August 2025

KordaMentha

KordaMentha Higher Education Annual Report

kordamentha.com

KordaMentha

Contents

Executive summary

The financial pressures on Australia's higher education sector continue to mount in the face of growing debt, lower cash reserves and tightened government caps on international students.

In a comprehensive analysis, KordaMentha reviewed the 2024 annual reports of most Australian universities to reveal the challenging landscape facing the higher education sector and requiring an urgent response.

Our report reveals:

Since 2019, debt across universities has grown **44%**

reaching **$10.5B**

Cash reserves fell **41%**

from **$6.8B** in 2021 to **$4B** in 2024

20

universities report more current liabilities than current assets, an important measure of long-term viability

8

institutions have elevated debt-to-asset ratios

12

universities are not replacing assets as fast as they are being depleted

Despite a 14% revenue increase in FY2024 - driven by international student growth - future revenue gains will be limited by enrolment caps and rising costs (up 8% for the year).

Other key findings include:

- **Policy reset:** 'Managed growth funding' from 2027 and new visa processing directives (MD107 and MD111) mark a return to centralised planning, with caps on domestic and international enrolments.
- **International student revenue up by 23% in 2024**, but future growth will be capped and unevenly distributed across institutions.
- **Domestic student demand remains flat**, with long-term trends pointing to stagnant or declining participation despite a short-term demographic bump.
- **Digital transformation is lagging**, hindered by legacy systems and capability gaps.

Key actions for university leaders:

Segmented risk: Each university faces a different outlook for revenue and financial sustainability. Understanding your university's specific circumstances is key to future planning.

Technology & AI: Accelerate digital transformation to enhance student outcomes, efficiency, and competitiveness.

Policy agility: Prepare for further policy changes - flexibility is now essential.

Cost pressures: There are limited prospects for revenue growth, so universities must urgently address cost structures, asset use, and debt sustainability.

Collaboration: Unlock efficiency and resilience through shared procurement, sector partnerships, and smarter capital investment.

2024: The year that changed higher education towards a more centralised system

2024 was the year in which the funding and policy framework for universities, in place since the Dawkins reforms of the 1990's, began to be reshaped. When compared to recent years, 2024 was a decent year for universities financially; the changes come however at a time when dark clouds are gathering over the sector's long-term financial sustainability.

There were two main sources of policy change in 2024.

1

The Accord report set the foundation for change, signalling a stronger role for central planning

The 2024 Australian Universities Accord proposed major reforms to sector funding and management. The centrepiece of the proposed reforms is the creation of the Australian Tertiary Education Commission (ATEC) whose purpose would be to promote a more planned approach to higher education provision and closer harmonisation of the university and vocational training sectors.

Labor's re-election in 2025 increases the likelihood of implementation of the Accord blueprint. An interim ATEC began work in July 2025 to finalise new funding models, including 'managed growth' funding and compact agreements. 'Managed growth' will see a degree of central control over the size and shape of university provision not seen for many years.

2

The Government is managing international student volumes through visa policies

The second major policy change to emerge in 2024 was visa processing for international students. After decades of government support for the international education market, the Labor Government determined at the end of 2023 that international student numbers coming to Australia needed to be reduced.

This is explained in more detail in Section 2 of this report.

A central ‘command and control’ model limits future revenue growth

The combined impact of enrolment caps and centralised planning is significant. Universities will face tighter government control over the numbers of domestic and international students as well as the possibility of adjusting the disciplines of study offered - limiting future revenue growth.

This new environment of constrained future growth comes as many institutions show signs of financial strain after the COVID years. As we discuss throughout this report, it will intensify focus on cost management, technology uplift and making the most of university balance sheets. Some strategic priorities, particularly around international recruitment and research, will likely need to be reconsidered.

Informed decision making is even more critical in this uncertain environment

This report outlines major trends and their implications to support decision-making in this volatile landscape. Drawing on public data, it helps universities assess their positions and plan accordingly.

We also include insights from a recent KordaMentha poll of university COOs and CFOs, offering an internal view of sector priorities.

Following positive feedback on our inaugural 2024 report, we hope this edition proves equally valuable. There is one clear message: universities face very different challenges and must tailor their responses accordingly.

International student revenue surged in 2024 - but not for everyone

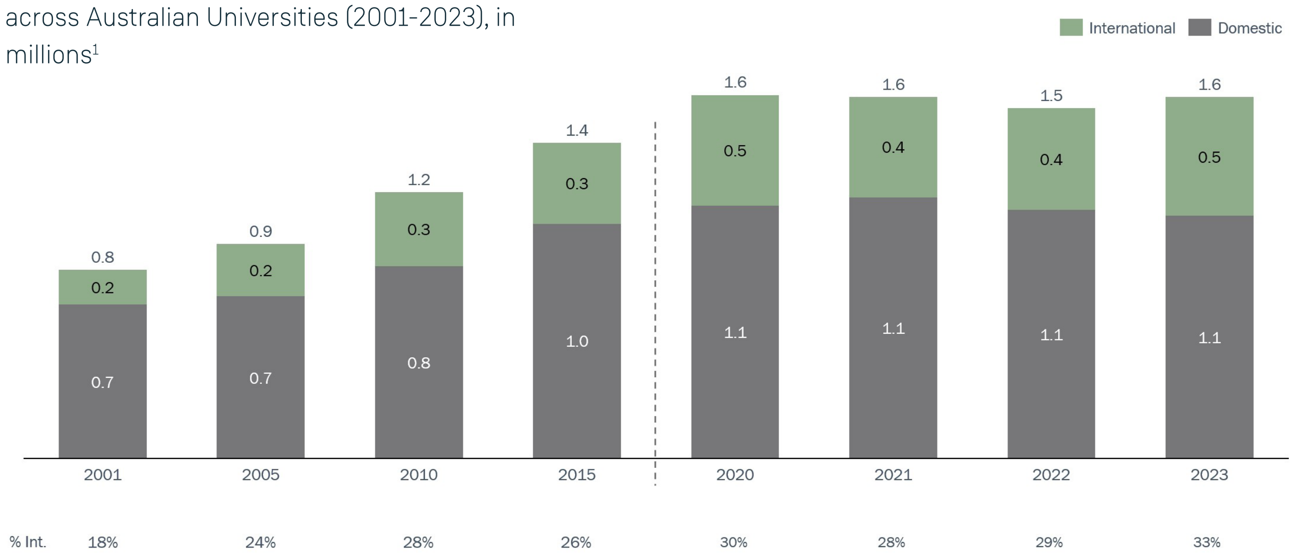
International enrolments have historically grown (except during COVID), but are now at risk

For the 20 years pre-COVID, international student enrolments in Australian universities climbed dramatically in absolute numbers and as a proportion of total enrolments (Diagram 1). International students became a prominent feature of life on and around university campuses, and an increasingly important source of revenue for the university sector.

COVID threw that trend into reverse, as borders closed, international students were prevented from entering the country, and those already here returned home.

Numbers have recovered since COVID, with 2024 seeing a universal increase in international student revenue across the sector.

Diagram 1: Domestic and international enrolments across Australian Universities (2001-2023), in millions[1]



However, government policy settings changed dramatically in 2024. After decades of supporting international education through favourable visa policies, the government decided to slow the rate at which visas are processed for international students to reduce the overall net overseas migration numbers.

1. Source: Australian Government Department of Education. Note that 2024 enrolment data is not yet publicly available as at June 2025.

The policy environment for international students has been volatile (from MD107 to MD111)

The most tangible manifestation of this was Ministerial Direction 107 (MD107).

Issued in December 2023, MD107 introduced a system of prioritisation for international student visa processing, putting 'low risk' universities[2] at the front of the queue while demoting 'higher risk ' institutions to the back. The effects of MD107 began to be felt in early 2024, as some universities saw a dramatic surge in visa approvals, while others felt a sharp decline against expectations (and budget forecasts).

During 2024, the government changed tack and moved to a system of numeric caps for institutions. After attempts to legislate caps failed, the government replaced MD107 with MD111, which slows visa processing once a university's visa approvals reach 80% of its notional cap. While fairer overall, the new system will produce very different outcomes across the sector in 2025 compared to 2024.

In August 2025, the federal government announced that MD 111 would be superceded by a further direction under which the national limit on international students numbers would be increased by 25,000. Universities already at their cap will be able to apply to have their allocation for 2026 increased provided that they can 'demonstrate delivery' on two government priorities: (a) engagement with South East Asia and (b) provision of student accommodation to ensure that domestic and international students have access to safe and secure housing. The details of these two criteria have yet to be clarified.

To understand the impact of MD 107 and MD 111 we have analysed the 2024 position of the majority of Australian universities[3] according to three criteria (Table 1):

- The changes in international student revenue in 2024 compared to 2023.
- The institutional cap for 2025 under MD111 compared to estimated enrolments in 2024.
- The level of exposure of each university to international student revenue.

Recent policies have created Winners, Losers, and a 'Golden Ticket' Group

Applying these criteria, we have identified three discrete groups in the sector:

Group 1 | The 2024 Winners

Universities who benefitted from MD107 in 2024 but will see a sharp reduction in international numbers in 2025 under MD111 as the caps bite. These universities, mostly Group of Eight (Go8) and inner-city Australian Technology Network of Universities (ATNs), are typically the most exposed to international student revenue.

Group 2 | The 2024 Losers

Universities adversely affected by MD107 in 2024 but who have significant room to grow international volumes within their MD111 cap going into 2025. Mostly outer suburban and regional universities, they have capacity to increase their international student revenue under current settings.

Group 3 | The Golden Ticket Group

This group did well in 2024 compared to 2023, have room to continue their growth in 2025 within their MD111 cap and have low exposure to international revenue. This group consists of Southern Cross University, University of the Sunshine Coast, Victoria University, Swinburne University, Edith Cowan University, CQUniversity and James Cook University.

2. Note: These risk levels refer to assumed risk levels of education providers and the student's country of citizenship, based on historical visa outcomes.

