

The 2020 Financial Outcomes of Australian Universities within the COVID-19 Pandemic Environment

**Frank Larkins and Ian Marshman Honorary Fellows
Melbourne Centre for the Study of Higher Education
The University of Melbourne**

Summary: The financial outcomes for 37 Australian Universities as reported in their annual reports for calendar year 2020 are analysed. The total incomes and expenditures from continuing operations for the consolidated entities provide the principal data set as a snapshot of university finances including operational activities.

Collectively, universities had total incomes of \$35.7 billion in 2020, some \$1.8 billion less than in 2019. Total expenditures were reduced only marginally, by \$0.1 billion to \$34.9 billion. Some 30 of 37 universities (81%) reported reduced income in 2020, while 18 universities (49%) managed to reduce their expenditure to mitigate some of the income losses. Consequently, the number of reported operating surpluses decreased from 34 institutions in 2019 to 23 in 2020. Eight universities (22%) were in a stronger financial position in 2020 with a higher surplus than in 2019.

In proportional percentage terms, ANU was the university most impacted, with its financial position deteriorating in 2020 by 23% relative to its 2019 financial performance. Swinburne at 11%, Wollongong, Curtin and Federation at near 9% were the other universities most adversely impacted.

Australian universities have been resourceful and resilient in confronting the financial challenges presented by the COVID-19 pandemic. Sector-wide income was only 4.8% lower in 2020 compared with 2019. COVID has had less impact on finances than predicted by most commentators. Western Australian universities reported the highest reduction in income at 6.6% along with Victoria at 5.2%, New South Wales at 4.7% and Queensland at 4.0%. South Australian universities collectively reported an increase of 0.3% in 2020 income. Expenditure changes were small with the sector reporting an overall decrease of 0.3% in 2020 compared with 2019.

The present analysis provides a reference benchmark to evaluate the responses of universities to the more severe challenges to on-going financial sustainability that lie ahead in 2021 and beyond.

1. Introduction

Australian Universities have recently published their annual reports for the year ending 30 December 2020. The financial accounts provide a preliminary insight into the impact of the COVID-19 pandemic and the initial responses of universities.

The pandemic is likely to have a greater impact on the finances of universities in 2021 and beyond than in 2020. Incomes from student fees and charges are expected to be lower and staff termination costs higher for many universities in 2021 than in 2020. For some universities, expected losses in these areas will be partly counterbalanced by recovery in investment income.

The principal focus of this article is an analysis of the changes in total income and expenditure from continuing operations¹ from 2019 to 2020 for the consolidated entity as reported in annual reports. A preliminary overview summary was recently published (1). Analysis at this level provides insight into the overall annual financial outcome for a university. A more in-depth analysis of individual income and expenditure line items will be presented in a subsequent publication. The analysis applied in this article draws solely on income and expenditure as reported in annual accounts. This approach provides a consistent means of making year-on-year and between-institution comparisons as it reflects standard accounting requirements in relation to the reporting of financial data. Necessarily, this approach conflates income and expenditure attributable solely to operating activities with other income and expenditure (for example, in relation to university investments and endowments). Nevertheless, given the degree of discretion that applies in relation to allocation of non-operating revenues, the aggregate income and expenditure presented in university annual accounts provides a more complete picture of university finances.

2. Australian Universities Financial Data

2.1 The 2020 and 2019 data sets

The primary sources of financial data have been the 2020 annual reports of Australian Universities. The 2019 and 2020 data sets for 37 universities shown in the appendix A include the following information in millions of dollars:

- Column A. Consolidated Total Income 2020.
- Column B. Consolidated Total Income 2019.
- Column C. Income difference between 2019 and 2020.
 - *This outcome reveals whether a university's income receipts either increased or decreased in 2020 compared with 2019.*
- Column D. Consolidated total expenditure in 2020.
- Column E. Consolidated total expenditure in 2019.
- Column F. Expenditure difference between 2019 and 2020.
 - *This outcome reveals whether a university either increased or decreased its expenditure in 2020 compared with 2019.*
- Column G. Difference between Income and Expenditure in 2020 (i.e. column A-column D)
 - *A positive difference means a university reported an operating surplus in 2020.*
- Column H. Difference between Income and Expenditure in 2019 (i.e. column B-column E)
 - *A positive difference means a university reported an operating surplus in 2019.*
- Column I. The change in the surplus position from 2019 to 2020. (i.e. Column G-Column H)

¹ The Consolidated Financial Performances Statements for Universities at 31 December of each year mostly categorise income and expenditure from continuing operations within the following clusters:
Income: Australian Government Grants, HECS HELP and FEE Help, State Government Funding, Consultancy and contracts, Fees and Charges, Net Investment Income and Other Revenue.
Expenditure: Employee Benefits and On costs, Depreciation and amortisation, Repairs and Maintenance, rent leasing and utilities, Scholarships and prizes, Other operating expenses.

- *A positive number means a university increased its surplus in 2020 relative to 2019.*
- Column J. The percentage change in income from 2019 to 2020. (i.e. Column C/Column B)
 - *This result provides a relative measure of the performance of individual universities which normalises performance to the financial size of the university.*
- Column K. The percentage change in expenditure from 2019 to 2020. (i.e. Column F/Column E)
 - *This result provides a relative measure of the performance of individual universities which normalises performance to the financial size of the university.*

2.2. Australian University Sector-wide Performance

Collectively, Australian universities reported income from continuing operations in 2020 of \$35.7 billion, a reduction of \$1.81 billion (4.8%) compared with 2019. The reduction was less than predicted by commentators in 2020 including our earlier modelling (2). Nevertheless, thirty of the 37 universities examined generated less income in 2020 than in 2019 (column C). Reductions in student fees and charges and investment returns are the primary causes of the decreases.

Sector-wide, only a small reduction in expenditure of \$100 million (0.3%) from \$35.0 billion to \$34.9 billion occurred between 2019 and 2020. Some 19 of 37 universities increased their expenditure in 2020 compared with 2019 (column F) despite income losses for several institutions. The increased expenditures were mainly because of increased costs associated with employee benefits.

The net outcome of these analyses is that while only three of 37 universities reported a deficit on continuing operations in 2019 (column H) for 2020, the number of universities in this position increased to 14 in 2020 (column G). Alternatively expressed, the operating surplus enjoyed by 34 universities in 2019 decreased to 23 in 2020.

The change in the operating surpluses from 2019 to 2020 tabled in column I of appendix A reveals that only 8 of 37 universities achieved a higher surplus in 2020 compared with 2019 (column I). The deterioration in the overall financial health of Australian universities is a direct result of the COVID-19 pandemic. Three pandemic-led factors have contributed to this: revenue shortfalls due to loss of international student fee revenue; reduced returns on investment portfolios; and increased expenditure particularly in employee expenses (presumably due to increased staff redundancy costs).

2.3 Financial Outcomes at the State Level

The aggregated total income and expenditure changes for universities at state level in 2020 compared to 2019 are shown in table 1 using the data from columns C and F of appendix A. The total income and total expenditure values and the changes in millions of dollars are given in columns A to F of appendix A. The results for ANU, Canberra, Charles Darwin, Tasmania and Australian Catholic University are consolidated here for convenience as ‘other universities’. They will be examined individually in more detail in later sections of this paper.

Total incomes and expenditures were mostly less in 2020 than in 2019. The expenditure changes for universities are mixed between losses and gains.

Table 1. Consolidated Income and Expenditure by States for 2020 compared with 2019 in \$ Millions

State Universities	Income Change 2019 to 2020	Expenditure Change 2019 to 2020	Net surplus or deficit for 2020	Change in Surplus or Deficit
Column 1	2	3	4	5
New South Wales	-\$ 543m	-\$148m	-\$15m	-\$394m
Victoria	-\$ 589m	\$47	\$325m	-\$636m
Queensland	-\$ 247m	-\$85m	\$153m	-\$162m
Western Australia.	-\$ 181m	\$10m	\$71m	-\$192m
South Australia.	\$17m	\$6m	\$99m	\$11m
Other universities*	-\$ 269m	\$70m	\$111m	-\$339
All	-\$ 1810m	-\$100m	\$744m	-\$1713m

