Australian Government

Tertiary Education Quality and Standards Agency

Key risk findings on Australia's higher education sector

July 2019

TEQSA

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Executive summary

The *Key Risk Findings on Australia's Higher Education Sector* ('Key Risk Findings') Report (KRF 2019) is TEQSA's first public release of its risk findings to the sector and other stakeholders. This is in line with TEQSA's commitment to publish key data used or collected by the agency (TEQSA Corporate Plan 2018–2022, Action 3.2) in order to be open and transparent in its dealings with Australia's higher education providers.

TEQSA's risk assessments are conducted on an annual basis and serve as a regulatory tool which guides TEQSA's priorities and regulatory scoping activities in a risk-reflective manner. The KRF 2019 provides insights based on aggregated observations of performance and risks derived from TEQSA's regulatory experience with the sector and articulates TEQSA's risk analysis process in further detail. Through this report, TEQSA aims to better inform stakeholders about the state of the sector, to increase the sector's confidence in TEQSA's risk-based approach to regulation, and to clarify the internal processes behind, and outcomes of, TEQSA's risk findings.

The use of historical data enables TEQSA to present snapshots of risk indicators across Australia's higher education sector, along with commentary regarding the sector's performance and identified risks thus far. The statistical analyses in this report enable providers to reflect upon the performance of each provider category and the sector and to identify areas for further improvement.

Data in this report are derived from higher education data used within TEQSA's risk assessments. These are primarily sourced from the Department of Education's Higher Education Information Management System (HEIMS) data collection, the Provider Information Request (PIR) data collection, the Quality Indicators for Learning and Teaching (QILT), and the HELP IT System (HITS). The data scope ranges from 2012 to 2016 for the student and staff indicators, and 2012 to mid-2017 for the financial indicators. The scope of this report covers TEQSA's risk assessment process, risk profiles of provider types within the sector, and risk findings based on risk cycle years 2014 to 2018.

TEQSA acknowledges that the risk ratings are based on historical data. For instance, Cycle Six, which was conducted in 2018, draws from data between 2016 to mid-2017. The report is therefore limited in the extent of which certain conclusions may be drawn about the current and future state of the sector. The risk ratings are also dependent on the established risk thresholds which are aligned with TEQSA's risk appetite. As such, the risk ratings are indicative of TEQSA's risk tolerance, and the concept of 'risk' in this context is not absolute.

For the purposes of this report, TEQSA has grouped providers by broad operating model. The market groupings used in this report are:

- For-profit providers
- Not-for-profit providers (includes Technical and Further Education providers)[1]
- Universities

Though the analysis in this report differentiates between for-profit providers, not-for-profit providers, and universities, it is important to note that there is a diversity of risk assessment outcomes within each market group, and that there are exceptions to the trends presented within this report.

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[1] Due to small numbers, TAFEs have been included within the not-for-profit group.

The key findings from this report are:

- In 2018, the overwhelming majority of providers were rated as Low or Moderate Risk to Students (56.5%; 29.9%).[2]

- There were 87 providers rated Low Risk to Students comprising mainly of universities (42.5%) and not-for-profit providers (42.5%), followed by a small percentage of for-profit providers (14.9%).

- Only a small percentage of providers (7.3%) were assessed as posing a High Risk to Financial Position. However, the proportion of providers considered to pose a Moderate or High Risk to Financial Position has been trending upwards over time, driven by small but increased risk levels to Financial Viability in the not-for-profit sector, and Financial Sustainability in the for-profit sector.

In addition, this report finds that:

- From 2016 to 2018, providers rated High Risk to Students demonstrated persistently higher levels of student attrition, lower progress rates, higher student-to-staff ratios, and higher proportions of casual academic staffing.

- The for-profit and not-for-profit sectors had very different approaches to academic staffing, whereby a higher percentage of for-profit providers were found to be high risk in relation to Student-Staff Ratio (23.2%) and academic casualisation (33.9%) compared with not-for-profit providers (7.4%; 5.5%).

- The risk profiles of for-profit providers showed improvements from 2017 to 2018 with a substantially decreased percentage of providers rated High Risk to Students (61.8% to 29.8%) and corresponding increased percentages of providers rated Moderate Risk to Students (23.6% to 47.4%) and Low Risk to Students (14.6% to 22.8%).

Any high risk findings in relation to the provider's risk assessment do not necessarily result in regulatory sanctions; rather these should prompt early discussions between TEQSA and the provider about any emergent issues. More broadly, risk findings should prompt the provider's internal evaluations and inform good practice, policy development, and more purposeful and intentional investments in key aspects of the provider's higher education delivery. The key findings highlighted within this report should motivate the sector to focus its attentions on areas for development and improvement, whilst TEQSA will continue to monitor provider risk profiles on an annual basis, and use these risk findings to inform its regulatory decisions in a risk-reflective and proportionate manner.

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[2] These percentages exclude new providers that received suspended ratings in 2018 because TEQSA has insufficient data initially to provide an accurate assessment.

Introduction

Background

The Key Risk Findings Report is the first release of the findings of TEQSA's annual risk assessments to the sector and other stakeholders. The formal, systematic risk assessments serve as a fundamental regulatory tool that helps TEQSA to protect the reputation of the sector by informing TEQSA's policy work and case management operations, thus giving effect to its regulatory principles of reflecting risk, proportionality, and necessity as outlined in the TEQSA Act.

As of 2018, TEQSA has undertaken six annual cycles of risk assessments across the sector. Most registered higher education providers were provided with a copy of their 2018 risk assessment.

Risk assessments or high risk ratings do not of themselves establish findings in relation to compliance or non-compliance with the Higher Education Standards Framework (HES Framework); that is, risk assessments are not themselves a regulatory decision. Rather, they provide indications as to where TEQSA may require more reassurance that a higher education provider will continue to meet the standards.

TEQSA's sixth risk assessment cycle ('Cycle Six') commenced in May 2018. Cycle Six was completed within 22 weeks, 11 weeks shorter than Cycle Five in 2017. This improvement in cycle time reflects recently increased capacity and resourcing for this purpose.

Purpose of this report

This report aims to enhance and improve the level of publicly available information of TEQSA's risk assessments with a view to articulate the risk analysis process and risk findings in further detail to the sector.

The information in this report has been presented in an aggregated, de-identified manner. The analysis presented in this report allow users, in particular higher education providers, to better understand how their risk ratings and risk indicator data compares with other similar providers and the sector more broadly.

This report provides an account of TEQSA's findings of its risk assessments, as well as further detail on TEQSA's approach to risk assessments.

This report encompasses:

- a snapshot of TEQSA's risk findings across the sector, with a focus on data obtained from the latest risk cycle;

- further insights into TEQSA's internal mechanisms and consultative processes with providers that are used to craft provider risk assessments;

- a discussion of the implications of TEQSA's risk findings; and

- a summary of opportunities for further improvements to TEQSA's Risk Assessment Framework and assessment processes.

Provider groupings used in this report

For the purposes of this report, TEQSA has grouped providers by broad operating model. The market groupings used in this report are:

- For-profit providers
- Not-for-profit providers (includes Technical and Further Education providers)
- Universities

Further details on the provider groupings can be found in the Glossary section of this report.

Reporting period

Data in this report are drawn from TEQSA's risk assessments. For Cycle Six, data have been sourced from TEQSA's and the Department of Education's 2016 and 2017 data collections.

All years referenced in this report refer to the risk assessment year.

Provider exclusions

Nineteen providers received suspended ratings to the overall Risk to Students and/or Financial Position and were not included in this report due to contextual factors, such as:

- being recently registered as a higher education provider and/or did not have sufficient data for risk assessments to be conducted;
- in teach-out; or
- having registration cancelled

In addition to the exclusions identified above, in a small number of cases, extreme outliers have been excluded from the analysis and charts. Additionally, providers with insufficient or bad data were also excluded. As a result, the number of providers presented in a particular chart or table may be less than the total number of registered providers.

Provider confidentiality

The data in this report have been presented in a de-identified manner in order to protect the confidentiality of the risk assessment findings for each higher education provider.

Enquiries

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Accessibility

An accessible version of this report is available at: https://www.teqsa.gov.au/about-us/publications

Sector risk profile at a glance

Risk to students (2018)

Risk Level	2018	2017
High risk	21 providers (14%)	2017: 41 27% ↓
Moderate risk	46 providers (30%)	2017: 39 26% ↑
Low risk	87 providers (56%)	2017: 70 47% ↑

Risk to financial position (2018)

Risk Level	2018	2017
High risk	11 providers (7%)	2017: 9 6% ↑
Moderate risk	51 providers (34%)	2017: 42 29% ↑
Low risk	88 providers (59%)	2017: 95 65% ↓
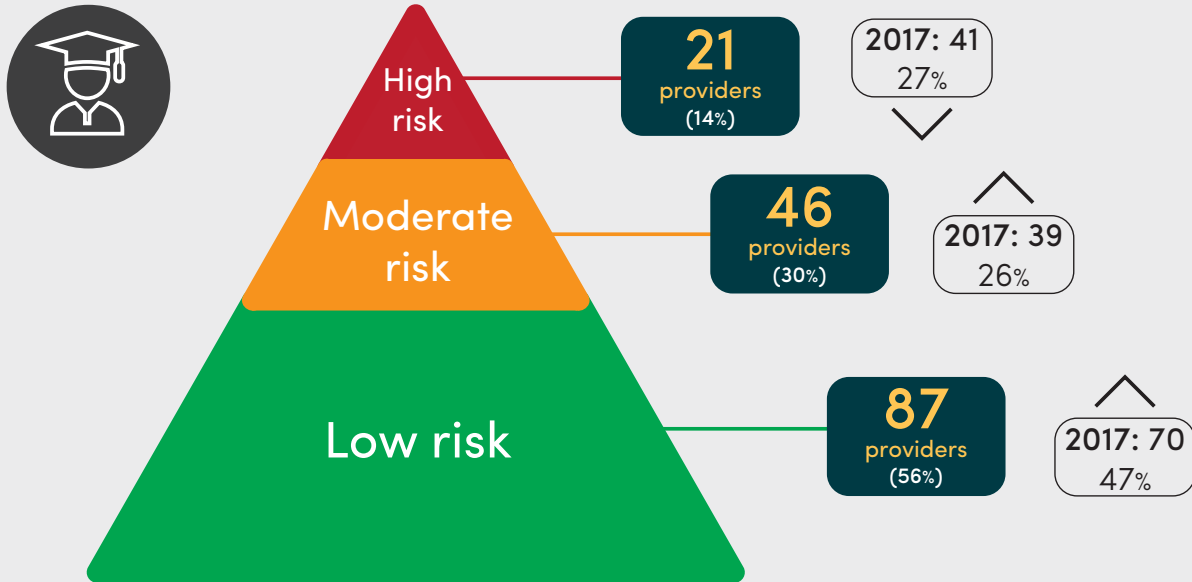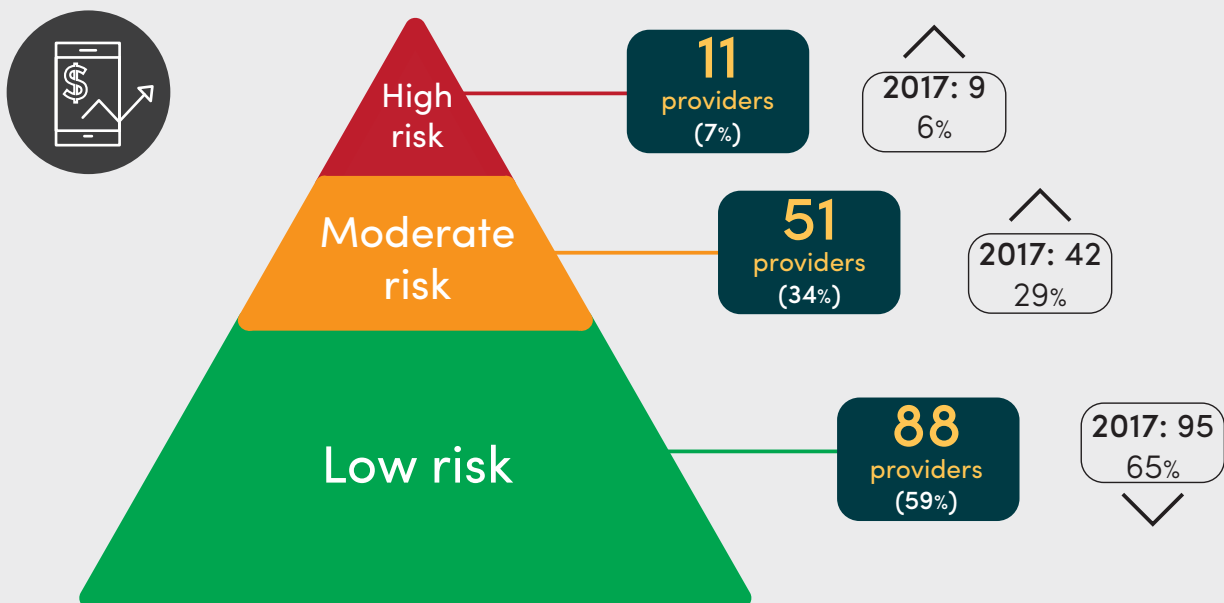
Note: Providers with suspended ratings for Risk to Students or Financial Position have been excluded from the figures.

Risk by market grouping

Risk to students (2018)

Market grouping	Low risk	Moderate risk	High risk
For-Profit	23%	47%	30%
Not-for-Profit	67%	27%	6%
University	88%	10%	2%

Risk to financial position (2018)

Market grouping	Low risk	Moderate risk	High risk
For-Profit	44%	44%	12%
Not-for-profit	55%	40%	5%
University	83%	14%	3%

● Low risk   ● Moderate risk   ● High risk

Risk assessment process

Data collected → Case manager intelligence incorporated → Risk assessment conducted and sent to provider for feedback → Response by provider* → Response considered and risk assessment finalised → Ongoing monitoring and tailored provider engagement

* Provider responses are optional for those rated low or moderate risk and have no identified data issues.

TEQSA's Risk Assessment Framework

The TEQSA Risk Assessment Framework (RAF) enables a consistent, structured, and systematic approach to assessing risk for all higher education providers registered with TEQSA. TEQSA undertakes an annual cycle of risk assessments following data acquisition from national data collections made by the Department of Education, TEQSA, and other parties. The RAF establishes the key components evaluated in the risk assessments, the findings of which are aggregated into two overarching areas—Risk to Students and Risk to Financial Position (Table 1). Providers are rated against the eleven risk indicators in one of three broad categories—low risk, moderate risk, and high risk.[3] Other information such as a provider's regulatory history and standing, provider context, and a provider's risk controls may help inform the final risk ratings.

Table 1.   Risk Assessment Framework[4]

Risk to Students		Risk to Financial Position	
Student Profile and Outcomes	**Academic Staffing Profile**	**Short-term Financial Standing**	**Long-term Financial Standing**
11 risk indicators			

• Student Load
• Attrition Rate
• Progress Rate
• Completions
• Graduate Satisfaction
• Graduate Destinations
	• Senior Academic Leaders
	• Student-to-Staff Ratio
	• Casual Academic Staffing
		• Financial Viability
		  – Operating margin
		  – Liquidity
		  – Total liabilities-to-tangible assets
		  – Debt service coverage
		  – Operating cash flow ratio
			• Financial Sustainability
			  – Change in revenue
			  – Asset (Capital) replacement
			  – Change in employee-benefits ratio
			  – Year-on-year in commencements (EFTSL)
			  – Revenue concentration

Other key areas that may inform the risk indicators, Risk to Students, and Risk to Financial Position: • Provider's regulatory history and standing • Provider context • Provider's response regarding risk controls and other relevant information			

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[3] A suspended rating may apply where data are not yet available to conduct a risk analysis, and a No Confidence in Data (NCID) rating may apply where the provider has a history of submitting inaccurate or incomplete data.
[4] More information regarding the indicators can be found in the Risk Assessment Framework.

Relationship between risk findings and TEQSA's regulatory activities

Where high risks are identified in the risk assessments, these are not themselves a regulatory decision. Rather, they indicate as to where TEQSA may require more reassurance that the provider is meeting the HES Framework, the National Code, and other relevant standards (collectively, the Standards).

Where a provider is flagged as high risk in relation to students and/or financial position, TEQSA adopts a 'full' engagement, whereby stronger and broader evidence of compliance is required during the assessment of applications. TEQSA's High Risk Provider Policy establishes a set of principles that informs TEQSA's treatment of high risk providers, which also includes the formulation of an action plan for providers that considers the full range of available and appropriate regulatory options.

In contrast, during assessment processes, TEQSA focusses on the core evidence requirements for providers that demonstrate continued low risks in relation to students and/or financial position. This enables TEQSA to streamline evidence requirements and reduce regulatory and administrative cost burdens on low risk providers.

When TEQSA identifies significant risks to students and/or risks to financial position, TEQSA regulatory approach and engagement with the provider will be tailored to ensure that relevant issues are considered. TEQSA expects that providers are willing and able to take action to address the underlying causes either through their own risk identification process or where TEQSA identifies concerns. However, where it finds evidence of persistent and significant risks of failure to meet the Standards, TEQSA takes a responsive, graduated, strategic, and issues-focused approach to ensuring compliance.

In summary, the risk assessments function as a regulatory tool to inform TEQSA's scoping activities, tailor the appropriate level of engagement with provider, and guide TEQSA's approach to compliance and enforcement.