3. Note: This report is based on the detailed analysis of the 30 universities that released their 2024 annual report by June 2025. All data is based on public information, which we believe to be accurate to the best of our knowledge at the time of writing.

Table 1: Change in international student revenue for 2023-24, and the 'cap' for 2025 onwards[4]

University	Risk Level	2023-24 int. revenue growth (MD 107 in 2024)	2025 "soft cap" (relative to 2024) (MD 111 in 2025)	2024 int. revenue as % total revenue
Murdoch	2	+59%	0%	39%
UNSW	1	+58%	-45%	40%
UWA	1	+53%	-42%	21%
ACU	1	+52%	-53%	19%
Southern Cross	2	+41%	+87%	28%
Deakin	1	+33%	-3%	27%
Curtin	2	+30%	-14%	22%
Sunshine Coast	1	+28%	+39%	11%
Macquarie	1	+27%	-14%	26%
Victoria Uni	2	+26%	+23%	28%
Swinburne	2	+26%	+19%	29%
Monash	1	+26%	-20%	33%
RMIT	1	+25%	-25%	33%
Edith Cowan	2	+23%	+7%	25%
Western Sydney	2	+21%	-18%	20%

University	Risk Level	2023-24 int. revenue growth (MD 107 in 2024)	2025 "soft cap" (relative to 2024) (MD 111 in 2025)	2024 int. revenue as % total revenue
Melbourne Uni	1	+18%	-22%	32%
UTS	1	+16%	-18%	32%
Central Queensland	2	+15%	+30%	25%
QUT	2	+13%	-7%	19%
James Cook	2	+12%	+107%	19%
Queensland Uni	1	+12%	-14%	29%
Wollongong	2	+10%	+39%	21%
Sydney Uni	1	+10%	-31%	41%
Griffith	2	+7%	+23%	22%
Charles Sturt	2	+7%	+192%	5%
Newcastle	2	+5%	+9%	12%
La Trobe	2	+5%	+47%	17%
Southern Queensland	2	+1%	+174%	12%
New England	3	+1%	+157%	8%
Federation University	3	-19%	+149%	18%

Very Favourable · Favourable · Neutral · Unfavourable

Looking ahead, future strategies for each group start to take distinctly different shapes

Looking ahead, the strategies for each group begin to look very different.

For the first group, the priorities should be:

- planning for reduced revenue in the short to medium term,
- improving retention of existing students,
- reviewing pricing strategies,
- exploring opportunities for uncapped revenue growth (e.g., transnational or offshore education, which would be exempt from caps),
- maximising the margins generated by their capped number of international students, which in turn means having a good understanding of the costs of delivery across disciplines, and
- take full advantage in 2026 of the recently announced successor to MD 111 by demonstrating compliance with one or both of the two criteria for additional places (including by accelerating planning for additional student accommodation).

For the second and third groups, the priorities should be:

- improving retention of existing students,
- closing the gap to the institutional cap as fast as possible while managing visa risk levels,
- ensuring any unfilled 'gap to the cap' is not reallocated to other universities who can demonstrate stronger demand, and
- expanding their offshore activities in anticipation of reaching their cap.

The scale of international student recruitment means visa policy is now central to higher education funding. Government decisions - especially the sharp policy shifts in 2024 - have had immediate financial impacts. The recent announcement of new arrangements for 2026, and of a successor to MD 111, demonstrates how government policies will continue to have a significant impact on university revenues into the foreseeable future.

4. Note: The 2025 "soft cap" relative to estimated 2024 NOSC figures are based on data tabled in Parliament, relevant to Motion No 622 and 624. University risk levels is based on desktop research which we believe to be representative to the best of our knowledge.

Key takeaways

What should university leaders do now?

- Understand your position in the new segmentation and act accordingly.
- Act swiftly to close any gap to your institutional cap.
- Prepare for further policy shifts - flexibility is now a strategic imperative.

Financial performance in 2024: Strongest in recent years for the sector, but future performance uncertain

This section is based on our analysis of the 30 of 37 public universities in Australia that had released their 2024 annual reports as at the end of June 2025. The year marked the sector's strongest year since 2021, owing to increased teaching revenue. However, financial health varies widely across institutions, and the conditions driving growth may not last.

We review performance across the 30 universities, outline implications for individual institutions, and offer key considerations to support leadership decision-making.

The overall performance for the sector (and most universities) improved in 2024, relative to 2023

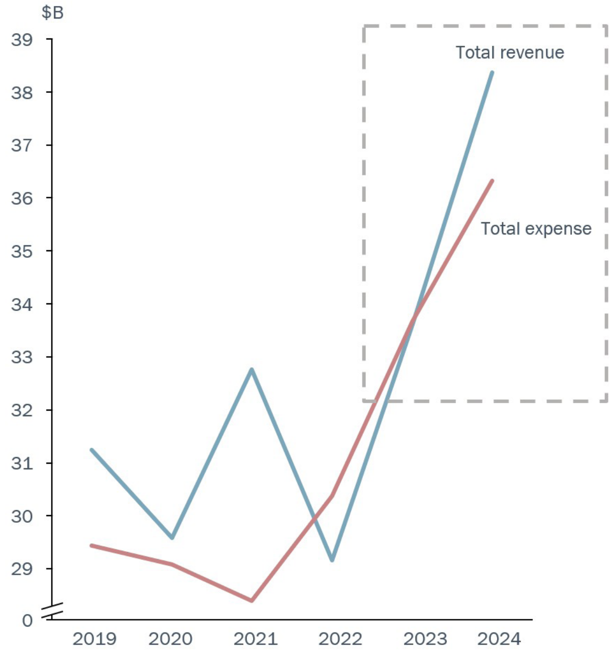
Almost all universities improved their financial results on 2023, based on the reported net result. The table below provides an overview of university performance in 2024 at a high level.

Table 2: High level overview of financial performance for universities[5]

University	2024 Revenues $m	2024 Expenses $m	2024 Net result $m	2023 Net result $m (for ref.)	Positive change (23-24)?
Sydney	3,885.3	3,340.0	545.3	351.8	✓
Queensland	2,698.1	2,418.6	279.5	117.7	✓
Melbourne	3,709.0	3,436.3	272.7	156.3	✓
Edith Cowan	844.0	571.9	272.1	194.2	✓
UWA	1,288.8	1,091.4	197.4	88.1	✓
Monash	3,473.1	3,292.3	180.8	-9.0	✓
UNSW	3,285.1	3,154.0	131.2	-84.9	✓
Swinburne	936.3	859.5	76.8	22.5	✓
QUT	1,340.2	1,267.0	73.2	-20.7	✓
Curtin	1,223.5	1,152.7	70.8	-13.0	✓
Victoria Uni	617.7	553.4	64.4	-18.1	✓
Newcastle	944.0	885.8	58.2	-4.3	✓
Murdoch	562.4	508.7	53.7	9.1	✓
ACU	653.1	614.8	38.3	-35.7	✓
Sunshine Coast	404.6	381.8	22.8	20.9	✓
Griffith	1,174.0	1,152.3	21.8	-66.7	✓
CQUniversity	544.4	523.2	21.2	-6.1	✓
James Cook	579.9	564.6	15.3	-39.7	✓
Southern Cross	362.6	356.8	5.8	-4.5	✓
RMIT	1,572.3	1,569.8	1.8	-59.9	✓
Macquarie	1,093.1	1,102.0	-8.9	-88.4	✓
Deakin	1,464.3	1,473.7	-9.4	-49.7	✓
Federation Uni	314.0	339.8	-25.8	-81.0	✓
Wollongong	766.6	793.3	-26.7	-39.1	✓
Southern Queensland	376.3	404.4	-28.1	-25.0	×
Western Sydney	1,084.2	1,123.0	-38.8	-147.6	✓
New England	362.0	403.4	-41.3	-59.0	✓
Charles Sturt	586.8	633.0	-46.2	-75.8	✓
La Trobe	913.0	967.2	-54.2	3.1	×
UTS	1,314.0	1,394.9	-80.8	-107.0	✓

5. Source: Publicly available annual reports.

Diagram 2: Summary financial performance (revenue and expense) for the sector, 2019 – 2024 ($billions)



Revenue grew faster than costs for the first time since 2021, driving improved performance

The total revenue for the sector grew by 14% ($4.8b), while total costs grew by 8% ($2.7b) between 2023-24. As a result, the net result for the sector was ~$2b (vs. -$0.1b in 2023). 2024 was the first year since 2021 that sector revenue grew faster than cost.

Table 3: Summary of the P&L for the sector

Revenue items	2023 ($billions)	2024 ($billions)	Growth ($billions)	YoY %
Domestic students	12.9	13.9	+1.0	8%
Overseas students	8.8	10.9	+2.0	23%
Other student income	1.1	1.3	+0.2	22%
Research	2.3	2.5	+0.2	9%
Other government assistance	2.7	3.0	+0.3	12%
Consultancy and contracts	1.9	2.0	+0.1	4%
Donations and bequests	0.4	0.5	+0.1	20%
Investment income	2.0	2.6	+0.6	32%
Other revenue	1.4	1.5	+0.2	12%
Total revenue	33.6	38.4	+4.8	14%

Expense items	2023 ($billions)	2024 ($billions)	Growth ($billions)	Yoy %
Academic employee benefits	(9.5)	(10.4)	+0.9	10%
Professional employee benefits	(9.1)	(9.8)	+0.7	8%
Depreciation and amortisation	(2.5)	(2.5)	+0.0	2%
Repairs and maintenance	(0.9)	(1.0)	+0.1	13%
Finance costs	(0.4)	(0.4)	+0.0	2%
Other expense	(11.3)	(12.2)	+0.9	8%
Total expense	(33.7)	(36.3)	+2.7	8%

Revenue growth in 2024 was driven by international students (+23%), domestic students (+8%), and investment income (+32%). However, staffing costs also rose sharply - academic staff (+10%), professional staff (+8%) - due to pay increases and other factors such as workforce decasualisation.

