

Five Major Australian Universities Strengthened their Balance Sheets during the COVID-19 Pandemic Years

Professor Emeritus Frank Larkins

The Melbourne Centre for the Study of Higher Education, and School of Chemistry
The University of Melbourne

Summary:

The Australian Universities sector reached a significant milestone in 2021 with total assets exceeding one hundred billion dollars for the first time. Five Australian Universities, Melbourne, Sydney, Queensland, Monash and New South Wales, have financial performances that are well above all others, contributing 36.5% of the total with combined assets of \$37.3 billion. Collectively, their total assets increased by 30% throughout the challenging COVID-19 pandemic years compared with 24% for the whole sector. Net U5 universities assets were a similar proportion of the sector's total equity at 35.4%. Universities have been able to compensate for decreases in international student fees by increasing other revenue streams from 2018 to 2021.

Melbourne and Sydney Universities were dominant in terms for both total and net assets. All five universities made significant percentage asset gains from 2018 to 2021, as shown in the following table, to have strong 2021 balance sheets, despite large increases in total liabilities for some universities.

Percent Increase 2018 to 2021	Melbourne	Sydney	Queensland	Monash	UNSW	U5 Unis	U37 Unis
Total Assets	38%	23%	30%	45%	14%	30%	24%
Total Liabilities	46%	12%	108%	64%	14%	34%	39%
Net Assets	35%	31%	16%	33%	13%	27%	18%

Monash reported the highest percentage growth in total assets at 45% followed by Melbourne at 38%. These two universities are now the highest ranked Australian universities in the Times Higher Education rankings. While U5 universities collectively outperformed the sector with net asset growth of 27%, the sector growth of 18% supports the conclusion that the sector has performed financially better than most forecasts. This outcome underlines the strong foundation built up over the previous decade and the resilience and professionalism of universities in managing the challenge.

1. Introduction

The financial performances of five Australian in the pre-Covid decade 2009 to 2018 were analysed in a study published in December 2019 (1). The University Five (designated U5), Melbourne, Sydney, Queensland, Monash and New South Wales, collectively had revenue in

2018 of \$11.8 billion, sourced from a total asset base of \$28.8 billion. This U5 group accounted for 34.7% of total university system revenues, highlighting their financial dominance. The COVID-19 pandemic was expected to have only a minor impact on the university cash flow and assets in 2019, but potentially a significant impact on financial performance in 2020 and 2021. The actual outcomes, in terms of changes in assets, are analysed in this paper.

The financial positions of the U5 universities have been examined in detail, rather than the traditional Go8 grouping, because in terms of annual consolidated income values these universities are well ahead of all others. Their cash-flow performances have been placed in the context of their state-based counterparts through recent examination of annual consolidated comprehensive income statements from the continuing operations of publicly funded universities in the States of New South Wales (2), Victoria (3), Queensland (4) and Western Australia (5). Among the U5 group Queensland had the lowest consolidated income at \$2.44 billion, but this was almost one billion more than the next Go8 university, Australian National University, at \$1.46 billion.

Direct comparisons of 2021 income statements for universities in terms of income, expenditure and net surplus or deficit have been problematic and deficient because there were inconsistencies in the way universities accounted for the financial distribution by Education Australia Limited (EAL) of IDP dividends and share allocations following the company windup. Some universities treated their financial allocations as 2021 income and other as non-current assets.

A more reliable comparison of performance is to consider the overall financial position (balance sheet) of universities on 31 December of each year as presented by total assets, total liabilities and net assets (total equity). The balance sheets do include the comprehensive income statements analysed in the previous studies along with non-current assets and liabilities. The U5 universities profiled are the only ones with total assets each in excess of five billion dollars.

2. Primary Data Sources and Methodology

The Australian Government Department of Education databases and University Annual Reports are the primary data sources. The data analysed for the parent universities are: current assets, non-current assets, total assets, current liabilities, non-current liabilities, total liabilities and net assets (total equity). The components of a university balance sheet statement are shown in appendix C. These data are available from the Department of Education website for all universities up to 2020 (6). The 2021 financial information has been sourced from the university annual reports available on the web because comprehensive sets of financial data for 2021 were not available from the Department of Education at the time of this study.

