Australian Government
Australian Government Actuary

Telephone: 02 6263 2137
E-mail: aga@aga.gov.au

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s 22(1)

HELP Policy
Higher Education Division
Australian Government Department of Education
PO Box 9880
CANBERRA   ACT   2601

Dear s 22(1)

ESTIMATED HELP RECEIVABLES FOR 2024-25 FINANCIAL STATEMENT

I am writing to notify the Department of Education (Education) of the completion by AGA of work relating to the roll-forward of the 2024 HELP model results to estimate the receivables that can be recorded on Education's financial statements for 2024-25.

We undertake an annual update of the HELP model. The details of the latest model are described in the most current HELP Model Results Report and the HELP Model Methodology Paper. In this letter, I have only presented the estimated receivables for financial statement purposes.

This letter describes the roll-forward approach for calculating the receivables for HELP and the relevant reconciliation and sensitivity checks. Numerous tables are included for the HELP results to show the key drivers of the receivables as well as to demonstrate reconciliation between ATO certificates, last year's model results and this year's model results as at 30 June 2024 and 30 June 2025. The tables were also used to sense check the results.

In this advice, we have only incorporated legislated measures as at 30 June 2025. We note that the Government has announced potential legislative changes to reduce the outstanding debt as at 1 June 2025 (before indexation) by 20% and move to a marginal repayment system. They are not considered in this advice.

For the first time, we have prepared a separate advice this year on the VET Student Loans (VSL) and VET FEE-HELP (VFH) receivables for the Department of Employment and Workplace Relations (DEWR). Therefore, the post-19 VSL component has been removed from this advice. The pre-19 VSL and the VFH components, however, are kept in this advice as they are included in total HELP debts.

Summary of Results

Overall, the estimate of the fair value of the HELP receivable is $54,254.741m as at 30 June 2025. These are shown in Table 9: Accounting Disclosures Table . Compared to 30 June 2024, the HELP receivable increased by $2,318.282m. In particular, the non-VET component of the HELP receivable which is more relevant to Education increased by $2,244.401m. Note that we have compared the results to the reissued advice for the 2024 receivable in my letter dated 30 August 2024.

The yields on Commonwealth bonds in June 2025 followed a different shape compared to 12 months prior. The short term yields reduced while the long term yields increased. The equivalent single discount rate decreased from 4.47% per annum to 4.34% per annum. This increased the HELP receivable by $507m. The yield curve impact is shown in Table 7 and Table 9.

However, when the yield curve impact is factored out, the HELP receivable on a 5% discount rate basis increased by around $1,736.1m since last year (i.e. the difference between the closing balance of Table 7 and the opening balance of Table 3). The figures calculated on the long term constant discount rate basis provide a better guide to understanding the effect of changes in underlying repayment characteristics of HELP debts and the impacts of changes in the modelling approach.

On the other hand, the updated receivable estimate as at 30 June 2024 before rolling up to 30 June 2025 decreased since last year. While model enhancements and typical data changes this year increased the receivable, they were more than offset by the retrospective indexation credits from the policy change known as "WPI/CPI" (discussed below) and lower wage growth assumptions. These drivers are shown in Table 3 and Table 4. The details of the model changes are described in the 2024 HELP Model Results Report.

There was a significant policy change this year. Known as "WPI/CPI", it caps debt indexation at the lower of either the CPI or the WPI to ensure indexation never rises faster than wages in the future. After the legislation was passed by Parliament in late 2024, retrospective indexation credits for 1 June 2023 and 1 June 2024 were processed by the ATO in December 2024, with only a small amount of residual credits processed in January 2025. Since the ATO data provided to us was extracted in early January, it included almost all these transactions. Our model then attributes the indexation credits to their effective dates of 1 June 2023 and 1 June 2024. The roll-forward process this year, which would have normally relied on the transactions occurred during 2024-25 as shown in the ATO certificates, was adjusted to avoid double counting of these WPI/CPI credits.

The debt not expected to be repaid (DNER) for HELP debts as at 30 June 2025 decreased by $1,098m since last year. This was largely due to the model changes which decreased DNER by $2,888m as shown in Table 4, partially offset by indexation and new debts during the year as shown in Table 6. More information on DNER results is provided in the 2024 HELP Model Results Report.

The rate of DNER as a percentage of new debt at 30 June 2025 is estimated as 11.94% for HELP debts, a decrease of 1.04% on last year. This was mainly driven by methodology enhancements (primarily for changes to the income projection module). As always, we caution the reliance on DNER measures for any purpose other than calculating the value of the receivable. The HELP debt deferral adjustment on the 2024 yield curve basis as a percentage of new debt is 13.89%, compared to 13.90% last year. These are shown in Table 12, followed by further discussions.

Although the final accounting disclosure table (Table 9) shows the VET split of the HELP result, more details of the basis of the VET split will be provided in a separate advice.

Similar to last year, we have also included the results of four sensitivity tests in this advice. The results are shown in Table 13 (Attachment Two).

Throughout this letter, totals may not add exactly due to rounding. Note also that while some figures are quoted to the nearest $1,000, this level of accuracy is not warranted given the uncertainties involved in the modelling process.

Background

For financial reporting purposes, Education is required to record the HELP receivable at fair value. That is, taking account of DNER due to the income contingent nature of the program and the deferral adjustment, which is the result of indexing outstanding debt in line with movements in the lower of WPI/CPI rather than the valuation discount rate.

