

2025 Annual Report

Legislative Council Inquiry

14 October 2026



The context for our Annual Report is the direction provided to the University through the new 'Managed System' and Compact that the University is required to enter with the ATEC

The Annual Report shows that in financially challenging times we continue to manage our costs carefully and improve our financial position

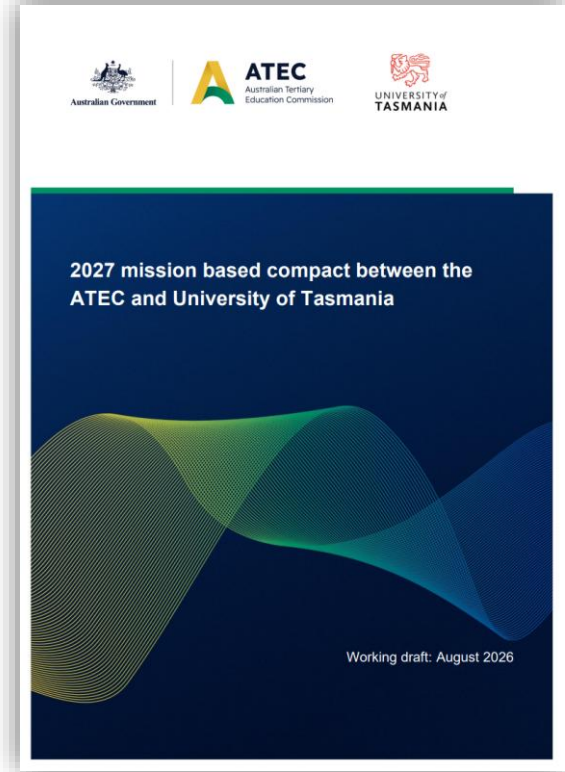
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The long-term funding pressures created a significant capital backlog, which we have been working to address for over 15 years

A better funding deal for regional education will more effectively support the education and research that Tasmania needs

The work of the University in the Annual Report reflects the fundamental change in Higher Education with the introduction of the Australian Tertiary Education Commission (ATEC) and Mission Based Compacts

- ATEC was established to provide independent oversight of Australia's higher education system and to deliver the Universities Accord aim of lifting tertiary attainment to 80% by 2050 and directing universities to national priorities
- This is a significant shift from a market to a managed system
- Maximum domestic and international student numbers are now set by the ATEC and funding per student – which creates greater certainty, but also constraints
- Priorities for universities are informed by Australian and State Governments
- All universities are required to enter into a Mission Based Compact with ATEC for 1 year (2027), and then 4 years (2028-2031)
- Through these agreements ATEC aims to increasingly align public investment with national priorities, while recognising the distinct role and contribution of individual institutions



Our strategic plan provides the enabling framework for achieving our mission and is directly aligned to ATEC’s priorities

ATEC’s priority areas are well aligned with the elements of our Strategic Plan

National, state/territory and regional priorities

First Nations

Equity

Quality Teaching

A joined-up tertiary system

Research

Our Strategic Plan enables us to coordinate our efforts to deliver on our mission for Tasmania

Mission-focused

Organised around sustainability

Grounded in Indigenous excellence and knowledge

Ambitious about equity with excellence

Characterised by a distinctive student experience and high quality teaching

Collectively stewarding our staff experience and University economics

Regionally networked ‘with’ and ‘in’ the community

Committed to excellence and impact through programmatic research

Our strategy continues to deliver great outcomes for and from Tasmania in ATEC's priority areas

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Significant expansion of health workforce continues

#1 in Climate Action
First Platinum Rated
University in the Region

Last year 4th largest number of Aboriginal and Torres Strait Islander Graduates in the Nation

33% of Tasmanian Students from lowest SES quartile

#5 in Public Universities for Teaching Quality

23 formal articulation pathways from all TasTAFE courses in areas related to the University

Continued historically high research funding, and largest ever number of Future Fellows

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Looking at the Financial Report, our Net Result was a loss of \$22.9m, largely related to non-cash asset impairments