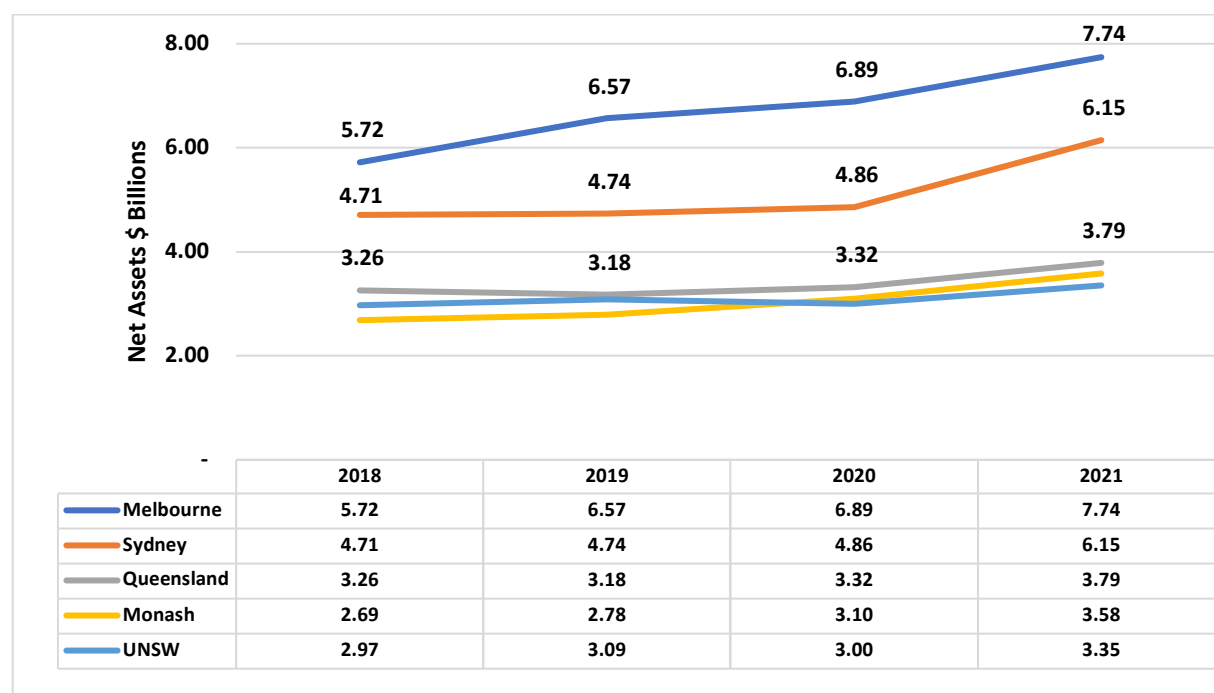
The data used in this study are presented in Appendix A in dollars of the day for the five universities for the years 2018 to 2021. The aggregated data are also shown. The corresponding aggregated data for 37 universities (designated U37) are shown in appendix B.

3. Analyses of the Data

3.1 Net Assets Changes 2018 to 2021

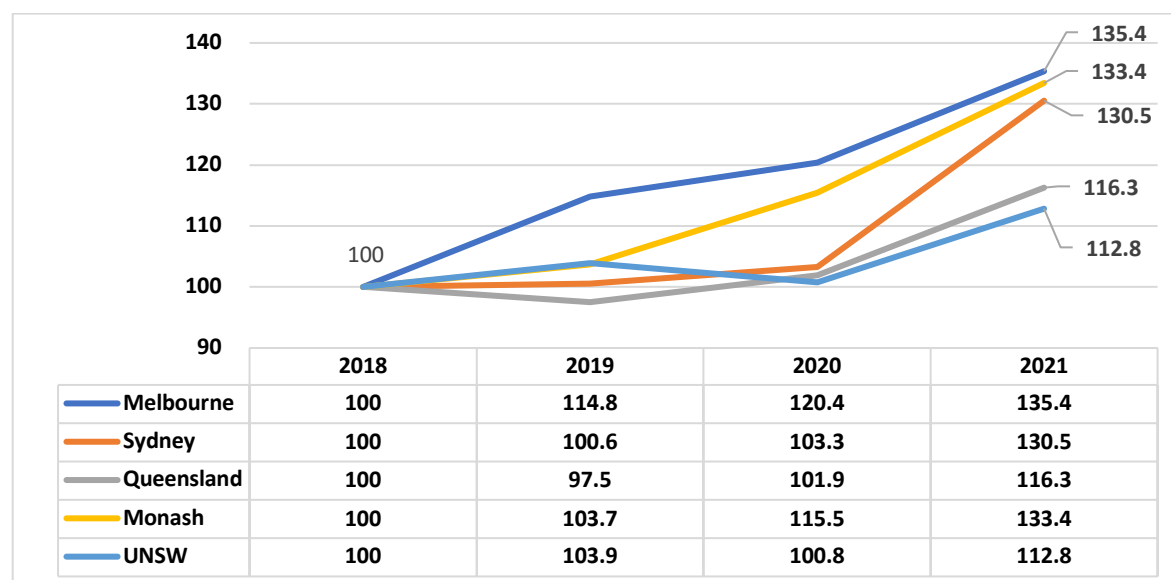
The five universities profiled are making a major contribution to the growth and strength of the Australian higher education sector. They had total assets of \$37.3 billion in 2021 representing 36.5% of the \$102.2 billion for 37 universities. The year 2021 was the first time that Australian universities total assets had exceed \$100 billion. The corresponding values for U5 net assets (total assets – total liabilities) were \$24.6 billion (35.4%) of the U37 sector total equity of \$69.4 billion. The U5 proportion of U37 net assets had increased by 2.6% from 2018 to 2021, indicating that they were even more dominant financially in 2021 compared with the pre-pandemic years. The growth in net assets for the U5 universities in billions of dollars are shown in figure 1.

Figure 1. Net Assets for Five Majors Australian Universities from 2018 to 2021 in billions of dollars



All the universities increased their net assets from 2018 to be financially stronger in 2021 than in 2018. Melbourne and Sydney have been consistently financially dominant compared with all other Australian universities over a long period. Queensland reported a small decrease in its net asset base from 2018 to 2019 and UNSW from 2019 to 2020 with all universities recovering for 2021. The changes relative to 2018 set at 100 are shown in figure 2.