Further information can be found here: TEQSA's approach to compliance and enforcement

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Key risk findings

Highlights

This report provides a snapshot of risk findings across Australia's higher education sector. It is important to note that while providers are grouped by broad operating model, there is a diversity of risk assessment outcomes within each market and there are exceptions to the trends.
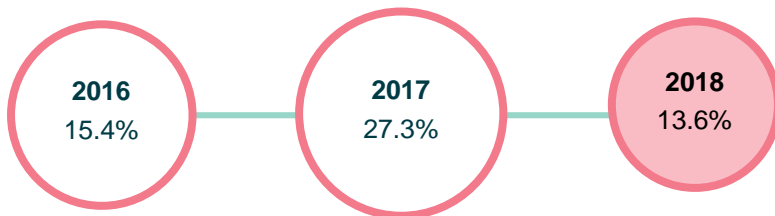
Figure 1.   Risk to students over time (%), 2016–2018

Low Risk to Students
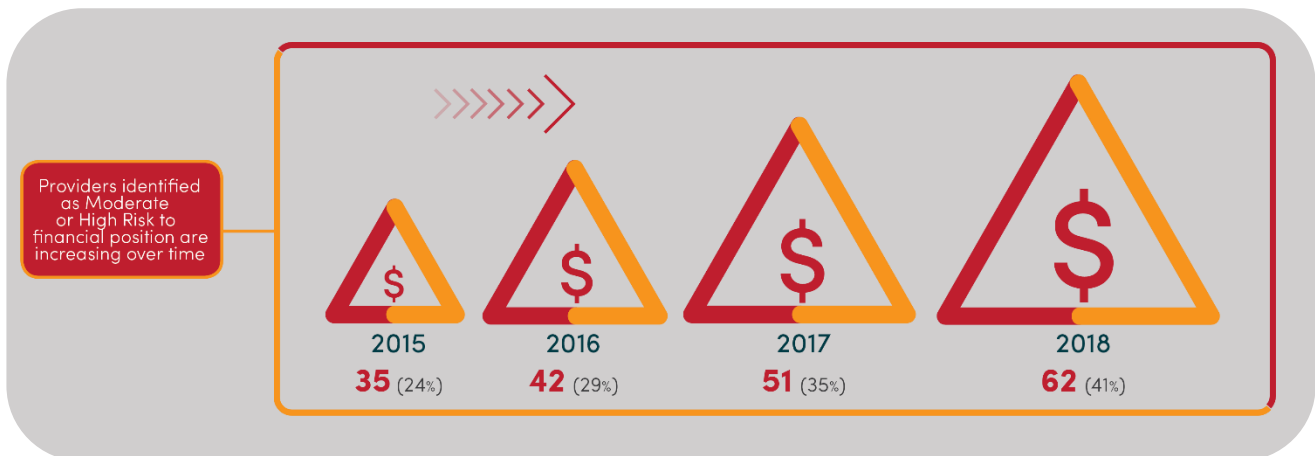
2016 53.8%

2017 46.7%

2018 56.5%
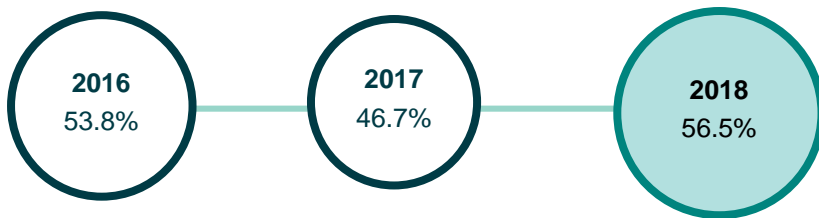
- In 2018, the percentage of providers rated Low Risk to Students has increased while the percentage of providers rated High Risk to Students significantly decreased when compared with 2017.

High Risk to Students

2016 15.4%

2017 27.3%

2018 13.6%

- The percentage of providers considered to pose a Moderate or High Risk to Financial Position has been trending upwards (2016: 29.4%; 2017: 35%; 2018: 41.3%). This was driven by small but increased risk levels in relation to financial viability in the not-for-profit sector, and financial sustainability in the for-profit sector. However, the proportions of providers rated high risk in relation to financial viability and financial sustainability were small across all market groupings.

Providers identified as Moderate or High Risk to financial position are increasing over time

2015	2016	2017	2018
35 (24%)	**42** (29%)	**51** (35%)	**62** (41%)

- The majority of providers (>50%) were considered to be low or moderate risk across TEQSA's risk indicators in 2018.
- While providers that were rated High Risk to Students comprise a small subsection of the sector (13.6%), they demonstrated persistently higher levels of risk in relation to attrition, progress rates, student-to-staff ratios, and casual academic staffing across the past three years (2016–2018).

For-Profit Providers

- In 2018, the for-profit group had the lowest percentage of providers rated Low Risk to Students (22.8%) and make up 81% of all providers rated High Risk to Students (17 out of 21).

- Nonetheless, there were improvements from 2017 to 2018 with a very substantially decreased percentage of for-profit providers rated High Risk to Students (61.8% to 29.8%) and corresponding increased percentages of providers rated Moderate Risk to Students (23.6% to 47.4%) and Low Risk to Students (14.5% to 23.2%).

- Progress rates for for-profit providers have improved from 2017 to 2018, as reflected by positive shifts in the data and the decreased percentage of providers rated high risk for this indicator (2017: 31.5%; 2018: 13.8%)

- In 2018, for-profit providers had the highest percentages of high risks in relation to Student-Staff Ratio (23.2%) and Casual Academic Staffing (33.9%).

Not-For-Profit Providers

- 67.3% of not-for-profit providers were rated Low Risk to Students and make up 42.5% of all providers rated Low Risk to Students (37 out of 87).
- Not-for-profit providers showed slightly increased risk levels to financial position, with increased percentages of moderate risk (2017: 32.0%; 2018: 39.6%) and high risk (2017: 2.0%; 2018: 5.7%).
- Compared with for-profit providers, a significantly smaller percentage of not-for-profit providers were rated high risk in relation to Student-Staff Ratio (7.4%) and Casual Academic Staffing (5.5%) in 2018.

Universities

- Universities had the highest percentage of providers rated Low Risk to Students in 2018 (88.1%) and make up 42.5% of all providers rated Low Risk to Students (37 out of 87).

- 83.3% of universities were rated as Low Risk to Financial Position.

- The combined percentages of moderate and high risk ratings in relation to casual academic staffing have been trending upwards (2016: 9.3%; 2017: 16.3%; 2018: 20.9%).

- The percentages of universities rated moderate risk for Graduate Satisfaction have been trending upwards over time (2016: 12.2%; 2017: 23.3%; 2018: 40.5%).

- Universities had significantly higher ratios of senior academic leaders to each broad field of education (median: 24.9) compared with the rest of the sector (sector median: 3.0).

Risk analysis outcomes

Risk to Students

TEQSA conducted 168 risk assessments in its sixth risk cycle. There were 87 providers that were rated low Risk to Students, 46 rated Moderate Risk to Students, and 21 rated High Risk to Students. Tables 2 and 3 exclude providers that had suspended ratings (i.e. insufficient data), as such, the total number of providers for Risk to Students and Risk to Financial Position are not equal.

In 2018, the ratings for Risk to Students (2018) are comprised of:

- 87 Low Risk: 37 universities (42.5%); 37 not-for-profit providers (42.5%); and 13 for-profit providers (14.9%)

- 46 Moderate Risk: 27 for-profit providers (58.7%); 15 not-for-profit providers (32.6%); and four universities (8.7%)

- 21 High Risk: 17 for-profit providers (81%); three not-for-profit providers (14.3%); and one university (4.8%).

Table 2.   Risk to Students, Cycles Two to Six (2014–2018)[5]

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	87	63.0%	35	25.4%	16	11.6%	138
3 (2015)	84	59.6%	38	27.0%	19	13.5%	141
4 (2016)	77	53.8%	44	30.8%	22	15.4%	143
5 (2017)	70	46.7%	39	26.0%	41	27.3%	150
6 (2018)	87	56.5%	46	29.9%	21	13.6%	154

Figure 2.   Risk to Students (%), 2014–2018[6]

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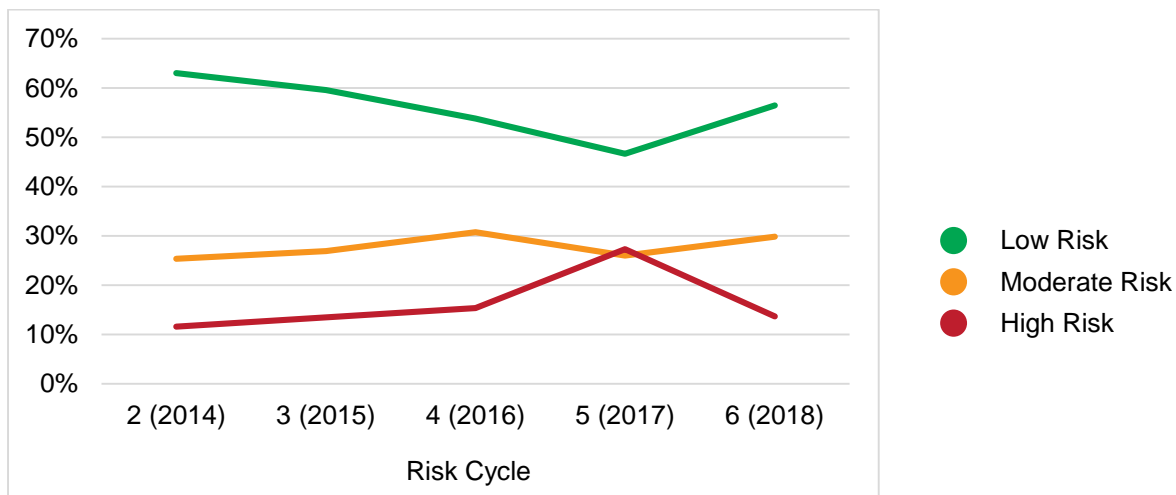
[5] All risk ratings for Cycle One (2013) have been excluded in this report as the risk indicators are different from the subsequent cycles—there were 46 risk indicators and no overall 'Risk to Students' or 'Risk to Financial Position' ratings.

[6] For the purposes of this report, Tables 2 and 3, and Figures 2 to 9 exclude all 'Suspended' and 'No Confidence in Data (NCID)' ratings. These ratings are applied on the basis of the lack of data (new providers) or the lack of confidence in data quality.

Reasons for changes from 2017 to 2018

TEQSA saw an improvement in the Risk to Students for Australian higher education providers in Cycle Six (2018) compared with the previous cycle which can be attributed to a number of factors.

- **Performance improvements observed in providers**

  The significant decrease in the number of providers identified as high risk can also be attributed to positive changes in the providers' behaviour. TEQSA identified 22 providers that were identified as high risk in 2017 but had improved risk profiles in 2018 with fewer indicators being flagged as moderate or high risk. A number of providers that improved the quality and delivery of higher education saw positive shifts in the underlying data and lowered risk ratings in some indicators, most notably, progress rate and graduate satisfaction for for-profit providers. Where improvements are evident beyond the data scope of the risk assessment, this information was also taken into consideration where providers submitted this to TEQSA during Cycle Six (2018).

- **Quantification of overall Risk to Students**

  Following Cycle Five (2017), TEQSA revised its method used to determine Overall Risk to Students. This method was established based on an analysis of the goodness of fit with the risk rating distributions from previous risk cycles and in accordance with the risk appetite of the Commission and produced an initial calculated Risk to Students classification score. While the underlying calculated score for Risk to Students does not function as a sole determinative measure, it provides a reference point from which the analyst exercises professional judgment to determine the final rating for Risk to Students.

- **Emphasis on data issues in 2017**

  In 2017, TEQSA took a firmer stance against unreliable data. Where data reporting issues were identified, the risk analyst assigned a high risk rating against the indicator, and for providers with extensive data issues, an overall high risk rating was also applied to Risk to Students. This led to a large growth in the number of high risk ratings for Risk to Students reported in 2017.

- **Improved data quality in 2018**

  The approach adopted in 2017 prompted providers to work to retrospectively rectify any data inaccuracies, thereby improving data quality. In 2018, TEQSA also actively engaged with providers to rectify data issues, and providers that improved their data quality saw data revisions and lowered risk ratings within the risk assessments.

- **High Risk Provider Policy introduced in 2017**

  The emphasis on data quality in Cycle Five also coincided with TEQSA's High Risk Provider Policy which was introduced in 2017. The policy articulates the principles adopted to ensure differential treatment of providers based on provider risk levels and guides TEQSA's treatment of providers identified as high risk. These principles include: a request for information; analysis of existing data and additional information; formulation of an action plan that considers the full range of available and appropriate regulatory options; and scoping guidelines for regulatory assessments for providers identified as high risk. Through this process, the action plans and risk controls implemented by providers, along with other relevant additional information were considered as contemporary contextual information that were used to inform the final risk ratings for the following cycle.
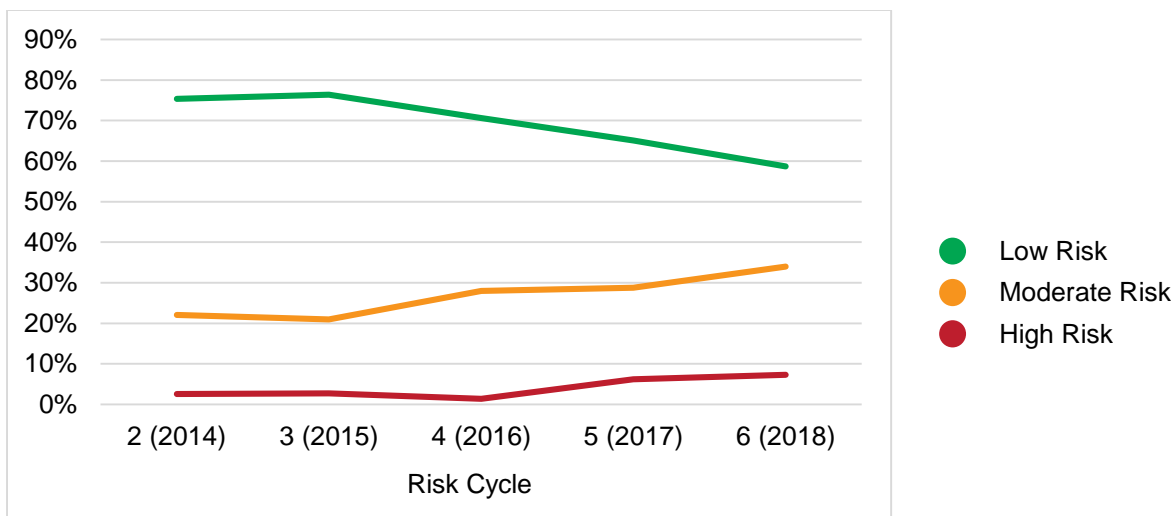
Risk to Financial Position

In terms of the Risk to Financial Position, 88 providers were low risk, 51 were moderate risk, and 11 were high risk. In 2018, the ratings for Risk to Financial Position are comprised of:

- 88 Low Risk: 35 universities (39.8%); 29 not-for-profit providers (33%); and 24 for-profit providers (27.3%)

- 51 Moderate Risk: 24 for-profit providers (47.1%); 21 not-for-profit providers (41.2%); and six universities (11.8%)

- 11 High Risk: seven for-profit providers (63.6%); three not-for-profit providers (27.3%); and one university (9.1%).

Table 3.   Risk to Financial Position, Cycles Two to Six (2014–2018)

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	116	75.3%	34	22.1%	4	2.6%	154
3 (2015)	113	76.4%	31	20.9%	4	2.7%	148
4 (2016)	101	70.6%	40	28.0%	2	1.4%	143
5 (2017)	95	65.0%	42	28.8%	9	6.2%	146
6 (2018)	88	58.7%	51	34.0%	11	7.3%	150

Figure 3.   Risk to Financial Position (%), 2014–2018[7]

Based on the financial risk profiles, longitudinal data shows that the percentage of providers identified as Moderate or High Risk to Financial Position has been growing over time, with corresponding decreases in the percentage of providers rated Low Risk to Financial Position. The increased percentage of moderate risk providers is driven by an increased level of risk to financial viability in the not-for-profit sector, and an increased level of risk to financial sustainability in the for-profit sector. Only a small percentage of providers are considered to have a high level of financial risk.

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[7] For the purposes of this report, Tables 2 and 3, and Figures 3 to 9 exclude all 'Suspended' and 'No Confidence in Data (NCID)' ratings. These ratings are applied on the basis of the lack of data (new providers) or the lack of confidence in data quality.

Key points

More than half the sector was identified as Low Risk to Students in 2018 which was significantly improved from the previous year.

The improved Risk to Students in the sector was due to a range of factors including an emphasis on data quality in the previous cycle; increased engagement with high risk providers in 2017; and positive changes at the provider level.

22 providers had positive changes in their performance which led to improved risk profiles in 2018.

The percentage of providers identified as Moderate or High Risk to Financial Position is trending upwards.

Risk matrix

The 2018 risk matrix shows the aggregated findings for Risk to Students and Risk to Financial Position across the sector in Cycle Six. While the level of risk for each provider is an important factor, the risk matrix functions as an indicator with which TEQSA monitors the risk profile of the sector, along with changes to the risk profile over time.