In order to reach an estimate of the fair value, a projection of future repayments against the debt which is estimated to be outstanding as at 30 June 2025 (i.e. the balance date) is performed. Note that because of delays in data transfer between educational institutions, Education and the ATO, primarily in relation to Semester 1 debt for 2025, the outstanding debt at the balance date will not be known with certainty. Similar to previous years, we relied on Education's data for this component. Education estimated around 4% of debts incurred but not yet reported by 30 June 2025 relate to pre- 1 July 2024 academic years. We note that the magnitude of the delay appears similar to last year and that last year's estimate was consistent with the latest ATO data.

The AGA HELP model generates simulated incomes at the individual level over a 45 year period for all those with an outstanding debt one year prior to the balance date. These incomes can then be used to calculate future repayments against the debt outstanding one year prior to the balance date (i.e. 30 June 2024 for the current report). The estimated future repayments are shown in our 2024 HELP Model Results Report.

Furthermore, the incorporation of field of education in the income projection modelling this year has implicitly allowed for the impact of Job-ready Graduates Package (JRG), and therefore we have not

adjusted the new debt repayments generated from the model. Further details on this matter will be discussed in a separate letter on new debt run-off to be provided in September this year.

Principles for the estimation of the receivable

Several principles regarding the estimation of the receivable have been adopted over time dealing with the timing of accounting for repayments, treatment of policy changes and the appropriate discounting basis. These are discussed in turn below.

Accounting for repayments

The AGA model is based on ATO transaction data. This data accounts for compulsory repayments at the time they are credited against outstanding debt following the lodgement of a tax return, and we do the same in our model. In practice, employers are required to deduct PAYG contributions for the salaries of employees with a HELP debt. These amounts are known as PAYG receipts and are effectively an estimate of what are expected to become the actual compulsory payments credited against the outstanding debt in the following year. According to the relevant accounting standard as advised by the ANAO, in order to be consistent with the methodology which the ATO uses to report on receipts, PAYG receipts over the year immediately preceding the balance date (i.e. 2024-25) should be treated as past payments.

This methodology effectively brings forward compulsory payments by a year and this in turn has two partially offsetting impacts on the estimated fair value of the receivable. Firstly, the amount due is reduced by the tax receipts which are estimated to have been collected in the year before the reporting date but not yet credited against individual debts (i.e. 2024-25 income year). Secondly, the remaining projected compulsory payments are considered to be one year closer to payment and hence discounted by one year less. This second impact has the effect of increasing the value of the receivable. The net effect is a decrease in the value of the receivable. This is shown in Table 2.

Note that this method does not consider potential compulsory repayments from future lodgement of tax returns related to financial years prior to the year before the reporting date (i.e. 2024-25). There is insufficient data to reliably measure the magnitude of these extra repayments, and they should be relatively immaterial. Under the Accounting basis described above, these PAYGs would be treated as past payments.

Treatment of policy changes and current legislation

In this advice, we have only incorporated legislated measures as at 30 June 2025. We note that the Government has announced potential legislative changes to reduce the outstanding debt as at 1 June 2025 (before indexation) by 20% and move to a marginal repayment system. They are not considered in this advice.

This year, the most significant policy change is the aforementioned "WPI/CPI". This reduced historical outstanding balances at 30 June 2023 and 30 June 2024, as well as future debt indexation rates.

HELP repayment thresholds are indexed each year in line with the increase in the CPI over the year to the previous 31 December. As a result, the 2024-25 repayment thresholds were increased by 3.2%, based on the CPI increase over the year to 31 December 2024, resulting in the following revised repayment thresholds for 2025-26:

| HELP repayment thresholds from 2025-26	
Repayment rate	Threshold amount
1.00%	$56,156
2.00%	$64,838
2.50%	$68,727
3.00%	$72,852
3.50%	$77,223
4.00%	$81,856
4.50%	$86,767
5.00%	$91,974
5.50%	$97,492
6.00%	$103,342
6.50%	$109,543
7.00%	$116,116
7.50%	$123,082
8.00%	$130,467
8.50%	$138,295
9.00%	$146,594
9.50%	$155,389
10.00%	$164,712

Discounting

We have used the yield curve derived from Commonwealth securities on issue as at the balance date for discounting future cashflows.

We use a single valuation discount rate for converting future projected repayments into a present or fair value. The single discount rate is intended to simulate the outcome of using a yield curve, while reducing the complexity associated with a yield curve. At the same time, we have also relied on Education's estimates of likely new debt issued up to 30 June 2025.

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The single discount rate adopted last year was 4.469% per annum for HELP. For this year's exercise, we have used the full details of the 30 June 2025 yield curve and represented it for disclosure purposes by reference to an equivalent single discount rate of 4.338% per annum for HELP. The mean term for HELP debt has decreased from 7.31 to 7.20. These are driven by not only yield curve movements but also higher projected short-term repayments for HELP following this year's model update. More details are provided in the 2024 HELP Model Results Report.

Figure 1 compares the 30 June 2025 yield curve with the single discount rate derived of 4.338%, as well as the 30 June 2024 yield curve. The yields on Commonwealth bonds in June 2025 had a different shape to 12 months prior. The short term yields reduced while the long term yields increased. This offsetting partly explains the limited change in the single discount rate since last year.