Figure 2. Net Assets for Five Major Australian Universities Relative to 2018 = 100



The ranking of relative annual performances compared with absolute growth in net assets from 2018 to 2021 is somewhat different. Melbourne has reported the strongest relative financial growth performance at 35% over the three-year period with Monash at 33.4% making strong gains from 2020 to 2021 to report a superior overall performance to Sydney at 30.5%. Sydney like Melbourne has reported steady financial growth over the four-year period. Queensland at 16.3% and UNSW at 12.8% have experienced modest growth, especially in the context that the CPI increase over the period was 7.2% (Australian Taxation Office December figures). In aggregate, the U5 universities increased their net assets by 27% compared with a sector-wide increase of 18%. Between 2018 and 2020, Sydney, Queensland and UNSW all had small increases in net assets followed by a strong recovery in 2021.

3.2 University Assets and Liabilities Profiles for 2018 to 2021

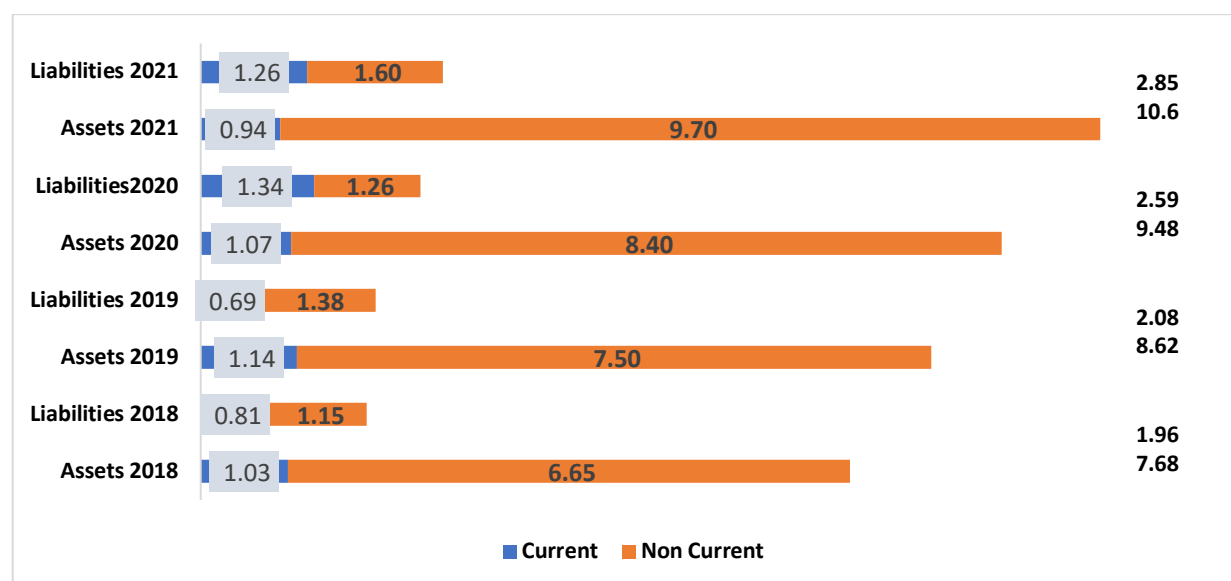
Net assets or total equity is the difference between total assets and total liabilities. Total assets have two main components – current and non-current assets and total liabilities also two components – current and non-current liabilities – all with various sub-components as identified in appendix C. The balance of the contributions as reported by universities does vary considerably each year. The details for the actual values for four years are presented in appendix A. The changes from 2018 to 2021 are analysed here.

3.2.1 The University of Melbourne

The current and non-current assets and liabilities for the University of Melbourne are shown graphically in figure 3 for the years 2018 to 2021. It is evident that the total assets have increased progressively from \$7.68 billion in 2018 to \$10.59 billion in 2021 – a \$2.91 billion (38%) increase. Non-current assets represented 87% of total assets in 2018 and 91% of total assets in 2021. The non-current assets increased by \$0.66 billion from 2020 to 2021 because of the allocations from the winding up of Education Australia Limited. There was an increase of \$0.57 billion in property, plant and equipment assets.

Total liabilities also increased from \$1.96 billion in 2018 to \$2.85 billion in 2021 (by \$0.89 billion, 45%). The distribution of liabilities between current and non-current are of similar magnitude and the balance has varied each year. In 2018 non-current liabilities represented 59% of total liabilities, while for 2021 the number was 56%. The main non-current liabilities for 2021 were borrowings and contractual obligations. The outcome in terms of net assets is shown in figure 1 with a \$2.02 billion (35.4%) increase. The result has been discussed above in comparison with other U5 universities.

