

Western Australian Universities 2022 Financial Outcomes Meet Expectations but are Less than 2021 Outcomes.

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Summary:

The financial information provided in the 2022 annual reports for the Western Australian Universities broadly confirm expectations based on previous analyses of 2021 reports. They provide an insight into expected outcomes for most other Australian universities. Without the 2021 one-off additional one-billion dollars Australian Government research assistance and the IDP Education investment income 2022 comprehensive incomes were expected to be lower for most universities with deficits rather than surpluses reported.

The Western Australian financial results for 2022 are analysed in this paper. Incomes are indeed lower for all four universities in 2022 in comparison to 2021. Three universities reported higher expenditures with the net outcome that Curtin and Murdoch had deficits from current operations compared with surpluses for all four universities the previous year. All the universities received lower financial assistance from the Australian government in 2022 than in 2021 and overseas student fee incomes were lower, except for Edith Cowan. Notwithstanding the on-going pandemic challenges, three universities increased their total assets in 2022 when compared with 2021. Improved financial outcomes are expected for 2023.

1. Introduction

An important feature of the 2021 financial performance of most Australian Universities was that while managing the adverse impact of the COVID-19 pandemic they achieved stronger than expected balance sheets (1). Significant contributing factors were better than predicted overseas fee revenues, one-off Commonwealth Government special research funds, a windfall from the winding-up of Education Australia Limited IDP assets and property and investment asset appreciation (2). It has been anticipated that while there would be some recovery in overseas student revenues total comprehensive incomes from continuing operations would not record the same growth in 2022 as from 2020 to 2021 (3).

The first complete set of 2022 State Universities annual reports were tabled in the Western Australian parliament recently (4). An analysis of the financial outcomes is reported in this article.

2. Data Set Analysed.

Some 2022 income and expenditure financial results for Curtin, Edith Cowan, Western Australia and Murdoch universities are presented in appendix 1 along with the 2021 and 2019 data. The 2022 performances relative to the 2021 performances are of interest because 2022 was also a COVID pandemic year, while 2019 was the year immediately prior to the main

impact of the pandemic. In previous articles (5,6) the WA 2019 and 2021 data were analysed along with the 2020 financials.

The main sources of income are Australian Government assistance, fees and charges, investment income and other miscellaneous revenue streams. The values of the revenue streams for 2019 and 2022 are shown graphically in figure 1 and the percentage distributions in figure 2. Typically, Australian Government Assistance, grants and HELP funds, represents more than 50% of a university’s annual income as is evident from the data in appendix 1 and in figure 2. The total comprehensive income values and percentage changes 2019 to 2022 are presented in table 1.

2.1 Comprehensive Incomes 2019 and 2022

Figure 1. Revenue Streams Contributing to Comprehensive Income 2019 and 2022. \$m