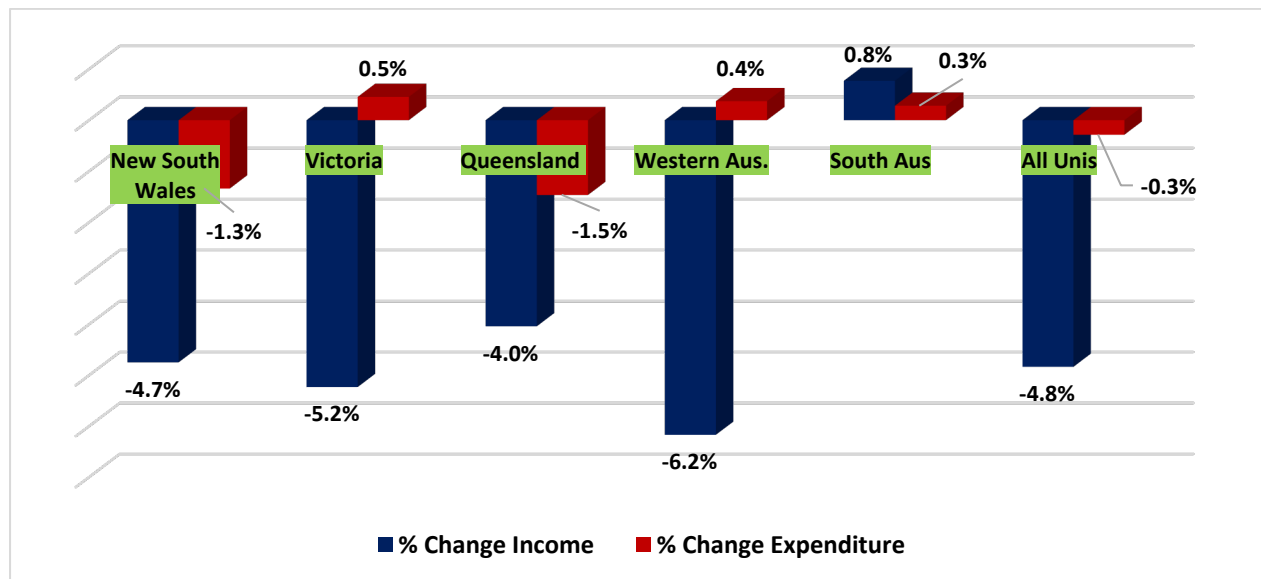
Victorian universities reported the highest income losses at \$589m (column 2) followed by NSW at \$543m. The income losses were also substantial for Queensland (\$247m) and Western Australia (\$181m). South Australian universities were the only ones collectively to report an increase in income of \$17.5m in 2020 compared with 2019. In fact, all SA universities remarkably reported an income increase for 2020. Of the other universities, ANU was the most noteworthy with an income loss of \$232m in 2020 (more than for all WA universities and of similar magnitude to the aggregate losses for Queensland universities). The University of Tasmania reported income losses for 2020 of \$58m.

The expenditure outcomes are very different (column 3). New South Wales and Queensland universities collectively reported lower expenditures in 2019 than in 2020, with decreases respectively at \$148m and \$85m, but considerably less than their income losses. By contrast, Victorian, Western Australian, South Australian and collectively the other Australian universities reported higher expenditure in 2020 than in 2019 even though the total income losses were substantial. The major expenditure outlays for universities are associated with employee benefits and on-costs. Typically, these benefits represent between 50% and 60% of total expenditure from continuing operations.

At a state level, with the exception of NSW universities, collectively all universities reported an operating surplus in 2020 (column 4). Overall, the net 2020 surplus sector wide was \$744m, an outcome well down on the 2019 surplus of \$2,457m (appendix A, columns G & H). While the 2020 collective surplus does underline the resilience of the sector in adapting to the adversity of the pandemic, the significant erosion in the financial health of the sector, as indicated by the change in operations since 2019 (a 70% decrease in surpluses), highlighted in column 5, does highlight the sector’s vulnerability and put a question mark against its ability to buffer adverse events in 2021 and beyond.

The percentage decreases in total income and expenditure from 2019 to 2020 are shown graphically in figure 1 for each of the states and for the whole sector based upon the data in columns J and K of appendix A. Percentage changes provide a measure of the impact of the pandemic relative to the size of the enterprise within a State.

Figure 1. Percentage Decreases in Income and Expenditure by State and the Australian Universities sector from 2019 to 2020



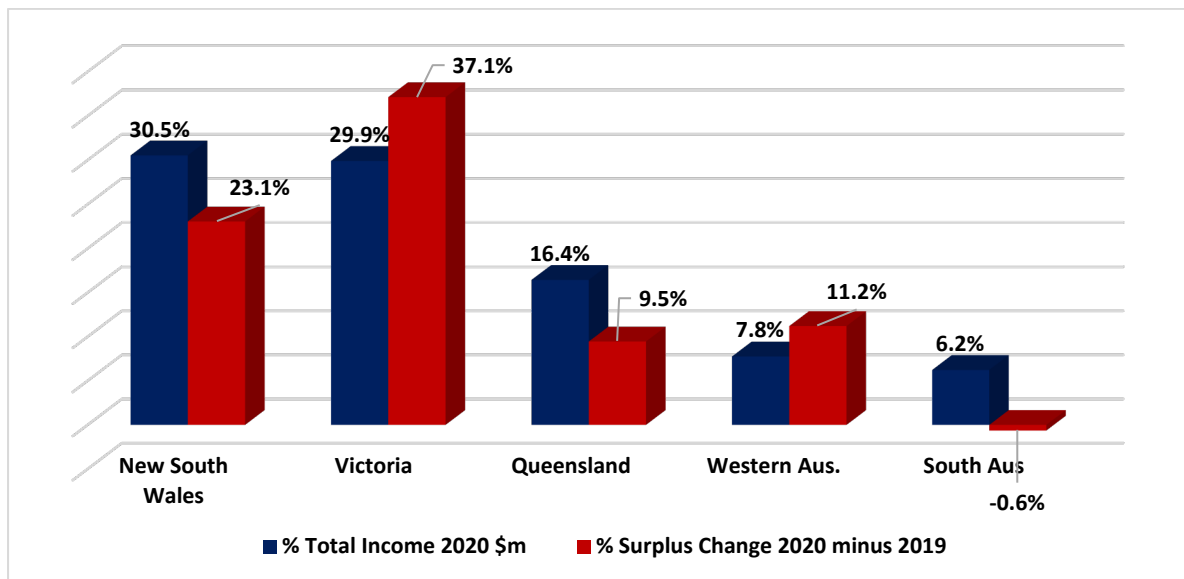
The average percentage total loss of income from continuing operations for all universities was 4.8% and the total reduction in expenditure was 0.3%. Among the States, Western Australian universities collectively experienced the highest percentage loss in income at 6.2%, followed by Victoria (5.2%) and NSW (4.7%). Three observations can be made looking at these data in aggregate:

- South Australian universities appear to have been least impacted by the financial consequences of the pandemic as both revenue and expenditure increased in 2020 compared to 2019.
- New South Wales and Queensland universities reported below average declines in revenue and were successful in mitigating the impact of those declines by also reducing expenditure. It may be that the relative loss of revenue did not, in aggregate, result in a significant increase in employee redundancy payments.
- Victorian and Western Australian universities reported the largest reductions in revenue and the largest increases in expenditure. Victorian universities enjoyed the highest proportion of international student enrolments in 2019 and so were more vulnerable to the financial implications of reduced international student numbers. The reasons for Western Australia’s outcomes for 2020 are less apparent.

There are wide variations for individual universities which will be discussed later in this paper.

Another perspective is to examine the percentage of the 2020 sector total income of \$35.7 billion attributable to each state and the percentage of the 2020 total surplus reduction of \$1.7 billion contributed by each state. This information is sourced from the data in columns A and I of appendix A and presented in figure 2.

Figure 2. Percentage of Total Sector-Wide 2020 Income and the Percentage Reduction in the Total Net Surplus from 2019 to 2020 by State



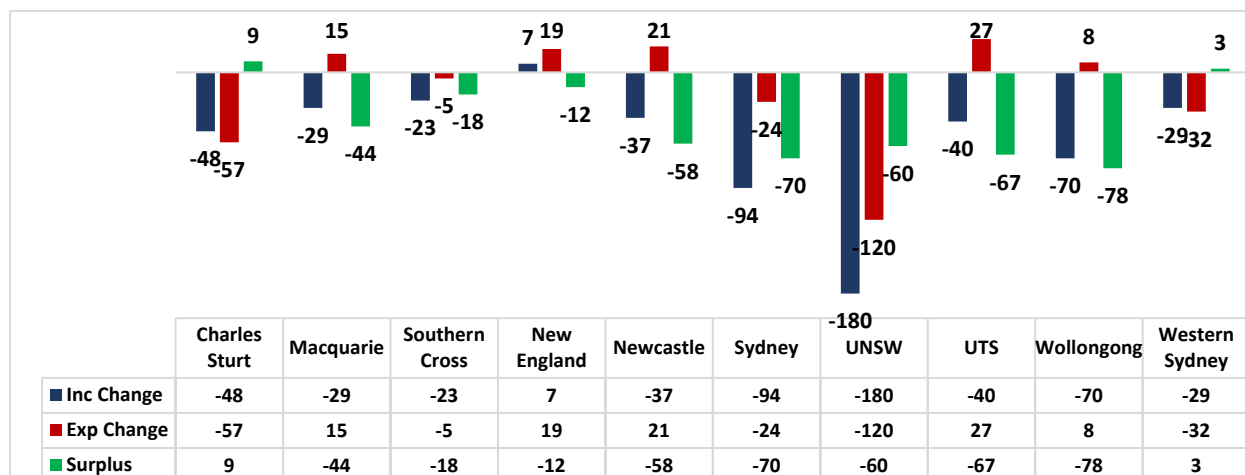
NSW Universities accounted for 30.5% of the sector income in 2020 and Victorian universities 29.9%. These outcomes do highlight how NSW and Victorian universities dominate the sector with more than 60% of total income. Victorian universities experienced the largest decrease in its 2020 surplus at \$636m (column 5 table 1). Hence, the contribution to the sector-wide surplus reduction was 37%. NSW universities have done comparatively well with a surplus decrease of \$395m accounting for only 23% of the decrease in sector surplus. Queensland universities reduced their surpluses by \$162m (accounting for 9.5% of the sector deficit) and WA Universities by \$192m (some 11.2% of the sector deficit). South Australian universities were the only ones to collectively increase their surpluses from 2019 to 2020 by a small margin of \$11m.