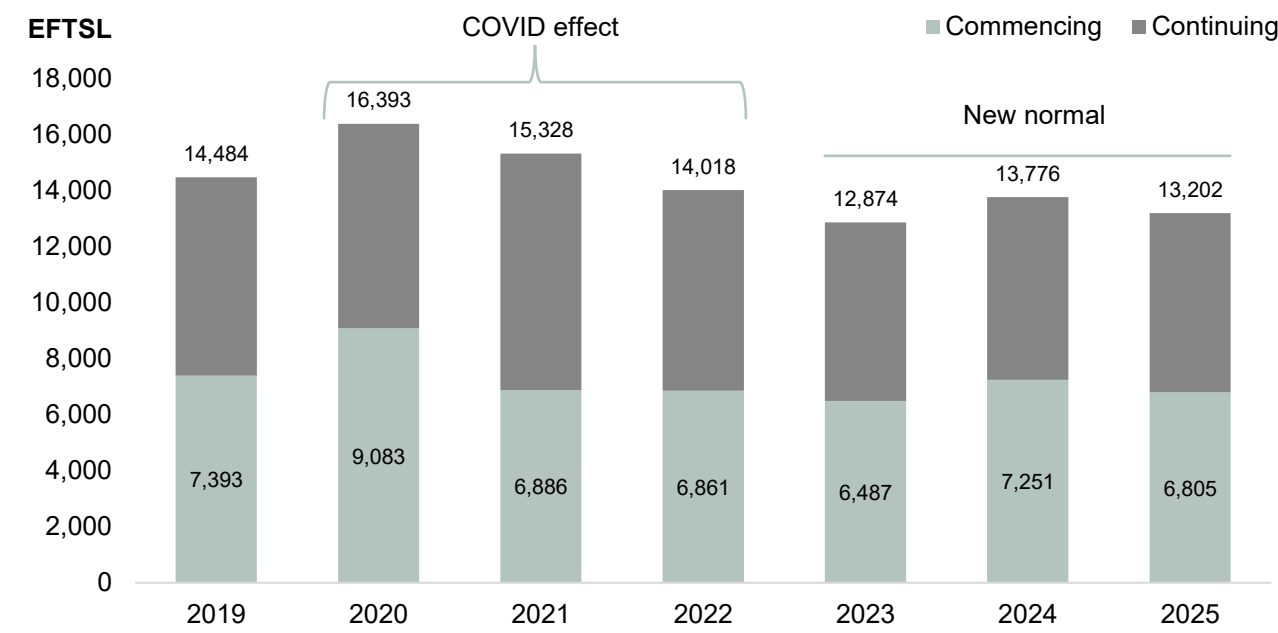
Description	2025 \$M	2024 \$M	Comment
Education revenue and income	475.0	454.6	Increase largely related to inflation
Research related income	239.5	245.0	Small decrease in Commonwealth grants won
Investment income	54.5	47.6	Market and investment performance
Other income	63.0	84.6	Decrease in government capital grants - \$17m
Total Income	832.0	831.8	
Employee related expenses	480.7	480.6	Held flat in response to revenue challenges
Depreciation and amortisation	58.1	55.8	
Borrowing costs	14.4	14.5	
Impairment of assets	24.2	0.5	De-recognition of IDP franking credits
Other costs	277.5	268.7	Increased repairs and student related costs
Total Expenses	854.9	820.1	
Net Result	(22.9)	11.7	

To understand the underlying operations of the University, it is necessary to look at the Result from Core Activities

Description	2025 \$M	2024 \$M	Comment
Net Result	(22.9)	11.7	
Net movements in statutory funds	1.2	(14.0)	Fluctuate from year to year
Investment income	(52.2)	(45.4)	
Net borrowing costs	13.4	13.9	
Capital income	-	(23.5)	Ramping down of capital grants
Loss on disposal of land & buildings	2.0	4.7	K&D and Site 9 disposal
Impairment of franking credits	22.8	-	IDP share sale related ATO dispute
Construction of Burnie band room	2.7	-	Northern Campus program community asset
Restructuring costs	5.3	5.1	
Core Result	(27.7)	(47.5)	

Revenue from Domestic Students: Domestic Commonwealth Supported Places have been shaped by growth in numbers during economic disruption and a long-term new normal that reflects demographic and higher education saturation in Australia

