



Australian Government
Tertiary Education Quality and Standards Agency



Summary Report of the Consultation Process

Proposed public release of key
financial metrics of TEQSA
registered higher education
providers

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1. Introduction

1.1 Background

TEQSA is committed to ensuring that key stakeholders in Australia's higher education sector have access to relevant information to better inform their decision-making processes. As part of its ongoing monitoring and quality assurance activities, TEQSA collates and analyses a range of higher education provider data.

During August and September 2015, as an element of continued sector engagement, TEQSA held a series of roundtable sessions with higher education providers. A theme that emerged from the sessions was strong support for the public release of selected sector data held by TEQSA. TEQSA undertook to consult with the sector prior to the release of financial data.

In November 2015 TEQSA conducted a formal consultation process seeking sector views on the publication of a financial metrics report. This consultation process closed in January 2016. Key themes and responses from the consultation process have been summarised in this report.

1.2 Proposed public release of key financial metrics

TEQSA's approach in devising the proposed public release of key financial metrics has been guided by two underlying principles:

- ▶ To enhance and improve the level of publically-available financial information on Australia's higher education sector for use by stakeholders; and
- ▶ To protect the confidentiality of providers' data through the release of data in an aggregated and de-identified form.

The financial metrics proposed to be made public are existing metrics analysed by TEQSA as part of its annual financial assessment process. The metrics are commonly accepted measures that examine:

- ▶ Revenue: major sources and concentration;
- ▶ Expenditure: staff spending;
- ▶ Profitability: net profit/surplus and earnings before interest tax, depreciation and amortisation (EBITDA);
- ▶ Asset replacement; and
- ▶ Liquidity.

It is proposed that the metrics would be released by provider groupings of provider type and provider size (total EFTSL).

1.3 Consultation

In November 2015 TEQSA conducted a formal consultation process seeking sector views on the publication of a financial metrics report. The consultation process closed in January 2016. The paper posed four questions seeking feedback on TEQSA's proposed approach.

- ▶ **Question 1:** Does your organisation support the proposed public release of key financial metrics? If not, why, and what changes would you propose?
- ▶ **Question 2:** Are the proposed metrics appropriate for public release in a de-identified, aggregated manner? If not, why, and what changes would you propose?
- ▶ **Question 3:** Do you support the proposed provider groupings based on provider type and provider size? If not, why, and what changes would you propose?
- ▶ **Question 4:** Do you support the proposed presentation of the metrics in chart and table format? If not, why, and what changes would you propose?

Information about the Consultation Paper was made available on the TEQSA website and sent to:

- ▶ each registered higher education provider, and
- ▶ four sector representative bodies: Universities Australia (UA), Council of Private Higher Education (COPHE), Australian Council for Private Education and Training (ACPET) and TAFE Directors Australia (TDA).

TEQSA received a total of 17 responses from higher education providers and sector representative bodies.

2. Purpose

This report provides an overview of key themes and responses expressed through the consultation process and TEQSA's response to the feedback received.

This report does not attempt to detail all feedback received by TEQSA during the consultation but, rather, highlights key feedback themes and how the feedback will be reflected in the proposed public release of key financial metrics.

3. Consultation responses

Respondents were broadly supportive of TEQSA's proposed public release of key financial metrics. Respondents welcomed the proposed publication as a way to access information on the financial state of the sector whilst balancing the need to protect the commercial-in-confidence nature of the data being analysed.

Some common areas of feedback provided by respondents included:

- ▶ The need to maintain the commercial-in-confidence nature of the information by publishing it in a de-identified, confidential way;
- ▶ The impact of the comparability of the financial data presented, particularly as providers adopt different accounting policies;

- ▶ That providers should voluntarily make additional financial information publically available to stakeholders;
- ▶ Suggested revisions to the 'provider type' grouping to better reflect common characteristics of providers; and
- ▶ Suggested revisions to the 'provider size' grouping bands to better distinguish larger providers.

4. TEQSA response

Following consideration of the feedback received, TEQSA's responses and actions are as follows:

- ▶ The financial metrics adopted by TEQSA in the publication have been based on commonly-accepted ratios and calculations used to assess the financial status of a range of businesses. The metrics are closely aligned with those used by other government agencies, state auditors general, financial analysts, accountants, and commercial lenders. Financial metrics are used by TEQSA in conjunction with other metrics to determine the financial health of providers. TEQSA consulted with the sector prior to adopting the financial metrics in 2012/2013 and received broad sector support for their adoption.
- ▶ The *Key Financial Metrics* report is intended to be used by a range of stakeholders including but not limited to: current providers, prospective market entrants, students and parents.
- ▶ TEQSA recognises that the diversity in the sector is driven by a range of factors such as organisational mission, purpose, funding and legal/ownership structures.
- ▶ TEQSA recognises that it is the responsibility of the providers' board of directors to adopt accounting policies which are consistent with Australian Accounting Standards and that appropriately reflect the entity's financial performance and position. This may result in differences when comparing providers; however, it does not provide an impediment when assessing the provider on a stand-alone basis. Further clarification will be provided in the publication to draw readers' attention to where differences in accounting policies may exist.
- ▶ Based on the feedback received, TEQSA has revised the 'provider type' grouping, removed the 'Pathway' provider category and added a category called 'TAFE'.
- ▶ TEQSA has revised the 'provider size' grouping to include the following bands: 5,000 to ≤19,999 EFTSL and ≥ 20,000 EFTSL.

5. Next steps

TEQSA would like to acknowledge the time and effort of respondents as well as the very constructive feedback provided throughout the process, and to thank all the providers and individuals involved for their contributions.

TEQSA will publish the *Key financial metrics on Australia's higher education sector* report on its website in April 2016.