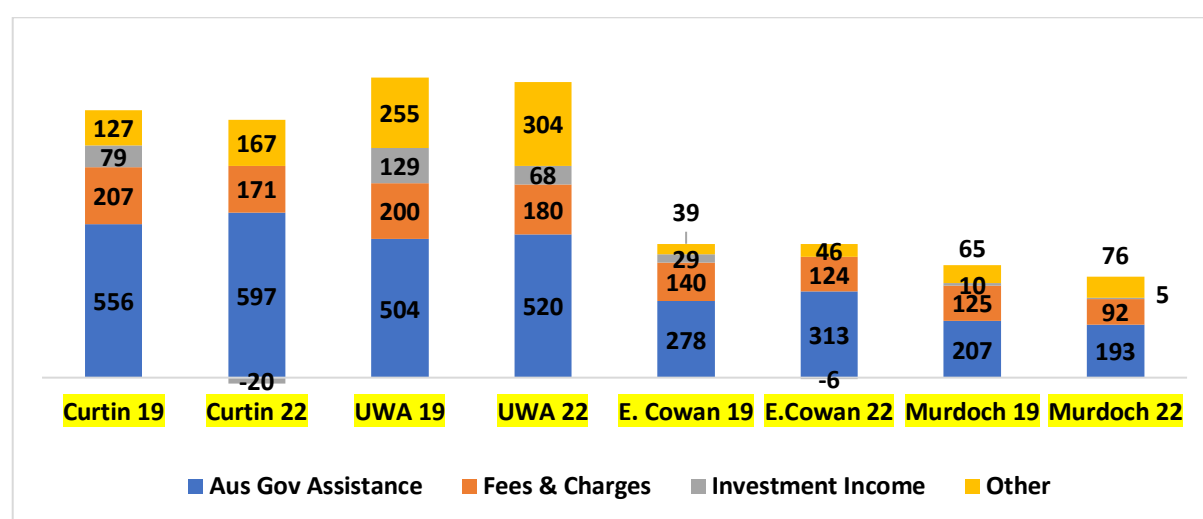


Table 1. Total Comprehensive Incomes for WA Universities, 2019 and 2022 and to % Change. \$m

	Curtin 2019	Curtin 2022	UWA 2019	UWA 2022	E. Cowan 2019	E. Cowan 2022	Murdoch 2019	Murdoch 2022
Total Income	\$969m	\$914m	\$1088m	\$1072m	\$485m	\$477m	\$408m	\$365m
% Change 2019 to 2022		-5.6%		-1.4%		-2.0%		-10%

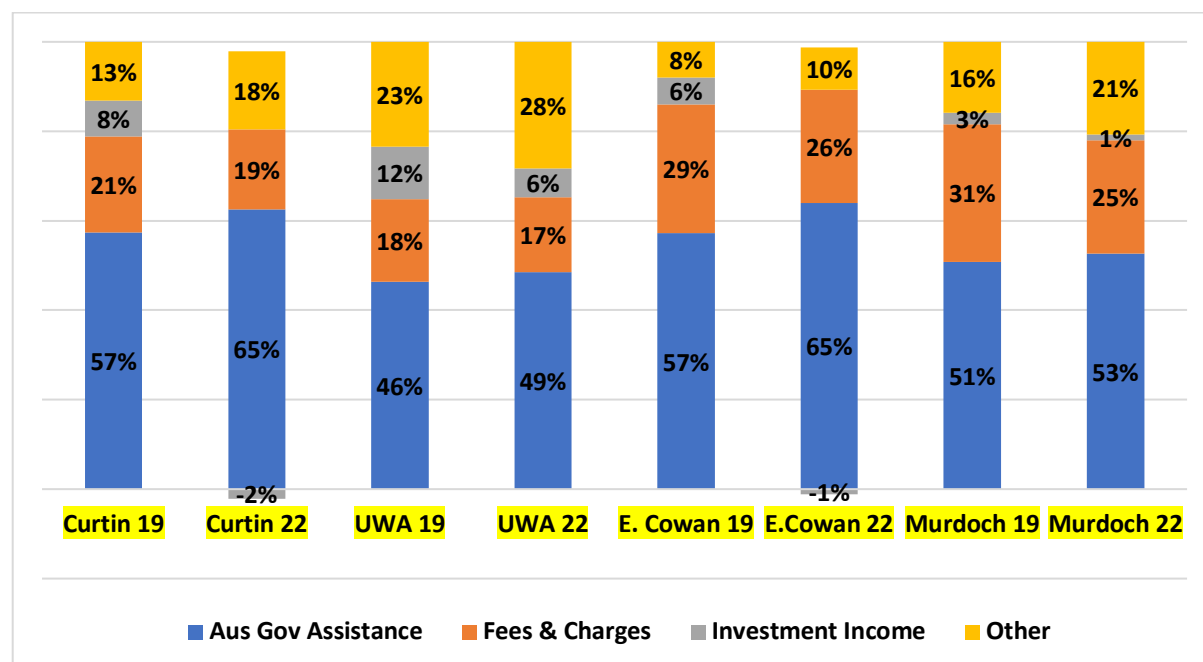
UWA has the highest revenue followed by Curtin, Edith Cowan and Murdoch. A feature of the financial performances is that all WA universities had lower incomes in 2022 than in 2019. This was not the case for 2021 when Curtin and Edith Cowan had higher revenues than in 2019 (6). The percentage decreases from 2019 to 2022 range from 10% for Murdoch to just 1.4% for UWA. Collectively, the decrease for the four universities in 2022 was 4.1% over 2019 compared with a 5% increase for 2021. It is evident that no WA university had by the end of 2022 fully recovered from the impact of COVID-19 pandemic.