Commonwealth Supported Places EFTSL profile

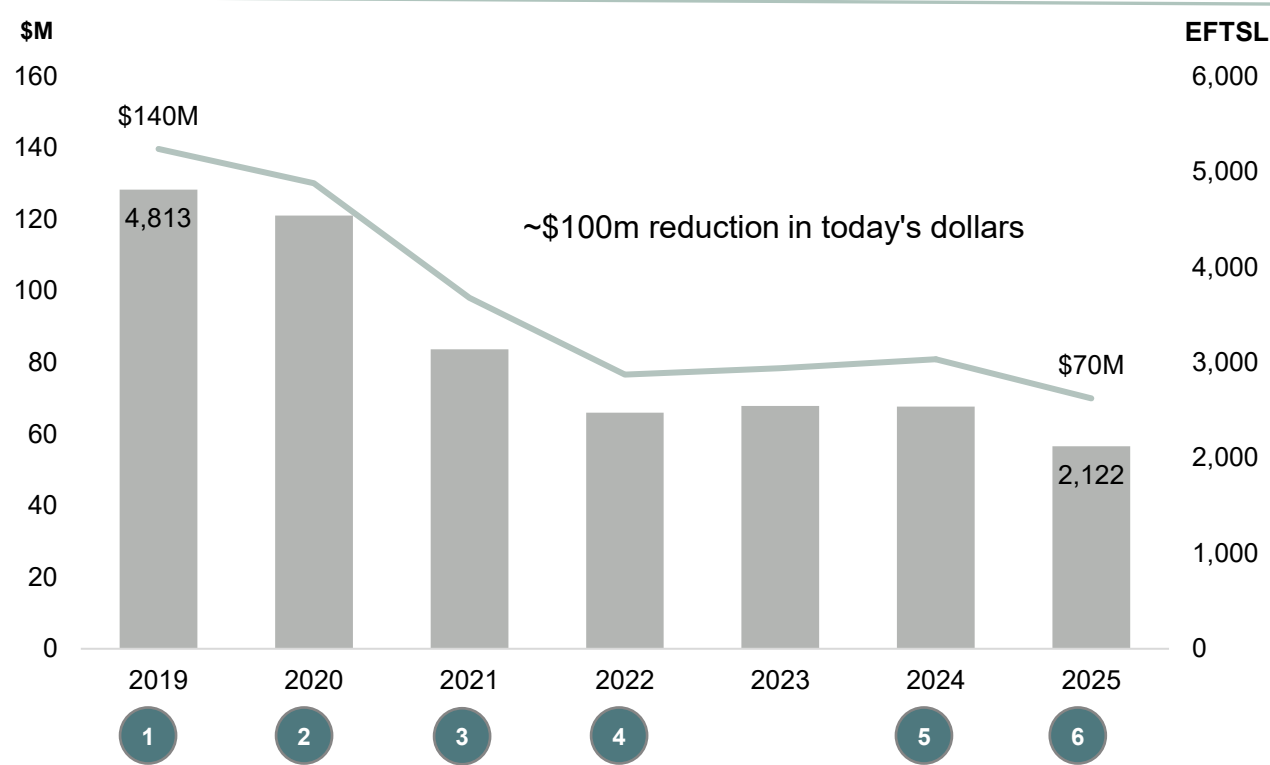


- Historically, student numbers rise significantly during periods of economic disruption like COVID, and then respond quickly and positively
- We have now returned to a new normal that reflects both a shrinking higher education population (as Tasmania ages) and a nation where essentially every adult who is qualified to attend university can – so there is minimal system growth

*EFTSL cap is a notional conversion of the maximum CGS funding entitlement converted using an average CGS revenue per EFTSL

Revenue from International Students: Policy changes and market forces have impacted our ability to attract a consistent level of international students and our market share has dropped