The outcomes for all universities grouped within their State context are examined in the sections which follow.

2.4 New South Wales Universities

The primary data and the changes are tabled in appendix A. These changes are expressed in millions of dollars of total income (column C), total expenditure (column F) and the surpluses (column I) from 2019 to 2020 are presented in figure 3.

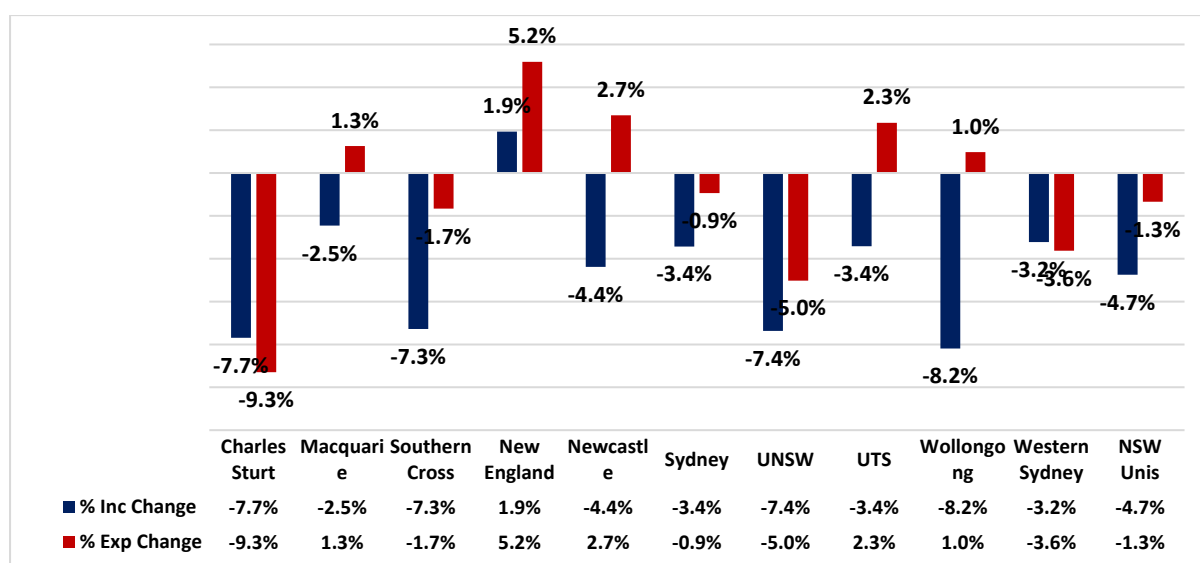
Figure 3. Changes in Total Income (Blue), Total Expenditure (Red) and the Surplus (Green) from 2019 to 2020 for New South Wales Universities. \$ millions



New England is the only university to report an increase in income from 2019 to 2020 (\$7m). The largest losses are for UNSW (\$180m) and Sydney (\$94m). Five of the ten universities, Charles Sturt, Southern Cross, Sydney, UNSW and Western Sydney, had more expenditure in 2020 than in 2019, with UNSW experiencing the highest increase at \$120m. Two universities, Charles Sturt and Western Sydney, improved their financial position with a larger surplus in 2020 than in 2019. The reduction in the surplus was substantial for most universities, highlighting their financial vulnerability as a result of the pandemic.

A better understanding of these changes relative to the financial level of activity for each university is gained by assessing the percentage changes in the total income, and total expenditure from 2019 to 2020. This information is presented in figure 4.

Figure 4. Percentage change in total income (blue) and total expenditure (red) from 2019 to 2020 for NSW Universities



The financial perspective is sharpened with the percentage income losses ranging from 2.5% for Macquarie to 8.2% for Wollongong. Charles Sturt, UNSW and Southern Cross are the other

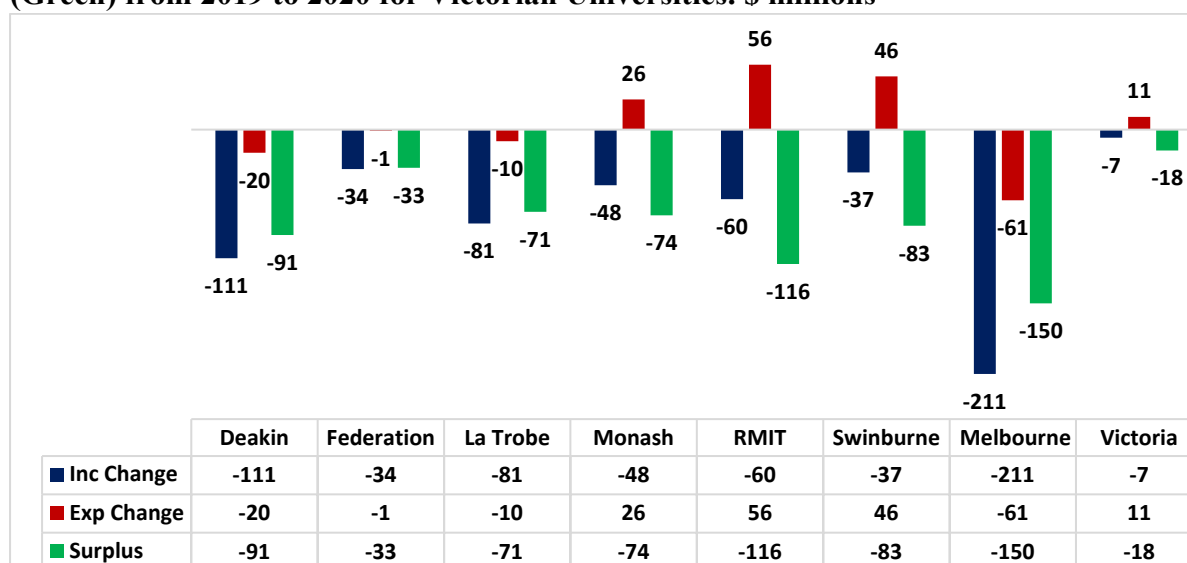
three universities reporting income losses well above the 4.7% state average. As indicated earlier, New England is the university which increased its income by 1.9% over the 2019 result. However, it increased expenditure by 5.2%, the largest amount for any university. Four other universities increased their expenditure in 2020 relative to 2019 by between 1 - 2.7%. Five universities achieved a reduction in expenditure in 2020 relative to 2019 with Charles Sturt (9.3%), UNSW (5.0%) and Western Sydney (3.6%) performing best to mitigate their revenue losses.

When reductions in income are combined with increases in expenditure, Wollongong is the university reporting the largest adverse turnaround in financial position with an aggregate 9.2% turnaround in performance relative to 2019, well ahead of Newcastle at 7.1% and UTS at 6.7%.

2.5 Victorian Universities

The changes for Victorian universities expressed in millions of dollars of total income (appendix A, column C), total expenditure (column F) and the surpluses (column I) from 2019 to 2020 are presented in figure 5.