Figure 3. Current and Non-current Assets and Liabilities for the University of Melbourne from 2018 to 2021 in billions of dollars



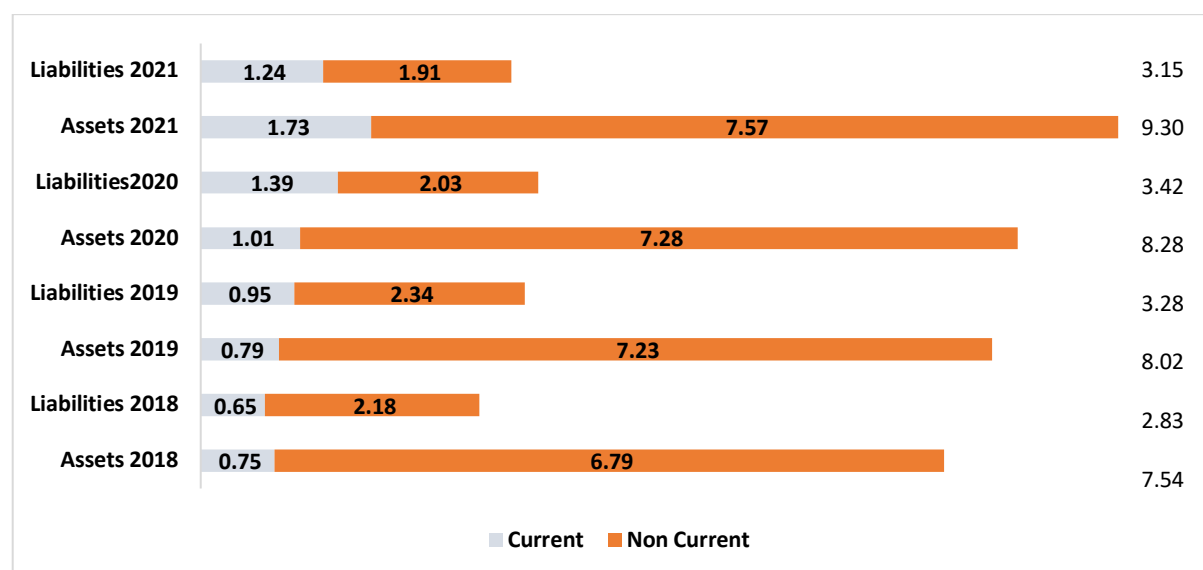
It is noteworthy that for 2018 and 2019 current assets exceed current liabilities; however, for the main pandemic years 2020 and 2021 current liabilities exceeded current assets. Nevertheless, total liabilities were well covered by total assets. The ratio is shown in figure 7. It was a healthy 3.71 in 2021 representing a slight decline from the 2018 ratio of 3.92. Melbourne was clearly in a stronger overall financial position in 2021 than in 2018 despite a 45% increase in total liabilities.

3.2.2 The University of Sydney

The corresponding assets and liabilities data for the University of Sydney are presented in figure 4. The total assets have increased progressively from \$7.54 billion in 2018 to \$9.30 billion in 2021 – a \$1.76 billion (23%) increase, well short of the Melbourne growth figure of \$2.91 billion (38%). Non-current assets represented 90% of total assets in 2018 and 81% of total assets in 2021. In contrast to Melbourne, the main increase in Sydney assets from 2020 to 2021 was in current cash assets (\$0.72 billion). This is mainly because of the way it accounted for the Education Australia windfall.

Total liabilities also increased from \$2.83 billion in 2018 to \$3.15 billion in 2021 (by \$0.32 billion, 11%). This was the lowest percentage increase in total liabilities of any U5 university. Sydney is different to Melbourne in that non-current liabilities are considerably greater than current liabilities. In 2018 non-current liabilities represented 77% of total liabilities, while for 2021 the proportion was 60%. Sydney's total liabilities were less in 2021 than in 2020 principally because of reduced current borrowings. Net assets increased by \$1.44 billion (30.5%) as shown in figure 1, where they are discussed in comparison with other universities.

Figure 4. Current and Non-current Assets and Liabilities for the University of Sydney from 2018 to 2021 in billions of dollars



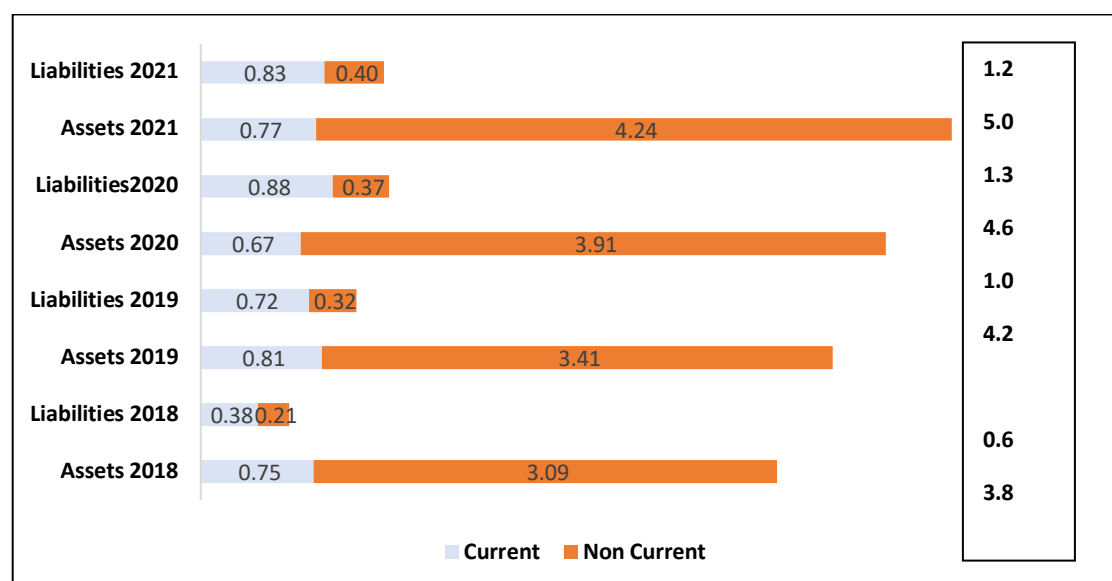
For 2018 and 2021 current assets exceed current liabilities; however, for 2019 and 2020 current liabilities exceeded current assets. Total liabilities were still well covered by total assets. The ratios shown in figure 7 are less than for Melbourne, but still strong at 2.95 in 2021 compared with 2.67 in 2018. Sydney's strong balance sheet in 2021 is because of significant assets growth from 2018 and a decrease in total liabilities.

