

9 June 2023

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

Dear Ms Hatton

Re: 2023 Up-Front Payments Tuition Protection Levy Final Advice

I am writing to you on behalf of the Higher Education Tuition Protection Fund Advisory Board (the Board) in accordance with subsection 167-35(1)(b) of the *Higher Education Support Act 2003* to provide the Board's final advice in relation to you making the legislative instrument for the Risk Rated Premium and Special Tuition Protection components of the Up-front Payments Tuition Protection Levy for 2023.

In formulating its advice, 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 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 Tuition Protection Service/Higher Education Tuition Protection 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 of retaining the risk factors of:

- financial strength;
- completion rate; and
- non-compliance history and registration renewal.

The Board is satisfied with the correlation of those 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 section 13(1)(c) of the *Higher Education (Up-front Payments Tuition Protection Levy) Act 2020* (Up-front Payments Levy Act).

The Board has considered the levy parameters for the Up-Front Payments Levy on the basis that the majority of higher education providers are approved under the *Higher Education Support Act 2003* and are Higher Education Loans Program (HELP) providers, as well as TEQSA-registered 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 Levy.

The Risk-rated Premium component formula includes a per student charge and a percentage rate multiple of the per \$1 revenue received by 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.

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 Up-front Payments Levy Act;
- the specified per student amount for the Risk-rated Premium component of the Levy be \$2.00 – section 13(1)(a), the Up-front Payments Levy Act; and
- the specified percentage rate for the Special Tuition Protection component of the Levy be 0.10% – section 13(1)(d), the Up-front Payments Levy Act.

Yours sincerely

Helen Zimmerman
Chair
Higher Education Tuition Protection Fund Advisory Board

**Risk factors and values for the Risk-rated Premium component
of the Up-front Payments Tuition Protection Levy in 2023**

Risk Factor	Category	Risk Factor Value
Financial Strength	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%	1.0
	35% to <60%	2.5
	0% to <35%	3.5
Non-compliance history and registration renewal	A weighted late payment measure of 30 days or more	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	
	Regulator-renewed registration for a shorter than maximum period due to risk management	1.0
	Regulator-renewed registration equal to the maximum allowable	0.0