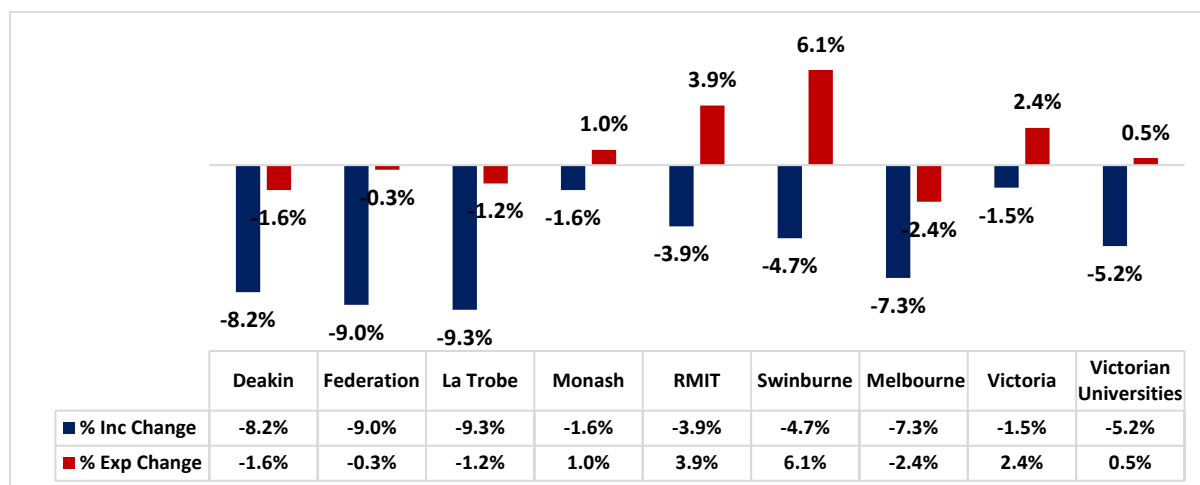
Figure 5. Changes in Total Income (Blue), Total Expenditure (Red) and the Surplus (Green) from 2019 to 2020 for Victorian Universities. \$ millions



All Victorian universities had less income in 2020 compared with 2019 (blue bars) with Melbourne (\$211m), Deakin (\$111m) and La Trobe (\$81m) reporting the highest reductions. Victoria University (\$7m) was least impacted. RMIT (\$56m), Swinburne (\$46m) and Monash (\$26m) all increased their expenditure in 2020 (red bars). The other five universities were able to reduce their expenditure to mitigate some of their income losses. The net outcomes are substantial reductions in the 2020 operating surpluses for all Victorian universities (green bars) with Melbourne (\$150m), RMIT (\$116m), Deakin (\$91m) and La Trobe (\$71m) most impacted. The erosion of surpluses is making it more difficult for universities to cope with the financial challenges being faced in 2021 and beyond.

The outcomes taking account of size factors are additionally assessed by the percentage changes in the total income and total expenditure from 2019 to 2020. This information is presented in figure 6.

Figure 6. Percentage change in total income (blue) and total expenditure (red) from 2019 to 2020 for Victorian Universities



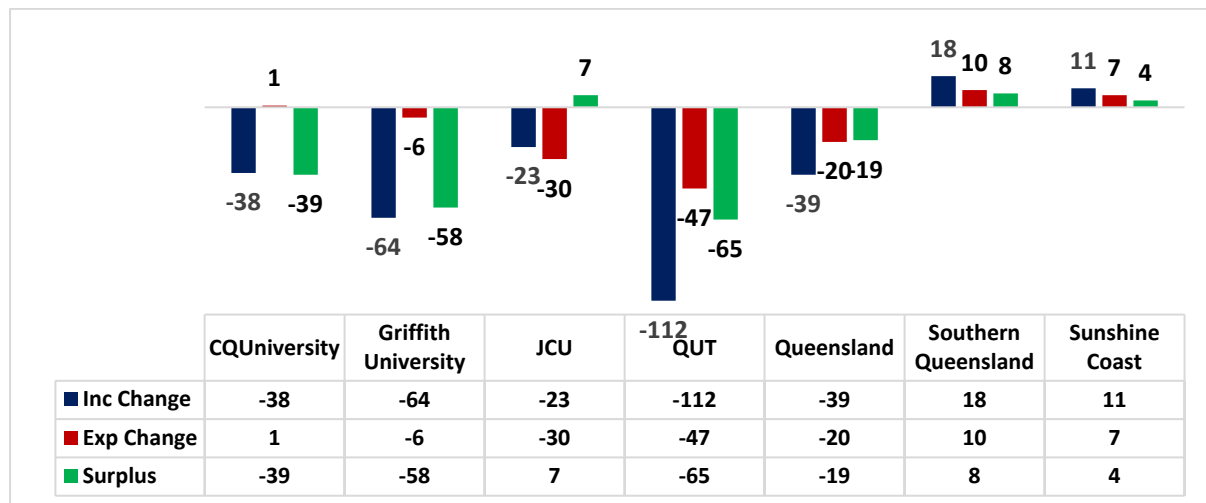
The percentage income losses collectively at 5.2% are larger for Victorian universities than for NSW universities. La Trobe (9.3%), Federation (9.0%), Deakin (8.2%) and Melbourne (7.3%) all report percentage losses higher than the State average. Monash (1.6%) and Victoria (1.5%) managed to minimise their 2020 income losses. They are two of the four universities, along with Swinburne and RMIT, that had higher expenditures in 2020 than in 2019. Four universities did reduce their 2020 expenditure, but only by a small margin. The net effect was that collectively Victorian universities increased their expenditures by 0.5% in 2020.

When reductions in income are combined with increases in expenditure, Swinburne is the university reporting the largest decline in financial position with an aggregate 10.8% turnaround in performance. Federation at 8.7%, Latrobe at 8.1% and RMIT at 7.8% follow.

2.6 Queensland Universities

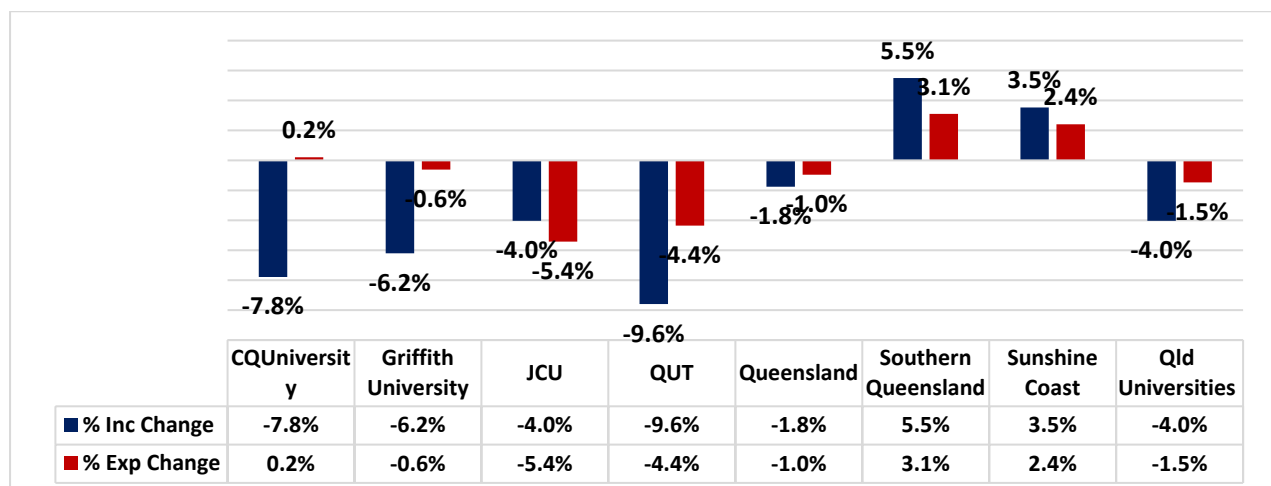
Queensland universities' financial changes expressed in millions of dollars of total income (appendix A, column C), total expenditure (column F) and the surplus (column I) from 2019 to 2020 are presented in figure 7.

Figure 7. Change in Total Income (Blue), Total Expenditure (Red) and the Surplus (Green) from 2019 to 2020 for Queensland Universities. \$ millions



Five of the seven universities reported less income in 2020 than in 2019 with QUT (\$112m) and Griffith (\$64m) experiencing the largest reductions. Two regional universities, Southern Queensland and Sunshine Coast, had both increased revenues and smaller increased expenditures in 2020 resulting in larger surpluses than in 2019. JCU was the only university for which the expenditure decrease was greater than the income decrease also resulting in a small 2020 surplus. Queensland University has experienced little deterioration in its financial position with a modest decline in revenue partially matched by a reduced expenditure. This outcome is well illustrated by the percentage changes presented in figure 8

Figure 8. Percentage changes in total income (blue) and total expenditure (red) from 2019 to 2020 for Queensland Universities



Overall, Queensland universities collectively reported a 4% reduction in 2020 income and a 1.5% reduction in expenditure. QUT (9.6%), CQU (7.8%) and Griffith (6.2%) experienced the largest proportional decreases in income for 2020 and are likely to experience the most financial difficulty in 2021.