Figure 1: 30 June 2025 Yield Curve compared to associated single discount rate and 30 June 2024 Yield Curve.
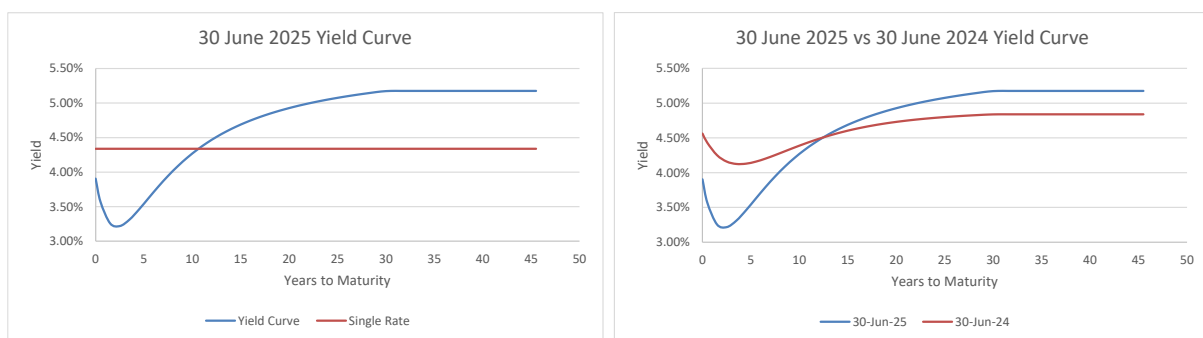
I note that the timing of HELP repayments is very uncertain, perhaps more so than the eventual level of debt that will remain unpaid. The use of a yield curve (including an associated single discount rate) means that the reported impact of any changes in the assumed timing in repayments can be magnified or obscured by changes in the shape of the yield curve.

As a result, considerable care should be taken in interpreting the results calculated using the yield curve (including an associated single discount rate) when attempting to understand the underlying dynamics of the HELP receivable. In my view, the figures calculated on the long term constant discount rate basis provide a better guide to understanding the effect of changes in underlying repayment characteristics of HELP debts and the impacts of changes in the modelling approach.

In providing results under a constant discount rate basis, we have retained the approach adopted last year of a 5% per annum discount rate, which is the rate used for the valuation of a number of long term cashflow items on the Commonwealth balance sheet including superannuation and military compensation liabilities.

Deferral Adjustment

There are three adjustments made to the face value of the HELP debt provided by the ATO in order to calculate a fair value of the receivable under the accounting basis. The first two are the DNER and the adjustment for PAYG receipts as discussed above. The final adjustment is the deferral adjustment. This adjustment allows for the fact that the debt is only indexed in line with the lower of WPI/CPI rather than the various yields associated with the yield curve (represented by a single equivalent interest rate) which is normally higher. Where a payment is made at a future date, the net impact of the indexation of the associated debt and the subsequent discounting of the payment to the present day, gives effect to a deferral adjustment.

Where fair value results are based on long term discount rates, the deferral adjustment reflects the 2.5 percentage point differential between the 5% per annum long term discount rate and the assumed long term indexation rate of 2.5% per annum (noting that there are short term variations). Where the fair value is based on the relevant yield curve and its associated single discount rate (see Figure 1), a smaller difference between the 2.5% per annum indexation rate applies, resulting in a correspondingly reduced deferral adjustment. In some circumstances, such as in 2019, 2020 and also in 2021, where the yield curve and associated single discount rate was below the assumed indexation rate, the deferral adjustment actually increased the value of the receivable in present value terms i.e. an enhancement rather than an impairment. This reversed from 2022 onwards, with the higher yield curve returning the deferral adjustment to a reduction in the receivable.

Throughout this advice, the deferral adjustment is quantified as an additional impairment that is applied against the projected future repayments.

Estimated and Provisional Data

This advice has been provided based on information set out in the final ATO HELP Certificate as at 30 June 2025 provided by Education, along with the estimated new debts incurred for 2024-25 provided by Education that allowed for the delay in reporting after 30 June 2025.

Results of the 2024 HELP Model

The output of the HELP model is a projection of future repayment cashflows which allows the DNER and deferral adjustment to be calculated for HELP debts. These amounts are deducted from the nominal value of debt to give the present value of repayments.

Table 1 shows the derivation of the fair value of the HELP receivable as at 30 June 2024 using the AGA method of accounting for repayments when they are credited against an individual's debt. Note that throughout this letter, totals may not add exactly due to rounding. Note also that while some figures are quoted to the nearest $1,000, this level of accuracy is not warranted given the uncertainties involved in the modelling process.

Table 1: Fair value of the HELP receivable at 30 June 2024

		5% Discount Rate $m	2024 Yield Curve $m
	Outstanding Debt as at 30 June 2024	78,899.3	78,899.3
less	*Nominal value of further VET FEE-HELP debt excluded (not in certificate)*	*396.1*	*396.1*
gives	Nominal Value of Debt considered to have repayment prospects	78,503.2	78,503.2
less	*Nominal Value of Debt Not Expected to be Repaid (DNER)*	*14,644.0*	*14,644.0*
gives	Real Value of Repayments	63,859.1	63,859.1
less	*Deferral Adjustment*	*11,054.3*	*9,036.3*
gives	**Discounted Repayments (Fair Value of Outstanding Debt)**	**52,804.8**	**54,822.8**

Note these figures have been updated since the 2024 HELP Model Results Report to allow for further potential re-credits since 30 June 2024 under the VET FEE-HELP Student Redress Measures (the Measures). Based on our estimate of ultimate total re-credits of $3.84bn, we allowed for $334.6m potential re-credits in addition to a total of $3.506bn re-credits processed by the ATO as at 31 December 2024 as shown in the ATO granular data. Based on re-credits processed by 30 June 2024, however, the amount of estimated potential re-credits is $396.1m as shown in Table 1.

Although the Measures closed as expected on 31 December 2023 which influenced our ultimate re-credit assumption last year, Education has advised that the extension of the Secretary Initiated Actions (SIAs) and outstanding student complaints have resulted in further re-credits. Note that our estimate of ultimate total re-credits this year has reduced from last year's $4.11bn. This update is based on Education's latest advice.