The dominant source of income is Australian Government financial assistance, grants and HELP funding for domestic students. The absolute amounts received in 2022 were more than in 2019 for universities other than Murdoch (figure 1). The percentage of revenue dependent on government funding increased for all universities from 2019 to 2022 (figure 2). Most notable

is that Curtin and Edith Cowan depended on government support for 65% of their income in 2022. UWA was least dependent at 49%.

For all the universities fees and charges income was less in 2022 than in 2019 with Murdoch most impacted in percentage terms, decreasing from 31% of total income in 2019 to 25% in 2022. The contribution of investment income was relatively small with the most significant changes being a profit for Curtin of 8% in 2019 changing to a loss of -2% in 2022 and for Edith Cowan from 6% to -1% during the same period. Nevertheless, investment income is important in determining whether many universities report an overall surplus or deficit.

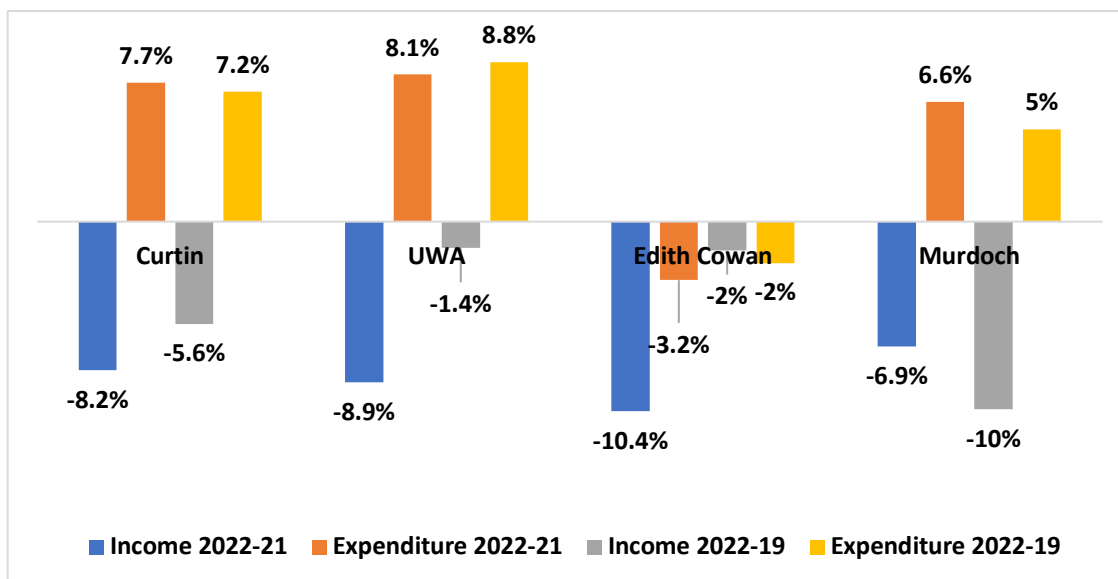
Figure 2. Percentage Distribution of Income Components 2019 and 2022.



2.2 Changes in Comprehensive Incomes and Expenditures 2019, 2021 and 2022

The percentage changes in income and expenditure streams from 2021 to 2022 and from 2019 to 2022 are shown in figure 3.

Figure 3. Percentage Changes in Income and Expenditure for WA Universities from 2021 to 2022 and 2019 to 2022.



All four universities reported less income from on-going operations in 2022 than for 2021, ranging from -6.9% for Murdoch to -10.4% for Edith Cowan. These results contrasts with the improved results from 2020 to 2021 discussed in an earlier paper (6). All universities had less income in 2022 than for the base year 2019, but the reduction was not as great as from 2021 to 2022 (with the exception of Murdoch). The decrease from 2019 to 2022 ranged from Edith Cowan at -2% to Murdoch at -10%.