When income and expenditure changes are combined, Queensland universities collectively (with a 2.5% decline in their financial position in 2020) appear to have managed the pandemic

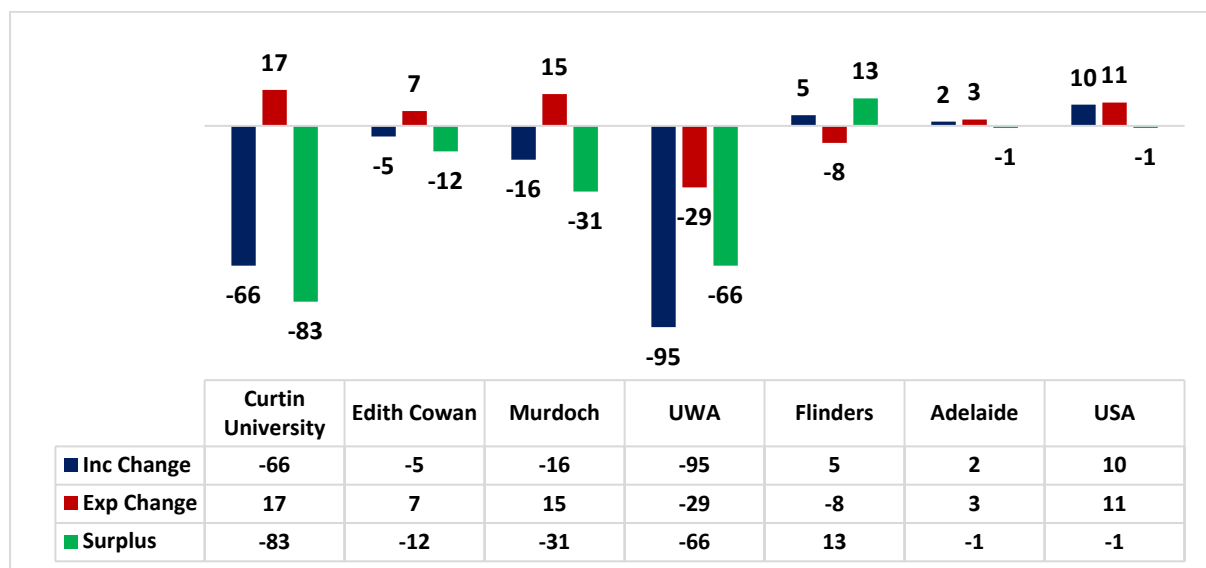
better than New South Wales universities with a 3.4% decline and Victorian universities with a 5.7% decline.

At an individual level, CQU is the university reporting the largest decline in financial position, with an aggregate 8.0% decrease in performance, followed by Griffith at 5.6% and QUT at 5.2%.

2.7 Western and South Australia Universities

Western Australian and South Australian universities present contrasting performances in total income (appendix A, column C), total expenditure (column F) and the surpluses (column I) from 2019 to 2020, which are presented in figure 9.

Figure 9. Change in Total Income (Blue), Total Expenditure (red) and the Surplus (Green) from 2019 to 2020 for WA and SA Universities. \$ millions

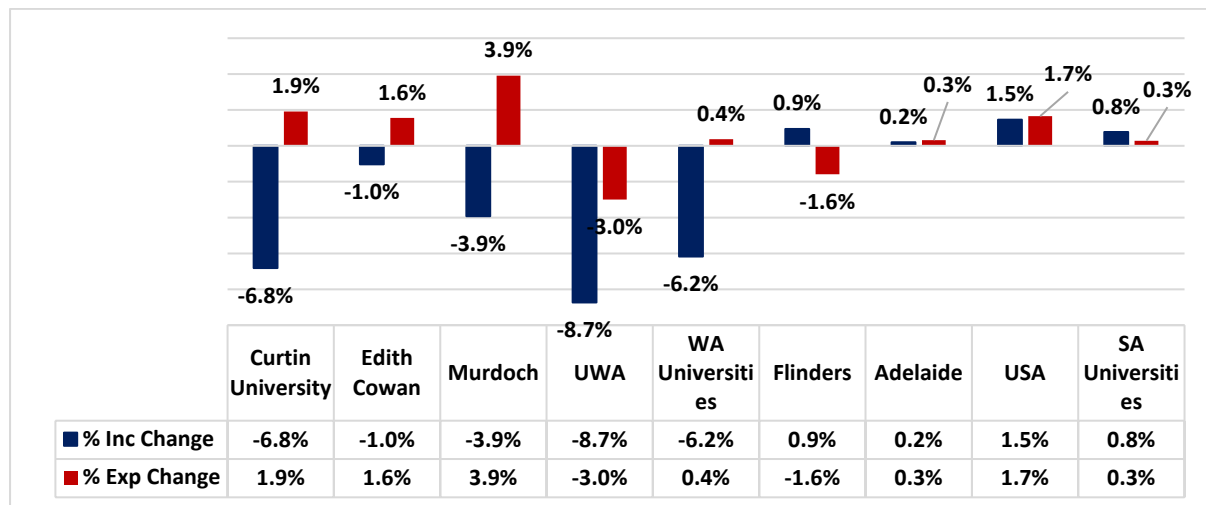


All four WA universities experienced significant revenue reductions, with UWA (\$95m) and Curtin (\$66m) most impacted. Three of the four increased expenditure outlays in 2020 and they all had a lower surplus in 2020 compared with 2019.

The profiles for the SA universities are very different. All had small income gains and relatively small changes in expenditure and their surpluses in 2020. These results are in sharp contrast to the experiences of universities in all other states.

The percentage changes in total income and total expenditure from 2019 to 2020 are presented in figure 10.

Figure 10. Percentage change in total income (blue) and total expenditure (red) from 2019 to 2020 for WA and SA Universities



Overall, the income losses for WA universities were 6.2%, collectively the highest in the country, while for SA universities there was a gain of 0.8%. There is a similar result for expenditures with WA universities decreasing expenditures overall by 3% and SA universities increasing expenditure by 0.3%. UWA (8.7%) and Curtin (6.8%) had the largest percentage decreases in income.

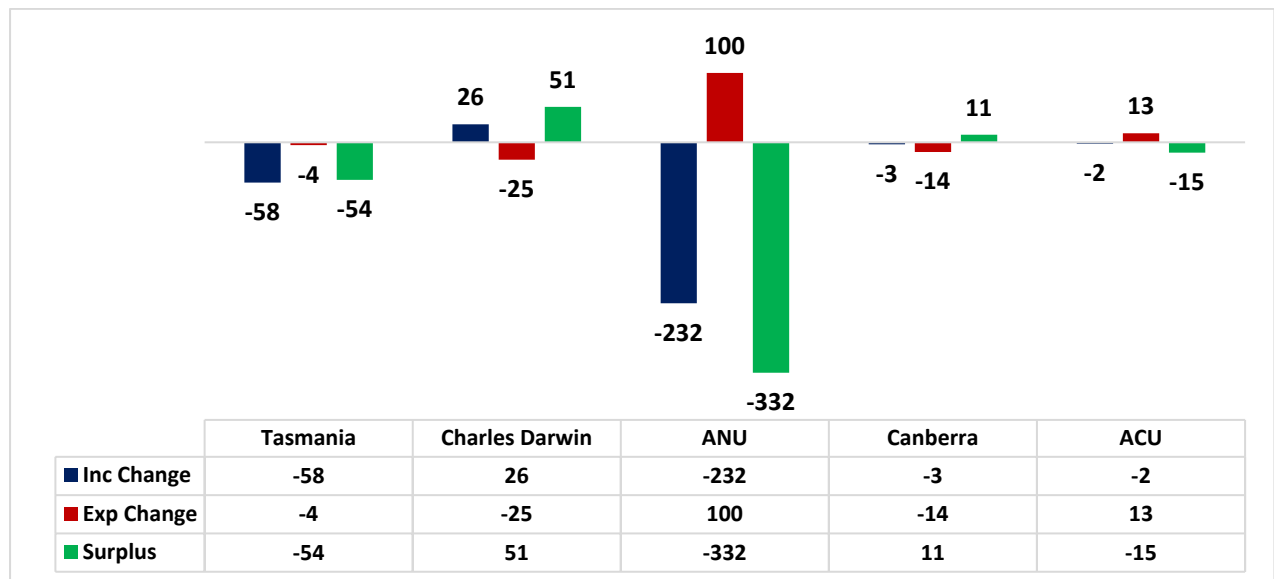
When reductions in income are combined with increases in expenditure, for the Western Australian sector, Curtin is the university reporting the largest decline in financial position with an aggregate 8.7% turnaround in performance, followed by Murdoch at 7.8%. For South Australia the only decline in aggregate financial position is USA which reported a 0.2% decline.

Collectively, WA universities incurred a 6.6% decline in their 2020 financial position while SA universities were financially stronger by 1.1% than in 2019.