Figure 4.   Risk matrix, Cycle Six (2018)
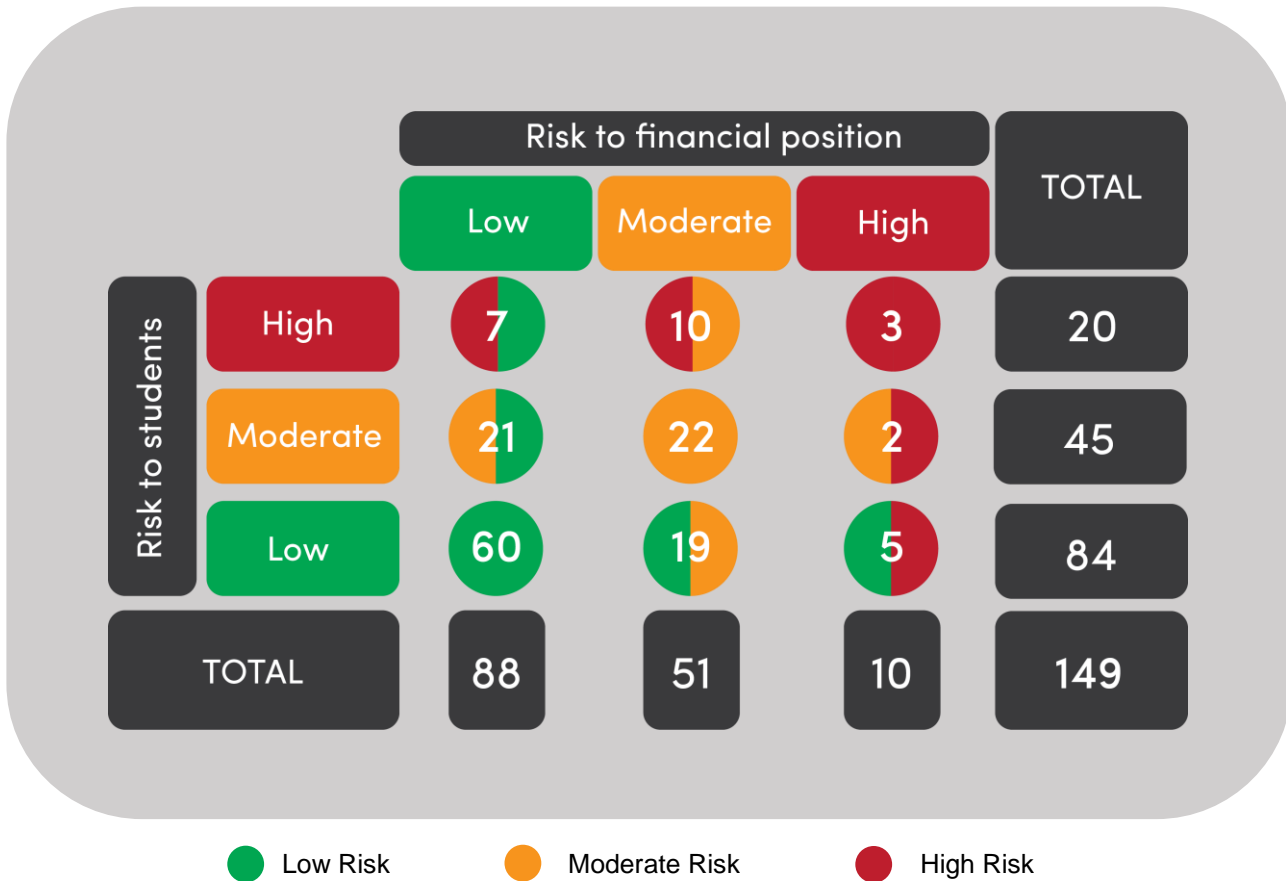
In 2018, there were 60 providers that were rated as low risk for both Risk to Students and Risk to Financial Position. In contrast, only three providers were rated as high risk against both Risk to Students and Risk to Financial Position. While 168 risk assessments were conducted, the risk matrix excludes 19 providers with suspended ratings for Risk to Students and/or Risk to Financial Position—13 providers had suspended ratings against both Risk to Students and Risk to Financial Position; five providers were rated Low, Moderate, or High Risk to Students but were suspended for Risk to Financial Position; and one provider was rated High Risk to Financial Position but was suspended for Risk to Students.

Risk indicator ratings at a glance

The distributions across the three-point rating scale reflect provider performance against each risk indicator. Apart from attrition, the majority of providers (>50%) were found to be low risk while a small percentage of providers were rated as high risk (≤ 15.6%) across the indicators. In 2018, 41.3% of providers were rated as high risk against the Attrition indicator. The distributions for this indicator have been consistent over the years and are reflective of the sector's attrition rates and TEQSA's low risk tolerance for student attrition. TEQSA's cluster analysis of attrition can be found in the Characteristics of Australian higher education providers and their relation to first-year attrition report.

Figure 5.   Cycle Six risk indicator ratings (%), 2018

Indicator	Low Risk	Moderate Risk	High Risk
Student Load	77%	14%	9%
Attrition	41%	18%	41 %
Progress	78%	16%	6%
Completions	90%	8%	2%
Graduate Satisfaction	55%	33%	12%
Graduate Destinations	67%	19%	14%
Senior Academic Leaders	67%	25%	8%
Student-to-Staff Ratio	79%	9%	12%
Casual Academic Staffing	62%	22%	16%
Financial Viability	72%	21%	7%
Financial Sustainability	64%	30%	6%

● Low Risk   ● Moderate Risk   ● High Risk

The majority of higher education providers were rated low or moderate risk across the risk indicators.

Risk findings for providers rated High Risk to Students

There are notable differences between providers rated High Risk to Students ('high risk providers') and providers rated Low Risk to Students ('low risk providers') in the level of risk they pose in relation to the student and staffing indicators. Averaged across three risk cycles (2016–2018), Figure 6 compares high risk providers with low risk providers, and the percentage of these providers that received high risk ratings for the student and staff indicators. This is represented by the percentage measure of high risks relative to all ratings for the student and staff indicators. The formulas employed can be described as:

High risk group

$$\text{HR Indicator X, \% (2018)} = \frac{\text{Number of high risk providers rated high risk for Indicator X in 2018}}{\text{Total number of high risk providers in 2018}}$$

Low risk group

$$\text{LR Indicator X, \% (2018)} = \frac{\text{Number of low risk providers rated high risk for Indicator X in 2018}}{\text{Total number of low risk providers in 2018}}$$

Mean percentage of 'high risk' ratings

$$\text{HR Indicator X, \% (mean)} = \frac{\text{HR (2016)} + \text{HR (2017)} + \text{HR (2018)}}{3}$$

$$\text{LR Indicator X, \% (mean)} = \frac{\text{LR (2016)} + \text{LR (2017)} + \text{LR (2018)}}{3}$$

A percentage of zero would mean that from 2016 to 2018, all providers in the group were rated low or moderate risk for the indicator, while a percentage of 100 would mean that all providers in the group were rated high risk for the indicator. For instance, from 2016 to 2018, a mean percentage of 3.6% of low risk providers were rated high risk for Student Load, while a mean percentage of 40% of high risk providers were rated high risk for Student Load.

Figure 6 shows that high risk providers exhibited marked differences in the high risk percentages compared to low risk providers for all risk indicators, except for the Completions indicator. A sizeable portion of high risk providers were assessed to pose high risks in relation to attrition (71%), progress rates (37.7%), student-staff ratios (46.2%), and casual academic staffing (59.6%). Moreover, these percentages have remained relatively high for high risk providers across all three years (2016–2018), indicating a persistent trend of high risks in relation to these areas.

Figure 6. Mean percentage of low risk providers rated high risk versus high risk providers rated high risk in relation to student and staffing indicators, % (2016–2018)[8]
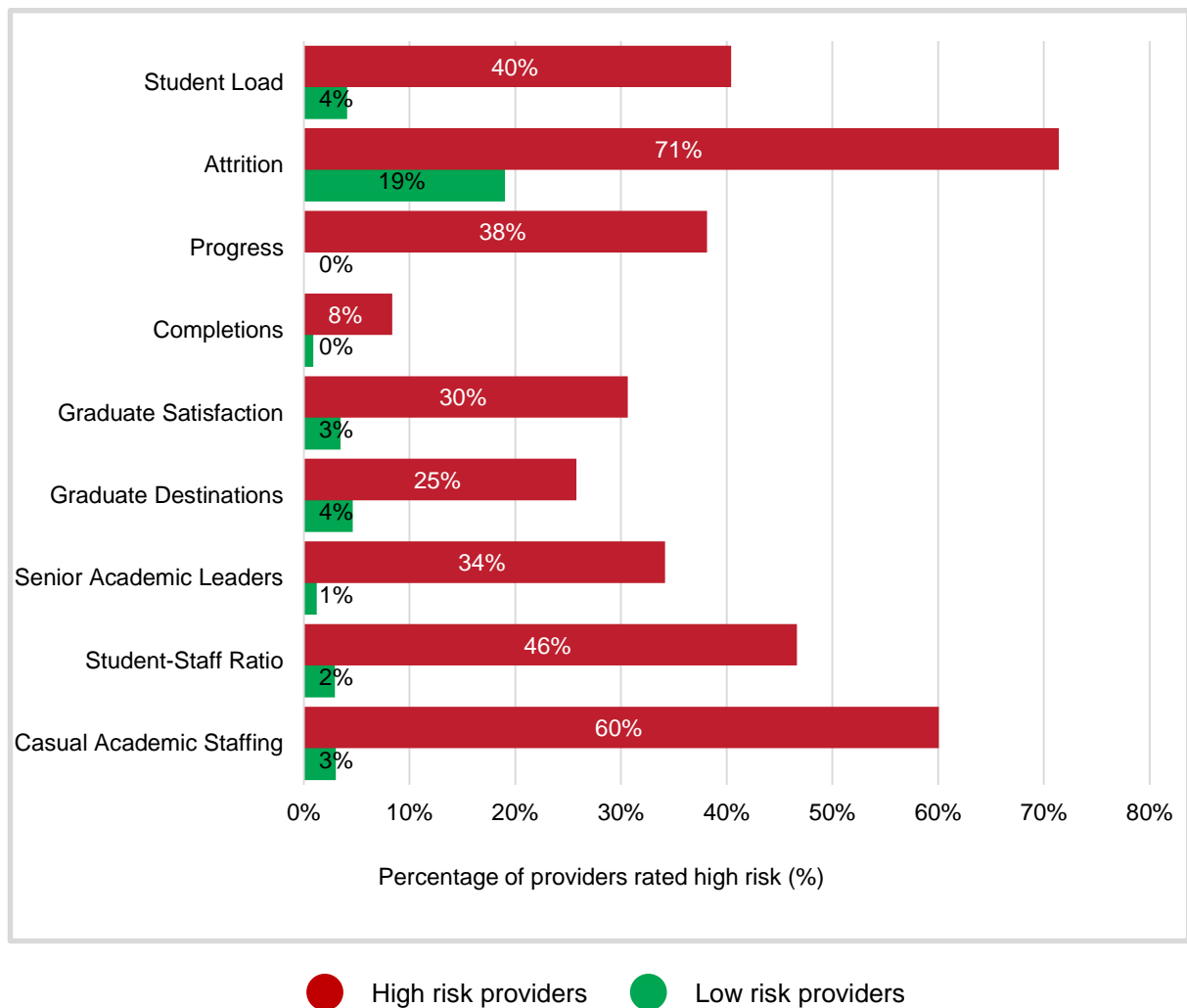
High risk providers represent a small part of the sector (13.6% in 2018), and for-profit providers make up 81% of all providers that were rated high risk to students in 2018 (17 out of 21). There are further implications if high risk providers opt to grow their student load rapidly amidst growing levels of attrition and academic casualisation, and low levels of progress rates and investment in teaching staff. TEQSA is keenly aware of these issues that could pose risks to compliance with the HESF, and will continue to adopt the High Risk Provider Policy in its regulatory assessments.

> High risk providers tend to be rated high risk against attrition, progress rates, student-to-staff ratio, and casual academic staffing.

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[8] TEQSA acknowledges that the indicators are categorical but the graph is presented in a continuous manner to reflect the percentage differences between low risk and high risk providers for the indicators.

Risk profiles by market grouping

Risk to Students

Figures 7 and 8 are based on the two most recent risk cycles (2017 and 2018) for the sake of brevity. During Cycle Six (2018), there were 43 universities, 65 for-profit providers, and 60 not-for-profit providers.

Sector risk analysis shows that a majority of universities (90.5% in 2017, 88.1% in 2018) were found to be Low Risk to Students. Not-for-profit providers had improved risk levels to students in 2018 compared to the previous year, with a decreased percentage of moderate and high risks and increased percentage of low risks. In the for-profit sector, a majority of providers were found to pose a high risk to students in 2017 (61.8%); however, there were some notable improvements in the following year with a decreased percentage of high risks (29.8%) and increased percentage of moderate risks (47.4%). The reasons for this change have been outlined page 15.

Figure 7.   Risk to students by market grouping (%), Cycles 5 and 6 (2017–2018)
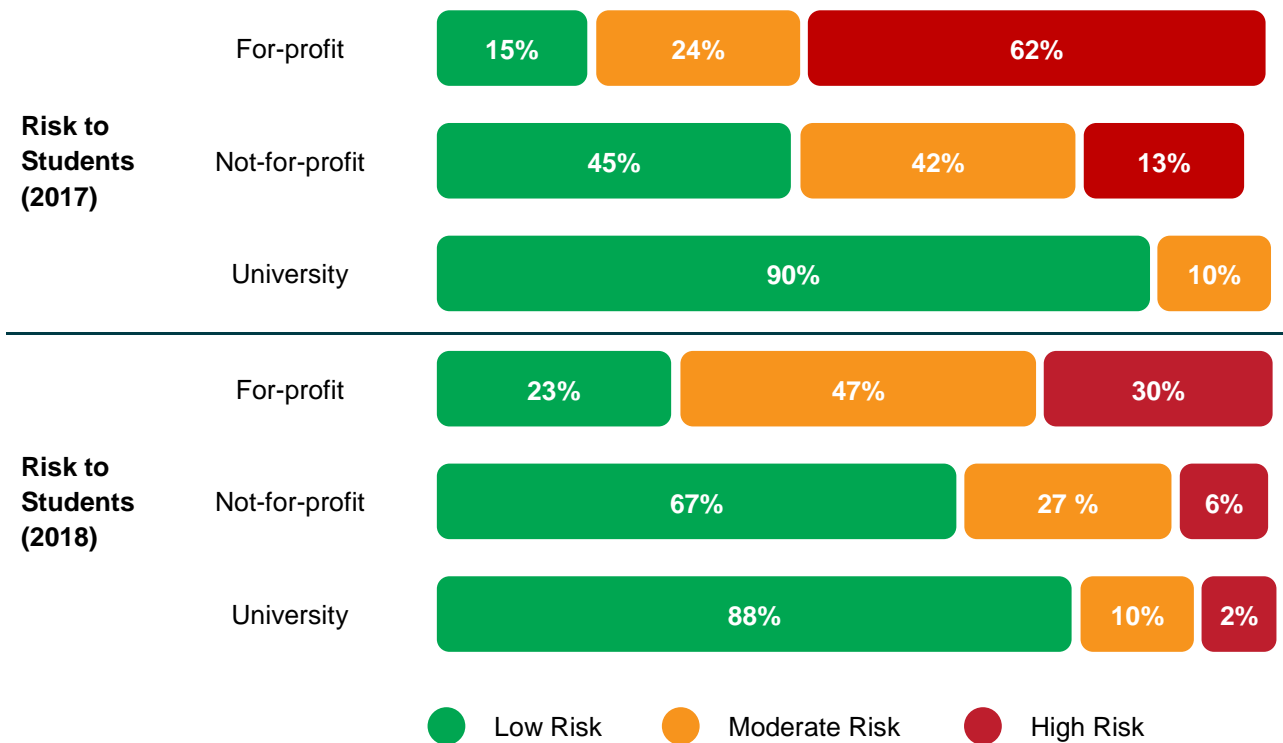
Risk to Financial Position

In 2018, the majority of universities presented as Low Risk to Financial Position (83.3%), followed by moderate risk (14.3%), and high risk (2.4%).[9] In the for-profit sector, providers were equally distributed between moderate and low risks (43.6%). In the not-for-profit sector, more than half of the providers (54.7%) were rated as low risk, followed by 39.6% assessed to be moderate risk, and 5.7% rated as high risk.[10] The risk profiles of the not-for-profit and university sectors have slightly worsened compared to the for-profit sector which tended to be more stable across 2017 and 2018.

Figure 8.   Risk to financial position by market grouping (%), Cycles 5 and 6 (2017–2018)

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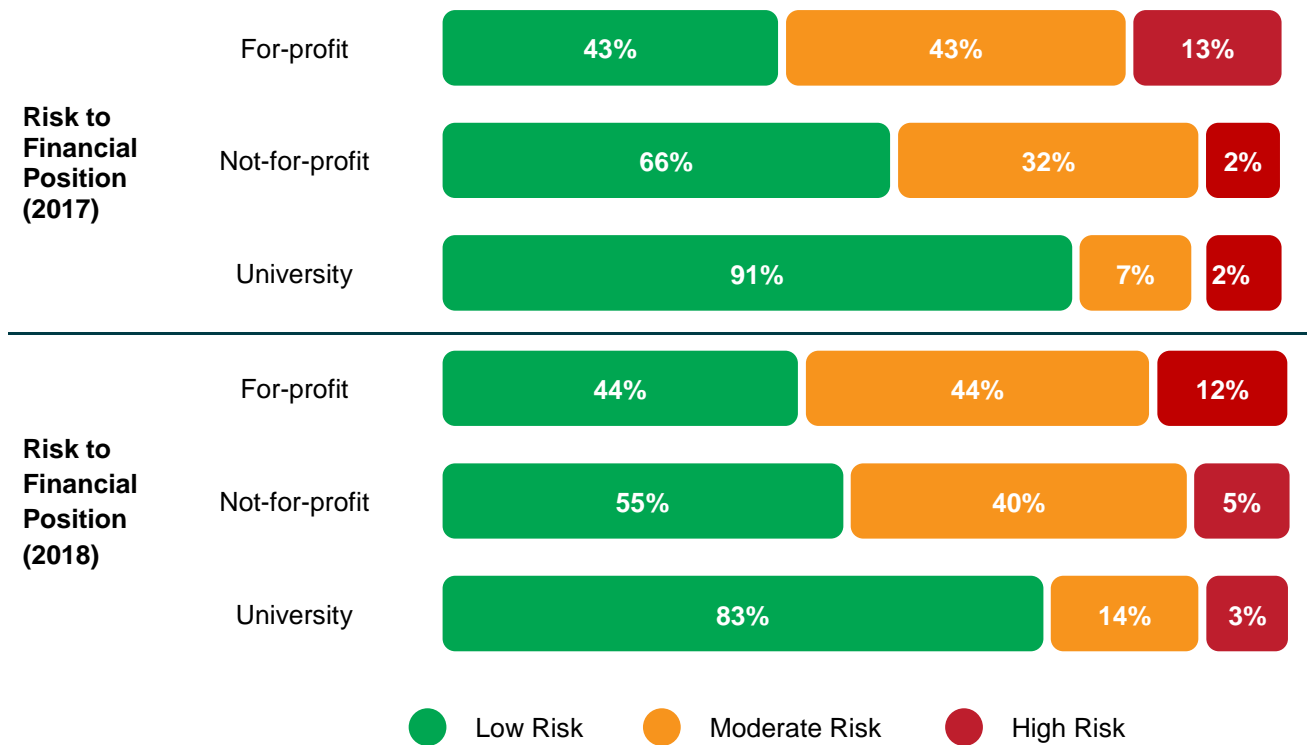
[9] For the purposes of showing an aggregated percentage of 100%, the percentage for high risk (2.4%) has been rounded up to 3% in Figure 8.