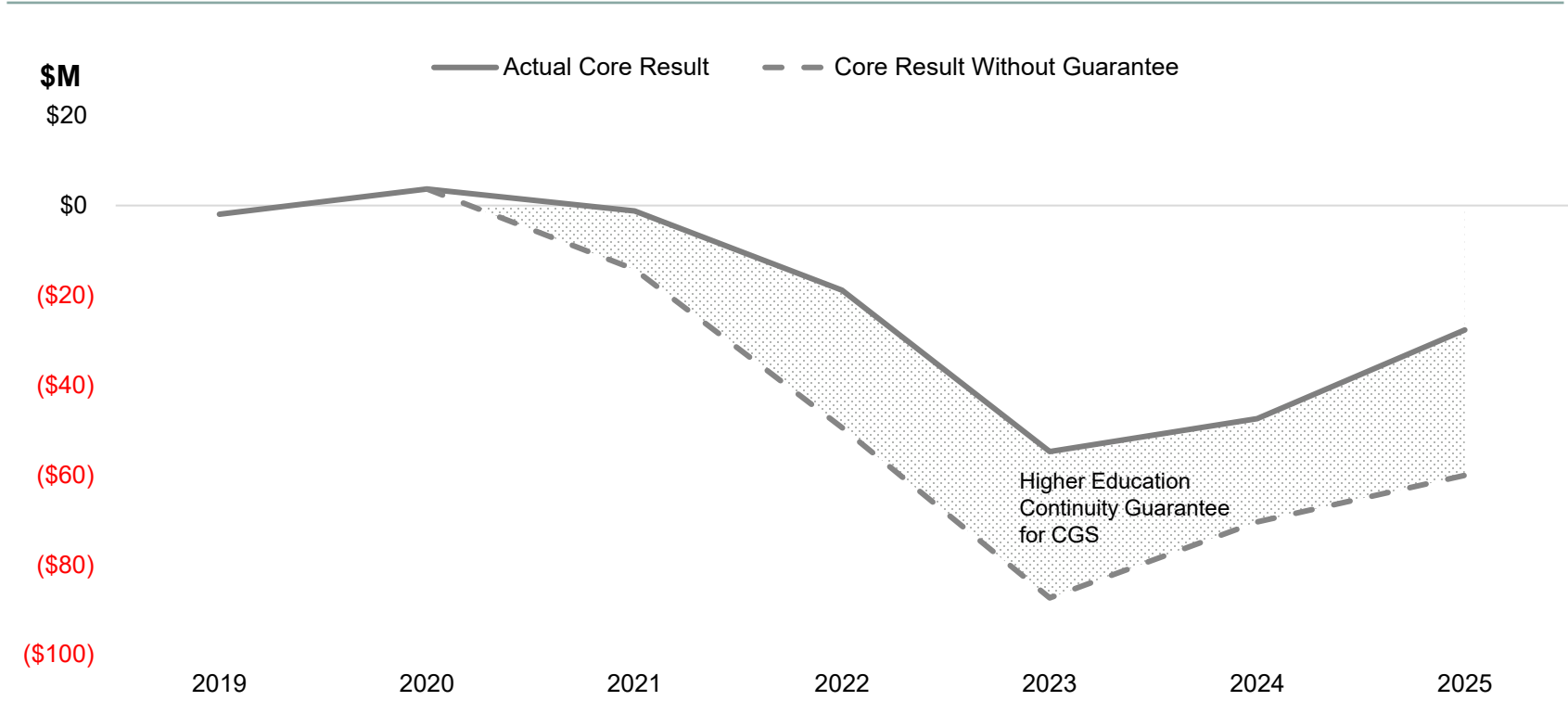
2019 - 2025: International Revenue (\$M) and EFTSL



- Impacts on the International Student market:**
- 1 Perth and Gold Coast were designated as regional migration areas, matching Hobart's status (2019)
 - 2 COVID-19 (2020)
 - 3 Chinese borders remain closed (2021)
 - 4 Chinese government focus on top 100 universities (2022)
 - 5 MD 107 reduces visa approvals (2024)
 - 6 MD 111 introduced but no increase in students (2025)