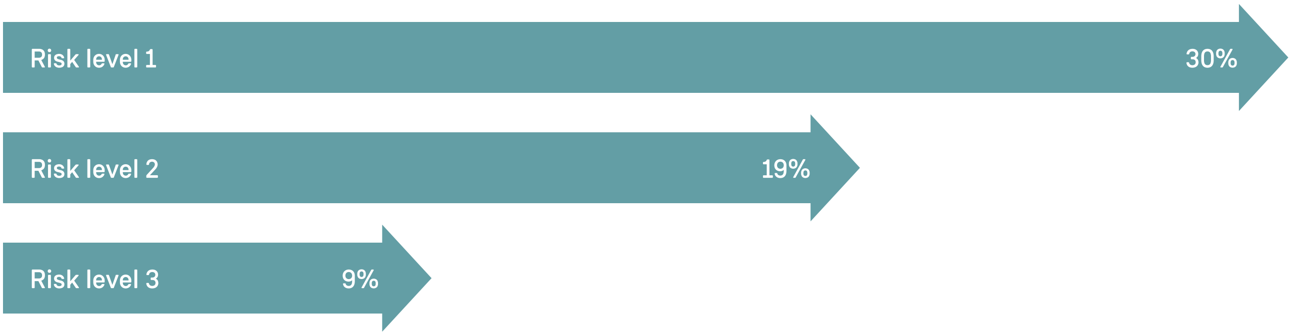
While strong international revenue offset these costs in 2024, future revenue growth is uncertain under enrolment caps. Without continued revenue increases, the sector risks returning to the 2022–2023 pattern where costs outpaced income.

Student numbers were up overall (driving up teaching revenue), albeit unevenly across the sector

All universities increased revenue from international students in 2024, but the growth rate was closely tied to the risk assessment levels of each university and the operation of MD107.

In effect, government policy was a major determinant of individual university revenues in 2024. This trend will continue into 2025 and beyond as sector growth, domestically and internationally, will be more tightly managed by Government.

Diagram 3: Average % change in international student revenue from 2023 to 2024, by risk level



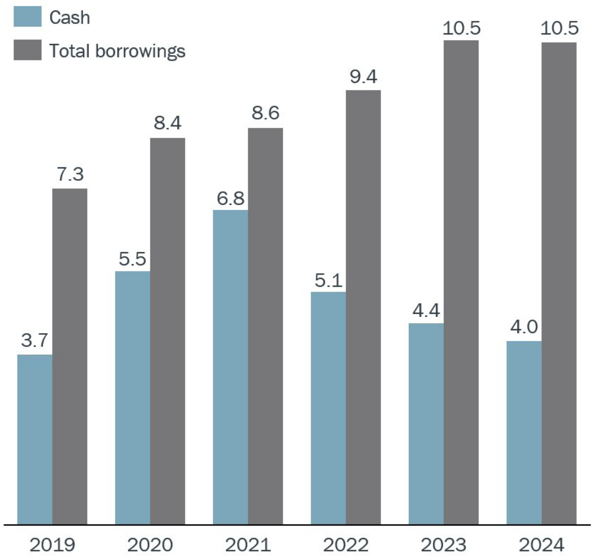
We have also observed some concerning underlying trends, especially at the individual university level, which we highlight over the next few points.

Sector wide, debt levels were significantly up, while cash reserves have been trending down since 2021[6]

University borrowing rose 44%, from $7.3B in 2019 to $10.5B in 2024, with a sharp increase during COVID to manage cash flow and redundancy costs. Meanwhile, cash reserves peaked at $6.8B in 2021 but fell to $4.4B by 2023, indicating a reliance on reserves to cover deficits. The continued rise in debt post-COVID - from $9.4B in 2022 to $10.5B in 2023 - shows sustained dependence on external financing.

Universities face a tough path ahead: repaying debt while maintaining cash reserves will be critical. With revenue growth unlikely to match rising costs, cost containment and a return to surplus are essential.

Diagram 4: Total borrowings and cash balance, 2019 – 2024 ($billions)



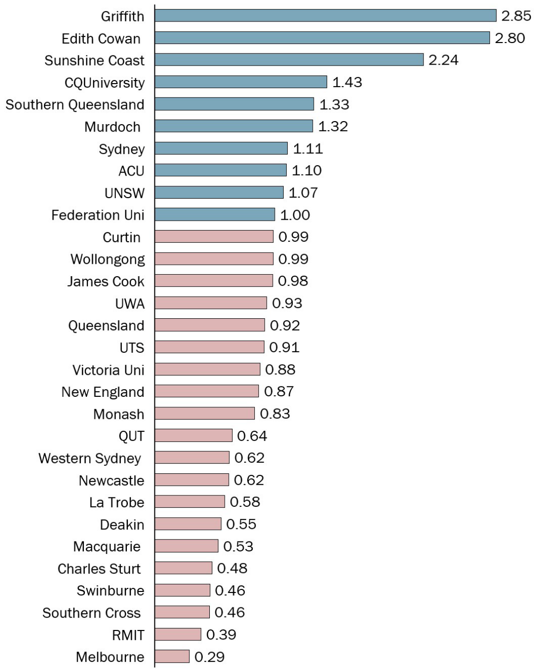
6. Note: Debt includes lease liabilities, which have been classified under total borrowings in annual reports since 2019 due to AASB 16.

Some universities appear weaker on standard financial sustainability metrics

In this section, we analyse the liquidity, reliance on debt and level of asset replacement across universities, which are all indicators of financial sustainability.

All ratios and benchmarks in this section are based on information from TEQSA's's[7] risk indicators for registered higher education providers, and the Auditor-General reports on universities in VIC[8] and NSW[9].

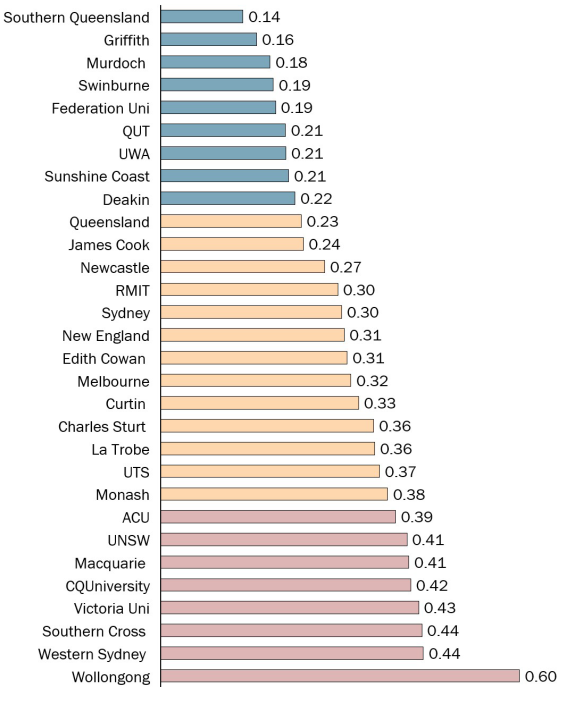
Diagram 5: Performance of universities across the current ratio



Current ratio

The current ratio[10], a key measure of short-term financial health, averages 0.88 across the sector - below the ideal benchmark of 1. This suggests potential liquidity constraints (but note we have not considered some long-term investments which are likely liquid assets). Notably, 20 universities report ratios under 1, indicating possible difficulty in meeting short-term obligations without tapping reserves, external funding, or liquidating long-term assets.

Diagram 6: Performance of universities across the debt-to-asset ratio



Debt to asset ratio

The debt-to-asset ratio[11] shows how much of a university's assets are financed by debt. The sector average is 0.32 - generally manageable - but eight universities report ratios of 0.39 or higher, indicating greater reliance on debt and increased financial risk, especially if revenue falls or interest rates rise.

7. Source: https://www.teqsa.gov.au/sites/default/files/2025-06/teqsa-risk-assessment-framework.pdf

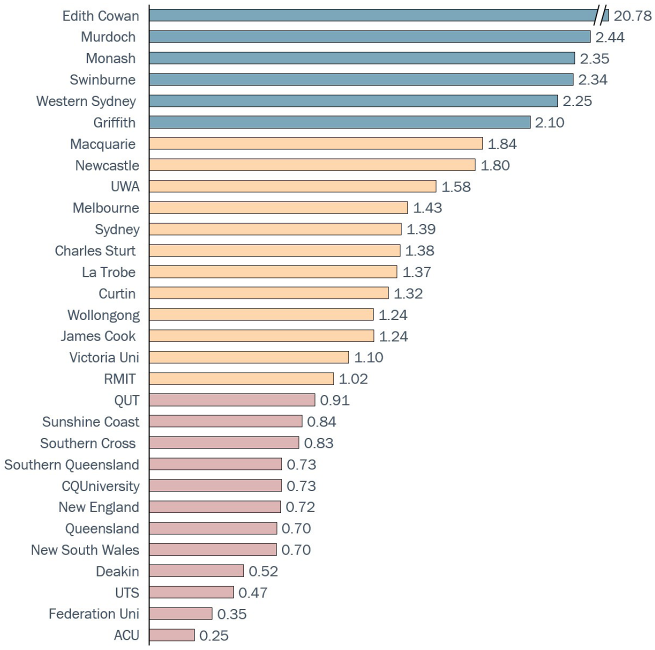
8. Source: https://www.audit.vic.gov.au/sites/default/files/2025-06/20250619-Results-of-2024-Audits-TAFEs-and-Universities.pdf?

9. Source: https://www.audit.nsw.gov.au/sites/default/files/documents/Final%20report%20-%20Universities%202024.pdf

10. Note: Calculated as current assets / current liabilities

11. Note: Calculated as total liabilities / total assets

Diagram 7: Performance of universities on the asset replacement ratio[12]



Asset replacement ratio

The asset replacement ratio[13] measures how well universities reinvest in assets relative to depreciation. A ratio below 1 signals potential underinvestment. Twelve universities fall into this category, risking long-term asset degradation and future build-up of pressure to fund maintenance backlogs.