[10] For the purposes of showing an aggregated percentage of 100%, the percentage for high risk (5.7%) has been rounded down to 5% in Figure 8.

Risk findings across the sector by market groups

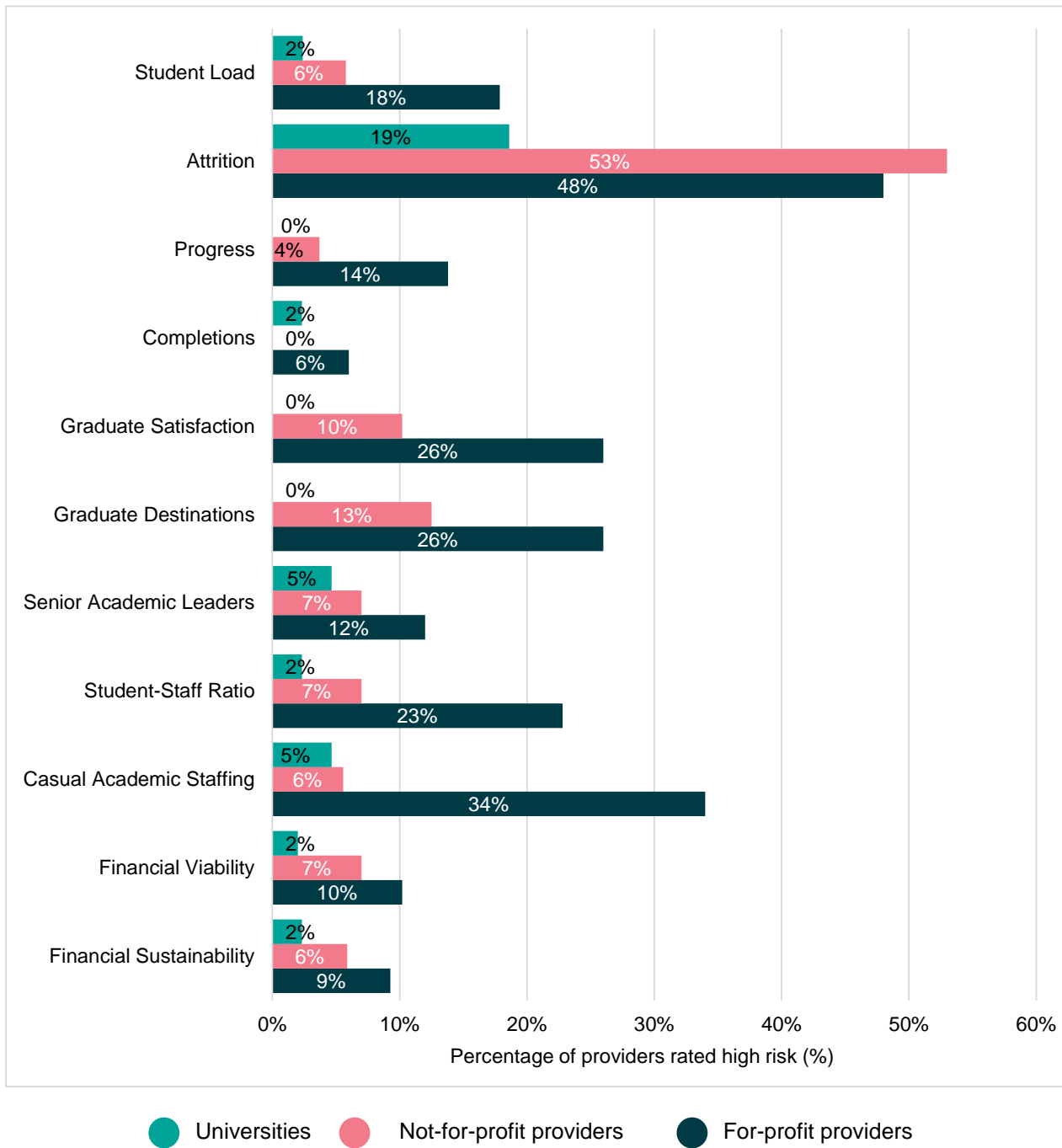Figure 9 shows the percentage of providers within each market grouping that were rated high risk for the risk indicators in 2018. The methodology employed is similar to the logic used in Figure 7.

While this analysis highlights distinctions between provider groups, there are exceptions to these trends and a varied range of data within each market grouping with some providers performing better or poorer compared to other providers within their respective groups. A more comprehensive and detailed account of provider data against the risk indicators can be found in the Appendices.

Figure 9.   Percentage of providers rated high risk for each market grouping, by indicator (%), 2018

Indicator	Universities	Not-for-profit providers	For-profit providers
Student Load	2%	6%	18%
Attrition	19%	53%	48%
Progress	0%	4%	14%
Completions	2%	0%	6%
Graduate Satisfaction	0%	10%	26%
Graduate Destinations	0%	13%	26%
Senior Academic Leaders	5%	7%	12%
Student-Staff Ratio	2%	7%	23%
Casual Academic Staffing	5%	6%	34%
Financial Viability	2%	7%	10%
Financial Sustainability	2%	6%	9%

The percentage of high risks reflects TEQSA's risk tolerance and demonstrates patterns of risk on a broad level for each market grouping. The graph shows clear distinctions between market groupings in the percentage of providers rated high risk against the indicators. Apart from attrition and completions, universities had a lower percentage of high risks, for-profit providers had the highest percentage of high risks, while not-for-profit providers would fall in between.

Student load

Overall, the majority of universities were considered to pose a low risk in their increases to student load in Cycle Six (2018: 2.3%). The growth rates of student load slightly differ between for-profit providers and the rest of the sector. Having accounted for strategic plans and risk mitigation strategies in place, a relatively larger percentage of for-profit providers were considered to be high risk in terms of their rate of student growth (18.2%) compared with the not-for-profit sector (5.7%). However, the percentage of for-profit providers rated high risk for this indicator has decreased over time (2016: 32.7%; 2017: 30.8%; 2018: 18.2%).

> A larger percentage of for-profit providers (18.2%) were considered to be high risk in their rate of student growth compared to the rest of the sector.

Student performance

Student attrition has been explored in previous reports and data publications by the Department of Education[11] and TEQSA.[12] [13] In 2018, a significant portion of for-profit providers were considered to be high risk in relation to their attrition rates (48.1%). This was exceeded by the not-for-profit sector (52.8%). Comparatively, universities had the smallest proportion of high risks in student attrition (18.6%).

Generally, the sector is considered to be low risk in relation to progress rates. Progress rates in the not-for-profit and university sectors were generally assessed as low risk (89.1% and 93% respectively). Comparatively, a smaller percentage of for-profit providers were rated low risk in relation to student progress (56.1%). Nonetheless, for-profit providers have experienced a declining percentage of high risks in progress rates from 2017 to 2018 (2017: 31.5%; 2018: 13.8%).

> A significant percentage of for-profit and not-for-profit providers were considered to be high risk in relation to attrition.

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[11] Selected Higher Education Statistics (Department of Education)

[12] Characteristics of Australian higher education providers and their relation to first-year student attrition (TEQSA 2017)

[13] TEQSA Occasional Forum Series: Student Attrition in Higher Education

Graduate outcomes

The distinctions between market groupings were pronounced for Graduate Satisfaction and Graduate Destinations. In 2018, the for-profit sector had the largest 'high risk' percentages for Graduate Satisfaction across the sector (25.5%). While the overall graduate satisfaction levels for universities were generally considered to be high (QILT 2018), a notable portion of these universities fell below TEQSA's low risk threshold and were rated as moderate risk for this indicator in Cycle Six (2018). The percentage of moderate and high risks for universities for this indicator has also been trending upwards over time. The percentage of universities rated moderate risk in relation to Graduate Satisfaction were 12.2% in 2016, 23.3% in 2017, and 40.5% in 2018.

▶▶ The percentage of universities rated moderate risk in relation to Graduate Satisfaction has been trending upwards over time.

▶▶ In 2018, the for-profit sector had the largest percentage of providers rated high risk in relation to Graduate Satisfaction (25.5%).

Academic staff resourcing

There are also clear differences between provider groups in their approaches to academic staff resourcing. Smaller percentages of universities and not-for-profit providers were found to be high risk (4.7% and 7.1% respectively) in their levels of senior academic leadership compared to for-profit providers (12.3%). Whilst having accounted for equivalency in staff classifications and key responsibilities, a relatively larger percentage of for-profit providers were rated high risk for this indicator.

There were also differences between for-profit and not-for-profit providers in terms of their resourcing of teaching staff. In relation to student-to-staff ratios, a higher percentage of for-profit providers were rated high risk (23.2%) compared with not-for-profit providers (7.4%). For-profit and not-for-profit providers also differ in their level of academic casualisation; a relatively larger percentage of for-profit providers were considered to be high risk in relation to casual academic staffing (33.9%). However, this has generally improved from preceding years (2016: 40.4%; 2017: 41.1%). Compared with for-profit providers, a significantly smaller percentage of not-for-profit providers were considered to be high risk in the level of academic casualisation (5.5%). This percentage has also decreased over time, indicating an improvement in the reliance on academic casualisation for not-for-profit providers (2016: 11.8%; 2017: 11.3%).

Compared with the rest of the sector, universities were generally considered to be low risk in their level of academic casualisation (79.1 %). However, the combined percentage of moderate and high risks for the university sector have been trending upwards (2016: 9.3%; 2017: 16.3%; 2018: 20.9%).

▶▶ For-profit and not-for-profit providers differ in their approaches to academic staffing; not-for-profit providers tend to be low risk in their investment in teaching staff and reliance on casual academic staffing.

▶▶ The percentage of universities rated moderate or high risk in relation to casual academic staffing has been trending upwards over time.

Financial standing

In 2018, a very low number of providers was assessed to be high risk across the financial risk indicators. Despite differences between provider groups, the percentage of high risks have remained low (≤ 10%). The majority of universities were rated as low risk in relation to both Financial Viability and Financial Sustainability (83.7% and 90.7% respectively).

A portion of the not-for-profit sector was assessed to be moderate or high risk in relation to Financial Viability (45.7%), which was largely due to incurred losses and net surplus margins below the sector median.

The for-profit sector was generally considered to be low risk with regard to Financial Viability, with 10.2% rated high risk and 13.6% rated moderate risk for this indicator. This means that the majority of for-profit providers have the financial strength and capacity to operate in the short-term. However, for-profit providers were predominantly rated moderate risk in relation to Financial Sustainability (53.7%). The 2018 Key Financial Metrics Report also found that the for-profit sector had the highest reliance on a single source of revenue and the lowest levels of staff spending relative to revenue, both of which are related to a provider's capacity to support longer term operating endurance.

▶▶ The majority of universities were rated low risk in relation to Financial Viability (83.7%) and Financial Sustainability (90.7%).

▶▶ A significant portion of not-for-profit providers were considered to be moderate or high risk in relation to Financial Viability (45.7%).

▶▶ The for-profit sector was generally assessed to be low risk in Financial Viability (76.3%), but more than half of the for-profit group was considered to be moderate or high risk in relation to Financial Sustainability (63%).

Risk assessment process

The risk assessment cycle is conducted annually and it is an evolving process with significant changes to the framework being implemented as part of continuous improvement over the past six cycles. These included:

▶ Streamlining the number of risk indicators from an initial 46 to 11.

▶ Changes to internal business rules to better accommodate and cater for different provider types.

▶ Where qualitative or contextual factors are used to revise a risk finding, these factors are recorded, categorised, tracked, and reported to the Commission to ensure full transparency.

▶ Cyclical recalibration of risk thresholds to continue to align with TEQSA's risk appetite.

Figure 10.   Risk assessment cycle
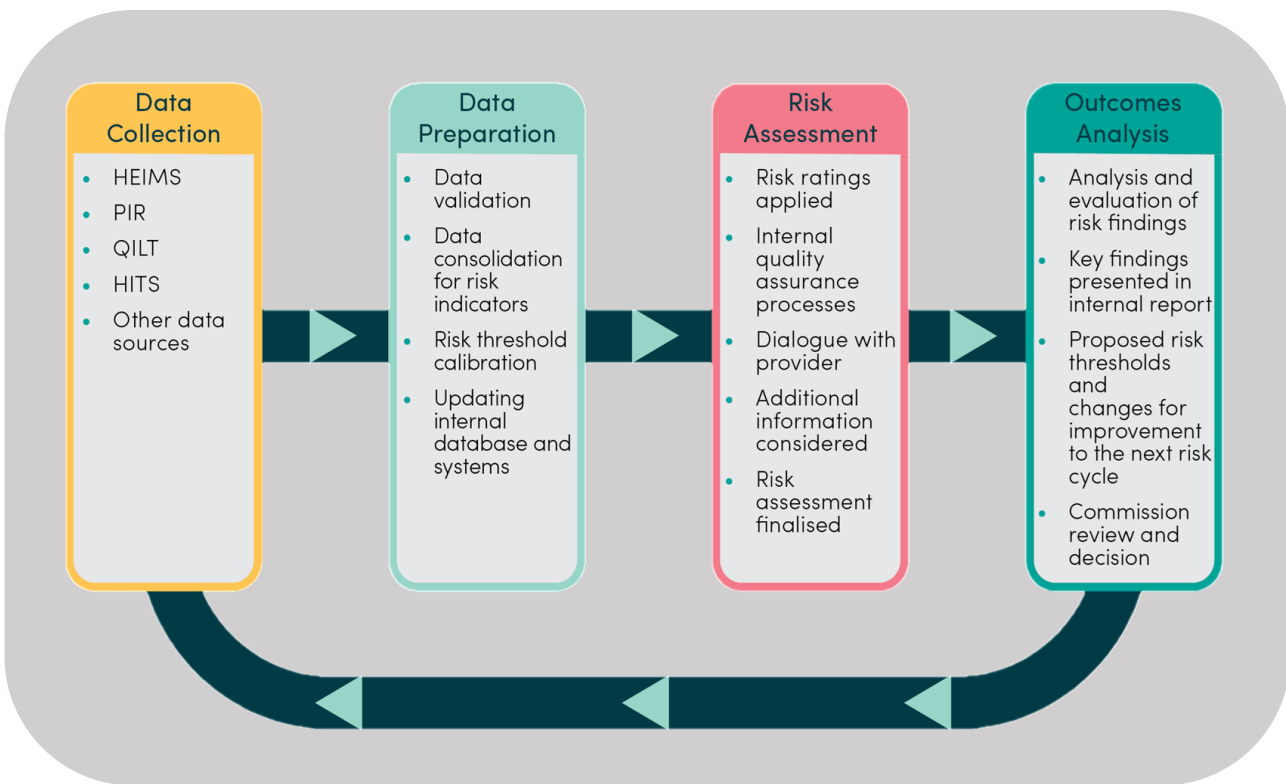
 All relevant data are collected and consolidated from a range of data sources—the TEQSA Provider Information Request (PIR), the Department's Higher Education Information Management System (HEIMS), the Social Research Centre's (SRC) Quality Indicators for Learning and Teaching (QILT), and the Help IT System (HITS). After which, the data are processed, consolidated, and calculated for the risk indicators. Data validation and sanity checks are also undertaken to identify any anomalies and to ensure a smooth process during the risk cycle.

Finally, TEQSA reviews its forthcoming process and conducts threshold testing for each indicator to enable TEQSA's changing responsiveness to the profile of the sector. This is conducted in consideration of sector views; experience from previous risk cycles; the nature of the risk indicators; and TEQSA's risk appetite, all of which inform the Commission's decision in determining the risk thresholds for the upcoming cycle (the Commission is the final determinant of TEQSA's approach to risk assessment and the processes on which it relies).

More information regarding the risk assessment process can be found in the Risk Assessment Framework.

Risk assessment quality assurance

TEQSA's sixth risk cycle (2018) saw a further enhancement of its internal quality assurance processes, including the timeliness of the risk assessment process. For example, with added rigour, each draft risk assessment was peer reviewed by analysts within one business day. The risk assessments also incorporated case manager intelligence such as relevant regulatory findings or contextual information. Finally, the risk assessments undergo a two-step clearance process before being sent to the providers. Apart from newly-registered providers where data is not yet available, the risk assessment process offers providers the opportunity to respond to the risk assessment findings, which will then inform the final version of the risk assessments.[14]

Response process and risk rating adjustments

Based on the provider's performance data against each indicator, a calculated rating informed by the risk thresholds is predetermined. However, these default ratings serve as a starting point and the final risk ratings are not determined purely on a quantitative basis. Adjustments may be made to the risk ratings and the final judgment takes into account the provider's profile, or more contemporary data or contextual information received from providers during the response process. More broadly, provider responses help inform our treatment of providers on an ongoing basis, and this includes TEQSA's risk assessments, re-registrations, and other regulatory assessments.

