition Protection Fund Advisory Board

**Risk Factors and Weightings for the Risk Rated Premium Component  
for the *Up-front Payments Tuition Protection Levy* in 2021**

<b>Risk Factor</b>	<b>Category</b>	<b>Risk Factor Weight</b>
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
	<b>Plus</b> For Higher Education registration periods* less than the maximum allowable	1.0
	For Higher Education registration periods* equal to the maximum allowable	0.0

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