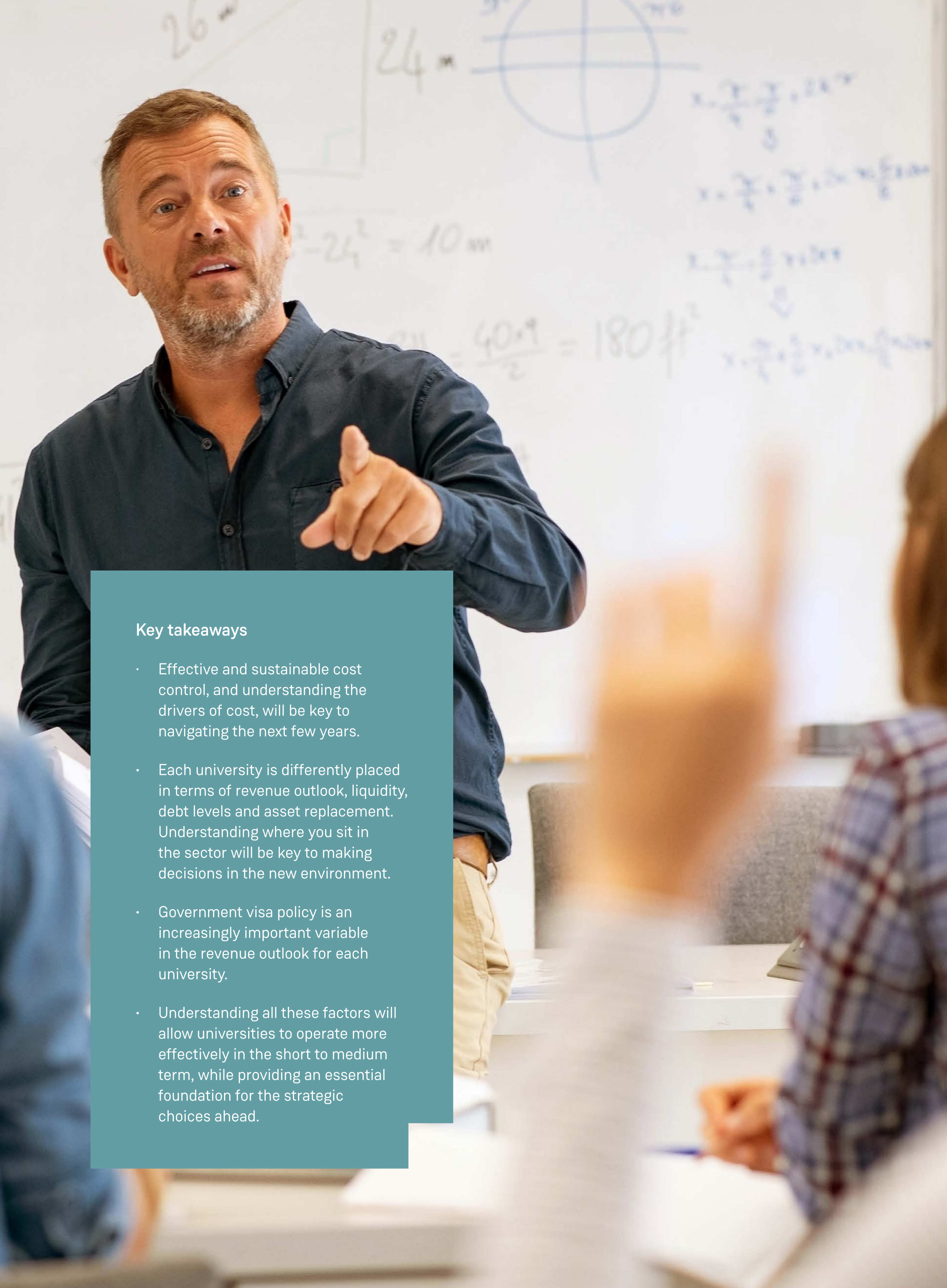
Past financial performance is not a reliable indicator of future performance

University financial health varies widely. Some manage costs and assets effectively, while others face rising debt, cost pressures, and constrained revenue growth.

In 2024, most contained staffing costs, but sustainability remains uncertain. Some institutions took decisive action with permanent staff reductions, while others relied on temporary measures such as hiring freezes, voluntary redundancies and travel bans. The former are likely to be better positioned to navigate a low-growth environment.

12. Note: In 2024, Edith Cowan's large payments for precinct development increased their PPE cash outflow, while their small asset base kept depreciation costs low, resulting in a very high asset replacement ratio (which is an outlier).

13. Note: Calculated as (investment in PPE + intangible assets) / (depreciation + amortisation).



Key takeaways

- Effective and sustainable cost control, and understanding the drivers of cost, will be key to navigating the next few years.
- Each university is differently placed in terms of revenue outlook, liquidity, debt levels and asset replacement. Understanding where you sit in the sector will be key to making decisions in the new environment.
- Government visa policy is an increasingly important variable in the revenue outlook for each university.
- Understanding all these factors will allow universities to operate more effectively in the short to medium term, while providing an essential foundation for the strategic choices ahead.

2025 COO/CFO survey results - digital transformation and optimising budgets are top priorities

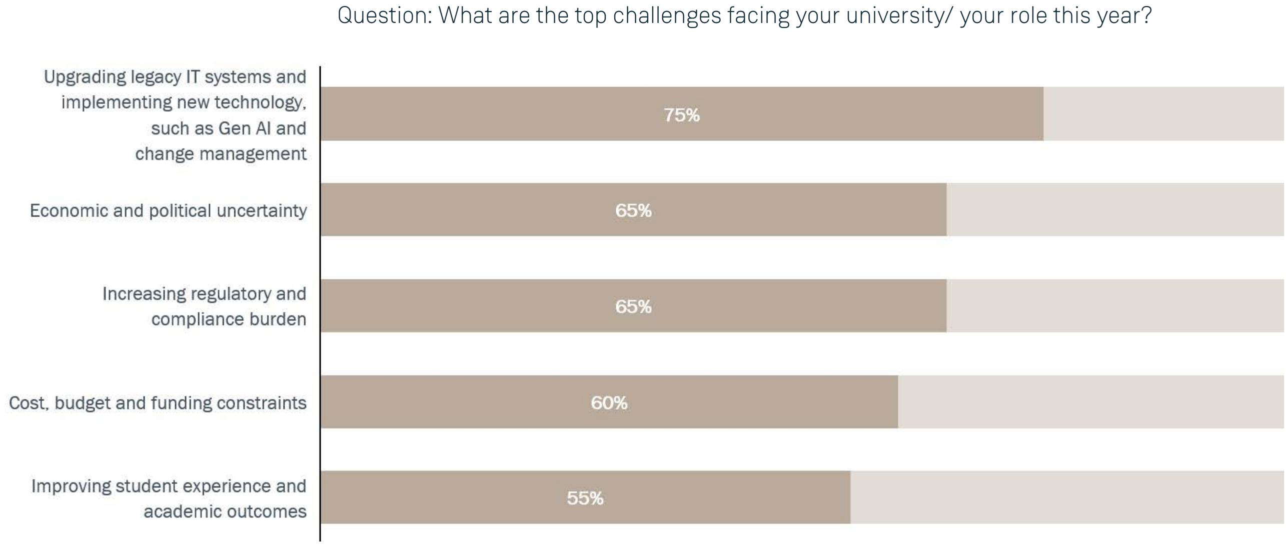
Against this background of policy shifts and revenue uncertainty, we surveyed COOs and CFOs in the first quarter of 2025 on the top challenges for their university, priorities for cost reduction and revenue generation, and their assessment of their university's readiness to adopt technologies such as Artificial Intelligence (AI).[14]

We summarise the main findings here.

Top challenges are digital and budget related

Digital transformation, optimising financial budgets (given uncertain external environment) and managing external stakeholders (i.e., regulators) are top priorities for university leaders.

Diagram 8: Top 5 challenges for university COOs and CFOs in 2025



14. Note: Survey results based on 21 responses from COOs and CFOs across Australian universities.

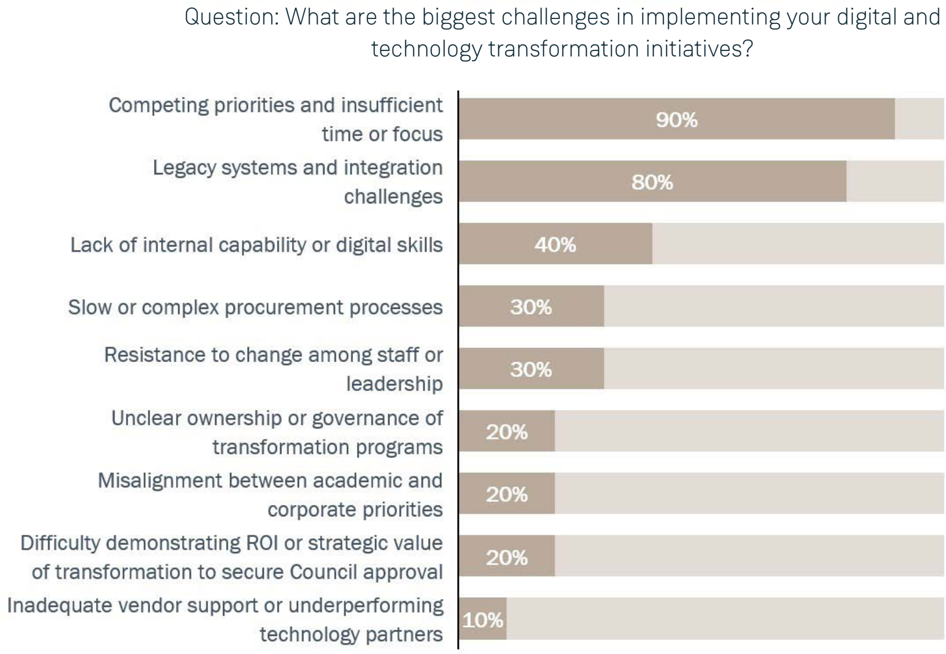
Progress with technological transformation and AI implementation varies by institution

Progress on digital transformation varies across universities, hindered by legacy systems, skill gaps, competing priorities, and complex governance and procurement.