In 2018, TEQSA received a total of 95 formal responses to the draft risk assessments and examined all information received. TEQSA considered the relevance of the information on a case-by-case basis. This encompassed information such as the provider's context, field of delivery, regulatory history, more recent and verifiable data, and the provider's own risk controls. TEQSA also liaised with providers in cases where further clarification is needed. The time taken to conclude each risk assessment was dependent on the responsiveness of providers, and the amount of data and information received to be analysed and incorporated.[15] Figure 11 summarises the adjustments TEQSA made to the default risk ratings after incorporating contextual information, including provider responses that prompted an adjustment.[16] [17]

Figure 11.   Reasons for adjustments to risk ratings (%), 2018

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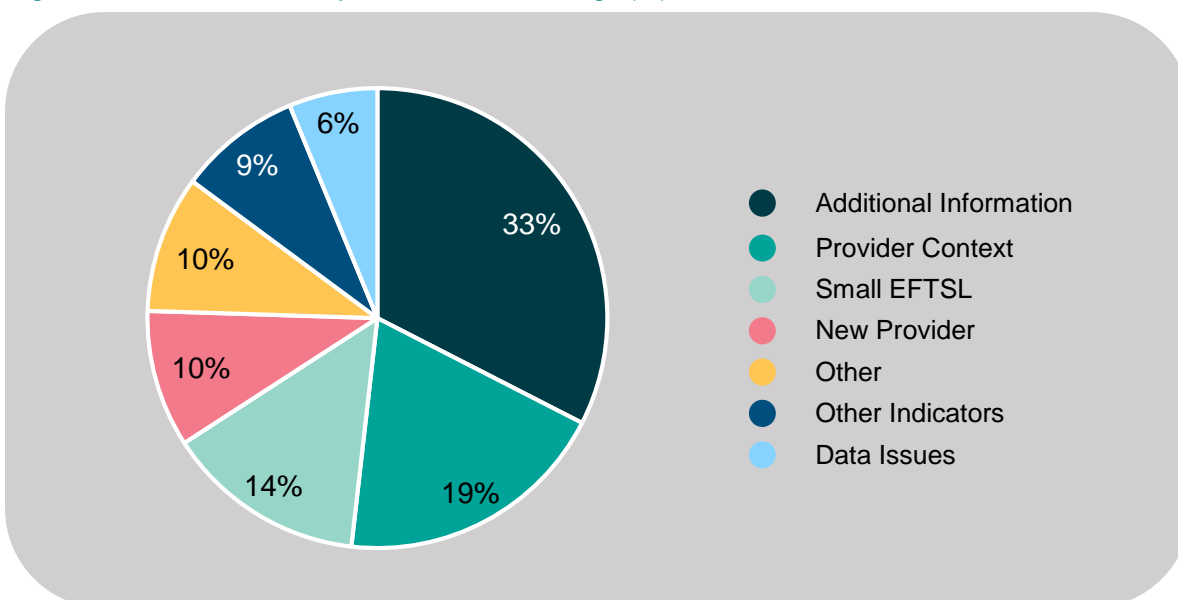
[14] Providers rated as moderate or high risk in relation to risk to students and/or financial position were invited respond to the risk assessments with relevant information pertaining to the risk findings.

[15] In 2018, 31.5% of providers responded after the deadline.

[16] The factors are not mutually exclusive—more than one reason could inform the adjustment of a single risk rating.

[17] 'Adjustments' here refer to a final rating that differs from the default/calculated rating based on the established risk thresholds.

In 2018, a total of 396 adjustments were made to the default risk ratings across the student, staff, and financial indicators, as well as the overall Risk to Students and Risk to Financial Position indicators. Additional information (32.5%) was the predominant reason for adjustments to the risk ratings, followed by provider context (19.3%) and providers with small student load (14.1%). The 'other' category refers to non-recurring events that impacted a provider's delivery or finances, providers with external financial support from their parent companies, or other reasons not specified within this report.

A large percentage of ratings adjustments for Attrition, Graduate Satisfaction, and Graduate Destinations took into account additional information submitted by providers. These included, but are not limited to: more contemporary data that demonstrated improved student or financial outcomes;[18] risk management plans or reports detailing monitoring, analysis, and mitigation plans for identified risks; internal reports evaluating student feedback and other indicators of academic standards and quality; student support activities; and retention strategies. More information about the types of information TEQSA considers can be found on TEQSA's website − Risk Ratings: Examples of Relevant Information and Provider Controls that TEQSA Considers.

In some cases, a persistently high number of adjustments to the risk ratings for an indicator prompts a review of TEQSA's definitions within the RAF. As an example, the Senior Academic Leaders indicator had the highest number of adjustments made (67), which were mostly due to additional information and/or consideration of the provider's context which resulted in a lower risk rating. This led to TEQSA's revision of its reporting guidance of senior academic leaders to providers that are subject to the *Education Services (Post-Secondary Education) Award*. TEQSA expects to see an increase in the reported number of senior academic leaders for these providers in future risk assessments.

The majority of adjustments made to the Financial Viability indicator were based on the provider's context and additional information, including financial backing from related parties or consideration of non-recurring events. Rating changes to the Financial Sustainability indicator were mostly due to investment in physical resourcing made by related parties, which led to lowered risk ratings. Risk rating changes to the overall Risk to Financial Position were made to reflect corresponding adjustments of the underlying Financial Viability and Financial Sustainability indicators. Other adjustments were made to reflect the size of provider, net assets, and financial backing from related parties.

In 2018, a total of 396 adjustments were made to the default risk ratings.

A large percentage of adjustments took into account additional information (32.5%), followed by provider context (19.3%), and providers with small student load (14.1%).

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[18] Noting that the data used in the risk assessments have a two-year lag.

Post-cycle analysis and decision making

TEQSA produces internal post-cycle reports as part of the risk assessment process. These reports include an analysis of data distributions, summarised key findings, risk profiles of the sector, emerging patterns or areas of concern, proposed changes to enhance the Risk Assessment Framework, and other recommendations. Changes in data distributions and/or a high number of risk rating adjustments prompt TEQSA to consider whether the risk indicator(s) or the RAF can be improved, for instance, to accommodate different provider types.

The TEQSA Commission is the final arbiter and decision-maker in relation to the risk framework. Based on the reports and recommendations available to it, the TEQSA Commission determines the risk thresholds for the next cycle and decides if any other changes are to be implemented in the next cycle.

Process outcomes

In 2018, TEQSA implemented a range of key efficiencies and changes which included:

- Improved internal quality assurance processes and consistency across the risk assessments via the peer review and moderation process.

- A new post-cycle follow-up process established within TEQSA to engage providers with outstanding data issues prior to the commencement of Cycle Six.

- The financial analysts conducted financial data validation prior to the commencement of the risk cycle in order for providers to make data rectifications via the HELP IT System (HITS). This reduced financial data errors and enabled a smoother assessment process during the cycle.

- All providers with data issues were required to respond, which resulted in an increased number of rectified data issues. This enabled the risk analysts to determine risk ratings with greater confidence.

- A number of high level meetings with providers to better understand their policies, business model, and strategies.

Implications of findings

Protecting students' interests

Student performance and graduate outcomes

The risk assessments help safeguard students' interests by identifying areas of potential risks to students. The safeguarding of students' interests is closely intertwined with the protection of the reputation of the sector. Using the data collected, TEQSA monitors the performance of higher education providers at a macro level. The analysis within this report shows that, overall, a large majority of providers in the sector are rated as low or moderate risk for the student and staffing risk indicators, with the exception of attrition and graduate satisfaction. However, where providers are found to be high risk in relation to their rate of student growth, attrition, progress rates, or student outcomes, these warrant a deeper investigation by TEQSA and are indications that more reassurance that the provider will continue to meet the Standards is required.

Presently, TEQSA monitors compliance against the HESF and National Code, which have provisions for student support and institutional policies that accommodate a healthy learning environment for all students (NC 2.2). TEQSA is keenly aware of the growing proportion of universities rated moderate risk for Graduate Satisfaction over time. The indicator identifies the extent of which students are satisfied with their overall course. Moreover, low graduate satisfaction rates combined with poor student performance prompt a closer look into the provider's student support services, teaching staff, and quality of course delivery.

Academic staffing

TEQSA considers low teaching staff levels and high levels of academic casualisation to pose risks to the quality of higher education delivery and to adequately support student growth, experience, and outcomes. Moreover, low ratios of senior academic leaders for each broad field of education also pose risks to quality in higher education and could negatively impact on learning outcomes for students. In particular, these may include inadequate policy frameworks, issues of academic quality of courses not being addressed, and engagement in scholarship by staff and students not being developed.

Financial capabilities

TEQSA evaluates the financial viability and sustainability of each registered provider as it is in the interest of students that the providers they are enrolled with possess the financial resources and capacity to continue to operate in both the short and longer term. Only a small portion of providers were considered to be high risk in relation to the financial indicators. However, there are emerging risks in relation to financial viability (financial losses, net surplus margins) and financial sustainability (reliance on single source of revenue, staff spending levels relative to revenue). TEQSA will continue to monitor providers assessed to be moderate risk to seek confidence in the provider's financial capacity and capability, and will adopt the necessary regulatory response in line with TEQSA's approach to compliance and enforcement.

TEQSA's regulatory activities

Tailored approach in the risk assessments

In recognition of the breadth of diversity in the sector and the importance of provider context in assessing potential risk, TEQSA's approach to risk assessments employs informed judgment within the risk assessment process and post-cycle reviews to diagnose aspects of the risk framework that need further improvements to ensure that the indicators are fit-for-purpose. The response process remains a crucial part of the risk assessment process, and information regarding the contextual factors and provider risk controls that TEQSA takes into account in crafting the risk assessments can be found on TEQSA's website.

Reduced regulatory burden on providers

The risk assessments help tailor TEQSA's level of engagement with providers during assessment processes to ensure that the sector is regulated in a manner that is reflective of the risks to the students and the sector itself (TEQSA Corporate Plan 2018–22, Action 1.3). Evidence requirements are streamlined for providers that demonstrate continued low risks to students and/or financial position. This enables TEQSA to focus on the reduced core evidence requirements and to reduce regulatory and administrative cost burdens on low risk providers during the assessment processes.

Engagement with providers

Any high risk findings in relation to the provider's risk assessment are not themselves a regulatory decision. Rather, they provide indications as to where TEQSA may require more reassurance that a provider will continue to meet the standards. For high risk providers, TEQSA adopts a 'full' engagement, whereby stronger and broader evidence of compliance is required during the assessment of applications. TEQSA's High Risk Provider Policy establishes a set of principles that informs TEQSA's treatment of high risk providers, which includes the formulation of an action plan for providers and a request for information (RFI).

The risk assessments also guide TEQSA's approach to compliance and enforcement, as well as encourage early discussions between TEQSA and the provider about any emergent issues and possible strategies to address and mitigate these risks. More broadly, risk findings could prompt the provider's internal evaluations and inform good practice, policy development, and more purposeful and intentional investments in key aspects of the provider's higher education delivery.

As TEQSA seeks to enhance its approach to monitoring, assessment, and management of risks, engaging providers is vital to incorporate other relevant and more timely sources of provider information, including the progress and effectiveness of the provider's risk treatment plans (Corporate Plan 2018–22, Action 1.4). These help improve TEQSA's evidence base for any required regulatory decision.

Protecting the reputation of the sector

TEQSA's risk assessments help protect the reputation of the sector by monitoring key aspects of higher education delivery. The risk indicators, along with other relevant regulatory or contextual information, inform the overall Risk to Students and Risk to Financial Position findings. On a macro level, the risk matrix shows a sector-wide overview of TEQSA's risk findings. This enables TEQSA to monitor the risk profile of the sector on a regular basis, along with any changes to the risk profile over time. If upward trends are identified in the overall Risk to Students or Financial Position, this may prompt TEQSA to identify any systemic risks that may be emerging and to engage with the sector at the provider level (see TEQSA's regulatory activities).

This report demonstrates that certain parts of the sector show concentrations of higher risk levels. However, there is also evidence that that there are providers from each market grouping (universities, for-profit providers, not-for-profit providers) that are exceptions to these trends (Appendices). Accordingly, each provider should be able to compare themselves with the rest of the sector and identify areas for improvement.

For-profit and not-for-profit providers tend to be smaller in size compared to larger providers like universities. However, some for-profit and not-for-profit providers show more volatile changes in their student enrolments, with a number of providers undergoing rapid increases. A growing student population does not mean that the sector or a particular provider is inherently risky, provided that supply-side consequences are sufficiently addressed through strategies such as increased capital investment and infrastructure, attracting more qualified academic staff, and monitoring student experience to identify any adverse impact.

Having accounted for equivalency in the coding and reporting of senior academic leaders,[19] most universities are extremely advanced compared to the rest of the sector in their level of senior academic leadership by broad field of education. However, TEQSA also notes that a number of for-profit and not-for-profit providers have comparable levels of senior academic leadership with some universities. TEQSA continues to emphasise the importance of senior academic leaders as they remain vital to the provider's academic capabilities and the development of key academic policies, are heavily involved in the innovation of their field of expertise, and contribute to the flourishing of the academic culture.

Investments in teaching staff that match the level of student growth are important to support students and to ensure the quality of students' learning experience. Overall, the majority of providers (79.1%) were considered to pose a low risk in relation to student-to-staff ratios. The for-profit sector generally employs a high proportion of casual academic staff compared to the rest of the sector, though some not-for-profit providers and a number of universities are not precluded from this trend. Casual (or sessional) academic staffing remains a persistent issue for the sector. Notably, the proportion of universities assessed to be moderate risk in terms of their reliance on casual academic staffing has been increasing over time. TEQSA keeps a close eye on the academic profiles of providers, with high proportions of casual academic staff considered to pose risks to the continuity of support for students and adequate support systems for casual staff.

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[19] Senior staff coded above Level E or as '160'.

Issues and next steps

TEQSA is actively reviewing the following issues with the aim of enhancing its approach to the monitoring, assessment, and management of risks. This includes fine-tuning TEQSA's identification of high risk providers, maturing the Risk Assessment Framework to better reflect the diversity of the sector, and increasing the sector's confidence in TEQSA's risk assessments.

- **Sector consultation**

  In 2019, TEQSA will be conducting risk assessment workshops for providers and a consultation paper has been released to inform the sector's understanding of the RAF and to incorporate sector views into improving TEQSA's approach to risk assessments. More broadly, the following are examples of issues that present opportunities for further dialogue with the sector:

  - The ways in which the Risk Assessment Framework can better accommodate different provider types.

  - Whether risk indicators could be improved to ensure that they continue to be fit-for-purpose and reflect the diversity of Australia's higher education sector, whilst safeguarding balance and fairness across the sector.

- **Transforming the Collection of Student Information (TCSI) 2020**

  The Department of Education and the Department of Human Services (DHS)'s TCSI 2020 project will revise the data scope and reporting requirements to reduce duplication and improve data availability. This will impact the collection scope and reporting method for PIR providers. Sector consultation and workshops are scheduled to occur in 2019 to ensure a smooth transition for PIR providers.

- **Data lag in risk assessments**

  Timeliness of data remains an ongoing concern for TEQSA as the risk assessments are reliant on data that is two-years old for the student and staff indicators. This is largely due to the time needed for data reporting, validation, transfer, and integration processes that are crucial to safeguard the validity and accuracy of the data which underpin the risk assessments. In consideration of the data lag, TEQSA encourages providers to submit more recent data, when available and verifiable, which will help inform a more contemporary view of the provider's risk profile. Issues of data lag will also prospectively be addressed through the Department of Education's TCSI project.

Key points

TEQSA's risk assessments help protect students' interests by monitoring key aspects of each providers' student performance, graduate outcomes, academic staffing profiles, and short and longer term financial capacities.

The risk assessments help guide TEQSA's approach to compliance and enforcement and inform the appropriate level of engagement with providers. Regulatory burden is reduced for providers that are consistently low risk whilst stronger and broader evidence is required for high risk providers.

The risk indicators employed within the Risk Assessment Framework enable TEQSA to regulate key aspects of sector performance and to protect the reputation of the sector.

Appendices

Appendix A – Student Load

The Appendices provide trend analysis on the indicator risk ratings over the past five cycles and exclude all suspended ratings. Providers are categorised by broad operating model: universities; for-profit providers; not-for-profit providers; and TAFEs.

Table 4.   Student load: risk rating distributions over time[20]

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	91	*63.2%*	28	*19.4%*	25	*17.4%*	144
3 (2015)	101	*68.2%*	34	*23.0%*	13	*8.8%*	148
4 (2016)	109	*75.2%*	15	*10.3%*	21	*14.5%*	145
5 (2017)	111	*75.5%*	12	*8.2%*	24	*16.3%*	147
6 (2018)	115	*76.7%*	21	*14.0%*	14	*9.3%*	150

Figure 12 provides a snapshot of the sector's percentage change in student load from 2017 to 2018, with a limited y-axis and extreme outliers excluded.

Figure 12.   Changes in student load by market grouping (%), 2018

● For-profit provider   ● University   ● TAFE   ● Not-for-profit provider

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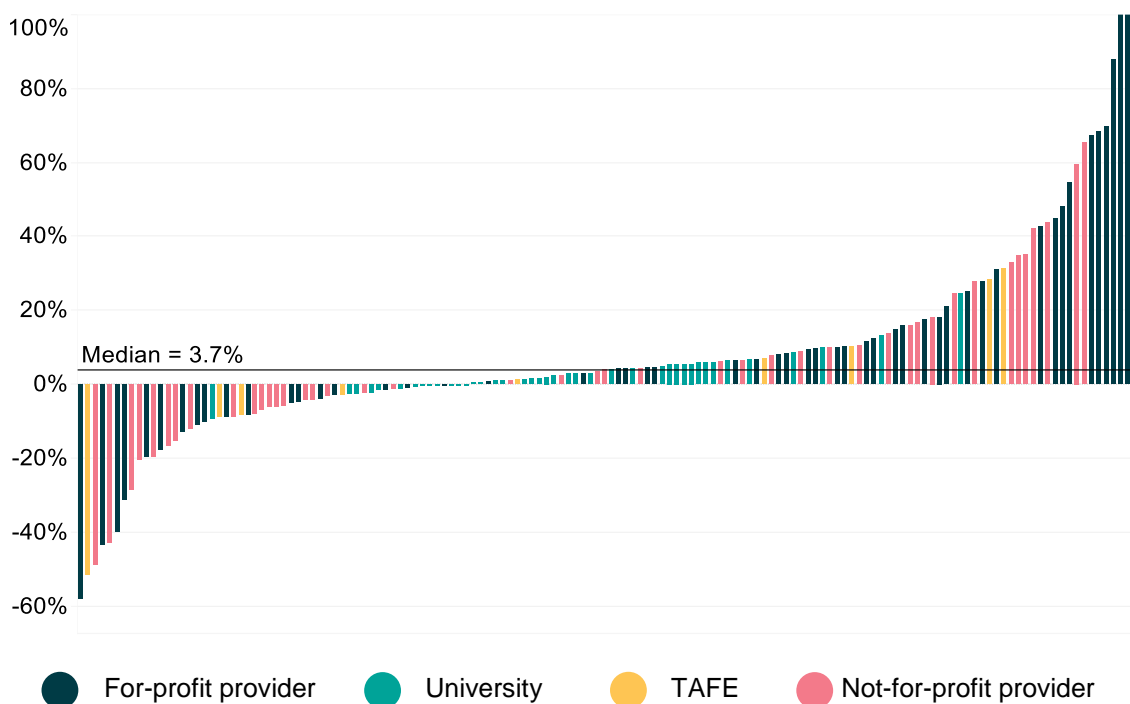
[20] Comparisons across risk cycles, while indicative, cannot be seen as definitive, as TEQSA's methodology for examining risk has evolved over the past five cycles and the risk thresholds have undergone some minor changes as approved by the Commission.