3.2.3 The University of Queensland

The University of Queensland assets and liabilities data are presented in figure 5. Queensland's total assets are considerably less than those of Melbourne and Sydney, by more than \$4 billion, but they increased strongly over the four-year period by \$1.2 billion (32%), from \$3.8 billion in 2018 to \$5.0 billion in 2021. Non-current assets represented 80% of total assets in 2018 and 85% of total assets in 2021. Property, plant and equipment represented 64% of non-current assets in 2021.

Total liabilities also increased from \$0.59 billion in 2018 to \$1.23 billion in 2021, an 108% increase (\$0.64 billion), principally due to increased borrowings. Non-current liabilities represented 35% of total liabilities in 2018 and 32% for 2021. In this regard Queensland differs from other U5 universities in that non-current liabilities were less than current liabilities for all years. Queensland's net assets at \$3.8 billion, shown in figure 1, ranked third among U5 universities.

Figure 5. Current and Non-current Assets and Liabilities for the University of Queensland from 2018 to 2021 in billions of dollars

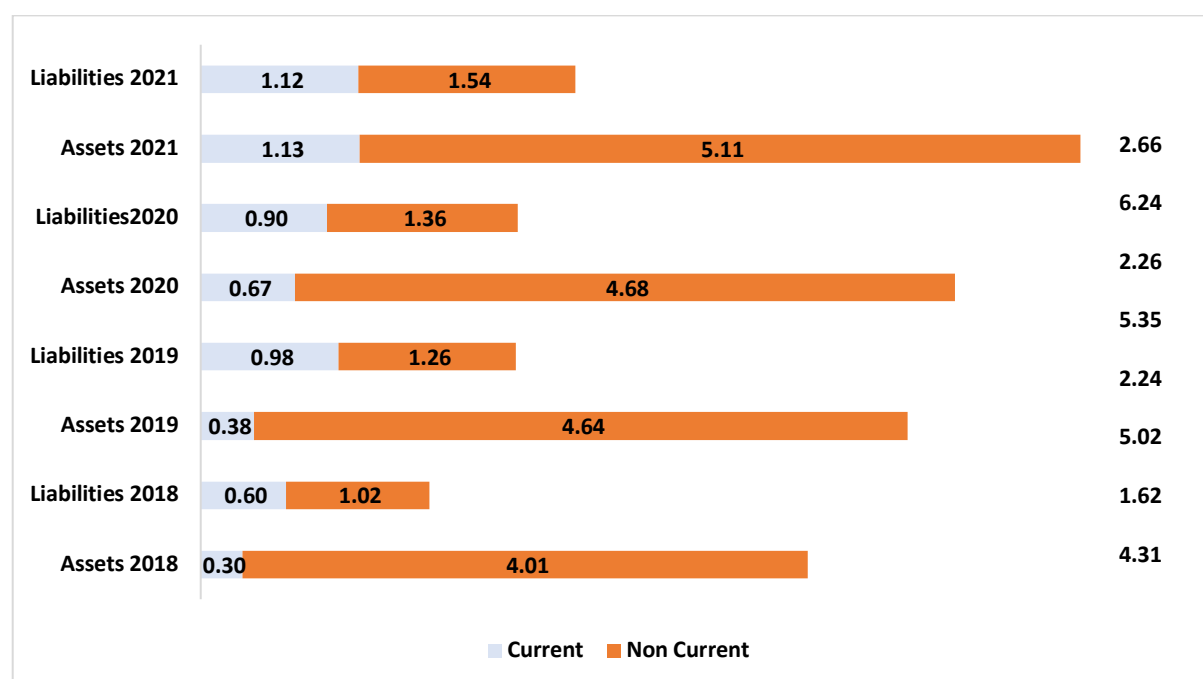


Current liabilities exceeded current assets for the 2020 and 2021 pandemic years, but with total liabilities being well covered by total assets. The Queensland coverage ratios between 3.5 and 6.5, shown in figure 7, are the highest of all the U5 universities. The overall increase in net assets from 2018 to 2021 at \$0.53 billion (16%) was the second lowest among the U5 universities. Nevertheless, Queensland exited 2021 with a stronger balance sheet than in 2018.