Modernising IT and adopting generative AI remain the sector's biggest tech challenges. While urgency is high, internal barriers - limited capability, resistance to change, and integration issues - continue to slow progress.

Just over half of respondents described their technology transformation efforts as "mostly successful," but with many reporting mixed results. This aligns with the 2025 Universities UK report[15], which found the sector lags others due to institutional complexity and slow adoption. Continued reliance on legacy systems has also created significant technical debt.

Diagram 9: Roadblocks in technology transformation

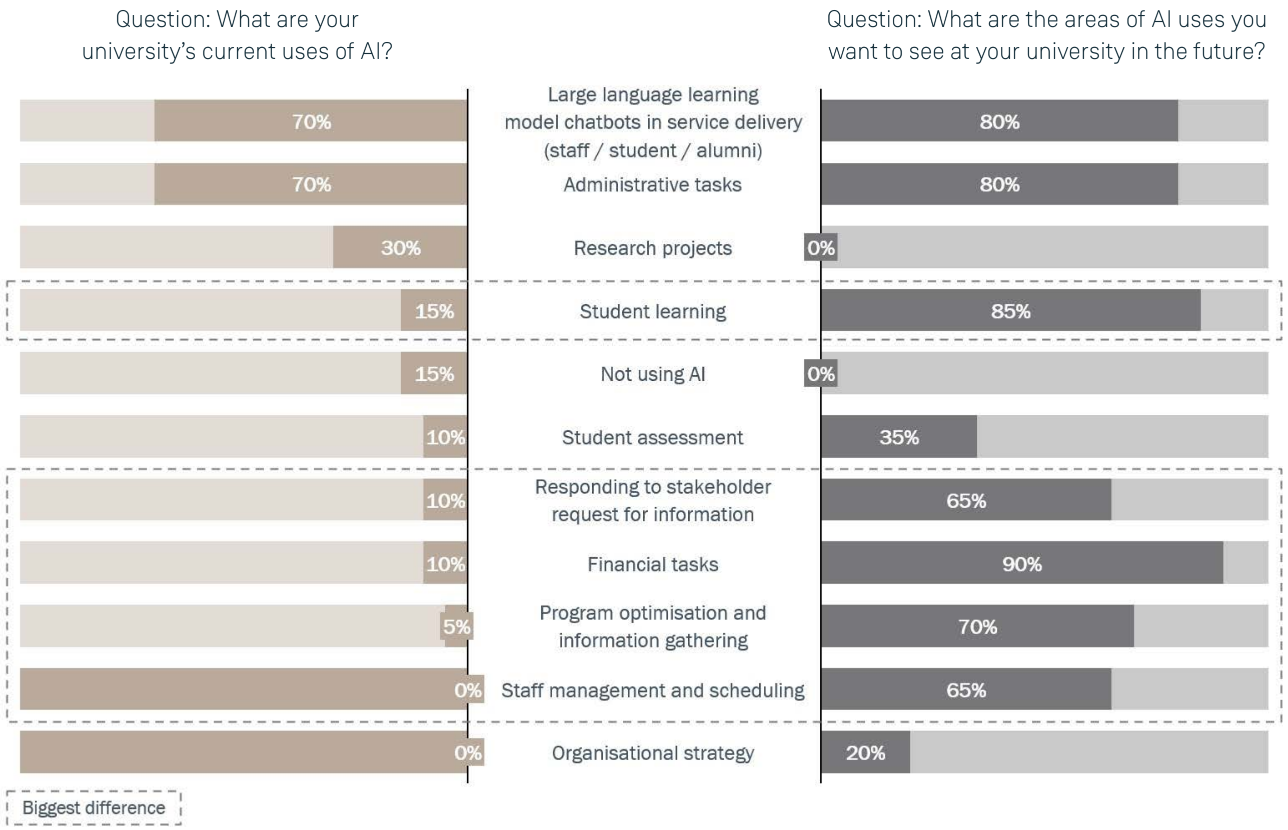


15. Source: https://www.universitiesuk.ac.uk/sites/default/files/field/downloads/2025-07/UUK-Transformation-and-Efficiency-Towards-a-new-era-of-collaboration-2025_1.pdf

Universities have strong aspirations to expand use of AI for better learning, teaching and efficiency gains

AI is currently used mainly for administrative tasks and student-facing chatbots, but there is strong interest in expanding its role in learning, finance, and program optimisation. Survey results show a clear gap between current use and future ambition - especially in student support, information handling, and automating routine tasks.

Diagram 10: Current and desired future use cases for AI



A recent NSW Auditor-General's report[16] found that some universities lack AI policies, and most lack strategies to maximise its benefits. Combined with our survey findings, this highlights the need for stronger investment in strategic planning and digital transformation.

16. Source: https://www.audit.nsw.gov.au/our-work/reports/universities-2024

Priorities for optimising financial budgets include both revenue growth and cost out opportunities

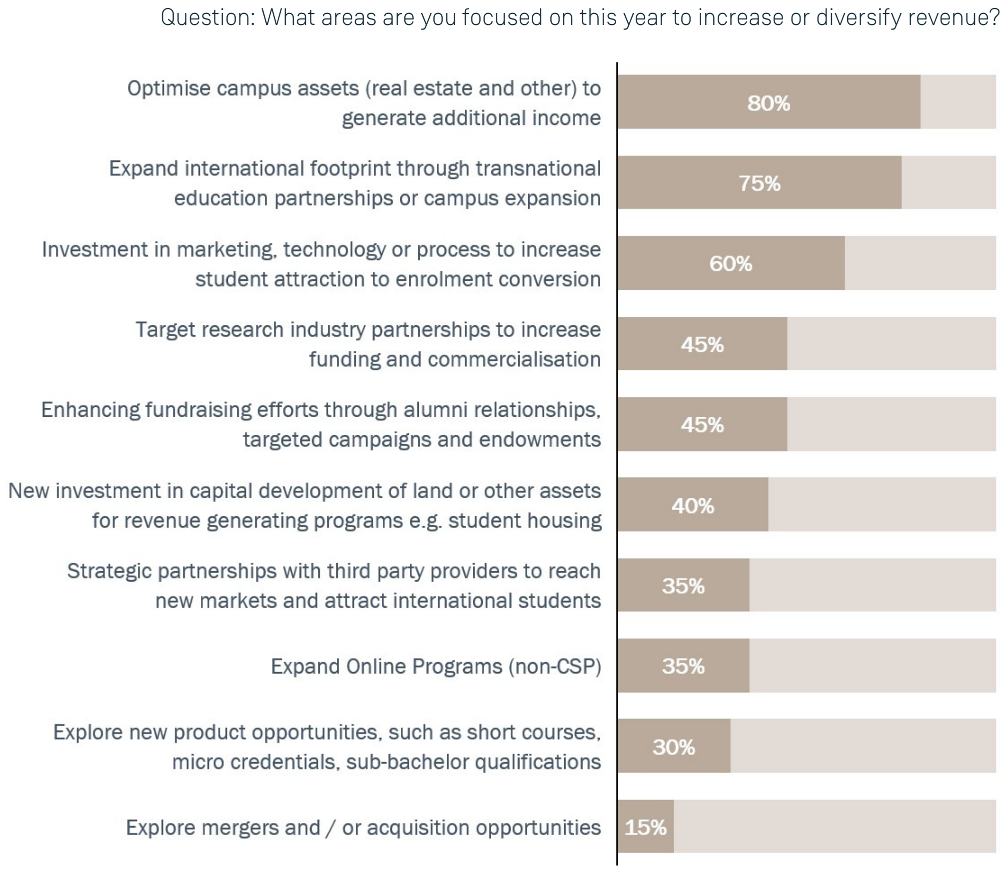
Universities identified three main areas for growth: optimising real estate assets, expanding transnational education (TNE), and improving marketing to boost enrolments.

Of the options, property portfolio optimisation offers the most immediate potential. We provide some guidance on this further on in the report.

TNE requires careful planning due to long lead times and high failure rates; while opportunities for enrolment growth will depend on where an individual university sits with respect to its caps. Even where there is a 'gap to the cap', we are not optimistic about the scope for significant enrolment growth in 2026 and beyond (see section 5).

Less supported strategies - like expanding online offerings, short courses, or mergers - suggest institutions prefer refining existing activities over exploring new ones.