For-profit and not-for profit providers are concentrated at opposite ends of the distribution and tend to be either above or below the median with sharp increases or declines in student load.[21] Being relatively smaller in size compared to universities, for-profit providers tend to experience proportionately larger growths or reductions in student load over time. However, these extremities have declined in the latest risk cycle, thus leading to fewer high risk ratings for this indicator in 2018.

When excluding extreme outliers, the median value for for-profit providers in 2018 was 7.4%. The median value for not-for-profit providers (3.6%) was relatively close to the sector median (3.7%), and this was generally stable over time. The median value for TAFE providers was 1.3%.

The median value for the university sector was 2.1% in 2018. Trend analysis over time indicate a broadly stable trend in student load for the university sector.[22] The majority of universities were concentrated around the sector median. However, in 2018, eleven universities recorded small declines in student load, and one university recorded a marked growth in student load due to initial small numbers.

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[21] Note that figures may be skewed for small providers where relatively small numbers cause large percentage changes.

[22] Commentary based on trend analyses (Cycles Three to Six) of the risk indicators are included within this section of the report. However, graphs have been excluded for brevity.

Appendix B – Attrition

Table 5.   Attrition: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	57	*42.9%*	23	*17.3%*	53	*39.8%*	133
3 (2015)	55	*41.0%*	29	*21.6%*	50	*37.3%*	134
4 (2016)	57	*39.9%*	30	*21.0%*	56	*39.2%*	143
5 (2017)	60	*40.8%*	20	*13.6%*	67	*45.6%*	147
6 (2018)	61	*40.7%*	27	*18.0%*	62	*41.3%*	150

Figure 13.   Attrition rate by market grouping (%), 2018

Median = 23.8%

● For-profit provider   ● University   ● TAFE   ● Not-for-profit provider
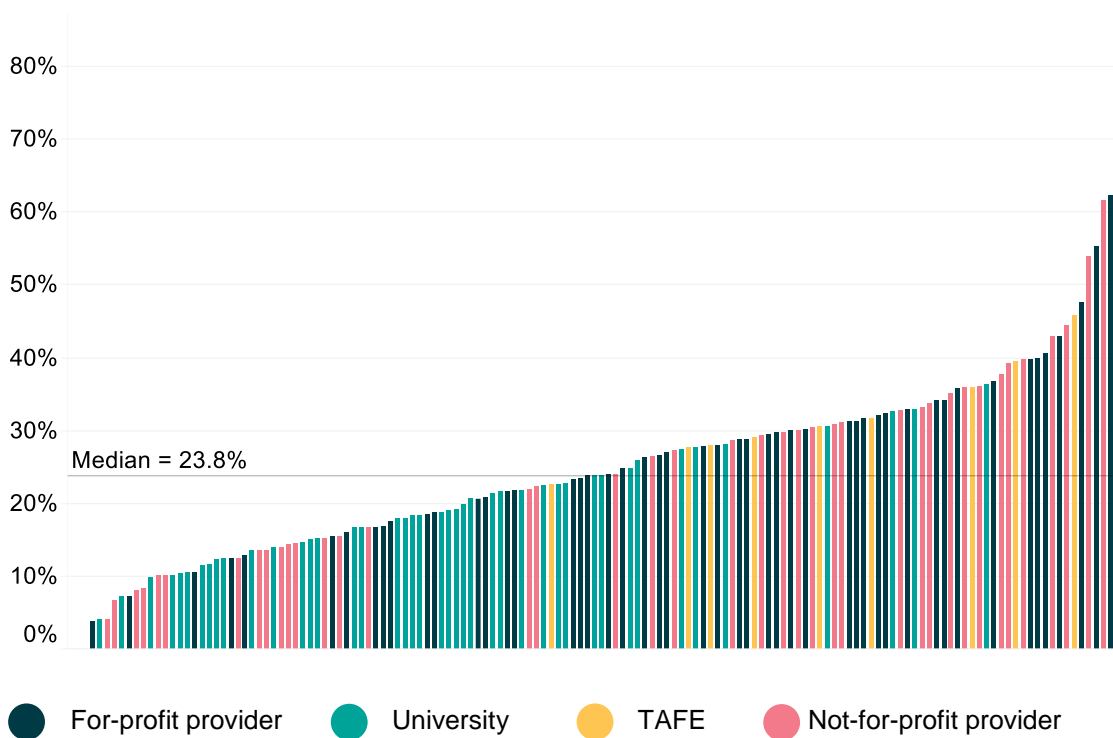
In 2018, the sector median for attrition was 23.8%. The attrition rates varied for each market grouping, with the university sector being concentrated towards the lower range.

Trend analysis shows that for-profit and not-for-profit sectors consistently have attrition rates above the sector median and have wide variation in attrition rates. In the for-profit sector, the median value for for-profit providers was 27.8% in 2018; 19 providers (38.8%) were below the sector median and 30 providers (61.2%) were above the sector median.[23] In the not-for-profit sector, the median value for not-for-profit providers was 26.9%; 20 providers (45.5%) were below the sector median and 24 providers (54.5%) were above the sector median.[24] One not-for-profit provider with very small student numbers (less than 10 headcount) had an attrition rate of 83.3%.

The TAFE sector recorded the highest median value in 2018 (30.6%), driven in part by the small student loads. TAFE providers were dispersed throughout the mid to upper range, with 8 providers above the sector median (72.7%).

As a whole, the university sector had consistently low attrition rates over time; the median value was 18.8% and 78.6% of universities (33 providers) reported attrition rates below the sector median. Nonetheless, there were ten universities with attrition rates above the sector median, and four of these providers had attrition rates above 30% in 2018.

Table 6.   Attrition rates for domestic and onshore international students (%), 2018[25]

	Domestic students (%)			International Students (%)		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
For-profit	28.7	30.1	32.5	15.3	21.6	32.8
Not-for-profit	15.6	28.2	31.5	14.9	18.1	25.9
TAFE	29.2	31.1	40.7	22.7	26.1	30.8
University	15.9	21.1	25.2	7.7	10.7	15.7

Across the sector, onshore international students tend to have lower attrition rates compared to domestic students. The for-profit sector has the largest interquartile range in attrition rates for both student groups, indicating the widest variation in the level of attrition within this sector.

[23] 16 for-profit providers were excluded due to null values.

[24] Five not-for-profit providers were excluded due to null values.

[25] Attrition rates based on small numbers (<20 EFTSL) were excluded.

Appendix C – Progress

Table 7.   Progress: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	127	*86.4%*	15	*10.2%*	5	*3.4%*	147
3 (2015)	110	*75.9%*	21	*14.5%*	14	*9.7%*	145
4 (2016)	111	*75.5%*	24	*16.3%*	12	*8.2%*	147
5 (2017)	103	*68.7%*	29	*19.3%*	18	*12.0%*	150
6 (2018)	121	*78.1%*	24	*15.5%*	10	*6.5%*	155

Figure 14.   Progress rates by market grouping (%), 2018

In 2018, the sector median for student progress was 85.6%. Student progress rates varied by market grouping—the university and not-for-profit sectors were concentrated towards the mid to upper range, for-profit providers were clustered at the lower range, and TAFEs were dispersed throughout the distribution.

The median for for-profit providers was 80.4%, with 42 providers (73.7%) below the sector median and 15 providers (26.3%) above the sector median.[26]

In the not-for-profit sector, the median was 91.8%, with 10 providers (22.7%) below the sector median and 34 providers (77.3%) above the sector median.[27] Not-for-profit providers tended to have significantly higher median values in the past four risk cycles (91% to 92%), thereby outperforming other market groups.[28]

TAFEs were dispersed throughout the distribution, with 8 providers (72.7%) below the sector median. Noting small numbers, the median values for TAFEs tended to vary between 82% to 85% in the past four risk cycles.

In the university sector, the median value was 86.8%, with 25 providers (58.1%) reporting progress rates above the sector median, and the remaining 18 providers (41.9%) having progress rates on the cusp of, or below the sector median. Three universities (7.0%) had progress rates below 80% in Cycle Six (2018).

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[26] Eight for-profit providers excluded due to null values.

[27] Five not-for-profit providers excluded due to null values.

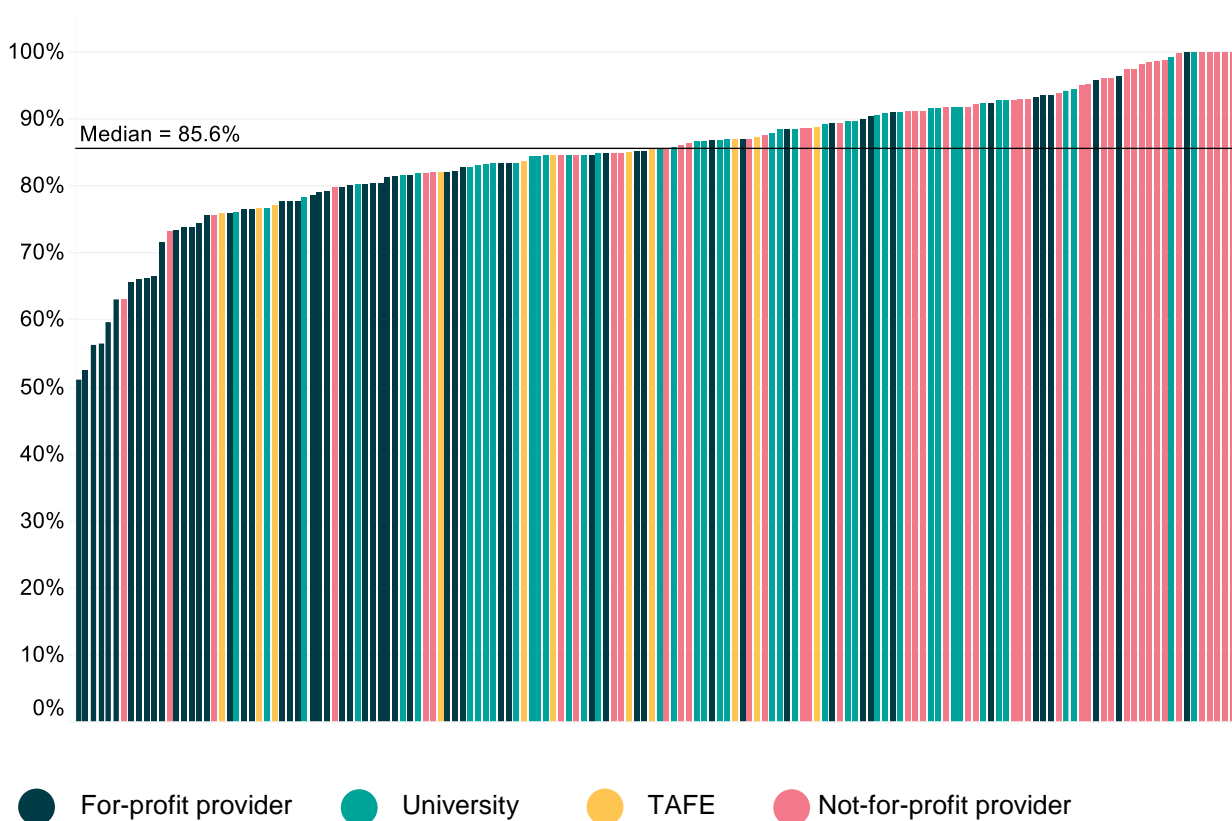[28] A few small for-profit providers and not-for-profit providers recorded 100% progress rates.

Appendix D – Completions

Table 8.   Completions: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	93	80.2%	20	17.2%	3	2.6%	116
3 (2015)	115	90.6%	9	7.1%	3	2.4%	127
4 (2016)	123	89.1%	12	8.7%	3	2.2%	138
5 (2017)	116	87.2%	14	10.5%	3	2.3%	133
6 (2018)	128	89.5%	11	7.7%	4	2.8%	143

Figure 15.   Change in completions by market grouping (%), 2018[29]

Median = 3.0%

● For-profit provider   ● University   ● TAFE   ● Not-for-profit provider

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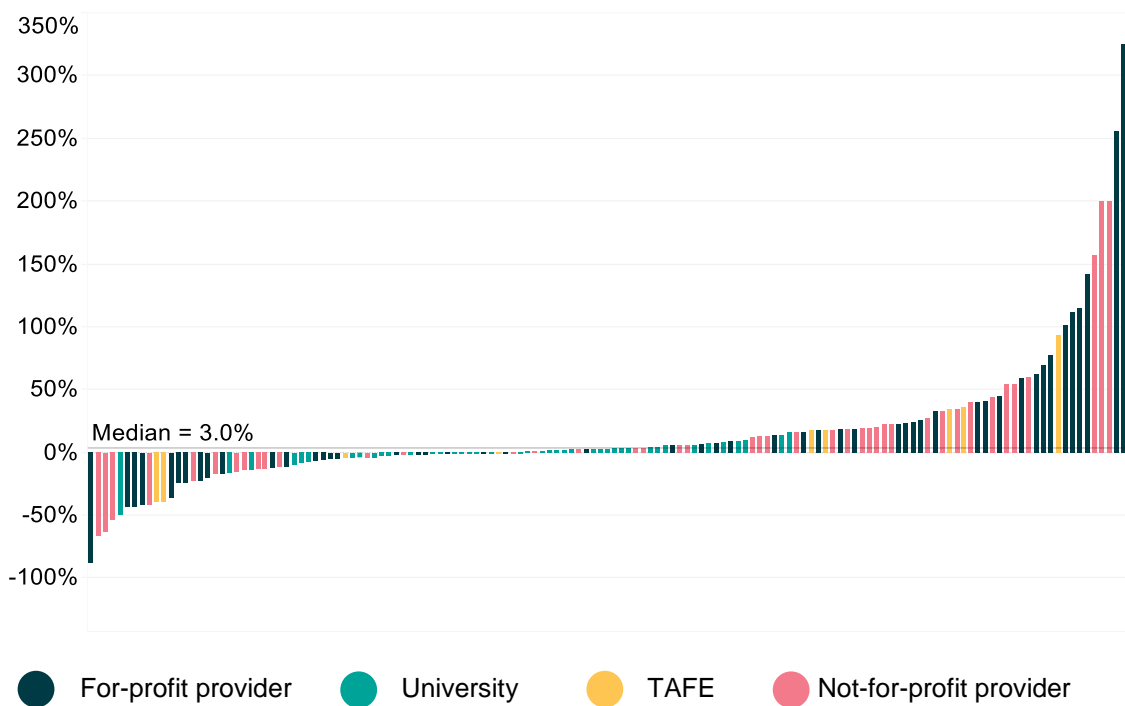
[29] Limited view of y-axis and extreme outliers excluded.

In 2018, the sector median for percentage change in coursework completions was 3.0%. The figures varied by market grouping, with the university sector concentrated towards the middle range, and for-profit and not-for-profit providers being clustered at either end of the spectrum.[30] In the for-profit sector, the median value was 6.8%; 23 providers were below the sector median (46%) and 27 providers (54%) were above the sector median.[31] In the not-for-profit sector, the median value was 12.1%; 16 providers (38.1%) were below the sector median and 26 providers (61.9%) were above the sector median.[32] TAFEs were dispersed throughout the distribution, with 4 providers (44.4%) below the sector median.[33] In the university sector, the median value was 1%; 29 providers (67.4%) were below or on the cusp of the sector median, with the remaining 14 providers (32.6%) above the sector median.

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[30] Note that providers at either end of the spectrum had saw large percentage changes due to small numbers.

[31] Fifteen for-profit providers excluded due to null values.

[32] Seven not-for-profit providers excluded due to null values.

[33] Two TAFES excluded due to null values.

Appendix E – Graduate Satisfaction

Table 9.   Graduate satisfaction: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	59	83.1%	2	2.8%	10	14.1%	71
3 (2015)	74	86.0%	5	5.8%	7	8.1%	86
4 (2016)	86	81.1%	12	11.3%	8	7.5%	106
5 (2017)	69	56.6%	28	23.0%	25	20.5%	122
6 (2018)	78	54.5%	47	32.9%	18	12.6%	143

Figure 16.   Graduate satisfaction rates by market grouping (coursework) (%), 2018

Legend: For-profit provider, University, TAFE, Not-for-profit provider

In 2018, the sector median for graduate satisfaction was 82.5%. Graduate satisfaction rates varied by provider type, with the university sector being concentrated towards the lower to mid range, for-profit providers being clustered at the lower range, and not-for-profit providers were concentrated in the mid to upper range. Providers clustered at the upper end tend to have small student numbers.

TEQSA notes the distinction between providers that participate in QILT and those that submit through the PIR. PIR data submissions are reliant upon the providers' self-reported graduate satisfaction rates and are based on their internal surveys, thereby lacking standardisation in the survey methodology.

In the for-profit sector, the median value was 83.9%; 23 providers were below the sector median (44.2%), with the remaining 29 providers above the sector median (55.8%).[34] In the not-for-profit sector, the median value was 89.4%, with 9 providers below the sector median (23.7%) and the remaining 29 providers being above the sector median (76.3%).[35]

TAFEs were dispersed throughout the distribution and had a median value of 80%, with 7 providers (63.6%) below the sector median and 4 providers above the sector median (36.4%). In the university sector, the median graduate satisfaction rate was 81%, with 9 providers (21.4%) below the sector median, and the remaining 33 providers (78.6%) having graduate satisfaction rates on the cusp of, or below the sector median.[36]

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[34] 13 for-profit providers excluded due to null values.