The figures in Table 1 can then be adjusted to meet accounting requirements by taking account of PAYG receipts as shown in Table 2. This table distinguishes between the discounting impact of the basis adjustment and the reversal of the fair value of future re-credits. While the exclusion of the first year's PAYG reduces future cashflows, bringing forward all future PAYG receipts by one year increases the present value. This is shown by the difference between the two discounting impact elements. This approach essentially resets the starting position for this year's receivable by applying the results from this year's model and adjusts to the accounting basis. These figures then become the opening position for Table 7, and ultimately flow through to Table 9.

Table 2: Derivation of the Accounting value of the HELP receivable at 30 June 2024

		5% Discount Rate $m	2024 Yield Curve $m
	Discounted Repayments from AGA's latest model	52,804.8	54,822.8
plus	Reversal of fair value of future re-credits	102.7	112.9
gives	Discounted Repayments (AGA basis)	52,907.5	54,935.7
plus	Discounting impact	27,842.3	25,814.1
gives	Undiscounted Repayments (AGA basis)	80,749.8	80,749.8
less	Real value of compulsory repayments in 2024-25 (for 2023-24 income year)	5,011.4	5,011.4
gives	Undiscounted Repayments (accounting standard)	75,738.4	75,738.4
less	Discounting impact	25,795.9	23,917.6
gives	**Discounted Repayments (accounting standard)**	**49,942.5**	**51,820.8**

Table 3 reconciles the outcomes under the two discount rate assumptions with the values we estimated in 2024 based on the 2023 model.

Table 3: Reconciliation of fair value of HELP estimates at 30 June 2024

		5% Discount Rate ($m)	2024 Yield Curve ($m)
	Estimate of Fair Value of Debt as at 30 June 2024 (based on 2023 model)	**50,043.4**	**51,936.5**
plus	Difference in anticipated new debt in semester 1, 2024 and prior years[1]	-46.7	-48.8
plus	Difference in expected compulsory repayments relative to model estimate of 2023-24 PAYG receipts (including interest)	-183.5	-183.0
gives	Revised Estimate of Fair Value of Debt as at 30 June 2024 (based on 2023 model)	49,813.3	51,704.6
	Effect of HELP model changes for 2024 - Updated data[2]	-728.7	-796.9
	Effect of HELP model changes for 2024 - Updated economic parameters	-19.5	-19.0
	Effect of HELP model changes for 2024 - Methodology changes	768.0	807.2

plus	*Reversing future re-credits allowed for in 2024 receivable (based on 2023 model)*	*109.4*	*124.9*
gives	**Estimate of Fair Value of Debt as at 30 June 2024 (based on 2024 model)**	**49,942.5**	**51,820.8**

¹ This is the net difference in new debt after applying the impairment ratio which adjusts for DNER and the deferral adjustment.

² This excludes the two data change items separately identified in the table, namely the difference in anticipated new debt and the difference in expected PAYG. Higher new debt increases the opening receivable whereas higher PAYG reduces the opening receivable.

The impact of the 2024 model is a combination of updated data, changes in underlying assumptions, and changes in the model itself. Each of these elements has changed the value of the receivable by varying amounts. The following explains the impact of each element on the receivable at the long term discount rate.

Firstly, the changes in data decreased the receivable by $729m. Normally, data changes only include an additional year of debt incurred, income, and repayment experience. This year, however, it also includes the impact of the retrospective indexation credits for 1 June 2023 and 1 June 2024 as well as lower future debt indexations following WPI/CPI. This reduced the receivable by $1,753m. At the same time, the usual data changes partially offset this reduction by adding about $1bn to the receivable. It is much smaller than the equivalent figure of $1.9bn in last year's receivable, reflecting improvements in the 2023 HELP model's projections through various enhancements as well as more extensive income experience data. In theory, this year's field of education model upgrade should continue to reduce this item.

Secondly, small changes to the underlying economic assumptions (mainly lower wage growth) resulted in a net reduction of $20m in the receivable. Note that this excludes the impact of WPI/CPI on the calculation method of future debt indexation rate.

Lastly, the main methodology change this year was the incorporation of field of education in the income projection model, leading to more accurate projections on an individual level. Together with various other smaller enhancements, this resulted in a net increase of $768m in the receivable. Methodology changes are explained in the 2024 HELP Model Results Report and our separate letters on the field of education model upgrade.

The first three tables above show the revised fair value of debt as at 30 June 2024 to be used as a starting position for rolling forward this year's receivable. Table 4 shows the revised closing outstanding debt balance and DNER as at 30 June 2024 based on the 2024 model. They are then used for rolling forward DNER to 30 June 2025 in Table 6. The impact of the retrospective indexation credits on outstanding debt and DNER are captured in the data updates item.

Table 4: Revised closing balance as at 30 June 2024

	Outstanding Debt ($'m)	DNER ($'m)
Closing balance reported as at 30 June 2024	81,241.2	17,137.7
Difference in estimated new debt incurred	*122.4*	*15.9*
Removal of VFH debtors from model in excess of allowance at 30 June 2024	*264.5*	*158.7*
Effect of HELP model changes for 2024 - Updated data	*-3,098.0*	*-1,377.4*
Effect of HELP model changes for 2024 - Updated economic parameters		*244.5*
Effect of HELP model changes for 2024 - Methodology changes		*-1,535.3*
Revised closing balance at 30 June 2024 using latest data	**78,530.1**	**14,644.0**

While a decrease in DNER typically corresponds to a higher receivable, this year, the retrospective indexation credits have reduced outstanding debt, resulting in a decrease in both the receivable and DNER as at 30 June 2024. The 2024 HELP Model Results Report discusses the impact on DNER in detail.