2.8 Five Other Universities

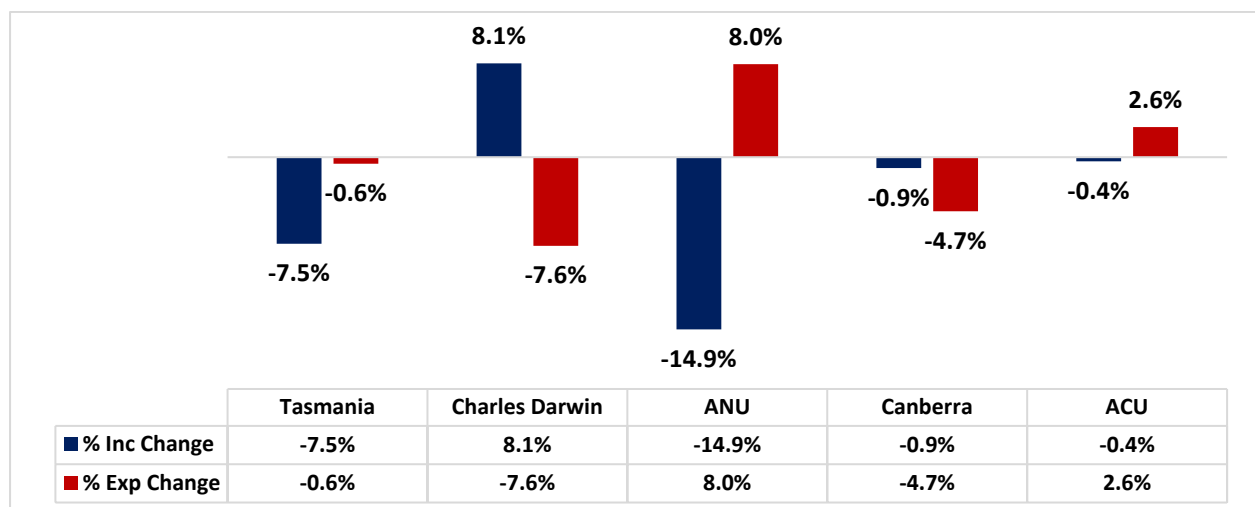
These universities have been clustered together solely for convenience of reporting. No particular grouping of these universities is implied. It is appropriate that their outcomes relating to changes in total income (column C), total expenditure (column F) and the surplus (column I) from 2019 to 2020 are discussed separately. The results are presented in figure 11.

Figure 11. Changes in Total Income (Blue), Total Expenditure (Red) and the Surplus (Green) from 2019 to 2020 for Five Universities. \$ millions



The percentage changes in the total income, and total expenditure from 2019 to 2020 are presented in figure 12.

Figure 12. Percentage changes in total income (blue) and total expenditure (red) from 2019 to 2020 for Other Universities



The ANU has the most distinctive adverse performance among this group with a 2020 income reduction of \$232m and an increased expenditure of \$100m. These outcomes have resulted in a substantial decrease in the surplus of \$332m compared with 2019. When reductions in income are combined with increases in expenditure ANU reports a sector high decline in financial performance of 22.9%.

The University of Tasmania reported a significant reduction in income of \$58m (7.5%) for 2020 and reduced its expenditure marginally by \$4m (0.6%) for a net reduction in its surplus of \$54m. Its aggregate decline in financial position amounted to 6.9%.

The Northern Territory university, Charles Darwin, had a 2020 financial profile that was the reverse of Tasmania. It experienced an income increase of \$26m (6.9%) while its expenditure was reduced by \$25m (7.6%). The University therefore completed the year in a healthy financial position with an increased surplus of \$51m (15.7%) improvement from 2019.

The University of Canberra experienced minimal impact of the pandemic on its 2020 finances. Income was reduced by \$3m (0.9%), expenditure decreased by \$14m (4.7%), with a net surplus increase of \$11m (3.8%).

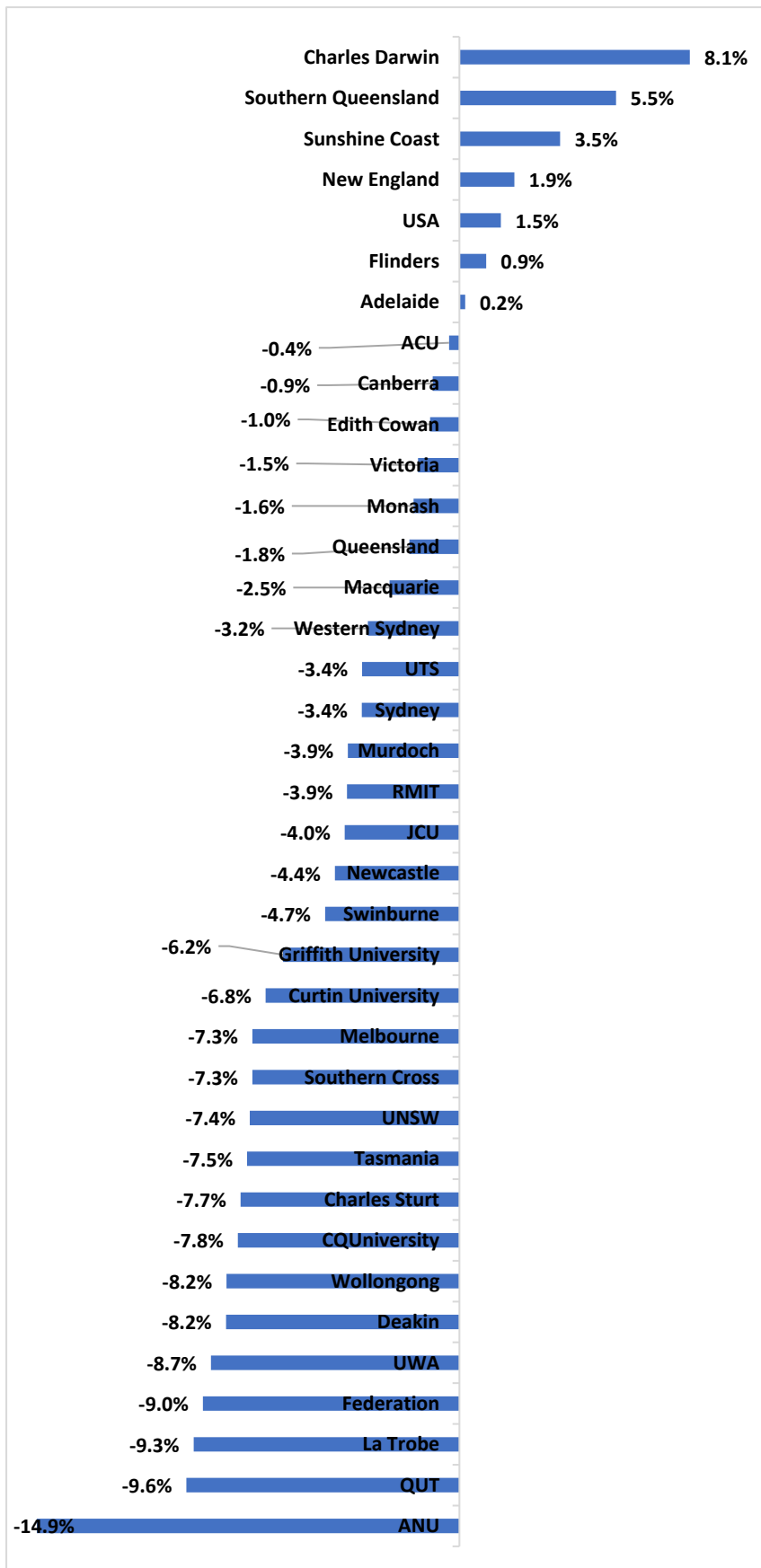
The income of the Australian Catholic University, as a multi-state university with relatively low numbers of international students, was marginally impacted with an income decrease of \$2m (0.4%). It was less successful in controlling its outlays with expenditure increasing by \$13m (2.6%), resulting in a financial decrease of \$15m (3.0%) compared with 2019.

3 Comparative Performances of Individual Universities

3.1 Changes in Income, Expenditure and Net Outcome 2019 to 2020

A useful insight into the relative performance of individual Australian universities is obtained by comparing the percentage total income change for 2020 relative to the 2019 revenue. This outcome is shown in figure 13, based on the information in column J of appendix A. This information has been reviewed by State in the figures presented earlier. The universities are ranked from the university with the highest percentage income gain, Charles Darwin at 8.1%, to the university with the highest reduction in income, ANU at -14.9%.