[35] 11 not-for-profit providers excluded due to null values.

[36] One university excluded due to null value.

Appendix F – Graduate Destinations

Table 10. Graduate destinations: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	50	*63.3%*	2	*2.5%*	27	*34.2%*	79
3 (2015)	66	*79.5%*	6	*7.2%*	11	*13.3%*	83
4 (2016)	81	*77.9%*	13	*12.5%*	10	*9.6%*	104
5 (2017)	90	*75.0%*	15	*12.5%*	15	*12.5%*	120
6 (2018)	94	*67.1%*	27	*19.3%*	19	*13.6%*	140

Figure 17. Graduate destinations by market grouping (%), 2018[37]

● For-profit provider   ● University   ● TAFE   ● Not-for-profit provider

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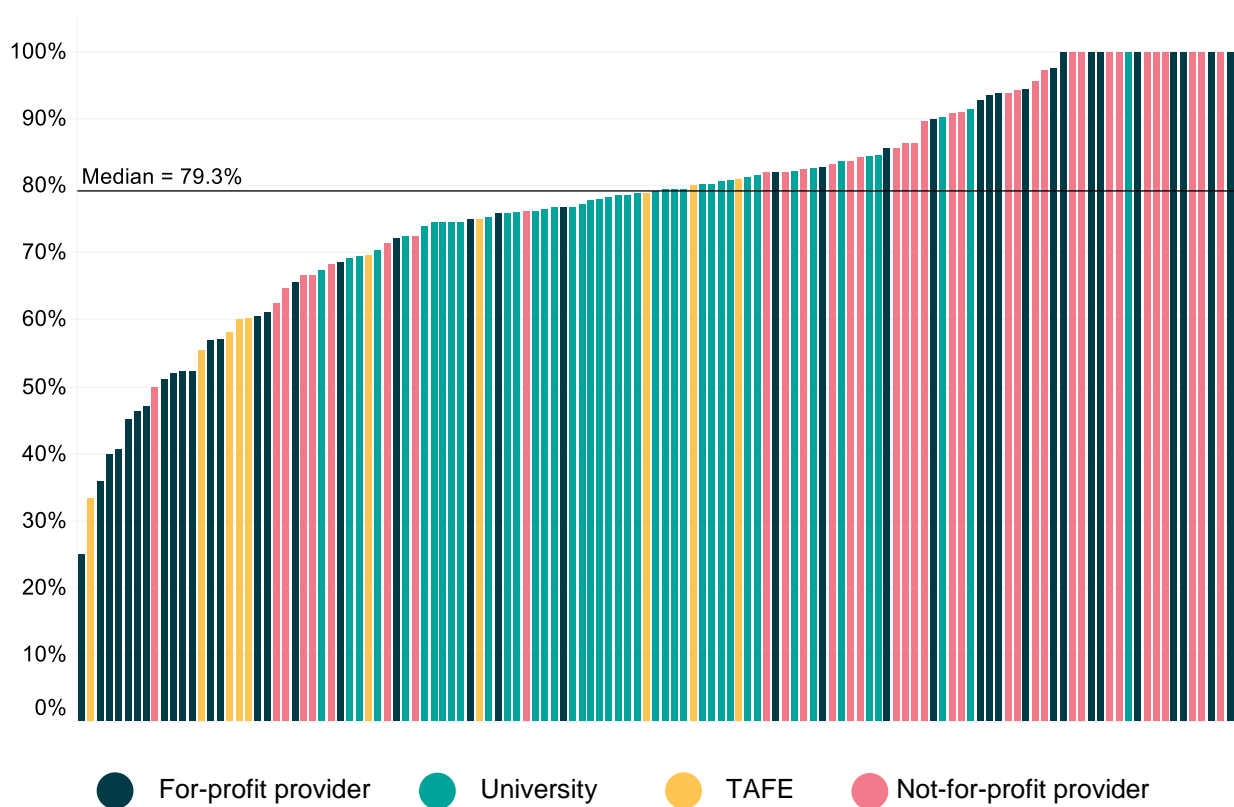
[37] Figure 17 excludes pathway providers given that student articulation rates were used as proxy data and incorporated in the risk assessments through a separate process.

As with Graduate Satisfaction, providers clustered at the upper end tend to have small student numbers. TEQSA notes the distinction between providers that participate in QILT and those that submit through the PIR. PIR data submissions are reliant upon the providers' self-reported graduate destinations rates and are based on their internal surveys, thereby lacking standardisation in the survey methodology.

In 2018, the sector median for graduate destinations was 79.3%. The university sector was concentrated within the middle range, while for-profit providers and not-for-profit providers were clustered at upper range. TAFEs were dispersed throughout the distribution, with the majority of them below the sector median.

The median value for the for-profit sector was 75.4%; 17 providers (44.7%) were above the sector median and 21 providers (55.3%) were below the sector median.[38] The not-for-profit sector was concentrated in the upper range with a median value of 86.5%; 26 providers (74.3%) were above the sector median and 9 providers (25.7%) were below the sector median.[39]

TAFEs were dispersed throughout the distribution with a median value of 69.7%, with 8 providers (72.7%) below the sector median and 3 providers above the sector median (27.3%). In the university sector, the median value was 78.4%, with 17 providers (40.5%) reporting graduate satisfaction rates above the sector median and 25 providers (59.5%) having graduate satisfaction rates on the cusp of, or below the sector median.[40]

Trend analysis across Cycles Three to Six showed that graduate destination rates for the for-profit and not-for-profit sectors tend to be highly varied. The median values for for-profit providers fluctuate significantly over time, but have consistently been below the sector median (with the exception of 2016). Not-for-profit providers tend to have higher median values for graduate destinations (81.4% to 96.7%), with a number of providers reporting 100% of graduates in full-time employment or full-time further study. TEQSA notes that these cases tend to be small providers with very few graduates.

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[38] 27 for-profit providers excluded due to null values or pathway provider context.

[39] 14 not-for-profit providers excluded due to null values or pathway provider context.

[40] One university excluded due to unavailability of data.

Appendix G – Senior Academic Leaders

Table 11. Senior academic leaders: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	88	*58.3%*	41	*27.2%*	22	*14.6%*	151
3 (2015)	101	*67.8%*	35	*23.5%*	13	*8.7%*	149
4 (2016)	98	*66.7%*	37	*25.2%*	12	*8.2%*	147
5 (2017)	108	*70.6%*	31	*20.3%*	14	*9.2%*	153
6 (2018)	104	*66.7%*	39	*25.0%*	13	*8.3%*	156

TEQSA's risk assessments takes into account academic staff coded as '160', and Levels D and above. When considered along with the raw data distributions, the past four cycles have demonstrated a fairly consistent result, with minor fluctuations in the moderate risk category.

Figure 18. Ratio of senior academic leaders to broad field of education by provider type, 2018[41]
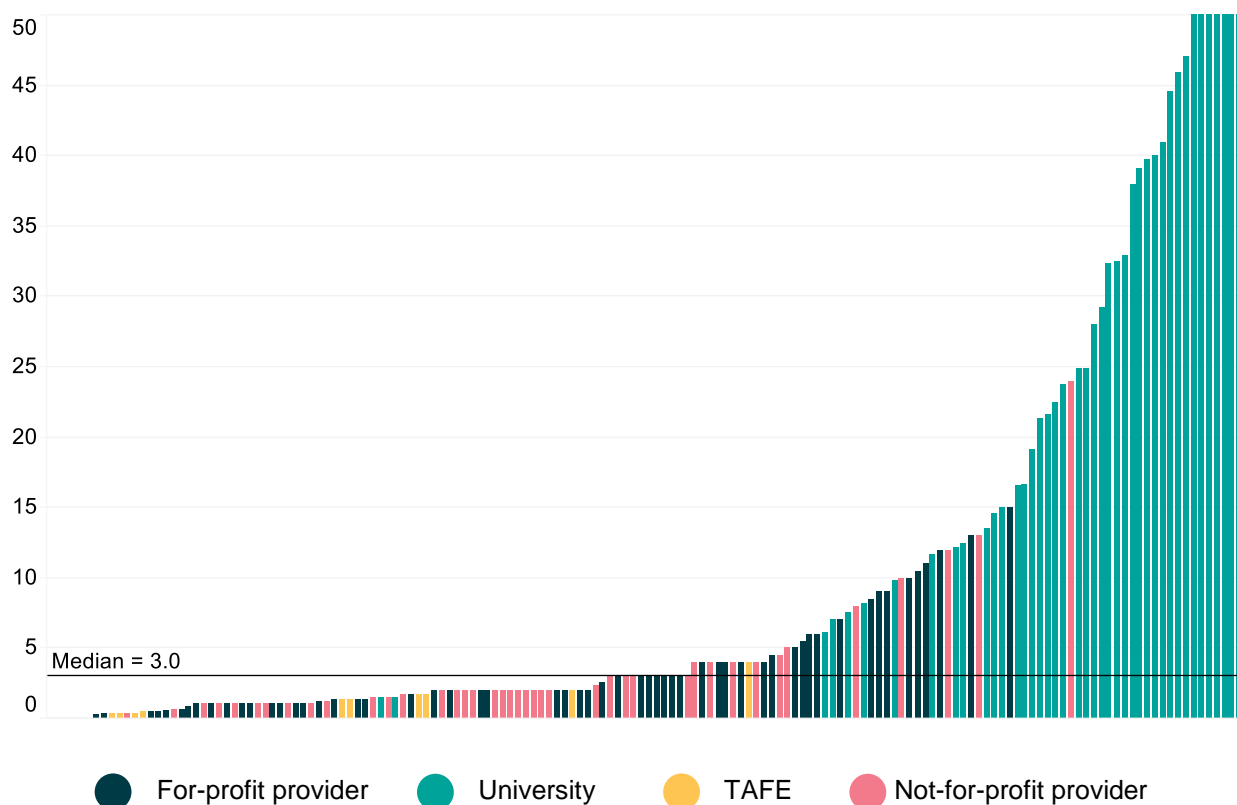
Median = 3.0

For-profit provider University TAFE Not-for-profit provider

Having taken equivalency into account (staff coded at 160), for-profit providers, not-profit providers, and TAFEs generally have significantly lower levels of senior academic leadership compared to the university sector. With the revision of the reporting guidance in the Risk Assessment Framework, TEQSA expects to see an increase in the number of senior academic leaders in future risk assessments. Nonetheless, there are for-profit and not-for-profit providers that invest at comparable levels with some universities in terms of their senior academic leadership.

In 2018, the sector median for the ratio of senior academic leaders per broad field of education was 3.0. Notably, universities tend to be clustered in the upper range, with a median value of 24.9 and 93% of providers above the sector median. However, there were three universities (7%) that were below the sector median, indicating a low level of senior academic leadership at these institutions.

For-profit providers, not-for-profit providers, and TAFEs are concentrated in the lower range, though noting that a number of for-profit providers and not-for-profit providers exceeded the sector median and are comparable to the university group.

In the for-profit sector, the median value was 2.0; 37 providers (57.8%) were below or on the sector median, and 27 (42.2%) providers were above the sector median.[42] In the not-for-profit sector, the median value was 2.0; 34 providers (69.4%) were below or on the sector median and 15 providers (30.6%) were above the sector median. For TAFEs, 10 providers (90.9%) were below the sector median and 1 provider (9.1%) was above the sector median.

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[42] One for-profit provider excluded due to null value.
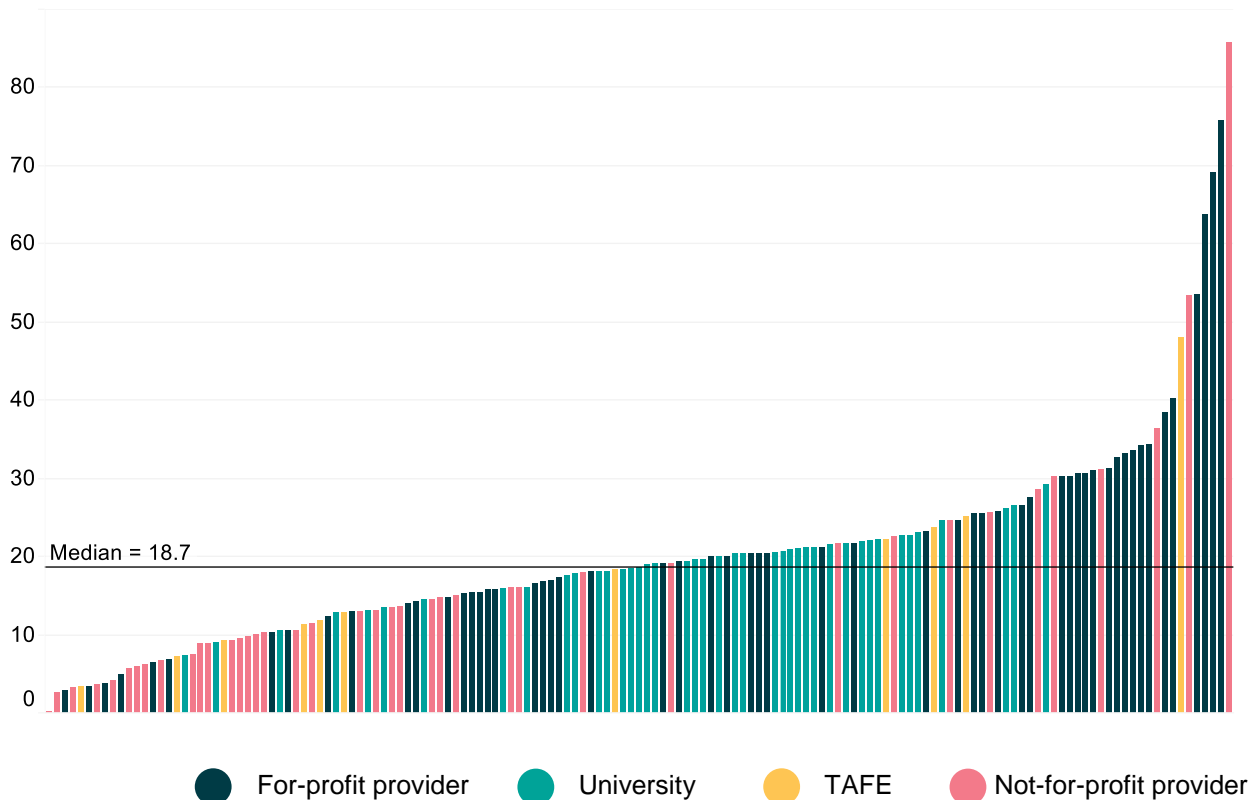
Appendix H – Student-to-Staff Ratio

Table 12.   Student-to-staff ratio: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	121	*86.4%*	11	*7.9%*	8	*5.7%*	140
3 (2015)	117	*82.4%*	14	*9.9%*	11	*7.7%*	142
4 (2016)	108	*75.0%*	15	*10.4%*	21	*14.6%*	144
5 (2017)	117	*77.5%*	8	*5.3%*	26	*17.2%*	151
6 (2018)	121	*79.1%*	14	*9.2%*	18	*11.8%*	153

The Student-to-Staff indicator considers onshore coursework students and onshore teaching staff only. It provides a broad indication of the level of support available to students, the quality of the learning experience for students, and the average teaching workload. TEQSA does not adopt a one-size-fits-all approach and therefore does not usually prescribe an ideal student-to-staff ratio. However, extremely high student-to-staff ratios signal potential constraints on the aforementioned teaching and learning aspects.

When considered along with the raw data, overall, TEQSA saw an ongoing improvement in the risk profile over the past three cycles, with decreases in the number of extreme values within the high risk category.

Figure 19.   Student-to-staff ratio by market grouping, 2018

In 2018, the sector median for student-to-staff ratio was 18.7. For-profit providers had a median value of 20.4 and were concentrated in the upper range—33 providers (58.9%) were above the sector median, and 23 providers (41.1%) were below the sector median.[43] In the not-for-profit sector, the median value was 13.1, and 29 providers (72.5%) were below the sector median, while 11 (27.5%) providers were above the sector median. [44]

For TAFEs, the median value was 12.9; 7 providers (63.6%) were below the sector median and four providers (36.4%) were above the sector median.

Universities were mostly clustered in the middle range with a median value of 19.9; 27 providers (64.3%) were above the sector median and 15 providers (35.7%) were below the sector median.[45]

Across the sector, there are providers that have sufficient or low levels of teaching staff across all market groups. While this is more prevalent in the for-profit and not-for-profit sectors, universities and TAFEs also have providers with high student-to-staff ratios in Cycles Five and Six.

Based on the median values and the data distributions, the for-profit sector tends to have the highest student-staff ratios compared to the rest of the sector. This is closely followed by the university sector, TAFEs, and not-for-profit providers.

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[43] Nine for-profit providers were excluded due to null values.

[44] Nine not-for-profit providers were excluded due to null values.

[45] One university was excluded due to null value.