Roll Forward Results from Previous 30 June

In order to roll forward the 2024 model results to the balance date, a range of additional information is required, specifically:

- ATO aggregate data on new debt incurred, indexation, write-offs, repayments, adjustments and remissions over the 2024-25 financial year, taken from the final June 2025 HELP certificate provided by the ATO (via Education). In theory, the new debt incurred includes almost all of the debt for semester 2 of 2024 and most of the debt for semester 1 of 2025;

- an estimate of debt incurred during semester 1 of 2025 and prior that was not included in the ATO HELP certificate;

- an estimate of PAYG receipts over the 2024-25 financial year provided by Education; and

- the indexation rate of 3.2% which applied to outstanding HELP debt as at 1 June 2025.

There are then three elements to the calculation:

- the estimation of the outstanding debt as at 30 June 2025 before allowance for PAYG receipts;

- the roll forward of the DNER from 30 June 2024 to 30 June 2025; and

- the estimation of the fair value of the receivable at 30 June 2025 on both the yield curve (represented by a single discount rate) and 5% p.a. discount rate basis.

Outstanding Debt as at 30 June 2025

Table 5: Outstanding debt as at 30 June 2025

	HELP ($m)
Outstanding debt from the ATO June 2025 statement	82,178.726
Education estimate of debt incurred in semester 1 2025 and prior years but yet to be reported by ATO in 2024-25	620.062
Outstanding debt as at 30 June 2025	**82,798.788**

Estimated HELP Results as at 30 June 2025

Calculation of DNER for HELP debts as at 30 June 2025

Table 6 shows the calculation of the DNER for HELP debts as at 30 June 2025 working forward from the revised balance as at 30 June 2024 (as shown in Table 3).

It is important to recognise that the DNER percentage calculated below relates to the outstanding debt as at 30 June 2025, and any attempt to compare this value with values based on outstanding debt in prior years should be taken with care.

The DNER percentage at any time is a function of the following:

- the age of the relative tranches of debt, noting that the DNER of a certain pool of debt can be expected to increase over time due to the mathematical out-workings of an increasing proportion of non-recoverable debt relative to the reducing outstanding balance of a debt (referred to as "debt creep",

- the weightings of debt in the relative tranches, including the amount of new debt entering the system each year relative to debt being repaid each year,

- the weighting of the debt between VET and non-VET debts (which exhibit significantly different repayment prospects),

- the assumptions incorporated into the AGA model each year, which reflect updated experience and modifications to previous assumptions, and

- the prevailing legislative environment.

Discussion around the calculation of DNER, changes in this value over time and different bases for measuring DNER are set out in more detail in our latest HELP model methodology paper and HELP Model Results Report.

Table 6: Estimated DNER for HELP debts at 30 June 2025

	Outstanding Debt ($'m)	DNER ($'m)
Revised closing balance at 30 June 2024 using latest data[1]	78,530.057	14,644.032
Actual compulsory repayments in 2024-25	-4,975.527	
Voluntary repayments in 2024-25	-992.549	
Bonus on voluntary repayments in 2024-25	0.000	
Bonus reductions for selected courses	-0.001	0.000
Write-offs in 2024-25	2.049	2.049
Remissions and waivers in 2024-25	-0.051	-0.051
New Debt	7,904.293	925.041
Actual indexation applied at 1 June 2025	2,330.516	468.673
ATO adjustments[2]	-3,097.997	
AGA adjustment to avoid double counting[2]	3,097.997	
Closing balance as at 30 June 2025	82,798.788	16,039.744

[1]   This is the closing balance of Table 4.

[2]   Total adjustments from the June 2025 ATO Certificate were already included in the closing balance of Table 3 which is used as the opening balance in Table 6. Therefore, they have been removed to avoid double counting. The amount consists of $3.3bn indexation adjustments which mostly relate to WPI/CPI credits and other adjustments.

Based on these results, DNER represents 19.4% of the estimated outstanding debt as at 30 June 2025. This result is after the removal of potential future re-credits.

Estimate of fair value of HELP receivable as at 30 June 2025

The estimate of the fair value of the HELP receivable as at 30 June 2025 is derived from the fair value adjusted for the accounting standard as at 30 June 2024. When calculating results based on the 2025 yield curve, while the cash transactions are the same, the other items are no longer based on the long-term interest rate, including the impairment ratio applied to the new debt which is calculated using the 2024 yield curve, the calculation of interest, which is based on the 2024 yield curve (represented by a single discount rate of 4.47% per annum), and the impact of the change from the 2024 to the 2025 yield curve on the overall value. I have shown the calculation at the long term interest rate separately from

that using the yield curve in Table 7. The split of the fair value adjustment on new debt is shown in Table **11**: Split of fair value adjustment on new debt (5% discount rate) (long term discount rate) and Table 12: Split of fair value adjustment on new debt (2024 yield curve, $m) (yield curve) in Attachment One, along with a description of the other items in Table 7.

Table 7: Estimate of Fair Value at 30 June 2025

	Long term discount rate $m	2025 Yield Curve $m
Opening balance at fair value (revised balance as at 30/6/24)[1]	49,942.484	51,820.834
Education's estimated 2024-25 PAYG receipts on opening balance	*-4,706.636*	*-4,706.636*
Actual voluntary repayments in 2024-25	*-992.549*	*-992.549*
New debt incurred in 2024-25	*7,904.293*	*7,904.293*
Estimated 2024-25 PAYG receipts on new debt	*-159.258*	*-159.258*
Fair value adjustment on new debt - DNER	*-925.041*	*-925.041*
Fair value adjustment on new debt - deferral adjustment	*-1,343.664*	*-1,075.458*
Difference between AGA and Education estimate of 2024-25 PAYG receipts	*-211.534*	*-211.534*
Interest at 5% per annum and interest at 4.469% per annum	*2,347.226*	*2,181.502*
Actuarial gains[2]	*0.000*	*0.000*
Closing balance at fair value (as at 30 June 2025)	**51,855.320**	**53,836.153**
Movement from 2024 yield curve to 2025 yield curve		*507.090*
Impact of further VET re-credits (Model adjustment)	*-75.799*	*-88.502*
Adjusted Closing balance as at 30 June 2025	**51,779.521**	**54,254.741**

[1]   This is the closing balance of Table 3.