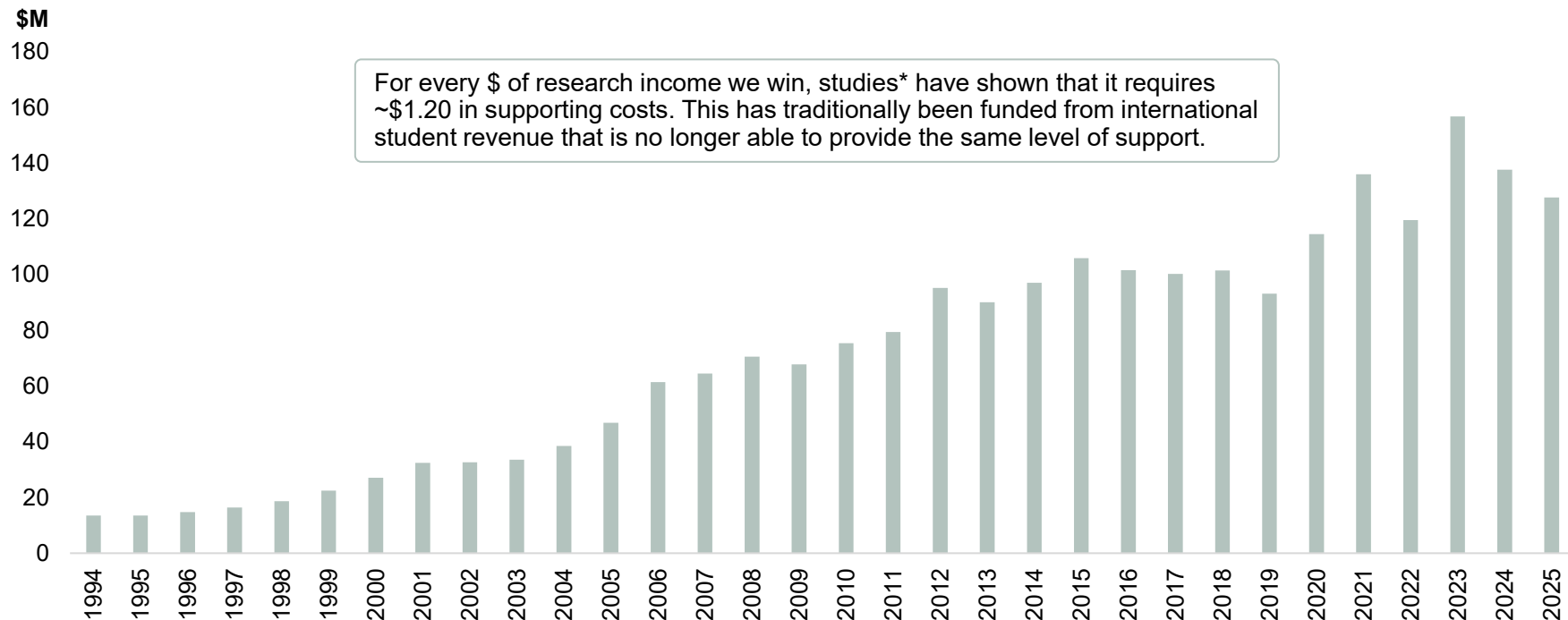
Revenue from the Commonwealth Grant Scheme (CGS) Guarantee: since 2021 the University's CGS Guarantee has contributed over \$130 million to our bottom line and without it, our financial position would have been significantly worse

Core Result Profile



Research income: has grown around tenfold since 1994, with peaks in 2021 and 2023 driven by one-off infrastructure funding, which is excellent for vital research but does require a supporting investment from the University