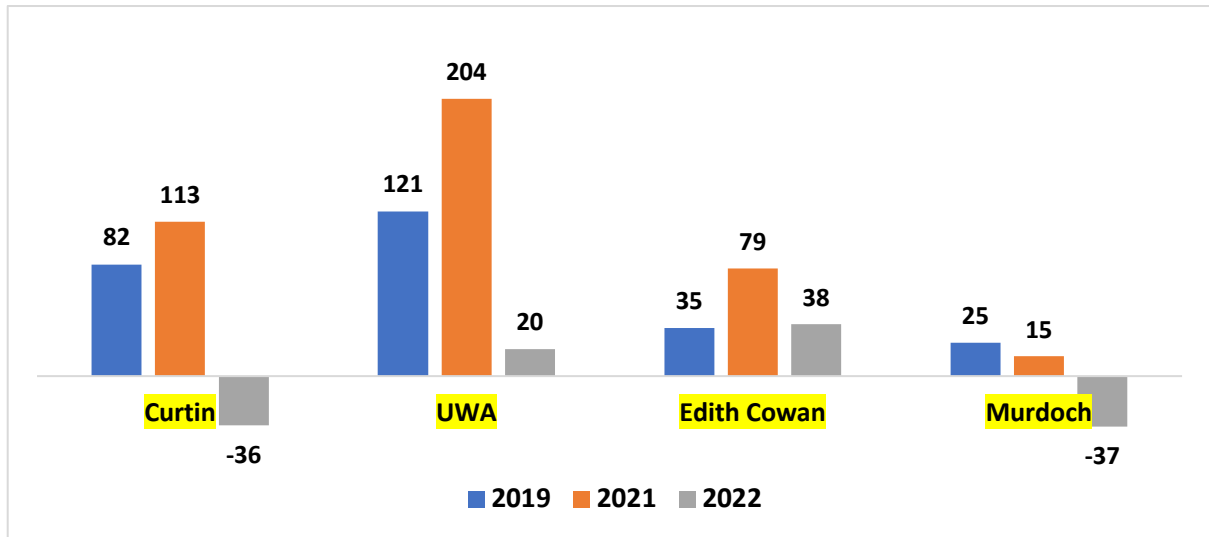
Edith Cowan was the only university successful in reducing its expenditure from 2021 to 2022 and from 2019 to 2022 (figure 3). The other three universities increased expenditure at a time when their incomes were also reducing. Employee benefits accounted for more than 59% of all expenditures.

2.3 University Surpluses or Deficits

The difference between annual income and expenditure determines whether a university reports a surplus or deficit on their current operations. The outcome for the WA universities for 2019, 2021 and 2022 are shown in figure 4 and appendix 1. Three of the four universities reported a larger surplus in 2021 than in 2019 with Murdoch being the exception. This was commented on earlier (6) and results partly from one-off income factors. For 2022 the outcomes are very different. Two universities, Edith Cowan and UWA did report smaller surpluses than in 2021 (\$38m and \$20m compared with \$79m and \$204m respectively), while Curtin reported a deficit of -\$36m and Murdoch a deficit of -\$37m.

The combined results for the four WA universities showed healthy surpluses in 2019 (\$263m) and 2021 (\$410) but a small collective deficit of \$15m in 2022.

Figure 4. Surplus or Deficit Outcomes for WA Universities 2019, 2021 and 2022. \$m