[2]   This item is zero this year because the actual indexation of 3.2% was used in the HELP model.

For reporting purposes, we have been requested to determine the proportion of future repayments that are attributable to interest on the outstanding debt balance. The proportion in relation to the fair value as at 30 June 2025 is 22.2%. The increase in this rate from last year (21.8%) was driven by significantly less voluntary repayments in 2024-25, resulting in a lower bring-forward of repayments, as well as higher short term debt indexation rates.

We can reconcile the ATO certified amount of outstanding debt to the fair value calculated using the ANAO preferred approach based on the long term discount rate. This is shown in Table 8.

Table 8: Reconciliation between outstanding HELP debt and fair value

		5.0% Discount Rate ($m)	2025 Yield Curve ($m)
	ATO certified amount of outstanding debt as at 30 June 2025	82,178.726	82,178.726
plus	Estimated debt incurred in semester 1 of 2025 and prior years to be reported in 2025-26	620.062	620.062
gives	Outstanding debt as at 30 June 2025	82,798.788	82,798.788
less	Estimated 2024-25 PAYG receipts	-5,077.428	-5,077.428
gives	Nominal value of outstanding debt after PAYG	77,721.359	77,721.359
less	Modelled Real value of debt not expected to be repaid (DNER)	-16,039.744	-16,039.744
gives	Real value of debt expected to be repaid	61,681.615	61,681.615
less	Deferral adjustment	-9,902.094	-7,426.874
gives	**Closing balance at fair value**	**51,779.521**	**54,254.741**

When the 2025 yield curve is used, the closing balance at fair value becomes $54,254.741m. This is consistent with Table 7. All other items of the above table remain unchanged.

We have provided a reconciliation between the outstanding debt and the estimated fair value as at the balance date. The following table is in a format which I understand you use for inclusion in financial statement disclosures. The VET and non-VET split of HELP debts (i.e. the HELP column) are shown in the last two columns and further details are provided in a separate advice.

Table 9: Accounting Disclosures Table

	HELP ($m)	HELP Split	
		VET ($m)	non-VET ($m)
Opening Balance as at 1 July 2024	51,936.459	2,861.504	49,074.955
WPI/CPI adjustment	-1,829.475	-113.878	-1,715.597
Revised Opening Balance as at 1 July 2024 (WPI/CPI)	50,106.984	2,747.626	47,359.358
Adjustment for restated VET split	0.000	219.425	-219.425
Higher than estimated semester 1 2024 new debt	-48.844	0.000	-48.844
Higher than expected PAYG repayments	-183.031	-11.271	-171.761
Model adjustment / Data update	1,945.725	238.270	1,707.455
Revised Opening Balance as at 1 July 2024	51,820.834	3,194.050	48,626.784
Education's estimated 2024-25 PAYG receipts on opening balance	-4,706.636	-269.891	-4,436.746
Actual voluntary repayments in 2024-25	-992.549	-55.052	-937.496
New debt incurred in 2024-25	7,904.293	0.000	7,904.293
Estimated 2024-25 PAYG receipts on new debt	-159.258	0.000	-159.258
Fair value adjustment on new debt - DNER	-925.041	0.000	-925.041
Fair value adjustment on new debt - deferral adjustment	-1,075.458	0.000	-1,075.458
Difference between AGA and Education estimate of PAYG 2024-25 receipts	-211.534	-11.733	-199.801
Unwind the discount - indexation component	1,562.208	96.882	1,465.327
Unwind the discount - net discount component	619.294	38.406	580.888
Actuarial gains	0.000	0.000	0.000
Movement in yield curve from 2024 to 2025	507.090	31.226	475.865
Closing Balance as at 30 June 2025	54,343.243	3,023.887	51,319.356
Impact of further VET re-credits	-88.502	-88.502	0.000
Adjusted Closing Balance as at 30 June 2025	54,254.741	2,935.385	51,319.356

As requested by Education, the amount of discount unwound in 2024-25 has been notionally split between an indexation component and a net discount component, based on the most recent debt indexation rate as a proportion of the previous 30 June's single discount rate. Note that this split has not been applied to the other tables.

This year, because the indexation rate on 1 June 2025 (i.e. 3.2%) was lower than the single discount rate based on the 2024 yield curve (i.e. 4.47%), the indexation component is lower than the total discount unwound. It is calculated at $1,562.208m, being 72% (i.e. 3.2% divided by 4.47%) of the total discount unwound.

Also included below is a split of the fair value of the receivables into a current value (representing the face value of expected repayments in the coming year) and a non-current value (representing the remainder of the fair value).

Table 10: Current and Non-current split ($m)

	HELP ($m)
Current Asset	5,840.812
Non-current Asset	48,413.929
TOTAL	54,254.741

Sensitivity analysis

We have calculated the fair value of the HELP receivable for four alternative scenarios shown below. They are for illustration purposes. Different sensitivity analyses on long term economic assumptions were carried out for the 2024 HELP Model Results Report.

