

Appendix G: Financial sustainability indicators

Figure G1 shows the financial indicators used to assess the financial sustainability risks of TAFE institutes. 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 risks in this report reflects the position of each TAFE institute.

Refer to the data dashboard on our website (www.audit.vic.gov.au/report/results-2023-audits-technical-and-further-education-institutes) for our individual TAFE financial sustainability data and analysis.

Figure G1: Financial sustainability indicators, formulas and descriptions

Indicator	Formula	Description
Net result margin (%)	Net result/total revenue	<p>A positive result indicates a surplus, and the larger the percentage, the stronger the result.</p> <p>A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.</p> <p>The net result and total revenue are obtained from the comprehensive operating 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 1 or more means that there are more cash and liquid assets than short-term liabilities.</p>

Source: VAGO.