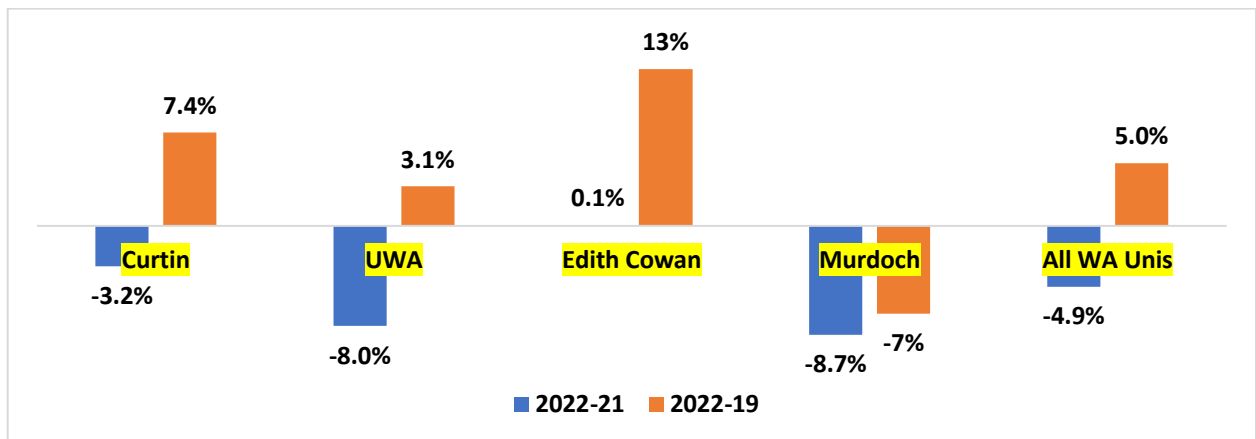


2.4 Major Income Streams

2.4.1 Australian Government Assistance

Examination of the data presented in figure 2 shows that the major income stream for all universities is Australian Government Assistance, grants and HELP funding for domestic students. The percentage changes from 2021 to 2022 and from 2019 to 2022 have been determined using the data in appendix 1. The results are shown in figure 5.

Figure 5. Percentage Change in Australian Government Assistance 2021 to 2022 and 2019 to 2022

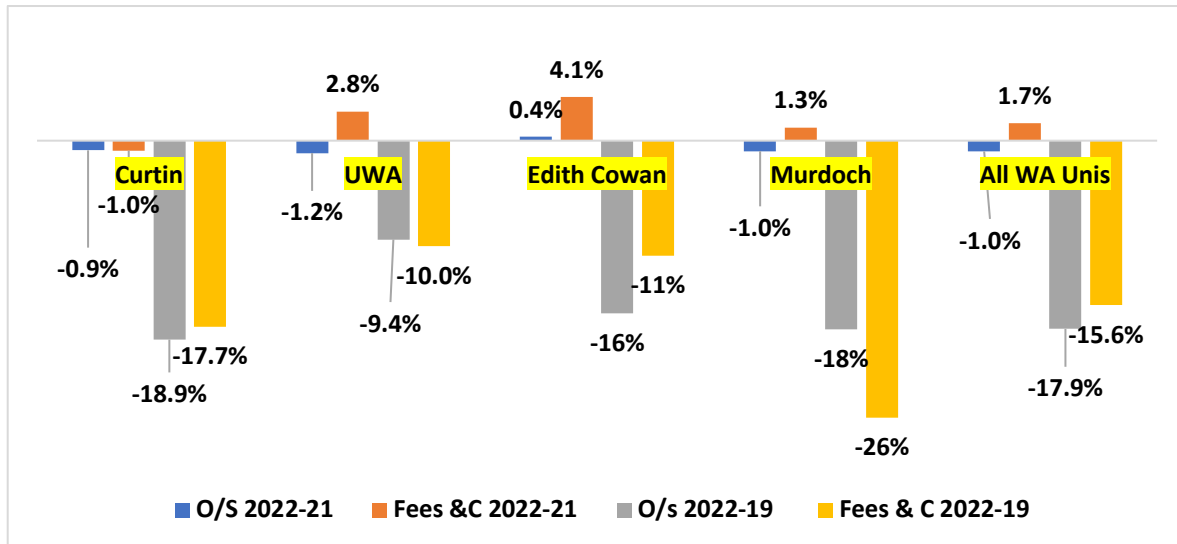


WA universities received less Australian Government assistance payments in 2022 than in 2021. This was principally because of decreases in research support following the one-off special research allocations in 2021. Interestingly, the 2022 funding for Murdoch was less than the 2019 allocation four years earlier. That university had the second lowest dependence on Australian government assistance (53%) for its funding. The other universities reported modest increases but not commensurate with CPI growth. In real purchasing power terms WA universities had less disposal income from government in 2022 than in 2019.

2.4.2 Fees and Charges

Income from overseas student enrolments represents the largest contribution to fees and charges at near 75%. Other contributions are short courses, fee-paying domestic graduate students and miscellaneous non-course fees and charges. These income streams are shown in appendix 1 along with the percentage changes which are also shown graphically in figure 6.