A.   1% higher CPI for the first four years

B.   1% lower wage growth for the first four years

C.   1% higher CPI and 1% higher wage growth for all future years

D.   1% higher CPI and 1% lower wage growth for all future years

For simplicity, we have assumed that the proportional impact of alternative economic assumptions on the fair value as at 30 June 2024 on the AGA basis can be applied to the revised fair value as at 30 June 2024 on the accounting basis. The results at 30 June 2025 are shown below. The rationale for each result is discussed. The movements since last year can largely be explained by WPI/CPI. The detailed results of these sensitivity tests on the fair value as at 30 June 2025 are shown in Table 13: Alternative Accounting Disclosure Table (sensitivity analysis for HELP) (Attachment Two).

Scenario	Relative Change	Rationale
A	101%	Short-term higher CPI will increase the amount of debt to be repaid through indexation (although limited by WPI/CPI) and voluntary repayments, but the impact is partially offset by slower movement to higher repayment rates as thresholds are indexed at higher rates as well.
B	97%	Short-term lower wage growth will more likely defer the payment of debts than reduce the ultimate amount of debts repaid. Under WPI/CPI, this scenario also leads to lower debt indexation thus receivable.
C	108%	Long-term increases in CPI will increase the amount of debt repayments relative to current outstanding balance while higher wage growth will more than offset lower threshold indexation rates by bringing forward repayments.
D	92%	Under WPI/CPI, this scenario reduces debt indexation thus receivable.

Comment on Results

On a 5% per annum discount rate basis, the closing balance of the HELP receivable is around $1.7 billion higher than the estimate of the receivable provided in 2024. This year, the impact of the retrospective indexation credits for 1 June 2023 and 1 June 2024 as well as lower future debt indexations following WPI/CPI and lower wage growth has reduced the receivable, however the overall value increased due to the debt incurred exceeding the repayments made (according to the ATO certificate), the inclusion of a further year of income and repayment data, along with a range of model improvements this year as described in the 2024 HELP Model Results Report relative to what we were projecting based on the 2023 model using the 5% discount rate.

Legislation

This year, the Government has passed legislative change to cap debt indexation at the lower of either the CPI or the WPI to ensure indexation never rises faster than wages in the future. The Government has provided an indexation credit with effect from 1 June 2023. Other historical significant changes involve a widening of the repayment thresholds as well as indexing thresholds in line with movements in CPI adopted in 2019.

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The impact of the JRG package on the DNER of new debt has implicitly been incorporated into this year's results by using field of education in the projection modelling.

Yield Curve

Yields on Commonwealth bonds followed a different shape in June 2025 compared to 30 June 2024. The short term yields reduced while the long term yields increased. The decrease in the 2024 rate of 4.47% per annum to the current rate of 4.34% per annum has resulted in a decrease in the HELP receivable. The yield curve impact is shown in Table 7 and Table 9.

VET Split

Since 28 May 2019, the administration of the VET sector has been transferred from the Department of Education to the Department of Employment (Employment), back again into the Department of Education, Skills and Employment (DESE) and currently to the Department of Employment and Workplace Relations (DEWR). To recognise this, a full split of the total HELP receivable into HELP only related repayments and VET repayments was performed and remains a requirement.

The results of the split between the two debt types are shown in Table 9. The details will be the subject of a separate advice.

Final comments

As always, I would emphasise the uncertainty associated with estimates based on projecting incomes up to 45 years into the future. The higher debts that are now being incurred mean that repayments span an increasingly longer period and the results are therefore more sensitive to income projections further into the future, which are inherently subject to greater uncertainty. The consequences of the abnormally high voluntary repayments in 2023 and 2024 have also materially increased uncertainty. In addition, the voluntary repayments in 2024-25 appear subdued, which may be in response to the announced potential 20% reduction in debt. This can potentially lead to greater volatilities in the short term. The margin of error around the results is therefore substantial. Nonetheless, I consider that the value of the receivable reported here falls within the range of reasonable estimates.

The calculation of the fair value is not straight-forward. To provide reassurance on the accuracy of the calculation, the fair value estimate as at 30 June 2025 has been derived multiple ways as shown in Table 7, Table 8 and Table 9. It has been reconciled with the fair value as at 30 June 2024 as well as the outstanding balance as reported on the 30 June 2025 ATO certificate.

Based on the advice from DEWR, no further re-credits under the VFH Redress Measures after 30 June 2025 have been allowed for.

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Relative to the results derived from the 2023 model, and on a like with like basis, the DNER percentages from the 2024 model in respect of new debt for HELP debts have decreased. This was largely driven by model improvements implemented this year. Details will be provided in a separate advice.

Please feel free to contact us if you have any questions relating to this advice.

Yours sincerely

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Attachment One

An explanation of the various items in Table 7 is provided below.

1. Estimated split of 2024-25 PAYG between opening balance and new debt

It is possible to estimate the proportion of compulsory repayments that relate to debt in existence a year before the balance date and the residual that relates to new debt incurred during the year. Based on the 2024 model, about 3% of compulsory repayments in 2024-25 were expected to be in respect of new debt, with the remaining 97% of repayments relating to debt in existence at 1 July 2024. These percentages have been applied to the Education estimate of PAYG receipts for 2024-25 of $4,865.9m.

2. Voluntary repayments

Voluntary repayments for 2024-25 are taken from the ATO Certificate as at 30 June 2025.

3. New debt incurred in 2024-25

The new debt estimate has been provided by Education (including the first semester of 2025 debt that was still to be reported).

4. Fair value adjustment on new debt

The adjustment for the fair value has been determined by comparing the present value of all estimated repayments projected by the 2024 model against the face value of the debt incurred in 2023-24. These estimates have been applied to the figures we have been advised for new debt incurred in 2024-25. This resulted in an overall fair value adjustment of -29.29% for HELP debt, under the 5% discount rate basis.