3.2.4 Monash University

The assets and liability data presented in figure 6 for Monash University show a similar pattern to other U5 universities. Total assets grew by \$1.94 billion (45%) from 2018 to 2021, the strongest percentage financial performance of all the U5 universities. Non-current assets represented 93% of total assets in 2018 and 82% in 2021 with property, plant and equipment being 66% of non-current assets. Liabilities increased by \$1.04 billion (64%) during the same period. Non-current liabilities represented 63% of total liabilities in 2018 and 58% for 2021. Borrowings and leasing contracts are the main liabilities.

Figure 6. Current and Non-current Assets and Liabilities for the Monash University from 2018 to 2021 in billions of dollars



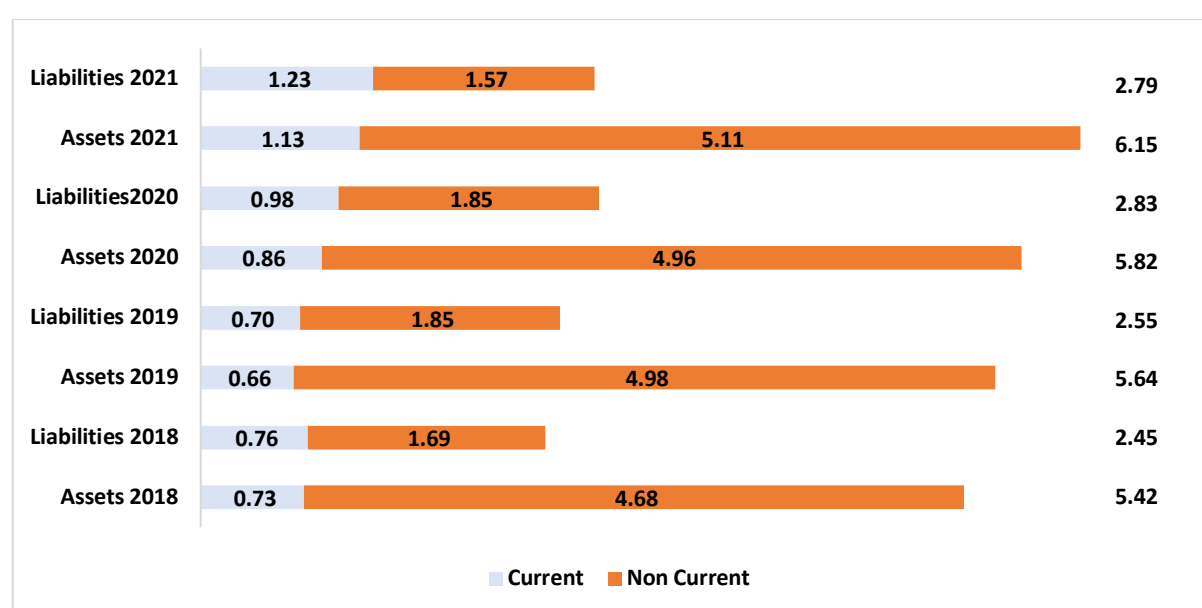
The current liabilities for Monash exceeded current assets each year until 2021, when they were evenly balanced. The total assets to total liabilities coverage shown in figure 7 between 2.2 and 2.6 are similar to Sydney and UNSW.

Monash's 2021 net assets, shown in figure 1 at \$3.6 billion were similar to Queensland and UNSW. In proportional terms Monash's increase in its net financial strength at 33% is second only to Melbourne at 35%, but well less in absolute terms at \$0.89 billion compared with Melbourne's \$2.02 billion.

3.2.5 The University of New South Wales

The UNSW total assets increased from \$5.42 billion in 2018 to \$6.15 billion in 2021, an increase of \$0.73 billion (14%). This was the lowest increase in total assets among the U5 universities. Property, plant and equipment were the largest assets. Total liabilities increased from \$2.45 billion in 2018 to 2.79 billion in 2021. This liability increase of \$0.34 billion (14%) was the second lowest after Sydney at 11%. UNSW has a low level of liability for borrowings and leasing contracts. Non-current assets decreased from 86% of total assets in 2018 to 82% in 2021, while non-current liabilities decrease from 69% to 56% of total liabilities during the same period.

Figure 7. Current and Non-current Assets and Liabilities for the University of New South Wales from 2018 to 2021 in billions of dollars