Appendix I – Casual Academic Staffing

Table 13.   Casual academic staffing: risk rating distributions over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	95	65.5%	34	23.4%	16	11.0%	145
3 (2015)	100	69.0%	33	22.8%	12	8.3%	145
4 (2016)	91	62.3%	28	19.2%	27	18.5%	146
5 (2017)	92	60.5%	31	20.4%	29	19.1%	152
6 (2018)	96	62.3%	34	22.1%	24	15.6%	154

Figure 20.   Casual academic staffing by market grouping (%), 2018
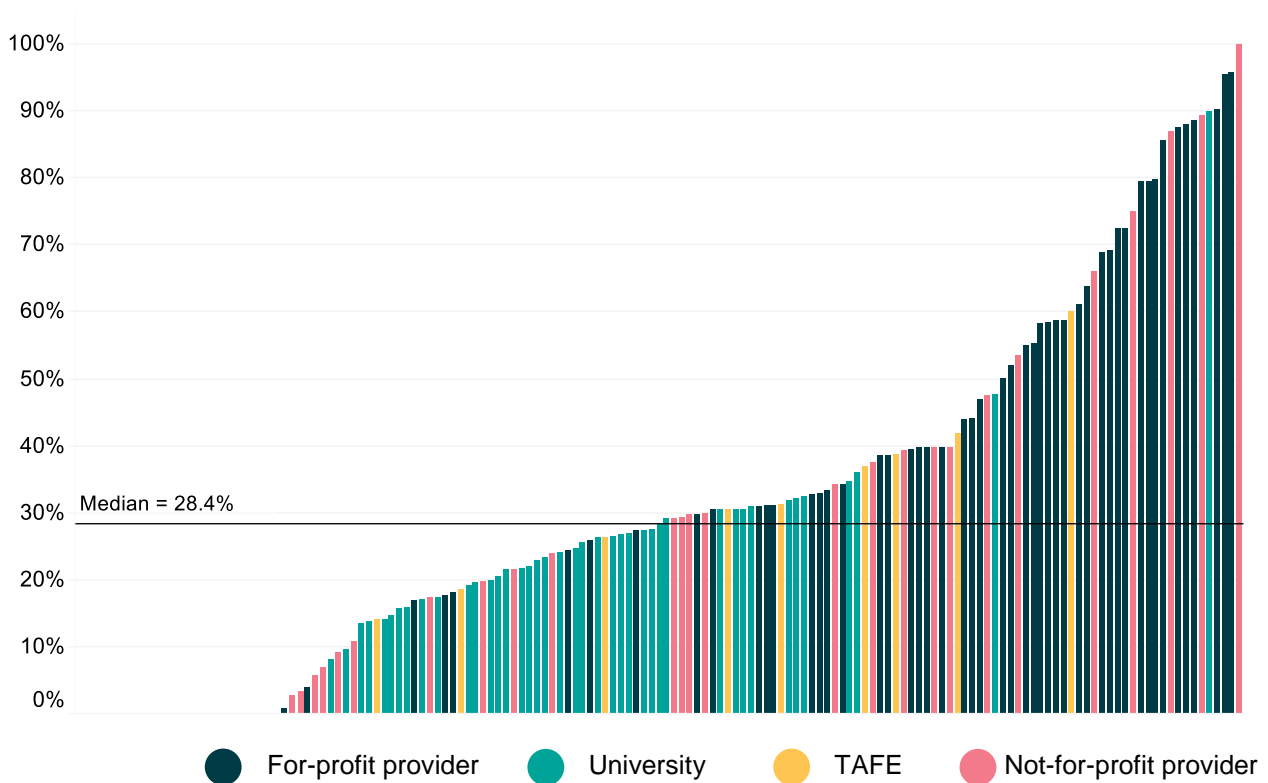
In 2018, the sector median for the proportion of casual academic staff was 28.4%. For-profit providers were concentrated in the upper range with a median value of 39.8%; 42 providers (73.7%) were above the sector median and 15 providers (26.3%) were below the sector median.[46]

In the not-for-profit sector, the median value was 9.1% and providers were dispersed throughout the sector distribution; 27 providers (62.8%) were below the sector median, and 16 (37.2%) providers were above the sector median.[47]

For TAFEs, the median value was 30.6%, with five providers (45.5%) below the sector median and six providers (54.5%) above the sector median.

Universities were mostly clustered in the lower range with a median value of 24.5%; 13 providers (31.0%) above the sector median, and 29 providers (69.0%) below the sector median.[48]

Across the sector, there is a varied range in the level of academic casualisation within each provider group. However, based on the median values and data distributions, for-profit providers recorded the highest level of casual academic staff across the sector (median value 2017: 51.6%; 2018: 39.8%), indicating a strong reliance on casualisation in the delivery of higher education.

Most universities tend to maintain low levels of academic casualisation (median values of 23.9% to 24.5% from Cycles Three to Six). However, there are outliers within this group, including one university that reported an extremely high level of casual academic staff at 90.1% in 2018.

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[46] Eight for-profit providers were excluded due to null values.

[47] Six not-for-profit providers were excluded due to null values.

[48] One university was excluded due to null value.

Appendix J – Financial Viability

The Financial Viability indicator considers a single financial year's performance.[49] This is a composite indicator which considers a provider's current and immediate to short-term financial strength and capacity, and employs the following component measures:

- Net surplus/profit margin (operating margin)
- Liquidity
- Total liabilities-to-tangible assets
- Debt servicing
- Operating cash flow ratio

Incurring a loss or deficit does not automatically equate to a high risk rating in financial viability. In most cases, the provider is able to absorb the incurred loss or deficit using funds from its existing cash reserve or other assets such as term deposits or share investments.

Table 14.   Financial viability: risk ratings over time[50]

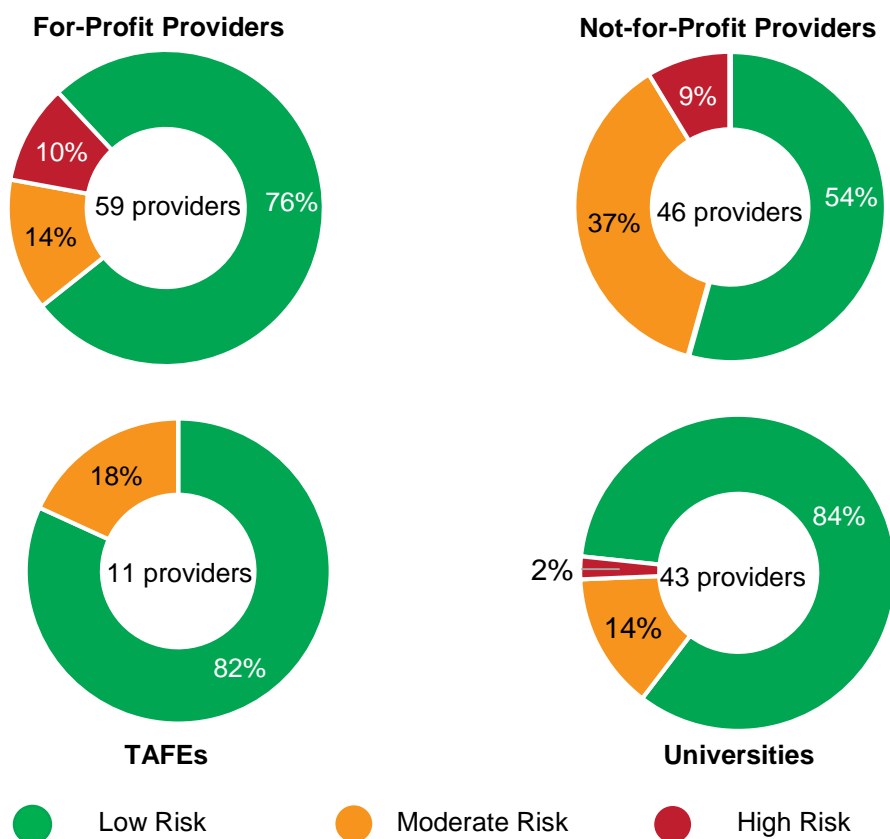| Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	120	76.9%	28	18.0%	8	5.1%	156
3 (2015)	121	79.6%	23	15.1%	8	5.3%	152
4 (2016)	125	84.5%	18	12.2%	5	3.4%	148
5 (2017)	127	82.5%	18	11.7%	9	5.8%	154
6 (2018)	115	72.3%	33	20.8%	11	6.9%	159

The proportion of high and moderate risk providers increased from 2017 to 2018 (16.2% to 26%) largely due to declining profitability and operating cash flow. As highlighted in TEQSA's 2018 Key Financial Metrics Report, the median sector surplus/profit margin has been declining over the past three years. Furthermore, approximately 30% of providers incurred a deficit or loss in Cycle Six (2018).[51]

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[49] The financial data used in the risk assessments are more recent compared to the student and staff data. For instance, Cycle Six (2018) employs data for the financial indicators up till the 2017 reporting year, while the student and staff indicators employs data from 2015–2016.

[50] The total number of providers for the financial indicators do not align with the student and staff indicators in 2017 and 2018 as there were cases where only the Risk to Financial Position could be assessed for the provider.

[51] This refers to the 2017 reporting period or the 2017 data collection year, which relates to reporting years ended 31 December 2016 until 30 June 2017.

Figure 21. Financial viability risk ratings by market grouping (%), 2018[52]

For-Profit Providers

59 providers
76%
10%
14%

Not-for-Profit Providers

46 providers
54%
9%
37%

11 providers
82%
18%

TAFEs

43 providers
84%
2%
14%

Universities

● Low Risk   ● Moderate Risk   ● High Risk

The Key Financial Metrics Report 2018 provides more detailed analysis of some of these sub-indicators (e.g. profitability and liquidity).

Overall, most providers within the university, TAFE, and for-profit sectors posed a low risk in relation to Financial Viability in 2018. However, 16.3% of universities and 23.7% of for-profit providers were found to pose a moderate or high risk in relation to Financial Viability. Universities that posed a moderate risk in relation to Financial Viability had poor debt service coverage, low liquidity, depleting cash reserves, and/or consecutive operating losses.

Almost half of the not-for-profit sector (45.7%) were found to pose a moderate or high risk in relation to Financial Viability. As described in the Key Financial Metrics report, half of not-for-profit providers incurred a loss in 2018[53] and 75% of not-for-profit providers had a net surplus margin below the sector median of 4.1%.

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[52] Figure 21 excludes providers with suspended risk ratings—six for-profit providers and three not-for-profit providers. These mostly pertain to new providers where data is insufficient for TEQSA to form an accurate view of the provider's financial viability.

[53] This pertains to the 2017 reporting year.

Appendix K – Financial Sustainability

The Financial Sustainability indicator considers the longer-term financial strength and capacity of providers, including structural characteristics that support operating endurance. Measures are generally analysed over a three-year period and cover the following five component measures:
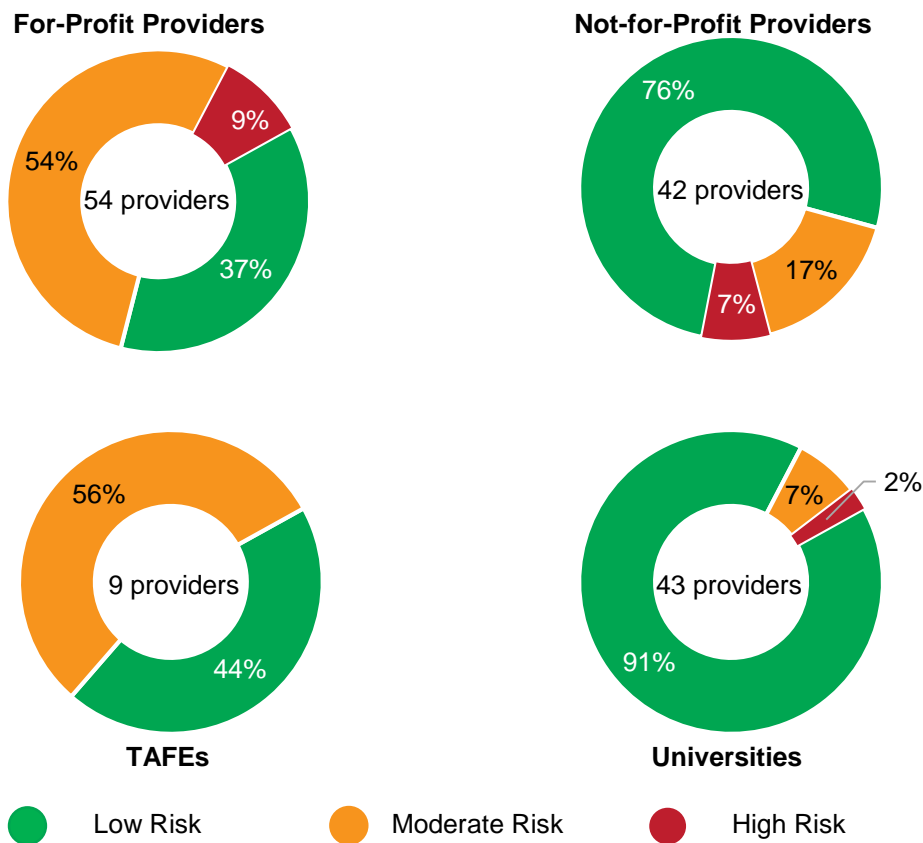
- Change in total revenue

- Asset (capital) replacement

- Employee benefits expenditure

- Enrolments

- Revenue concentration/diversification

Table 15.   Financial sustainability: risk ratings over time

Risk Cycle (Year)	Low Risk	%	Moderate Risk	%	High Risk	%	Total
2 (2014)	107	70.9%	43	28.5%	1	0.7%	151
3 (2015)	100	68.5%	43	29.5%	3	2.1%	146
4 (2016)	94	65.7%	43	30.0%	6	4.2%	143
5 (2017)	85	58.2%	50	34.3%	11	7.5%	146
6 (2018)	95	64.2%	44	29.7%	9	6.1%	148

Financial sustainability issues that contributed to high risk ratings were predominantly large movements in revenue, low investment in physical resourcing, and/or heavy reliance on a single revenue source. The Key Financial Metrics Report provides a more detailed analysis of these areas, in particular, staffing, asset replacement, and revenue source.

Figure 22.   Financial Sustainability risk ratings by provider type (%), 2018[54]

For-Profit Providers

54 providers

9%
54%
37%

Not-for-Profit Providers

42 providers

76%
17%
7%

9 providers

56%
44%

TAFEs

43 providers

7%
2%
91%

Universities

● Low Risk   ● Moderate Risk   ● High Risk

Overall, most providers within the university and not-for-profit sectors were found to pose a low risk in relation to Financial Sustainability in 2018, indicating that these sectors generally have the financial standing to support operating endurance in the longer term. Not-for-profit providers had the most diverse range of staff spending relative to revenue of any provider type. However, 9.3% of universities and 23.8% of not-for-profit providers were found to pose a moderate or high risk in relation to Financial Sustainability. Universities that posed a moderate or high risk in relation to Financial Sustainability had fluctuations in revenue, declining commencements, high reliance on a single revenue source, low asset replacement ratio, including one instance where the significant changes caused by restructuring made it difficult for TEQSA to form a long-term view on the provider's financial sustainability.

More than half of the for-profit sector (63%) and the TAFEs (55.6%) were found to pose a moderate or high risk in relation to Financial Sustainability. As described in the Key Financial Metrics report, the for-profit sector had the highest reliance on a single source of revenue of any provider type and had the lowest levels of staff spending relative to revenue. TAFEs were the only sector to record a median asset replacement ratio (0.8) below the benchmark of 1, indicating that the rate of investments in assets was below depreciation.

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[54] Figure 22 excludes providers with suspended risk ratings—11 for-profit providers, seven not-for-profit providers, and two TAFEs. These mostly pertain to new providers with insufficient data for TEQSA to form an accurate assessment of the provider's financial sustainability.

Glossary

A glossary of data elements is available from the Department of Education's HEIMS website. The full technical definitions for the risk indicators can be found in TEQSA's Risk Assessment Framework.

Attrition

The percentage of first-year commencing students that did not return the following year.

Broad field of education

Fields of Education are based on the Australian Bureau of Statistics Australian Standard Classification of Education (ASCED). It is a classification of courses, specialisations, and units of study with the same or similar vocational emphasis or principal subject matter of the course, specialisation, and unit of study. More information can be found here.

Casual Academic Staffing

The percentage of academic FTE employed on a basis other than full-time or fractional full-time to total academic staff FTE.

Completions

The percentage change in the number of student completions over two years.

Domestic students

In line with the Department of Education's definition, a domestic student is one of the following:

- Australian citizen (including Australian citizens with dual citizenship)
- New Zealand citizen or a diplomatic or consular representative of New Zealand, a member of the staff of such a representative or the spouse or dependent relative of such a representative, excluding those with Australian citizenship (Note: includes any such persons who have Permanent Resident status)
- A permanent humanitarian visa holder
- A holder of a permanent visa other than a permanent humanitarian visa

Equivalent full-time study load (EFTSL)

EFTSL is a measure of the study load for a year of a student undertaking a course of study on a full-time basis. Total EFTSL for a full-time study in a course in a given year will typically be 1.0. In some cases, a student may be undertaking a number of units in a given year above a full-time study load and have an EFTSL above 1.0, or below a full-time load study with an EFTSL less than 1.0.

Financial Sustainability

Considers the longer-term financial strength and capacity of providers, including structural characteristics that support operating endurance. Measures are generally analysed over a three-year period and cover change in total revenue, asset (capital) replacement, employee benefits expenditure, enrolments, and revenue concentration/diversification.

Financial Viability

Considers a single financial year's performance and the provider's current and immediate to short-term financial strength and capacity based on operating margin, liquidity, total liabilities-to-tangible assets, debt service coverage, and operating cash flow ratio.

Full-time Equivalence (FTE)

See the Department of Education's Glossary section.

Graduate Destinations

The percentage of graduates in full-time employment or in full-time further study.

Graduate Satisfaction

The mean percentage of students in agreement of the overall satisfaction item.

International students

An international student is someone who is not a domestic student.

Market grouping

Universities

The universities listed in tables A, B, and C of the Higher Education Support Act 2003 ('HESA') (refer to Chapter 2, division 16, subdivision 16-B).

Technical and Further Education (TAFE)

Technical and Further Education institutions established by state and territory governments. Apart from the Appendices, TAFE providers have been included in the Not-for-profit provider group due to small numbers.

Not-for-profit providers

Non-university and non-TAFE providers that are registered not-for-profit organisations with the Australian Charities and Not-for-profits Commission ('ACNC'). Government agencies and government controlled entities are also included in this grouping.

For-profit providers

Non-university and non-TAFE providers that are not registered not-for-profit organisations.

Progress

The percentage of actual student load (EFTSL) of units that are passed to all units of study attempted (passed, failed, withdrawn).

Senior Academic Leaders

The ratio of total academic staff (headcount) at levels D, E, 160 or above, to the number of broad fields of education offered.

Student Load

The percentage change in student load (EFTSL) over two years.

Student-to-Staff Ratio

The ratio of total onshore coursework student load (EFTSL) to total onshore teaching only (TO) and teaching and research (T&R) staff full-time equivalent (FTE).

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