

Appendix D:

Financial and non-financial indicators

Figure D1 lists and describes the financial and non-financial indicators that we use to assess TAFEs' and universities' financial sustainability risks. These indicators should be considered collectively and are more useful when assessed over time as part of a trend analysis.

Our analysis of financial sustainability risk in this report reflects on the consolidated position of each TAFE and university (that is, each TAFE and university together with its controlled entities).

Refer to the data dashboard on our website for individual TAFEs' and universities' financial sustainability data and analysis:

www.audit.vic.gov.au/report/results-2025-audits-tafes-and-universities

Figure D1: Financial sustainability indicators, formulas and descriptions

| Indicator | Formula | Description |
|---|---|--|
| Net result margin (%) | Net result / total revenue and income | <p>A positive result indicates a surplus. The larger the percentage, the stronger the result.</p> <p>A negative result indicates a deficit. Operating deficits or losses cannot be sustained in the long term.</p> <p>The net result and total revenue are obtained from the comprehensive income statement.</p> |
| Liquidity (ratio) | Current assets / current liabilities | <p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio of one or more means there are more cash and liquid assets than short-term liabilities.</p> |
| Net result margin before fair value gains or losses on investments (%)* | Net result before fair value gains or losses on investments / total revenue and income before fair value gains or losses on investments | <p>A positive result indicates a surplus. The larger the percentage, the stronger the result.</p> <p>A negative result indicates a deficit.</p> <p>Unlike the net result margin, this excludes fair value gains or losses on investments, which can be outside management's control.</p> |
| Adjusted liquidity (ratio)* | Current assets + non-current financial assets / current liabilities | <p>Liquidity ratio adjusted to include non-current financial assets.</p> <p>Non-current financial assets are typically liquid, meaning universities can convert most of these into cash at short notice and use them to meet any liabilities if needed.</p> <p>A ratio of one or more indicates universities have sufficient liquid assets to meet short-term liabilities.</p> |
| EFTSL to employee FTE (ratio)* | Total EFTSL / total FTE employees | <p>This measures the adequacy of available resources per student load.</p> <p>It shows how many FTE staff, both academic and otherwise, a university employs for each EFTSL student it teaches.</p> |

Note: *Measure applies to universities only.
Source: VAGO.