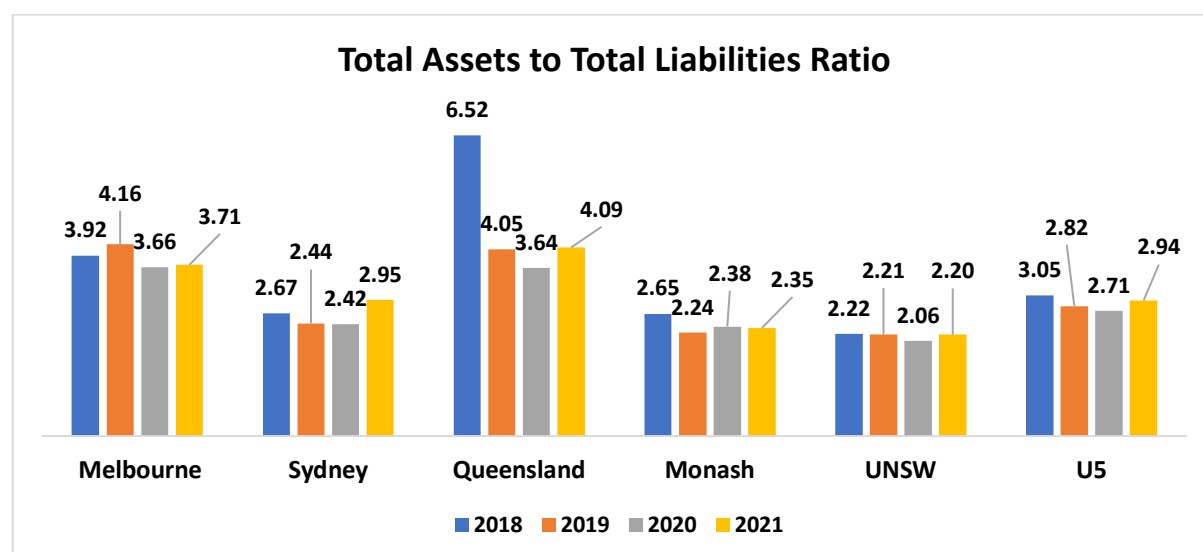


UNSW reported that current liabilities exceeded current assets for each of the four years, the only university to do so; however, total liabilities were always well covered by total assets (figure 7) at around 2.7 to 3.1 times. Net assets were the lowest among the U5 universities in 2021 at \$3.35 billion, also showing the lowest growth in financial strength since 2018 at 13% (\$0.38 billion).

3.3 Ratio of Total Assets to Total Liabilities 2018 to 2021

The capacity of a university to service its short- and longer- term financial liabilities relate to its overall financial strength as represented by its total assets. While the more immediate financial management is focussed on both current assets and liabilities, it is the total assets and total liabilities presented in the balance sheet that are ultimately important. The ratio of these two quantities for the U5 universities are presented in figure 8.

Figure 8 The U5 Universities Ratio of Total Assets to Total Liabilities from 2018 to 2021



For all the universities analysed there is more than adequate coverage. Queensland and Melbourne are in the strongest positions. The ratios have not varied very much over the four-year period, generally being lower for 2020 when the impact of the COVID-19 pandemic has proved to be most challenging.

4. Concluding Remarks

There was an expectation by many universities that the impact of the COVID-19 on their financial viability, especially for 2020 and 2021, would be much greater than the actual outcomes. This was especially so for the U5 group of universities because of their dependence on international student enrolments. U5 universities accounted for 35.4% of the net assets among some 37 Australian Universities in 2021. They also accounted for 48.7% of research block grant funding, 32.2% of the total full-time equivalent (FTE) staff at 31 March 2021 and 23.2% of the effective full time student load (EFTSL) for 2020, including 30.3% of overseas students. The U5 universities have all proven their resilience to effectively manage the financial challenges that the COVID-19 pandemic has presented since 2019. All five universities have increased both total and net assets ahead of inflation to have stronger balance sheets in 2021 than in 2018, as summarised in the following table.

Percent Increase 2018 to 2021	Melbourne	Sydney	Queensland	Monash	UNSW	U5 Unis	U37 Unis
Total Assets	38%	23%	30%	45%	14%	30%	24%
Total Liabilities	46%	12%	108%	64%	14%	34%	39%
Net Assets	35%	31%	16%	33%	13%	27%	18%

Interestingly, the growth in total assets for Sydney and UNSW is less than the average for 37 Australian universities and well behind their Victorian counterparts. The net asset growth for Queensland and UNSW is less than for the U37 average because a large increase in total liabilities.

Sydney, Monash and NSW reported significant growth in current assets, while for Melbourne and Queensland the major growth was for non-current assets. Total liabilities percentage growth increased by more than total asset growth for Queensland, Monash and Melbourne largely due to increased borrowing and leasing costs associated with capital growth.

It is expected that 2022 will see further recovery in overseas student fee incomes for many universities, but financial outcomes from possible decreased property and plant values and equity investments are uncertain. The University of Melbourne has recently foreshadowed that it is predicting a deficit from continuing operations in 2022 with further losses in 2023 and 2024 (7). It will be interesting to observe whether the forecasts are correct. Overall, the U5 universities as a central pillar of the Australian Higher Education Sector remain financially robust. Major challenges will nevertheless confront the sector to remain internationally competitive, especially in research and student recruitment.