Figure 13. Percentage Total Income Change for 2020 Relative to 2019



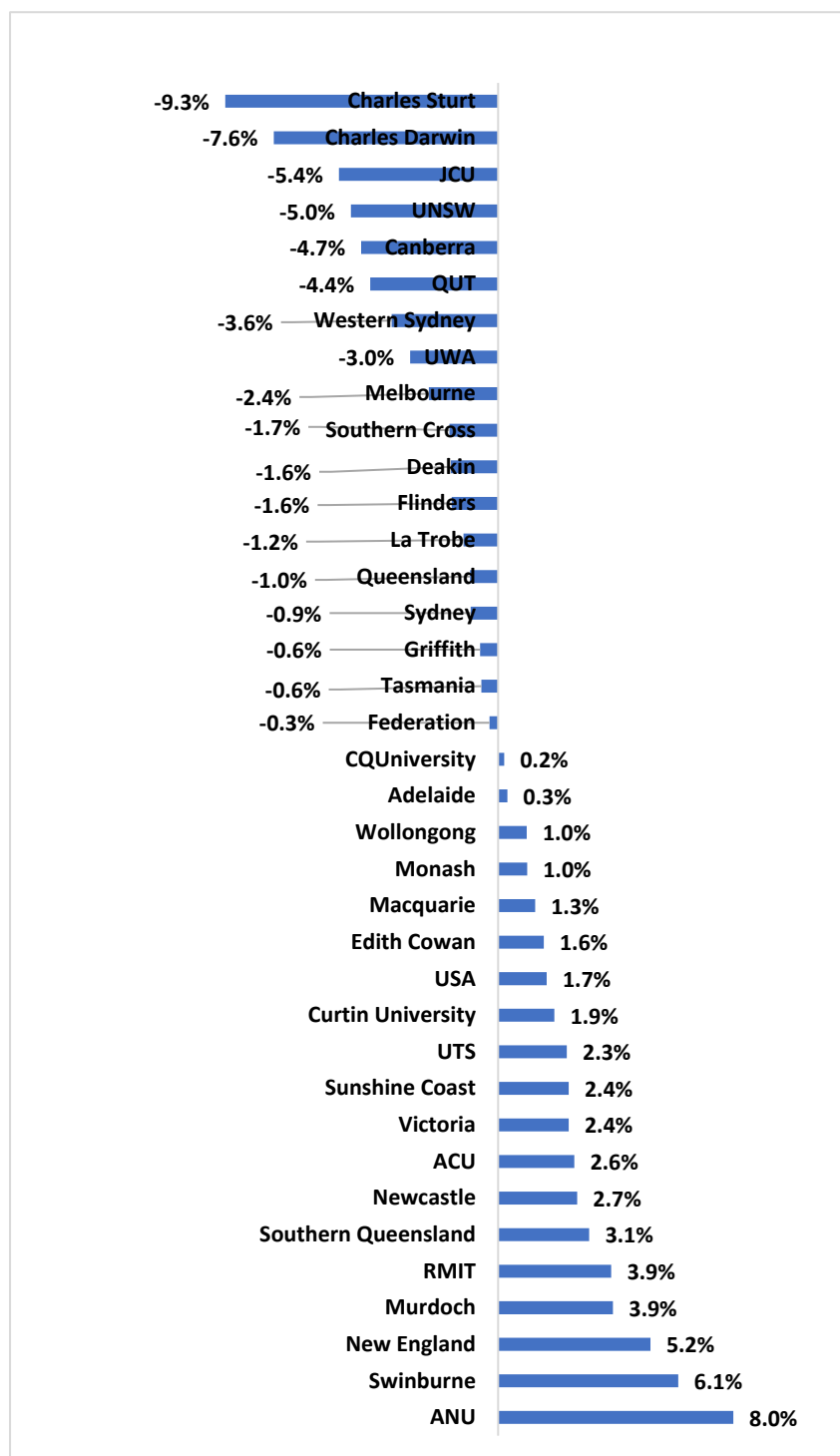
The ranking is revealing with seven universities, three South Australian and four regional universities, reporting increased income in 2020. At the other end of the spectrum, some 13 of the 30 universities with income reductions reported decreases of more than 7%. ANU is the standout at 14.9%. Four of these universities are located in Victoria, three in Queensland and three in NSW.

Interestingly, each of the seven universities reporting an increase in income have relatively modest exposure to the international student market. On the other hand, only two of the seven universities reporting the highest declines in revenue – Federation at 9% and Deakin at 8.2% - were among the group of universities with the largest proportion of international fee income as a share of total revenue.

All Go8 universities, with the exception of Adelaide, experienced income reductions. However, they are spread throughout the income change distribution.

3.2 Changes in Expenditure 2019 to 2020

Figure 14. Percentage Total Expenditure Change for 2020 Relative to 2019

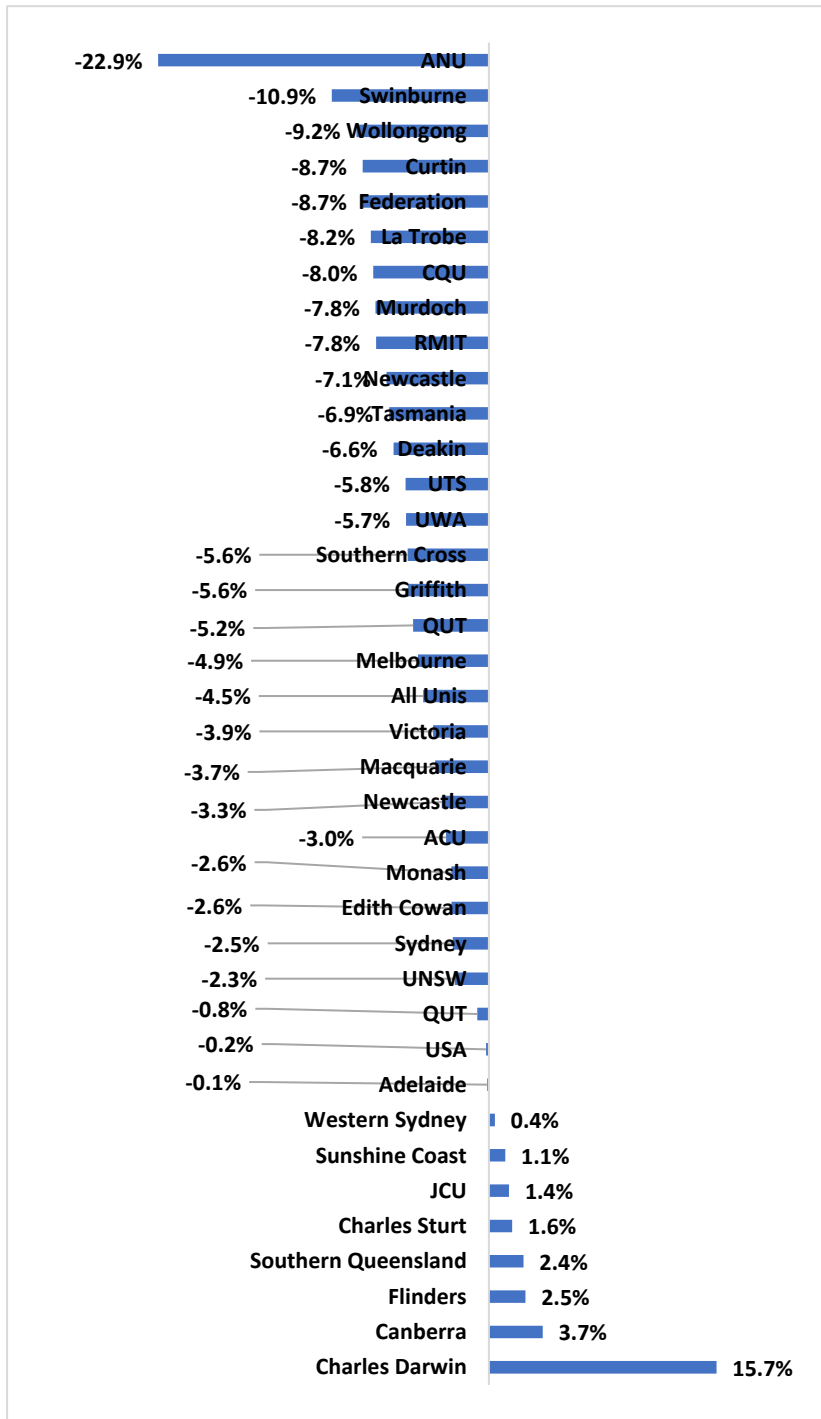


The percentage total expenditure change for 2020 relative to 2019 is shown in figure 14 for all universities based on the information in column K (appendix A). Universities are ranked according to the degree of reduction, from Charles Darwin at 9.3%, to the largest expenditure increase, ANU at 8.0%.

Some 18 universities managed to reduce their expenditures in 2020, while 19 increased expenditures. The Go8 universities are again spread throughout the distribution.

3.3 Percentage Change in the Financial Position from 2019 to 2020

Figure 15. Net Change in Financial Position of Universities from 2019 to 2020



The ranking presented in figure 15 provides most insight into the impact of and the 2020 response to the pandemic. It combines the percentage income change with the percentage expenditure change to yield the 2020 net change in a financial position. Universities are ranked from the one that experienced the largest operational decrease – ANU at -22.9% – relative to 2019 to the university with the most improvement in its 2020 financial position, Charles Darwin at 15.7%.

Some 29 of 37 universities experienced a deterioration in their financial health in 2020 relative to 2019. There is no clear pattern as to the location of these universities, metropolitan or regional. Four of the 10 with greater than a 7% decrease in their financial position were regional.

Eight universities improved their financial position in 2020 relative to 2019. Other than Charles Darwin the financial improvement for

the other seven was modest at less than 4%. All of these universities had relatively lower exposures to international students.

4 Observations on the Impact of the Pandemic and Strategic Management Challenges

The above analysis prompts some observations about the challenges the pandemic is having for Australian universities. In doing so, it is important to recognise first that the analysis is based solely on publicly available income and expenditure statements as presented in university annual accounts and, secondly, that analysis examines only the first year of what is now likely to be an extended period of impact as a result of the pandemic. The 2020 financial accounts are merely a snapshot in time of the financial health of Australian universities. They do not reveal just how much additional expenditure has been committed to deal with anticipated declines in revenue as well as in responding to the circumstances experienced in 2020. Greater insights into the financial well-being of Australian universities and the sector as a whole will become apparent as annual reports for subsequent years are published. Finally, this financial analysis cannot take proper account of particular planned or ‘lumpy’ initiatives at individual universities that risk distortion of the accounts either in terms of income or expenditure.