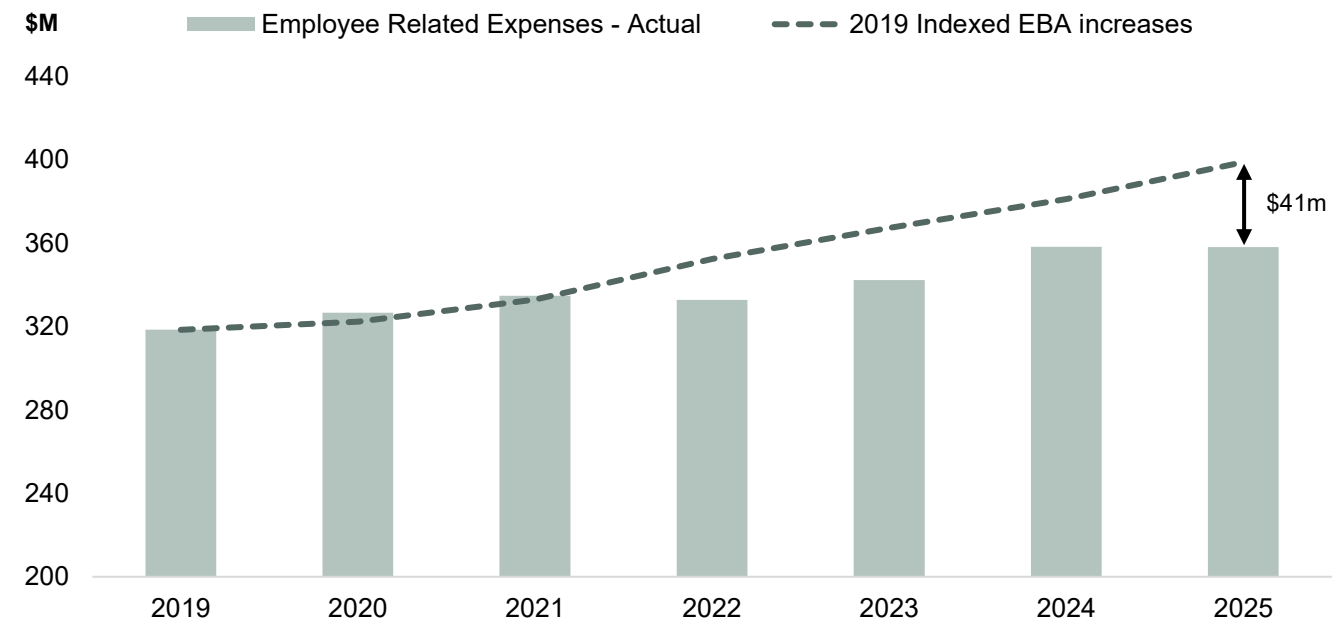
University of Tasmania Research revenue 1994 - 2025 (HERDC)



* 2022 study 'Essential Decisions for National Success: Supporting Australian Research'

Expenses: in response to the revenue constraints, we have managed costs carefully and deliberately and are tracking \$41m below the pre-COVID trend on our salary costs

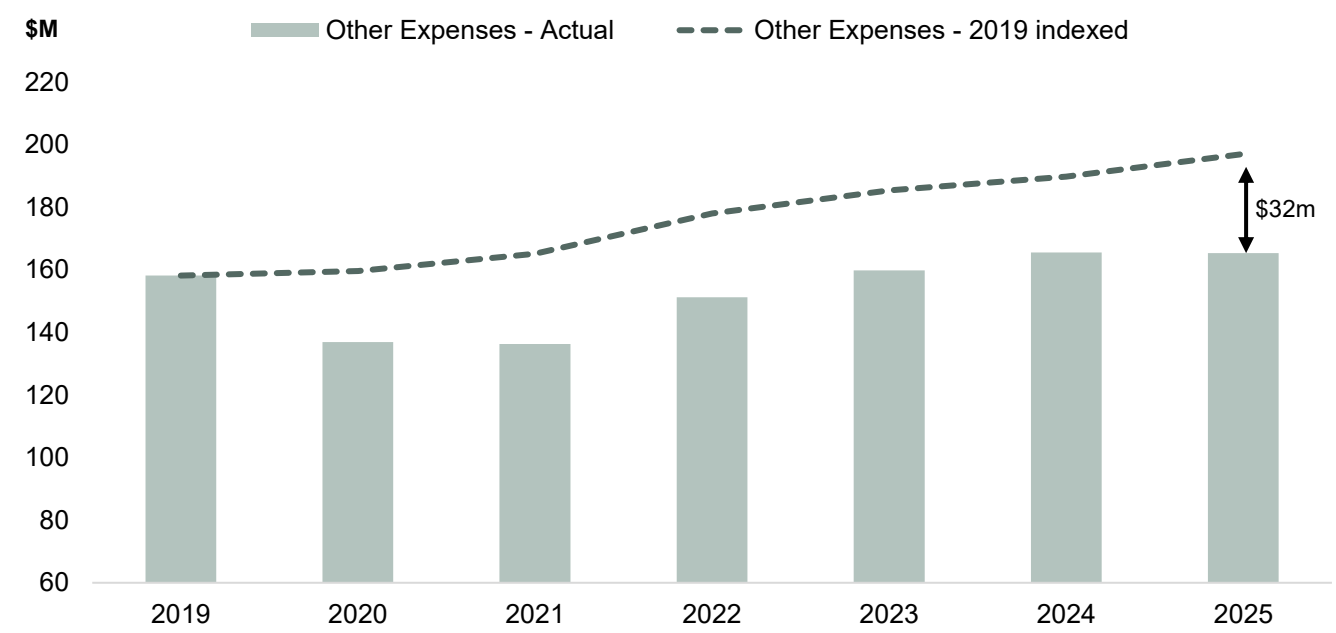
Core Operating employee expenses compared to expenses indexed by EBA increases from 2019