Figure 6. Percentage Change in Overseas Student Fees and Total Fees and Charges 2021 to 2020 and 2019 to 2022

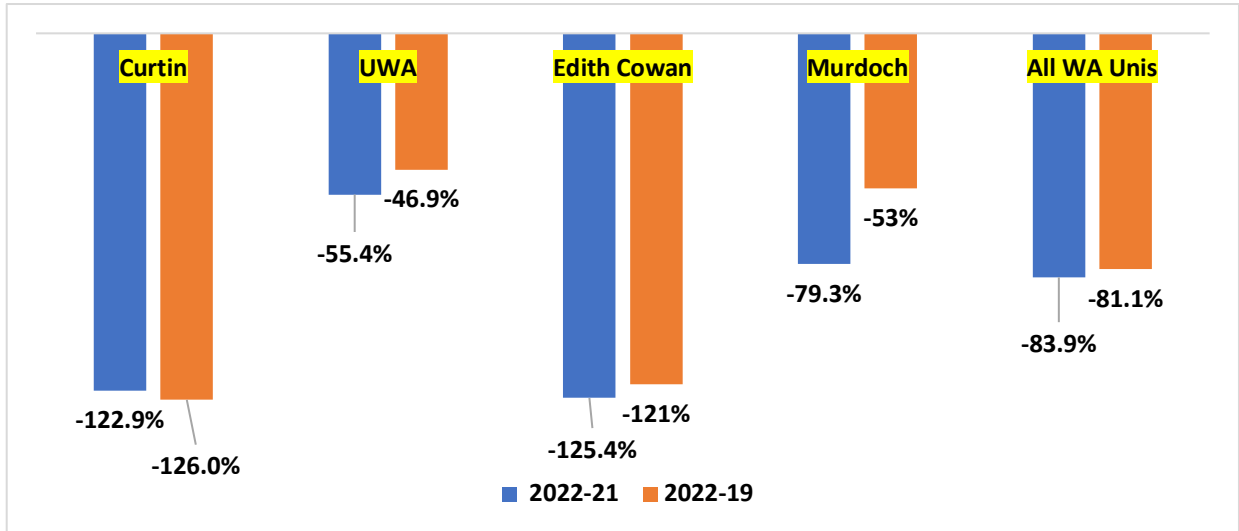


For all the universities fees and charges income for 2022 were substantially lower than for 2019 with the decrease for Murdoch at 26% and Curtin at 17.7% being the universities most impacted. The reduction in overseas student income in this period was in the range 9.4% (UWA) to 18.9% (Curtin). Three of the universities had a small improvement in fees and charges income from 2021 to 2022 but not overseas student income. It is evident that while universities managed in 2022 to arrest the steep decline in overseas student income that occurred between 2019 and 2021 there was no recovery except for a marginal improvement by Edith Cowan.

2.4.3 Investment Income

Investment income is a relatively minor component of income being less than 10% for any university in 2022 with Curtin and Edith Cowan reporting an actual loss in 2022. This stream while variable has proved to be valuable discretionary income source for universities. The investment decrease from 2021 to 2022 is very substantial being as much or more than the decrease for 2019 to 2022 (figure 7). The large loss for 2022 relative to 2021 in some cases is attributed partly to the special funding received in 2021 from the winding-up of Education Australia Limited.

