

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

Outcome: 2
Output Group: 2.4 – Funding for Higher Education

DEST Question No. E335_06

Senator Carr provided in writing.

Question:

- a) What are the 19 risk factors referred to on p.5?
- b) Can you provide a listing showing an assessment of each of the 39 publicly funded institutions against each of the 19 risk factors for 2004?

Answer:

Financial position of the higher education sector – risk factor assessment

- a) The 19 risk factors are as follows:
 - Revenue growth or decline during the period
 - Proportion of Australian Government funding
 - Variance in total Commonwealth Government funding from previous period
 - Proportion of overseas student fees
 - Growth in revenue from overseas student fees
 - Movement in staff costs per full-time employee
 - Operating result – current year figure
 - Operating result – previous years figure
 - Operating margin
 - Deficit analysis
 - Cash flow adequacy
 - Capital management – capital expenditure divided by depreciation
 - Capital management – capital expenditure divided by income
 - Liquidity – cash and investments divided by income
 - Liquidity – (cash and investments less borrowings) divided by income
 - Movement in cash & investments
 - Current ratio
 - Borrowings to equity ratio
 - Debt service cover ratio

- b) Our assessment for 2004 has not been undertaken.

Risk assessment is based on a matrix with a range of values for each factor. A particular value does not necessarily indicate an underlying problem. Each institution is provided a copy of the assessment as part of the Institution Assessment Framework (IAF) Portfolio. The Department discusses the data with institutions. A particular result does not necessarily imply that the potential risk is not being managed effectively. The Department uses this information as part of its accountability responsibilities in assessing the ongoing financial viability and sustainability of higher education providers and for providing advice to the Minister. This information is not made available

publicly, as there is a risk that it may be interpreted inappropriately and result in inadvertent consequences for a provider.

Providers do not expect that their information will be published. DEST has asked each provider whether it would be happy to disclose its information and DEST will provide the information that is made available on this basis following provider responses.