

# Appendix G: Financial and non-financial sustainability indicators

Figure G1 shows the financial and non-financial indicators used to assess the financial sustainability risks of universities. 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 position of each university and its controlled entities (each consolidated university).

We have published the underlying raw data and each universities' results for each indicator from 2019 to 2023 as part of our interactive data dashboard on our website (<https://www.audit.vic.gov.au/report/results-2023-audits-universities>).

Figure G1: Financial sustainability indicators, formulas and descriptions

Indicator	Formula	Description
Net result margin (%)	Net result / total revenue and income	<ul style="list-style-type: none"> <li>A positive result indicates a surplus and the larger the percentage, the stronger the result.</li> <li>A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.</li> <li>The net result and total revenue are obtained from the comprehensive operating statement.</li> </ul>
Net result margin before fair value gains and losses on investments (%)	Net result before fair value gains and losses on investments / total revenue and income before fair value gains and losses on investments	<ul style="list-style-type: none"> <li>A positive result indicates a surplus and the larger the percentage, the stronger the result.</li> <li>A negative result indicates a deficit.</li> <li>Unlike the net result margin, this excludes fair value gains and losses on investments, which can be outside management's control.</li> </ul>
Operating cash margin (%)	Net cash flow from operating activities / total operating cash inflows	<ul style="list-style-type: none"> <li>A positive result indicates a cash surplus from operations and the larger the percentage, the stronger the result.</li> <li>A negative result indicates a deficit.</li> <li>This ratio focuses on cash returns and excludes any accounting only adjustments.</li> </ul>
Adjusted liquidity (ratio)	Current assets + non-current financial assets / current liabilities	<ul style="list-style-type: none"> <li>Liquidity ratio adjusted to include non-current financial assets.</li> <li>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.</li> <li>The ratio should ideally be above one, indicating that there are sufficient liquid assets to meet short-term liabilities.</li> </ul>
EFTSL to employee FTE (ratio)	Total EFTSL / total FTE employees	<ul style="list-style-type: none"> <li>This measures the adequacy of available resources per student load.</li> <li>This shows how many staff FTE, both academic and otherwise, a university employs for each EFTSL student it teaches.</li> </ul>

Source: VAGO.