Figure 7. Percentage Investment Income 2021 to 2020 and 2019 to 2022



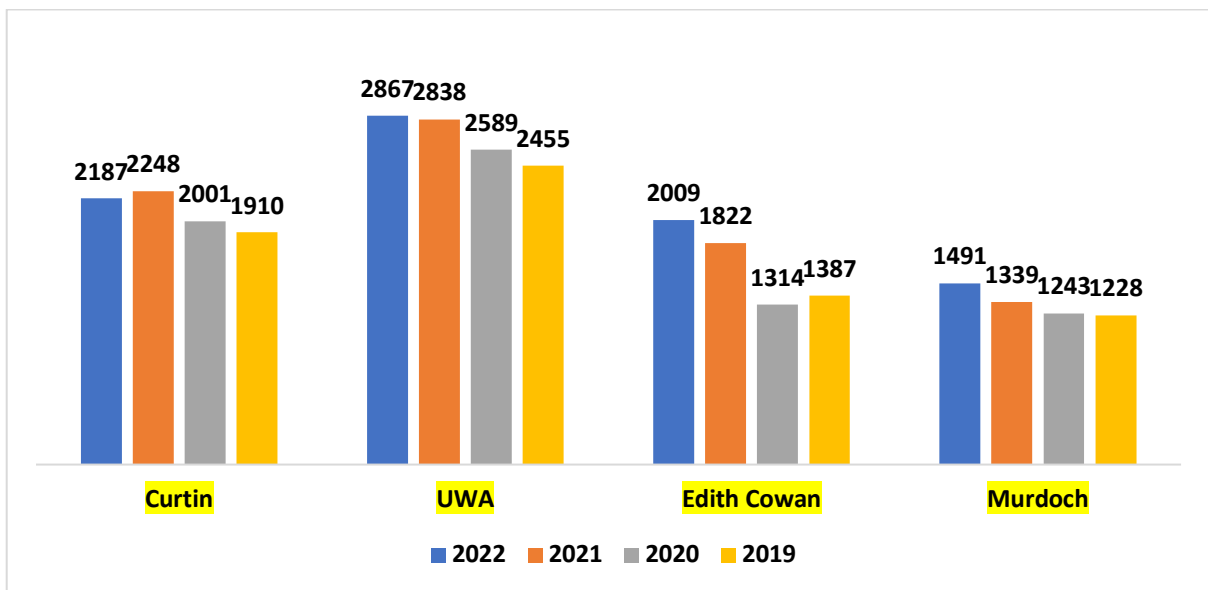
Collectively, WA universities had 84% less investment income in 2022 than in 2021 and 81% less than in 2019.

3. Total Assets

While major components of comprehensive total income have been variable throughout the pandemic period, universities have generally been able to progressively increase their total assets. The annual outcomes from 2019 to 2022 are shown in appendix 1 and figure 8.

Total assets include current and non-current assets: cash, receivables, investments, plant property and equipment. Some of these assets are strongly impacted by variable marketplace financial forces.

Figure 8. Total Assets of WA Universities 2019 to 2022. \$m



All the universities have been successful in managing their assets through the pandemic. UWA has the strongest asset base followed by Edith Cowan, Curtin and Murdoch. Curtin was the only university to report a small decrease in total assets from 2021 to 2022.

The trend in net assets, shown in appendix 1, generally follows the total asset trends. Edith Cowan reported the largest gain in total assets from 2019 to 2022 at 45%. Collectively, for all WA Universities total assets increased by 22.6% from 2019 to 2022 and net assets by 8.2%.

4. Conclusion

The WA universities 2022 financial outcomes are broadly in line with expectations. It is anticipated that the features of the 2022 financial outcomes reported by WA universities will be mirrored by many other Australian universities. The 2021 one-off research financial contributions by the Australian Government impacted all universities and was not repeated in 2022. Furthermore, the IDP Australia investment income distribution from Education Australia Limited windup in 2021 was also a one-off factor. Overseas student enrolments for 2022 were close to the 2021 outcomes. The continued growth in total and net assets provides an assurance that WA universities remain financially strong. It is realistic to predict, based upon the insight provided by the WA 2022 financial results, that 2023 will see improved financial outcomes for most Australian universities.

5. References

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Appendix 1. Consolidated WA Universities Financial Performance 2019, 2021 & 2022 \$m