References

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Appendix A. Financial Position of Five Australian Universities 2018 to 2021 in \$000s

	The University of Melbourne					The University of Sydney			
	2018	2019	2020	2021		2018	2019	2020	2021
Current Assets	1,026,643	1,143,951	1,073,798	\$939,946		748,708	791,967	1,009,246	\$1,727,698
Non-Current Assets	6,653,233	7,497,565	8,401,427	\$9,654,806		6,787,294	7,228,674	7,275,246	\$7,571,320
Total Assets	7,679,876	8,641,516	9,475,225	\$10,594,752		7,536,002	8,020,641	8,284,492	\$9,299,018
Current Liabilities	807,904	693,774	1,335,405	\$1,258,124		650,891	946,866	1,392,833	\$1,240,459
Non-Current Liabilities	1,151,922	1,382,279	1,254,717	\$1,594,025		2,175,854	2,336,285	2,028,645	\$1,910,983
Total Liabilities	1,959,826	2,076,053	2,590,122	\$2,852,149		2,826,745	3,283,151	3,421,478	\$3,151,442
Net Assets	5,720,050	6,565,463	6,885,103	\$7,742,603		4,709,257	4,737,490	4,863,014	\$6,147,576
	The University of Queensland					Monash University			
	2018	2019	2020	2021		2018	2019	2020	2021
Current Assets	753,880	807,280	668,120	768,989		298,048	378,185	670,587	\$1,130,071
Non-Current Assets	3,092,475	3,409,686	3,906,458	4,243,290		4,011,147	4,643,116	4,683,720	\$5,114,333
Total Assets	3,846,355	4,216,966	4,574,578	5,012,279		4,309,195	5,021,301	5,354,307	\$6,244,404
Current Liabilities	381,179	722,116	883,060	827,703		603,854	980,110	895,684	\$1,121,209
Non-Current Liabilities	208,467	319,115	372,641	397,625		1,020,056	1,256,616	1,357,463	\$1,539,920
Total Liabilities	589,646	1,041,231	1,255,701	1,225,328		1,623,910	2,236,726	2,253,147	\$2,661,129
Net Assets	3,256,709	3,175,735	3,318,877	3,786,951		2,685,285	2,784,575	3,101,160	\$3,583,275
	The University of New South Wales					Total US Universities			
	2018	2019	2020	2021		2018	2019	2020	2021
Current Assets	733,634	658,593	861,115	\$1,106,646		3,560,913	3,779,976	4,282,866	5,673,350
Non-Current Assets	4,683,288	4,981,653	4,963,065	\$5,041,371		25,227,437	27,760,694	29,229,916	31,625,120
Total Assets	5,416,922	5,640,246	5,824,180	\$6,148,017		28,788,350	31,540,670	33,512,782	37,298,470
Current Liabilities	759,667	703,476	979,299	\$1,225,516		3,203,495	4,046,342	5,486,281	5,673,011
Non-Current Liabilities	1,685,374	1,848,292	1,848,867	\$1,569,110		6,241,673	7,142,587	6,862,333	7,011,663
Total Liabilities	2,445,041	2,551,768	2,828,166	\$2,794,626		9,445,168	11,188,929	12,348,614	12,684,674
Net Assets	2,971,881	3,088,478	2,996,014	\$3,353,391		19,343,182	20,351,741	21,164,168	24,613,796

Appendix B Financial Position of 37 Australian Universities 2018 to 2021 in \$000s

37 Universities	2018	2019	2020	2021
Current Assets	\$10,891,689	\$11,208,846	\$13,166,009	\$17,004,702
Non-Current Assets	\$71,582,028	\$78,846,696	\$81,523,068	\$85,207,550
Total Assets	\$82,473,717	\$90,055,542	\$94,689,077	\$102,212,252
Current Liabilities	\$8,490,279	\$10,714,682	\$12,519,265	\$13,517,824
Non-Current Liabilities	\$15,129,491	\$17,990,162	\$19,641,027	\$19,245,585
Total Liabilities	\$23,619,770	\$28,704,844	\$32,160,292	\$32,763,409
Net Assets	\$58,853,947	\$61,350,698	\$62,528,785	\$69,448,847
Equity	\$58,853,947	\$61,350,698	\$62,528,785	\$69,448,549

Appendix C Components of a University Balance Sheet Statement

Current Assets	Current Liabilities
Cash and Cash Equivalents	Current Payables
Current Receivables	Current Borrowings
Current Inventories	<i>Interest Bearing</i>
Other Current Financial Assets	Current Provisions
Other Current Non-Financial Assets	<i>Current Provisions (greater 12 mths)</i>
Non-Current Assets Classified as Held for Sale	Other Current Liabilities
Non-Current Assets	Non-Current Liabilities
Non-Current Receivables	Non-Current Payables
Non-Current Inventories	Non-Current Borrowings
Investments using the Equity Method	<i>Interest Bearing</i>
Other Non-Current Financial Assets	Non-Current Provisions
Property, Plant and Equipment	Other Non-Current Liabilities
<i>Construction in Progress</i>	
<i>Land</i>	TOTAL LIABILITIES
<i>Buildings</i>	
<i>Library</i>	NET ASSETS
<i>Other Property, Plant and Equipment</i>	
<i>Plant and Equipment</i>	Equity
<i>Leasehold Improvements</i>	
<i>Leased Plant and Equipment</i>	Statutory Funds
<i>Infrastructure</i>	Reserves
<i>Other Property, Plant and Equipment</i>	Retained Surplus (includes Minority Interest)
Investment Property	
Intangible Assets	
Other Non-Current Non-Financial Assets	
TOTAL ASSETS	