However, from the data available in 2020 annual reports, the observations set out below appear valid.

At the sector level, the overall impact on revenues has been significantly less, at \$1.8b, than the \$3b-\$4b initially predicted by several commentators including ourselves. Having experienced only a 4.8% decline in total revenues, universities appear to have been extraordinarily resilient, particularly when the university sector’s ineligibility for Australian Government JobKeeper payments and other pandemic business support schemes are taken into account.

At the same time the sector has been less nimble in 2020 in being able to adjust expenditure to the decline in revenue. Despite the 4.8% decrease in revenue, 2020 expenditure was only 0.3% (\$100m) lower than in 2019. Two factors that may have contributed to this outcome are both pandemic-driven. First, the additional cost of providing support for both domestic and international students who lost access to casual or part-time employment and were ineligible for Commonwealth Government pandemic living support; and secondly increased cost of employee redundancy payments as universities prepare to scale back staffing to match declining student enrolment numbers. Both factors may have a short-term impact on university finances, either as a response to unforeseen exigencies or representing the upfront cost of longer term savings.

On a state-by-state analysis, the Victorian university sector appears to have been relatively hardest hit by the pandemic, especially in terms of declining revenue and increases in expenditure. This may be attributable to that State’s high exposure to the international student market and to the impact of extended lockdowns during 2020. In contrast, New South Wales and Queensland appear to have experienced more modest declines in revenue and, in general, have been able to avoid significant increases in expenditure. South Australian universities have weathered the 2020 COVID-19 challenges without any significant adverse impact on their financial health. The financial outcome for Western Australian universities appears more adverse than for Victoria’s universities and anomalous. Despite relatively limited exposure to the international student market and little direct impact of the pandemic, the Western Australian university sector appears to have incurred considerable deterioration in its financial position in 2020.

Examining the sector at the individual institution level indicates that universities that have improved or sustained their financial position in 2020 are primarily regional universities (including South Australian universities) that have limited exposure to the international student

market (see figures 13 to 15). However, not all small regional universities are in this position so other factors are also clearly at play.

The same observation can be made of those universities which appear to have experienced the greatest decline in financial position in 2020. Only a limited number are among the universities most exposed to the international student market. Some appear to have lost domestic student market share as well as student preferences changing during the pandemic.

ANU aside, Group of Eight universities appear to be ‘in the pack’ rather than out in front in terms of financial impact (figure 15). This is a noteworthy achievement given the high reliance on international students, especially among the ‘Big Five’.

This analysis suggests that other factors such as institutional strategy, leadership and nimbleness in risk management have all made a significant contribution to the financial health and well-being of universities in 2020. As part of this, some universities may be more advanced than others in terms of implementing measures designed to reduce employee expenditure to match anticipated declines in student enrolments.

With no prospect in the short or medium term of borders being re-opened to international students, an extended lockdown in NSW and repeated lockdowns in Victoria, the financial challenges occurring in 2021 are likely to be greater than in 2020. Preliminary reports indicate 2021 international student enrolments will be lower than in 2020. 2021 is now likely to be the proving ground for the strategies and pandemic responses each university has adopted – whether explicitly or implicitly – in the first year of the pandemic.

5 References

1. Ian Marshman and Frank Larkins, *University Finances: 2020 Interim Report Card – A mixed result but could have been worse*, <https://franklarkins.files.wordpress.com/2018/11/cmm-covid-impact-on2020uni-finances.pdf> and <https://campusmorningmail.com.au/news/uni-finances-2020-could-have-been-worse-this-year-will-be/>
2. Frank Larkins and Ian Marshman, *Modelling Individual Australian Universities Resilience In Managing Overseas Student Revenue Losses From The COVID-19 Pandemic* Published 28 May 2020 <https://melbourne-cshe.unimelb.edu.au/lh-martin-institute/insights/modellingindividual-australian-universities-resilience-in-managing-overseas-student-revenue-losses-from-the-covid-19-pandemic>

Appendix A. Australian Universities Consolidated Income and Expenditure Data 2019 and 2020

	Total Income 2020 \$ m	Total Income 2019 \$ m	Income Difference 2020 minus 2019	Total Expenditure 2020 \$ m	Total Expenditure 2019 \$ m	Expenditure Difference 2020 minus 2019	Inc-Exp 2020	Inc-Exp 2019	(Inc-Exp) Difference 2020 minus 2019	% Inc Change	% Exp Change
COLUMN	A	B	C	D	E	F	G	H	I	J	K
Charles Sturt	576	624	-48	556	613	-57	20	11	9	-7.7%	-9.3%
Macquarie	1152	1181	-29	1204	1189	15	-52	-8	-44	-2.5%	1.3%
Southern Cross	293	316	-23	296	301	-5	-3	15	-18	-7.3%	-1.7%
New England	369	362	7	385	366	19	-16	-4	-12	1.9%	5.2%
Newcastle	808	845	-37	800	779	21	8	66	-58	-4.4%	2.7%
Sydney	2647	2741	-94	2538	2562	-24	109	179	-70	-3.4%	-0.9%
UNSW	2263	2443	-180	2271	2391	-120	-8	52	-60	-7.4%	-5.0%
UTS	1130	1170	-40	1181	1154	27	-51	16	-67	-3.4%	2.3%
Wollongong	785	855	-70	829	821	8	-44	34	-78	-8.2%	1.0%
Western Sydney	872	901	-29	850	882	-32	22	19	3	-3.2%	-3.6%
NSW Unis	10895	11438	-543	10910	11058	-148	-15	380	-395	-4.7%	-1.3%
Deakin	1242	1353	-111	1224	1244	-20	18	109	-91	-8.2%	-1.6%
Federation	343	377	-34	339	340	-1	4	37	-33	-9.0%	-0.3%
La Trobe	786	867	-81	838	848	-10	-52	19	-71	-9.3%	-1.2%
Monash	2932	2980	-48	2653	2627	26	279	353	-74	-1.6%	1.0%
RMIT	1459	1519	-60	1509	1453	56	-50	66	-116	-3.9%	3.9%
Swinburne	747	784	-37	795	749	46	-48	35	-83	-4.7%	6.1%
Melbourne	2688	2899	-211	2520	2581	-61	168	318	-150	-7.3%	-2.4%
Victoria	474	481	-7	468	457	11	6	24	-18	-1.5%	2.4%
Victorian Universities	10671	11260	-589	10346	10299	47	325	961	-636	-5.2%	0.5%
CQUniversity	450	488	-38	485	484	1	-35	4	-39	-7.8%	0.2%
Griffith University	968	1032	-64	973	979	-6	-5	53	-58	-6.2%	-0.6%
JCU	547	570	-23	523	553	-30	24	17	7	-4.0%	-5.4%
QUT	1055	1167	-112	1032	1079	-47	23	88	-65	-9.6%	-4.4%
Queensland	2181	2220	-39	2072	2092	-20	109	128	-19	-1.8%	-1.0%
S. Queensland	345	327	18	332	322	10	13	5	8	5.5%	3.1%
Sunshine Coast	322	311	11	298	291	7	24	20	4	3.5%	2.4%
Qld Universities	5868	6115	-247	5715	5800	-85	153	315	-162	-4.0%	-1.5%
Curtin University	903	969	-66	904	887	17	-1	82	-83	-6.8%	1.9%
Edith Cowan	480	485	-5	457	450	7	23	35	-12	-1.0%	1.6%
Murdoch	392	408	-16	398	383	15	-6	25	-31	-3.9%	3.9%
UWA	993	1088	-95	938	967	-29	55	121	-66	-8.7%	-3.0%
WA Universities	2768	2950	-182	2697	2687	10	71	263	-192	-6.2%	0.4%
Flinders	535	530	5	497	505	-8	38	25	13	0.9%	-1.6%
Adelaide	993	991	2	953	950	3	40	41	-1	0.2%	0.3%
USA	696	686	10	675	664	11	21	22	-1	1.5%	1.7%
SA Universities	2224	2207	17	2125	2119	6	99	88	11	0.8%	0.3%

Tasmania	719	777	-58	700	704	-4	19	73	-54	-7.5%	-0.6%	
Charles Darwin	347	321	26	302	327	-25	45	-6	51	8.1%	-7.6%	
ANU	1330	1562	-232	1347	1247	100	-17	315	-332	-	14.9%	8.0%
Canberra	316	319	-3	286	300	-14	30	19	11	-0.9%	-4.7%	
ACU	548	550	-2	514	501	13	34	49	-15	-0.4%	2.6%	
Other Universities	3260	3529	-269	3149	3079	70	111	450	-339	-7.6%	2.3%	
All Universities	35686	37499	-1813	34942	35042	-100	744	2457	-1713	-4.8%	-0.3%	