Diagram 11: Focus areas for revenue growth in 2025

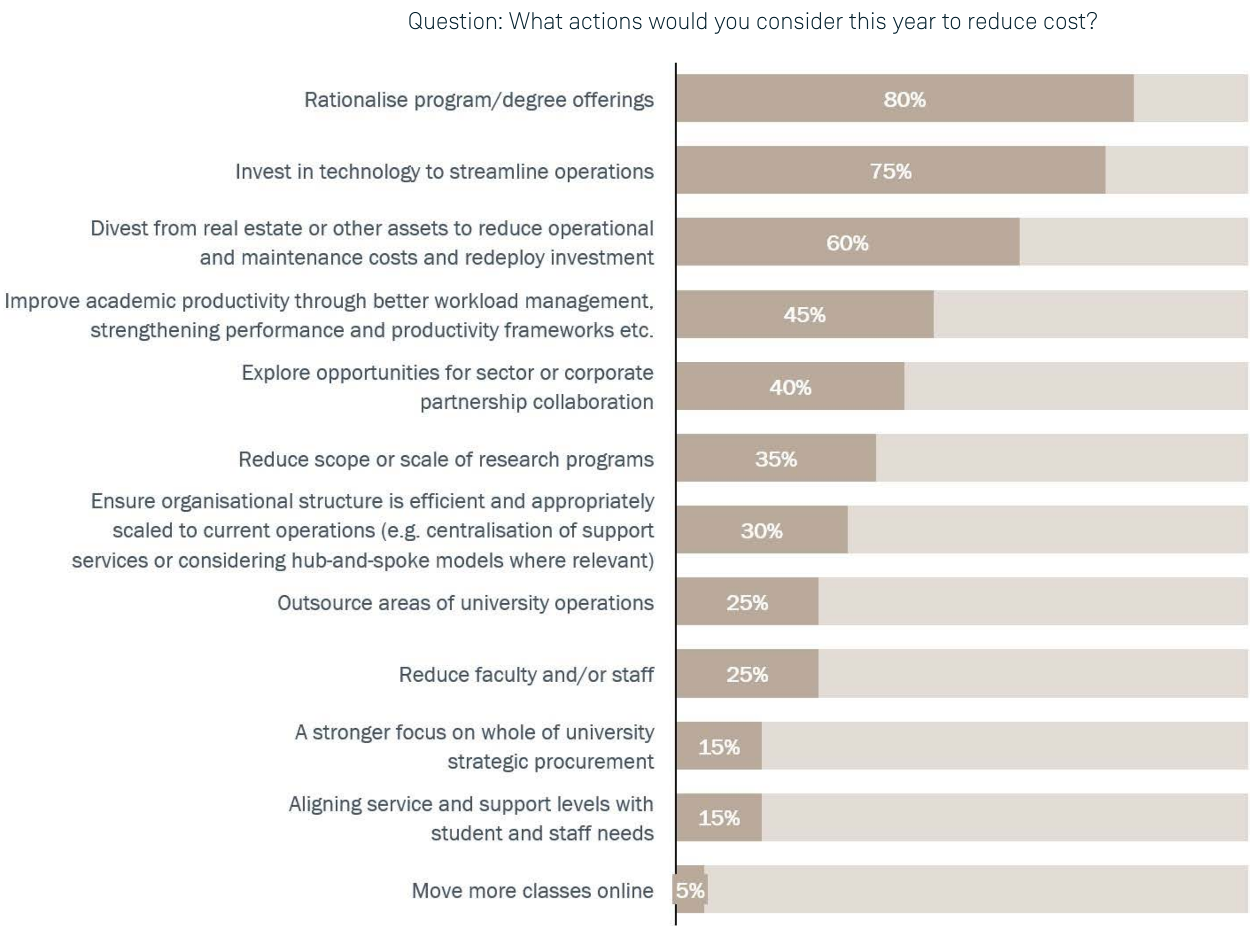


Respondents most frequently identified course and subject rationalisation, tech-driven operational efficiencies, and improved academic productivity as key cost-saving measures.

Less popular options included moving classes online, reducing support services, and enhancing procurement - despite the significant savings potential with the latter.

While institutions aim to preserve face-to-face engagement and support, the low interest in strategic procurement was surprising. Potentially this may reflect that a number of universities currently participate in The University Procurement Hub, therefore do not see further procurement initiatives as an immediate opportunity. Responses to related survey questions and findings from a Universities UK report[17] suggest growing interest in the UK in pooling sector-wide buying power.

Diagram 12: Focus areas for cost optimisation in 2025



17. Source: https://www.universitiesuk.ac.uk/sites/default/files/field/downloads/2025-07/UUK-Transformation-and-Efficiency-Towards-a-new-era-of-collaboration-2025_1.pdf

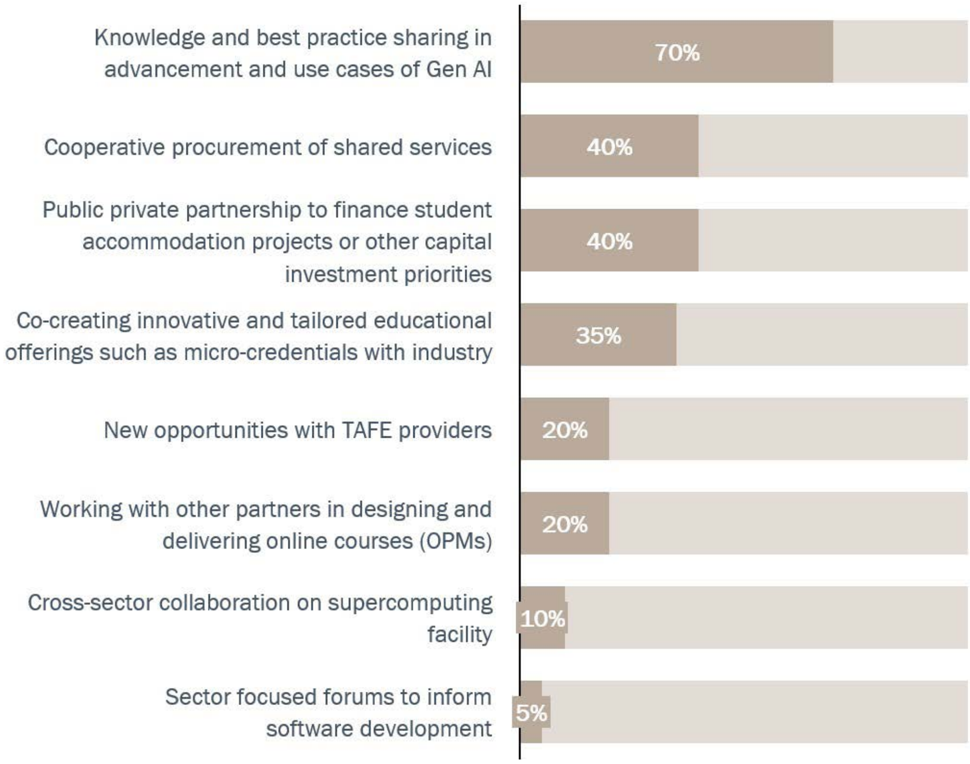
Universities are open to exploring partnerships and leveraging technology to achieve efficiencies

Universities see potential in sharing AI best practices, co-financing capital projects, and procuring shared services. While strategic procurement was previously viewed with caution, interest in flexible, cross-institutional models - such as shared services for scale - appears to be growing. Leveraging platforms like Higher Ed Services (HES) could support this shift.

Industry partnerships are the most favoured collaboration type, while inter-university partnerships are less common. Given current sector challenges, stronger collaboration within existing university networks (e.g. State based groups, or Go8, ATN, RUN, IRU) may offer untapped value.

Diagram 13: Opportunities and areas for collaboration

Question: What collaboration opportunities have you explored or are considering exploring?



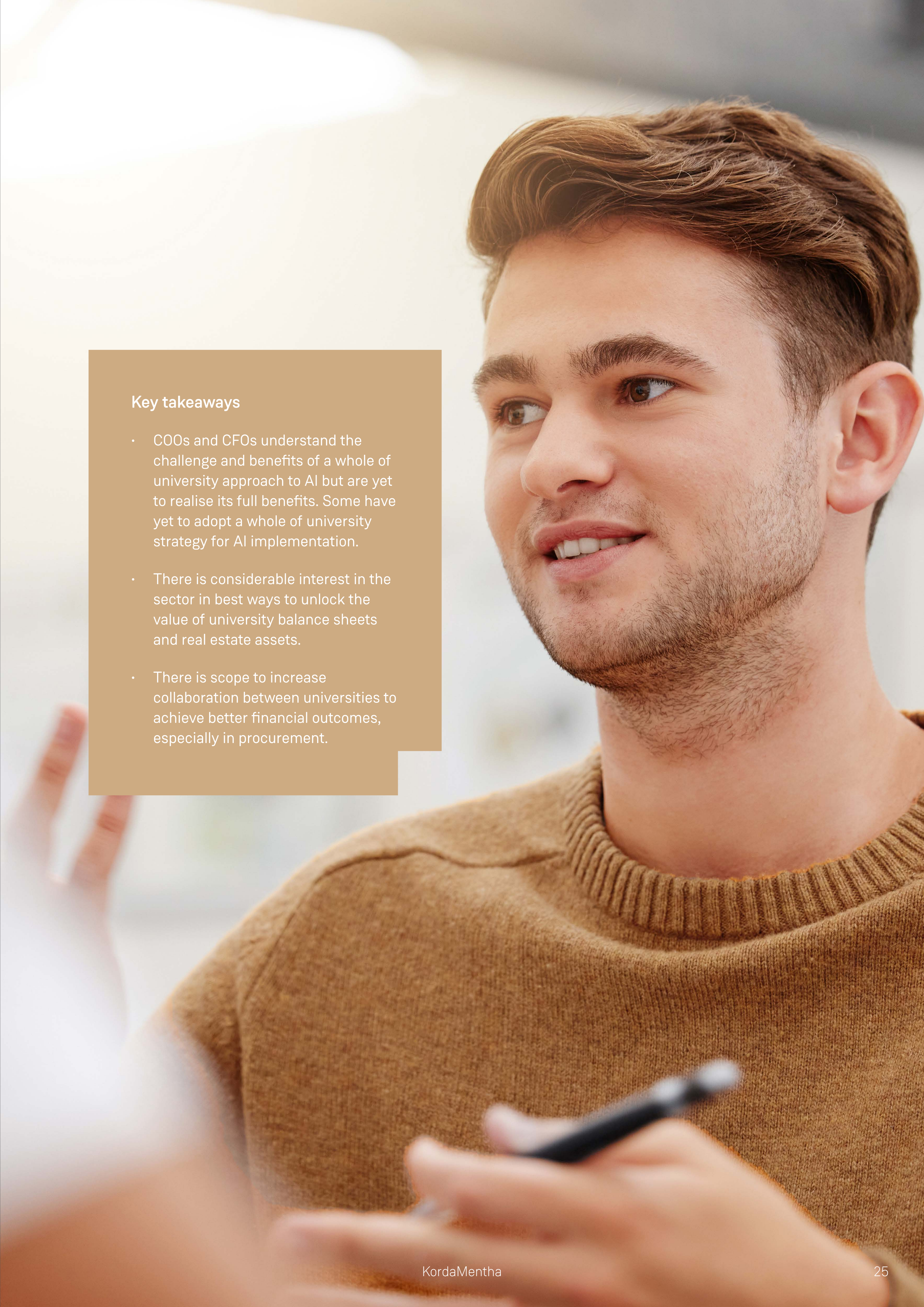
We note growing interest in asset optimisation in the sector, but these require careful consideration

KordaMentha's Real Estate team has observed strong interest in the sector in asset optimisation, consistent with the findings of our survey.

