Key Financial Performance Indicators for Schools

In 2014, close to 94% of schools had at least enough current assets to cover their short-term debts and close to half operated in surplus in each of the last three years.

Indicator Description

Key financial performance indicators for state and state-integrated schools: operating surplus, working capital and public equity.

Why This Is Important

Funding compulsory education is one of the major responsibilities of the government. The majority of government funding in the schooling sector is delivered to educational institutions in the form of operational grants and teacher salaries for running day-to-day operations. A school's board of trustees is responsible for the management, organisation and administration of a school under Section 75 of the Education Act 1989.

Three key performance indicators of a school's financial management are in operating surplus, working capital and public equity.
How We Are Going

Operating Surplus

The operating surplus is calculated as the difference between total revenue and total expenditure (including depreciation on assets). In general, schools should have a small surplus each year to have sufficient reserves available to provide for any unexpected expenditure. Operating surplus for multiple consecutive years indicates sound financial management but schools can report an operating deficit in one year due to unexpected or unforeseen expenditure.

Schools achieved a combined operating surplus (excluding the use of land and building grants from Government and other proprietors) of 1.1% of total revenue in 2014, compared with 0.8% in 2013.

In each of the last three years, close to half of schools have operated in surplus. In 2014, 59.0% operated in surplus, with secondary being more likely to operate in surplus than primary.

Figure 1: Proportion of schools experiencing an operating surplus (2012 to 2014)
A total of 26.5% of schools operated in surplus consecutively across all of the last three years.

*Figure 2: Proportion of schools experiencing an operating surplus (2014)*
Working Capital

The level of working capital is an indicator of a school’s ability to meet their short term financial obligations through sound financial operation. Working capital is normally measured as a ratio of current assets to current liabilities.

Having a working capital ratio of at least 1:1 means that a school is able to pay its short-term debts and operate with some flexibility. If the working capital ratio is 1:1.35, this means that for every $1 of current liabilities (what a school owes) they would have $1.35 worth of current assets to meet their short-term financial obligations.

In 2014, close to 94% of state and state-integrated schools had at least enough current assets to cover their short-term debts.

Figure 3: Proportion of schools by working capital ratio (2014)
Public Equity

Public equity is calculated as the difference between total assets and total liabilities. Schools that are in a healthy financial position generally show increasing levels of public equity over time.

In each of the last two years, over half of all state and state integrated schools have had an increase in public equity.

Public equity reached an estimated $1,944 million in 2014, which is a 5.1% increase from 2013.

Figure 4: Proportion of schools with an increase in public equity (2013-2014)
Where to Find Out More

For other financial indicators consider:

- Total public expenditure on education
- Annual expenditure per students
- Key financial performance indicators for public tertiary education institutions
- Government funding of tertiary education
- Affordability of early childhood education

References