



2022 Domestic tuition protection levies

Principles, risk factors and examples fact sheet

Levy principles

The Tuition Protection Service (TPS) Advisory Board has agreed to the following principles when providing advice to the TPS Director on levy settings, specifically the risk rated premium component:

1. Advice 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 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; and
5. Additional imposts on industry, such as data collection, should be minimised where possible, consistent with the ability to set sound risk-based levies.

Legislative authority for the domestic tuition protection levies

VET Student Loans (VSL Tuition Protection Levy) Act 2020, referred to as the **VSL levy**

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

Higher Education Support (HELP Tuition Protection Levy) Act 2020, referred to as the **HELP levy**

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

Higher Education (Up-front Payments Tuition Protection Levy) ACT 2020, referred to as the **up-front levy**

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

2022 Domestic tuition protection levy settings

The administration fees and base risk rating are set by the relevant Minister and the risk rated premium and the special tuition components are set by the TPS Director with the advice of the TPS Advisory Board for each of the three domestic tuition protection levies.

Levy	Admin fee per provider	Admin fee per student	Base risk rate	% Risk rate	Special tuition protection component
VSL	\$111	\$9.33	\$6.00	0.17%	0.10%
HELP	\$111	\$9.33	\$6.00	0.06%	0.10%
Up-front	\$111	\$9.33	\$2.00	0.04%	0.10%

Note: In 2021 Admin per provider was \$108 and per student \$9.06.

Provider risk rating: risk rated premium component and risk factors

A key aspect of the risk rated premium component (RRP) component is the **risk factors**. The formula for the risk rated premium component differs slightly across the levies, but they all include a total **risk factor value** which is based on an individual provider's risk score against the risk factors, determined by the TPS Director.

Domestic RRP formula

$$= \left\{ \left(\begin{array}{c} \text{total students} \\ \text{for the year} \\ \times \\ \text{amount determined} \\ \text{by the Director} \end{array} \right) + \left(\begin{array}{c} \text{total loan amounts /} \\ \text{up-front payments} \\ \text{for} \\ \text{previous year} \\ \times \\ \text{percentage determined} \\ \text{by the Director} \end{array} \right) \right\} \times \{(\text{sum of risk factor values}) + 1\}$$

The risk rated premium component is intended to cover the risk of each provider defaulting, that is where the provider fails to start, or ceases to provide, a unit of study for a student.

The special tuition protection component is intended to build the value of the funds when they are below their target size and help meet seed capital repayments. It is calculated as a percentage of a provider's income (loans or up-front fees).

Financial strength risk factor

Risk Factor	Category	Risk Factor Weight
Financial Strength score of:	8 or 9 (Above Average)	0.0
	6 or 7 (Average)	1.0
	1 to 5 (Below Average)	2.0
	Provider did not submit financial statements	2.5

A provider's financial strength score is the sum of the net profit ratio, return on assets, and debt to equity scores

Ratio	Formula	Below Average	Average	Above Average
Net profit ratio	$\left[\frac{\text{NPBT}}{\text{Total revenue}} \right]$	less than or equal to 0.1	greater than 0.1 but less than or equal to 0.2	greater than 0.2
Return on assets	$\left[\frac{\text{NPBT}}{\text{Total assets}} \right]$	less than or equal to 0.0	greater than 0.0 but less than or equal to 0.1	greater than 0.1
Debt to equity	$\left[\frac{\text{Total liabilities}}{\text{Total equity}} \right]$	greater than or equal to 2.5; or if total equity is less than or equal to 0.0	less than 2.5 but greater than or equal to 1.5	less than 1.5 but greater than or equal to 0.0
Score		1	2	3

Completion rate risk factor

Draft Risk Factor	Category	Risk Factor Weight
Completion rate	85% or higher	0.0
	60% to <85%	0.0
	35% to <60%	1.7
	0% to <35%	2.7

Completion rate percentage formula:

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

Non-compliance history and registration renewal risk factor

Risk Factor	Category	Risk Factor Weight
Non-compliance history and registration renewal	A weighted late payment measure of:	
	30 days or more	2.0
	15 days or more but less than 30 days	0.9
	1 day or more but less than 15 days	0.7
	1 day (payment made on time)	0.0
	Plus	
	For Higher Education registration periods:	
	less than the maximum allowable	1.0
	equal to the maximum allowable	0.0
	Plus	
	For RTO registration periods:	
	less than the maximum allowable	1.0
equal to the maximum allowable	0.0	

Education and training provider examples

VSL provider example

Components	Average sized VSL provider with 75 students, with a total loan amount value of \$250,000
Administration component	$\$111 + (75 \times \$9.33) = \mathbf{\$810.75}$
Risk component	<p>Step 1: $75 \times \\$6 = \\450</p> <p>Step 2: $\\$250,000k \times 0.17\% = \\425</p> <p>Step 3: $\\$450 + \\$425 = \\$875$</p> <p>Step 4: Financial strength: $6 = 1$</p> <p>Completion rate: $50\% = 1.7$</p> <p>Non-compliance & registration renewal: 0.9</p> <p>Step 5: $(1 + 1.7 + 0.9) + 1 = 4.6$</p> <p>Step 6: $\\$875 \times 4.6 = \mathbf{\\$4,025}$</p>
Special component	$\$250,000k \times 0.10\% = \mathbf{\$250}$
Total TPS levy	$\$810.75 + \$4,025 + \$250 = \mathbf{\$5,085.75}$

HELP provider example

Components	Average sized HELP provider with 650 students, with a total loan amount value of \$10m
Administration component	$\$111 + (650 \times \$9.33) = \$6,175.50$
Risk component	<p>Step 1: $650 \times \\$6 = \\$3,900$</p> <p>Step 2: $\\$10m \times 0.06\% = \\$6,000$</p> <p>Step 3: $\\$3,900 + \\$6,000 = \\$9,900$</p> <p>Step 4: Financial strength: $6 = 1$</p> <p>Completion rate: $50\% = 1.7$</p> <p>Non-compliance & registration renewal: 0</p> <p>Step 5: $(1 + 1.7 + 0) + 1 = 3.7$</p> <p>Step 6: $\\$9,900 \times 1.7 = \\$16,830$</p>
Special component	$\$10m \times 0.10\% = \$10,000$
Total TPS levy	$\$6,175.50 + \$16,830 + \$10,000 = \$33,005.50$

Up-front provider example

Components *Average sized Up Front provider with 350 students, with total upfront payments received of \$400,000*

Administration component	$\$111 + (350 \times \$9.33) = \mathbf{\$3,376.50}$
Risk component	<p>Step 1: $350 \times \\$2 = \\700</p> <p>Step 2: $\\$400,000 \times 0.04\% = \\160</p> <p>Step 3: $\\$700 + \\$160 = \\$860$</p> <p>Step 4: Financial strength: $6 - 1$ Completion rate: $50\% - 1.7$ Non-compliance & registration renewal: 0</p> <p>Step 5: $(1 + 1.7 + 0) + 1 = 3.7$</p> <p>Step 6: $\\$860 \times 3.7 = \mathbf{\\$3,182}$</p>
Special component	$\$400,000m \times 0.10\% = \mathbf{\$400}$
Total TPS levy	$\$3,376.50 + \$3,182 + \$400 = \$6,958.50$