The split between the components of the adjustment is shown in the two tables below. The amount of new debt the adjustments relate to is also provided.

Table 11: Split of fair value adjustment on new debt (5% discount rate)

	5% discount rate
Estimated new debt in 2024-25 ($m)	7,745.035
Real value of DNER ($m)	925.041
DNER as a % of new debt	11.94%
Deferral adjustment ($m)	1,343.664
Deferral adjustment as a % of new debt	17.35%
Fair value adjustment on new debt	2,268.705
Total impairment percentage	29.29%

Table 12: Split of fair value adjustment on new debt (2024 yield curve, $m)

	HELP
Estimated new debt in 2024-25 ($m)	7,745.035
Real value of DNER ($m)	925.041
DNER as a % of new debt	11.94%
Deferral adjustment ($m)	1,075.458
Deferral adjustment as a % of new debt	13.89%
Fair value adjustment on new debt ($m)	2,000.499
Total impairment percentage	25.83%

Of note in the tables above is the decrease in the level of DNER for new debt since last year. DNER reduces for similar reasons as the increase in the fair value (such as model enhancements and updated data). Under both the 5% discount rate and the 2024 yield curve basis, the deferral adjustment has slightly increased since last year.

As always, we caution the reliance on DNER and deferral adjustment measures for any purpose other than calculating the value of the receivable.

5. Difference between AGA and Education estimates of PAYG receipts

Although our practice is to recognise the estimate of PAYG receipts generated by our model, for disclosure purposes we have continued the practice of showing the difference between the estimate provided by Education and the estimate generated by the model as an explicit item in the roll forward. By including this adjustment, we are increasing the value of the receivable by the difference and ensuring that the resulting estimate corresponds to the present value of projected repayments after 30 June 2025.

6. Interest

In moving forward from the estimated fair value of the HELP receivable as at 30 June 2024 to the 2025 estimate, the discount rate used to derive the present value of repayments needs to be unwound to reflect the fact that projected payments are one year closer to being received. Hence, the interest rate used in deriving the opening balance is applied to bring the estimate up to 2025 dollars. Cashflows occurring during the year are assumed to be spread evenly over the year and accordingly six months interest is assumed on voluntary repayments and PAYG receipts (including the AGA adjustment mentioned above).

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7. Actuarial gains/losses

The latest AGA model used the actual rate of indexation applied to outstanding debt on 1 June 2025 i.e. 3.2%. Thus, there is no actuarial gains/losses which would have arisen from the difference between actual and assumption.

8. Impact of further VET recredits

This year, we have decreased our estimate of ultimate total re-credits from $4.11bn to $3.84bn, and so have made an allowance for a further $334.6m potential re-credits, based on a total of $3.506bn re-credits processed by ATO as at 31 December 2024 as shown in the granular ATO data used for the 2024 HELP model. This adjustment was based on the actual re-credits data provided by DEWR and their advice that minimal further re-credits would be likely after 30 June 2025.

9. Interest capital split on total debt

For reporting purposes, we have been requested to determine the proportion of future repayments that are attributable to interest on the outstanding debt balance. The proportion in relation to the fair value as at 30 June 2024 is 22.2%. It is calculated as 1 minus the real value of future repayments as a proportion of the nominal value of future repayments after rolling forward the results from June 2024 (AGA basis) to June 2025 (Accounting basis).

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Attachment Two

The results of the sensitivity analysis for HELP debts are shown below. Note that for simplicity, several items including the fair value adjustment on new debt were not re-calculated under alternative scenarios.

Table 13: Alternative Accounting Disclosure Table (sensitivity analysis for HELP)

	HELP ($m)				
	Baseline	A	B	C	D
Opening Balance as at 1 July 2024	51,936.459	51,936.459	51,936.459	51,936.459	51,936.459
Adjustment for restated VET split	0.000	0.000	0.000	0.000	0.000
Higher than estimated semester 1 2024 new debt	-48.844	-48.844	-48.844	-48.844	-48.844
Higher than expected PAYG repayments	-183.031	-183.031	-183.031	-183.031	-183.031
Model adjustment / Data update	116.250	481.231	-1,286.672	4,689.449	-4,105.964
Revised Opening Balance as at 1 July 2024	51,820.834	52,185.814	50,417.911	56,394.033	47,598.619
Estimate 2024-25 PAYG receipts on opening balance	-4,706.636	-4,706.636	-4,706.636	-4,706.636	-4,706.636
Actual voluntary repayments in 2024-25	-992.549	-992.549	-992.549	-992.549	-992.549
New debt incurred in 2024-25	7,904.293	7,904.293	7,904.293	7,904.293	7,904.293
Estimated 2024-25 PAYG receipts on new debt	-159.258	-159.258	-159.258	-159.258	-159.258
Fair value adjustment on new debt - DNER	-925.041	-925.041	-925.041	-925.041	-925.041
Fair value adjustment on new debt - deferral adjustment	-1,075.458	-1,075.458	-1,075.458	-1,075.458	-1,075.458
Difference between AGA and Education estimate of PAYG 2024-25 receipts	-211.534	-211.534	-211.534	-211.534	-211.534
Unwind the discount	2,181.502	2,181.502	2,181.502	2,181.502	2,181.502
Actuarial gains	0.000	0.000	0.000	0.000	0.000
Movement in yield curve from 2024 to 2025	507.090	507.090	507.090	507.090	507.090
Closing Balance as at 30 June 2025	54,343.243	54,708.223	52,940.320	58,916.442	50,121.029
Impact of further VET re-credits	-88.502	-88.502	-88.502	-88.502	-88.502
Adjusted Closing Balance as at 30 June 2025	54,254.741	54,619.721	52,851.818	58,827.940	50,032.527