Based on our experience, we share potential solutions for university leaders to consider.

Diagram 14: Considerations for asset optimisation

	Sector observations	Strategic recommendations for university leaders
1 **Strategic alignment**	• Potential misalignment between asset base and future service needs (e.g. strategic property decisions not always closely aligned with emerging education delivery models).	• Develop a unified strategic framework, which integrates education delivery, property planning, and digital strategy, supported by campus master plans and cross-functional governance committees.
2 **Maintenance and capital backlog**	• Maintenance funding for surplus or ageing assets can be expensive. Therefore, reactive maintenance for ageing assets tends to be common. • For capital investment (e.g. modernising existing assets or new investments), these may be deprioritised due to tight funding.	• Utilise asset data to support investment prioritisation across new and old assets. Asset data can also be used in business cases by linking asset life cycle funding needs to educational outcomes.
3 **Surplus assets**	• Many sites may be underutilised or surplus to future needs.	• Asset disposal opportunities including sale, development and/or alternative uses to maximise value from surplus landholdings. • Potential to explore use of alternative capital (e.g. private capital) and delivery partners to help with facilities / infrastructure development.
4 **Complex governance**	• Inconsistent ownership structures can cause slow decision-making, delay transactions or create risks in redevelopment projects. • Disconnected authorisation pathways to dispose of, lease or invest in property can result in delays and missed opportunities.	• Identify clear governance arrangements, through clear ownership mapping, streamlined governance models, and appointing single points of contact for property matters. • Clarify authorisation pathways, through increasing delegation levels, introducing pre-approved project templates, and deploying digital workflows to speed up approvals.



Key takeaways

- COOs and CFOs understand the challenge and benefits of a whole of university approach to AI but are yet to realise its full benefits. Some have yet to adopt a whole of university strategy for AI implementation.
- There is considerable interest in the sector in best ways to unlock the value of university balance sheets and real estate assets.
- There is scope to increase collaboration between universities to achieve better financial outcomes, especially in procurement.

The road ahead - constrained revenue growth makes strategic decision making and cost control essential

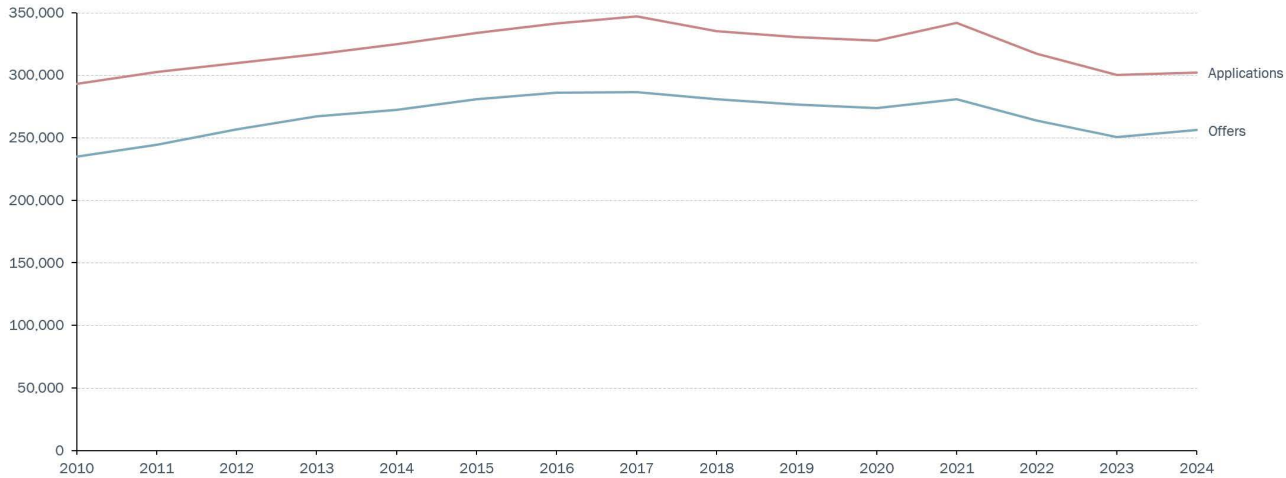
As we've mentioned throughout this report, universities will have limited chances to grow their revenue in 2026 and beyond by enrolling more students.

Domestic student volume unlikely to grow significantly in the short term, due to demand and supply factors

Two factors will constrain the growth in domestic student numbers: weak demand, and the proposed system of 'managed growth funding' to be overseen by ATEC from 2027 onwards.

In relation to demand, the latest domestic undergraduate (UG) applications and offers data show only slight growth from 2023 to 2024. Over the longer-term, both have declined from a peak in 2017 such that applications for study in 2024 have returned to levels last seen in 2010.

Diagram 15: Total applications and offers by domestic students for UG degrees (2010-2024)[18]



18. Source: Undergraduate admissions and offers 2022-2024, by Department of Education.

To better understand the potential for future growth in domestic UG degree demand, we have assessed key factors likely to affect future demand for degrees. Our analysis indicates that there are multiple signs pointing towards stagnant or declining demand for domestic UG degrees, across both the school leaver and non-school leaver cohorts.

These include:

A declining proportion of school leavers applying to university: The application rate among school leavers for university has declined from ~55% (in 2010) to ~50% (in 2024).[19]

Cost of living pressures: The recent "Taking the Pulse of the Nation" survey (2023) concluded that "Financial pressures are seen widely as the key barrier to getting a university education".[20]

Media commentary around declining returns on a university education: Media commentary has emphasised the declining value of the graduate earnings 'premium', substantially higher student contribution rates for popular disciplines, and indexation of HECS debt by ~7% in 2023.[21]

A growing number of attractive alternatives (to a degree) for students: These include fee-free TAFE, and VET apprenticeships that enable students to "earn while learning".

On the positive side, the "Costello baby boom" will increase the population of 18-year-olds, mainly around 2025, which could lead to higher applications in the short term.[22] There is some anecdotal evidence that application numbers have increased slightly for study in 2026.

In relation to supply, from 2027, ATEC will oversee a 'managed growth' funding model, allocating fixed Commonwealth Supported Places to each university via compact agreements. Funding for enrolments beyond these caps will be limited. The sector-wide goal is 82,000 additional students by 2035 - about 220 per university annually.

Given capped funding and weak demand, significant growth in domestic enrolments is unlikely. Universities currently below their cap may have room to grow, but low demand will make expansion difficult.

In addition, below cap universities will start to lose funding in 2026 as part of the transition to managed growth funding in 2027, inflicting a further revenue hit on universities in this category.

19. Source: https://andrewnorton.id.au/2025/07/14/despite-an-increase-in-applications-for-the-2024-academic-year-school-leaver-interest-in-higher-education-remains-below-mid-2010s-levels/.

20. Source: https://melbourneinstitute.unimelb.edu.au/data/taking-the-pulse-of-the-nation/2023/ttpn-october-2-2023

21. Source: https://www.afr.com/policy/health-and-education/is-a-university-degree-still-worth-it-20241205-p5kw37
https://www.afr.com/work-and-careers/education/arts-business-law-students-hit-hardest-as-uni-fees-rise-20230922-p5e6uj
https://www.afr.com/policy/health-and-education/student-debt-to-spike-but-it-s-not-all-bad-news-20230426-p5d3fs

22. Source: https://universitiesaustralia.edu.au/project/productivity-plan/

International commencements appear to be holding steady, but the long-term impact of tougher migration policies is uncertain

International student commencements at the start of 2025 have held up surprisingly well (+2%), despite the major migration policy changes put in place in recent months to limit growth in international student volumes.[23] These include MD111, already discussed, as well as a range of other changes, summarised below.

However, commencing ELICOS (English language) enrolments, usually treated as a sign of things to come, have plunged by almost 50% in 2025.

Diagram 16: Summary of key migration policy changes relevant to international students[24]

Increased requirements to apply for visa	• **Increase in student visa application fees** to $2,000 (previously $710) • **Increased savings** required to obtain a student visa to $29,710 (previously $21,041). • **Increased English language requirements** for student visa (from IELTS 5.5 to 6.0) and temporary graduate visa (IELTS 6.0 to 6.5) • **New genuine student test** which requires students to answer questions about their study intentions and their economic circumstances (to prevent students coming to Australia primarily to work)

Restrictions around visa application process	• **Greater use of 'no further stay' conditions** on student visas (to prevent students from hopping from student visa to student visa)
	• **More constraints** around student visa applications, including:
	  ◦ **No onshore student visa applications for visitor visa holders** (to prevent visitor visas being used to subvert offshore student visa integrity checks)
	  ◦ **No onshore student visa applications for temporary graduate visa holders** (to prevent Temporary Graduate Visa holders from returning to study when their visa expires in an attempt to prolong their stay)

Reduced incentives	• **Shorter temporary graduate visas** (which reduces the duration of post-study work rights)

The long-term impact of recent policy changes on international applications remains uncertain, especially for universities below their MD111 cap. Their ability to close the gap depends on:

- **Student behaviour:** Will students unable[24] to access their first-choice university choose another Australian university or go abroad?
- **Perception shifts:** Early 2025 data show a modest impact of migration changes, but negative sentiment towards Australia as a study destination may grow.

The August 2025 announcement of new arrangements for international students in 2026 indicates that government will continue to exercise a high degree of control of the international student market in ways that will affect all universities whether below or above their caps.

23. Source: Australian Government Department of Education (International Student monthly summary and data tables).

24. Source: https://andrewnorton.id.au/2024/08/05/can-migration-policy-alone-manage-international-student-numbers/

ATEC gets going – creating opportunities for universities to make deliberate strategic choices

Following Labor's 2025 election win, the government is set to implement the Universities Accord, with the Australian Tertiary Education Commission (ATEC) at its core. ATEC aims to better align education supply with workforce needs.

An interim ATEC began in July 2025, tasked with finalising mission-based compacts, managed growth funding, and progressing tertiary harmonisation. It will also advise on funding levels and support for First Nations inclusion.