Curtin	2022	2021	2019	Change 2022-21	% Change 2022-21	Change 2022-19	% Change 2022-19
Income	914	996	969	-82	-8.2%	-55	-5.6%
Expenditure	950	883	887	68	7.7%	64	7.2%
Surplus/Deficit	-36	113	82	-149	-131.9%	-118	-144.0%
% Diff/Income	-4.0%	11.4%	8.5%				
Aus Gov Assistance	597	617	556	-20	-3.2%	41	7.4%
Overseas Students	135	136	166	-1	-0.9%	-31	-18.9%
Fees & Charges	171	172	207	-2	-1.0%	-37	-17.7%
Investment Income	-20	90	79	-110	-122.9%	-99	-126.0%
Employee Benefits	531	531	541	0	0.0%	-9	-1.7%
Total Assets	2187	2248	1910	-61	-2.7%	277	14.5%
Net Assets	1476	1512	1400	-36	-2.4%	76	5.4%
Western Australia	2022	2021	2019	Change 2022-21	% Change 2022-21	Change 2022-19	% Change 2022-19
Income	1072	1176	1088	-104	-8.9%	-16	-1.4%
Expenditure	1052	973	967	79	8.1%	85	8.8%
Surplus/Deficit	20	204	121	-183	-90.1%	-101	-83.3%
% Diff/Income	1.9%	17.3%	11.1%				
Aus Gov Assistance	520	565	504	-45	-8.0%	16	3.1%
Overseas students	137	138	151	-2	-1.2%	-14	-9.4%
Fees & Charges	180	175	200	5	2.8%	-20	-10.0%
Investment Income	68	153	129	-85	-55.4%	-60	-46.9%
Employee Benefits	539	559	556	-20	-3.5%	-17	-3.1%
Total Assets	2867	2838	2455	29	1.0%	412	16.8%
Net Assets	2265	2244	2100	21	0.9%	165	7.9%
Edith Cowan	2022	2021	2019	Change 2022-21	% Change 2022-21	Change 2022-19	% Change 2022-19
Income	477	533	485	-56	-10.4%	-8	-2%
Expenditure	440	454	450	-15	-3.2%	-10	-2%
Surplus/Deficit	38	79	35	-41	-52.0%	3	7%
% Diff/Income	7.9%	14.8%	7.3%				
Aus Gov Assistance	313	312	278	0	0.1%	35	13%
Overseas Students	98	98	117	0	0.4%	-19.229	-16%
Fees & Charges	124	120	140	5	4.1%	-15	-11%
Investment Income	-6	24	29	-30	-125.4%	-35	-121%
Employee Benefits	262	283	265	-21	-7.6%	-4	-1%
Total Assets	2009	1822	1387	188	10.3%	622	45%
Net Assets	1171	1083	1039	89	8.2%	133	13%

Murdoch	2022	2021	2019	Change 2022-21	% Change 2022-21	Change 2022-19	% Change 2022-19
Income	365	392	408	-27	-6.9%	-42	-10%
Expenditure	403	378	383	25	6.6%	20	5%
Surplus/Deficit	-37	15	25	-52	-354.0%	-62	-252%
% Diff/Income	-10.2%	3.7%	6.0%				
Aus Gov Assistance	193	211	207	-18	-8.7%	-14	-7%
Overseas Students	70	72	101	-2	-2.8%	-31	-31%
Fees & Charges	92	91	125	1	1.3%	-33	-26%
Investment Income	5	23	10	-18	-79.3%	-5	-53%
Employee Benefits	221	224	229	-3	-1.3%	-7	-3%
Total Assets	1491	1339	1228	153	11.4%	263	21%
Net Assets	936	924	864	11	1.2%	71	8%

All WA Universities	2022	2021	2019	Change 2022-21	% Change 2022-21	Change 2022-19	% Change 2022-19
Income	2829	3098	2949	-269	-8.7%	-120	-4.1%
Expenditure	2844	2688	2686	157	5.8%	158	5.9%
Surplus/Deficit	-15	410	263	-425	-103.7%	-278	-105.8%
% Diff/Income	-0.5%	13.2%	8.9%				
Aus Gov Assistance	1623	1706	1545	-83	-4.9%	78	5.0%
Overseas Students	440	444	536	-5	-1.0%	-96	-17.9%
Fees & Charges	568	558	673	9	1.7%	-105	-15.6%
Investment Income	47	289	246	-243	-83.9%	-200	-81.1%
Employee Benefits	1553	1597	1591	-44	-2.7%	-38	-2.4%
Total Assets	8555	8246	6981	309	3.7%	1575	22.6%
Net Assets	5848	5763	5403	85	1.5%	445	8.2%

The 2021 financial outcomes were summarised in an earlier article (6).