Once fully established in January 2026, ATEC will oversee teaching, research, and international education, driving strategic reform across the sector.

Given these priorities, we believe ATEC creates some strategic choices for universities. We set these out in detail in our 2024 report, and summarise them again below.

Diagram 17: Strategic choices for universities to make for the future

Strategic choices for universities

Growth	Given the ambitious growth targets set by the Accord Report, how much does a university want to participate in that growth?
Specialisation	To what extent does a university want to specialise, in specific disciplines or activities?
New provider types	If new provider types appear as part of ATEC's goal to increase diversity in the sector, how does a university want to position itself in relation to them?
Tertiary harmonisation	To what extent does a university want to engage in bringing vocational and higher education closer together?
Qualification types	If new types of qualifications (e.g., short cycle, degree apprenticeships and stackable credentials) were to emerge because of tertiary harmonisation initiatives, what are course portfolio implications?
Research	Centrally managed enrolments will make it harder to sustain a research effort across all the areas in which a university teaches. How should a university respond?

Universities can consider each of these areas as they chart their way in a post-ATEC world.

Improving the student experience and outcomes needs to remain top of mind

While this report focuses on funding and policy, the core mission of universities remains education and knowledge creation. So far as students are concerned, ATEC is expected to closely monitor student experience, completion, and employment outcomes.

Data shows wide variation across universities in student satisfaction and completion rates - with little correlation between the two. Completion appears more closely tied to academic preparedness; for example, Go8 universities report higher completion despite lower satisfaction.

Diagram 18: Latest available data on student satisfaction and student completion for Australian universities[25]

This presents ATEC, and individual universities, with a conundrum. How do you increase participation in higher education, which will inevitably mean drawing less traditional students into higher education, without sacrificing completion rates?

Even so, many universities have room to improve their student experience, or their completion rates, or both. Given rapid developments in technology such as AI, we believe it may now be possible to achieve a step change in student success for all students, with considered and appropriate use of technologies which now enable personalised support and learning journeys, and proactive early interventions where relevant.

25. Note: The student experience score is based on the latest available UG student feedback for "quality of entire educational experience". Student completion is based on the latest available 6-year UG completion rate for domestic students, for the cohort that commenced in 2018.

Source: QILT data, Australian Government Higher Education Statistics.

Key takeaways

- Revenue growth is likely to remain limited, with both domestic and international enrolments constrained by policy settings and demand trends.
- Improving margins will be increasingly important, particularly through better understanding of cost of delivery across disciplines, pricing strategies and improving student retention.
- Technology presents opportunities to enhance student outcomes and operational efficiency, especially through more personalised and proactive support.
- Strategic positioning will matter, as universities navigate ATEC's reforms and consider their role in a more coordinated tertiary system.

Conclusion - the scale of change and an uncertain future require targeted transformation plans and strong execution

Although 2024 was a good year for almost all universities, we have highlighted the challenges they face as they move into an era of constrained revenue growth, especially around their costs, borrowings, cash holdings and asset management. A clear line of sight of a university's cost base, and drivers of cost, will be essential, coupled with clear strategies to manage those costs, improve efficiency and make the most of existing assets.

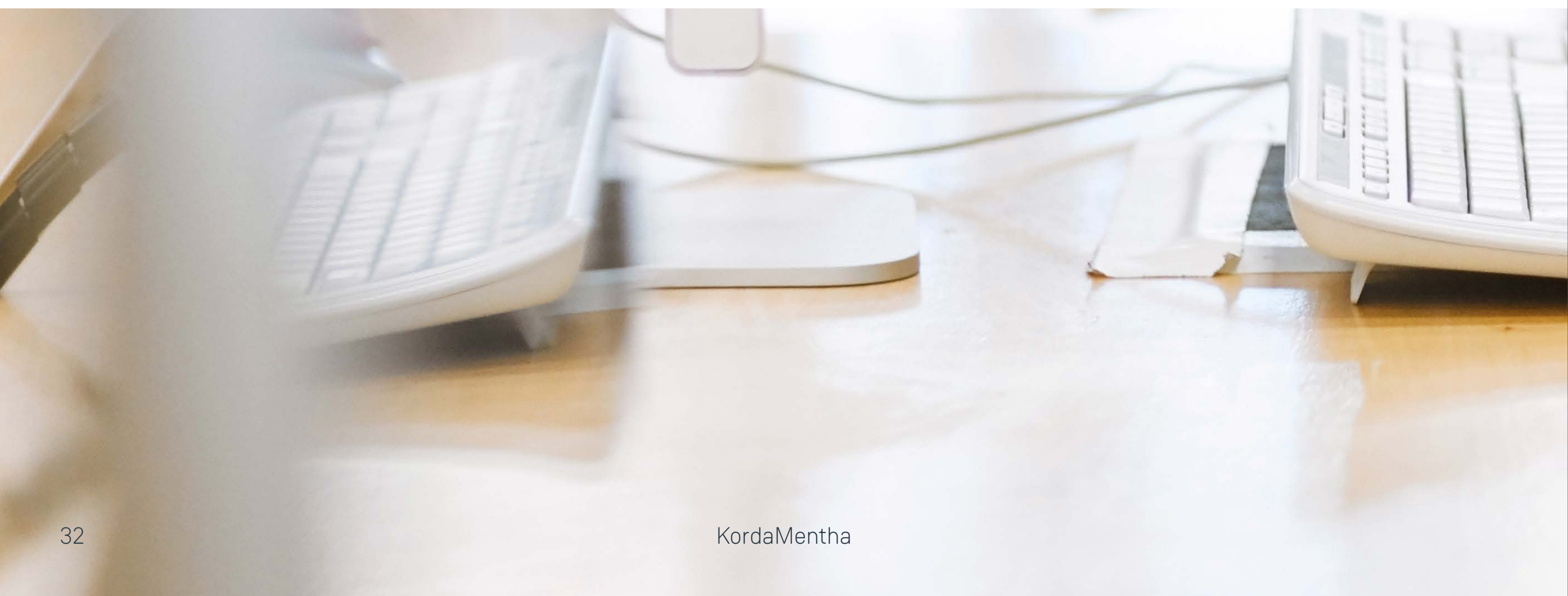
Although many universities have developed strong in-house transformation capabilities, the scale and pace of change required today makes it prudent to seek external advice and assistance. This ensures cost reduction and transformation plans are well-targeted, effectively executed, and lead to lasting improvements rather than short-lived ones.

How KordaMentha can help

- Financial diagnostics and cost reduction plans
- Operating model redesign
- Change and transformation management and support
- Growth strategies in areas of uncapped growth and margin optimisation in areas of capped growth
- Procurement
- Asset management and balance sheet optimisation
- AI and data strategy development and implementation support
- Forensic investigations and compliance assurance
- Implementation services

A full list of our capabilities relevant to the university sector can be found on our website.

kordamentha.com/industries/education



Key takeaways

- **Segmented risk:** Each university faces a different outlook for revenue and financial sustainability. Understanding your university's specific circumstances will be key to future planning.
- **Cost pressures:** There are limited prospects for revenue growth, so universities must urgently address cost structures, asset use, and debt sustainability.
- **Technology & AI:** Accelerate digital transformation to enhance student outcomes, efficiency, and competitiveness.
- **Collaboration:** Unlock efficiency and resilience through shared procurement, sector partnerships, and smarter capital investment.
- **Policy agility:** Prepare for further policy changes - flexibility is now essential.

Authors and key contacts

John Dewar

Partner | Performance Improvement - Melbourne

John is well known as an exemplary leader of tertiary institutions, with a long history of improving their performance academically, financially, and operationally, often by bringing about major transformations.

john.dewar@kordamentha.com
+61 3 9908 8928

Dionne Higgins

Partner | Performance Improvement - Melbourne

Dionne works with education institutions at critical inflection points to deliver financial, strategic and cultural transformation. She brings over 20 years' executive experience across F–12, VET and Higher Education. Dionne specialises in operating model redesign, cost efficiency, and purpose-led cultural alignment. Her approach is clear, human and growth-focused.

dionne.higgins@kordamentha.com
+61 3 9908 8928

Henriette Rothschild

Partner | Performance Improvement - Melbourne

Henriette works on complex and sensitive engagements to diagnose and implement financial, organisational and cultural turnaround. She specialises in organisational change and transformation, governance, culture and leadership. She has a pragmatic, outcome driven approach, having held executive leadership roles in private and ASX listed organisations and non executive roles on high profile boards.

hrothschild@kordamentha.com
+61 3 9908 8949

Suzanne Wauchope

Partner | Performance Improvement - Brisbane

Suzanne is a Fellow Chartered Accountant with over 30 years of professional and operational experience. She works with clients to address complex financial and operational challenges, particularly in high-risk and sensitive stakeholder environments.

swauchope@kordamentha.com
+61 7 3338 0278

Jun Wei Tong

Associate Director | Performance Improvement - Melbourne

Jun Wei brings significant education experience across senior strategy roles in the online education sector and global consulting firms. He has worked closely with University leadership teams across a range of topics including strategic planning, international growth opportunities, optimising product portfolios and responding to potential policy shifts.

junwei.tong@kordamentha.com
+61 3 8623 3370

Navid Kibria

Executive Analyst | Performance Improvement - Melbourne

Navid's experience in the higher education sector includes benchmarking, financial diagnostics, workforce analysis and operating model reviews, with a focus on financial turnaround and transformation support to improve performance and long-term strategy.

navid.kibria@kordamentha.com
+61 3 8623 3432

KordaMentha

Contact us

Auckland
+64 9976 4747

Brisbane
+61 7 3338 0222

Canberra
+61 2 6188 9222

Jakarta
+62 21 3972 7000

Melbourne
+61 3 8623 3333

Perth
+61 8 9220 9333

Singapore
+65 6593 9333

Sydney
+61 2 8257 3000

Townsville
+61 7 4724 9888

To learn more about our firm and how we can help you, please visit **kordamentha.com**