- Management of salary costs has resulted in **savings of ~\$41m in 2025** below the indexed amount
- Over the life of the previous Staff Agreement (2022-2025) **senior management FTE reduced by 18.8%**

Expenses: other operating costs have been managed through targeted budget savings being applied to discretionary expenses. However, the ability to achieve further savings is limited due to a large fixed component within the total spend.

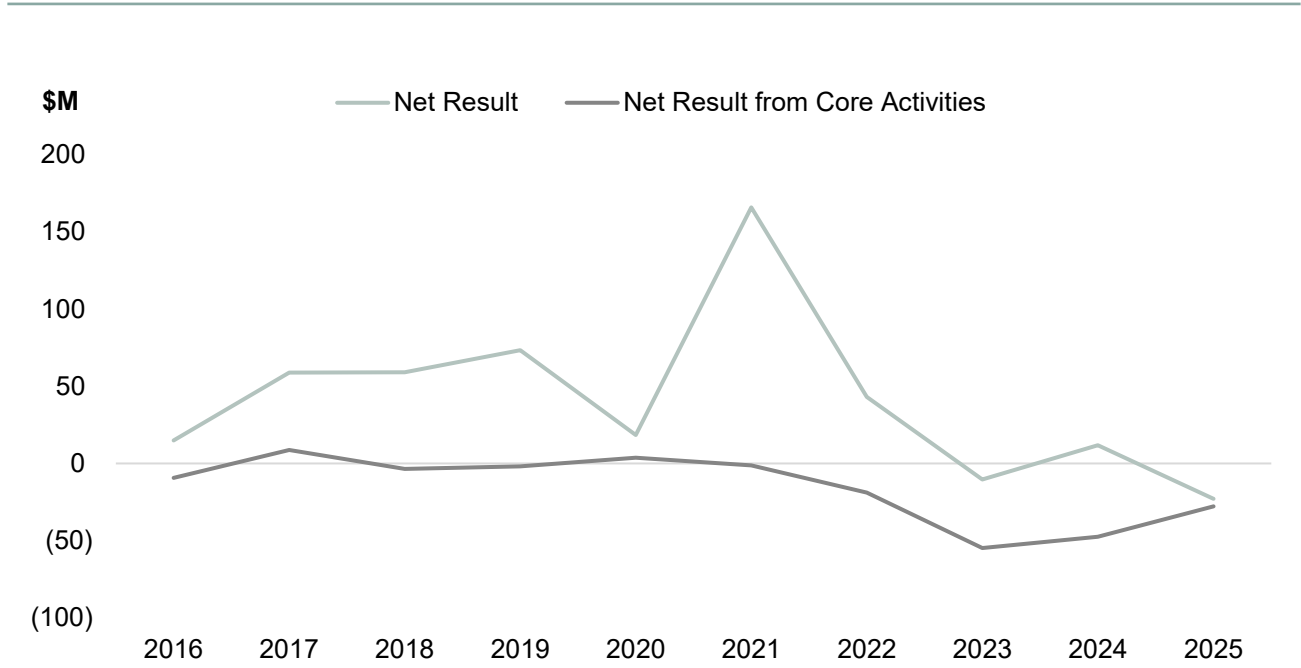
Core operating non-employee related expenses compared to expenses indexed by CPI from 2019



- Management of those costs has resulted in **savings of \$32m in 2025** below the indexed amount
- Consulting costs and travel expenses are **discretionary spend** items that are often targeted for savings

Taking all of that and looking back over the past 10 years, when volatile items are excluded from earnings, the University's Core Result has never been better than breakeven

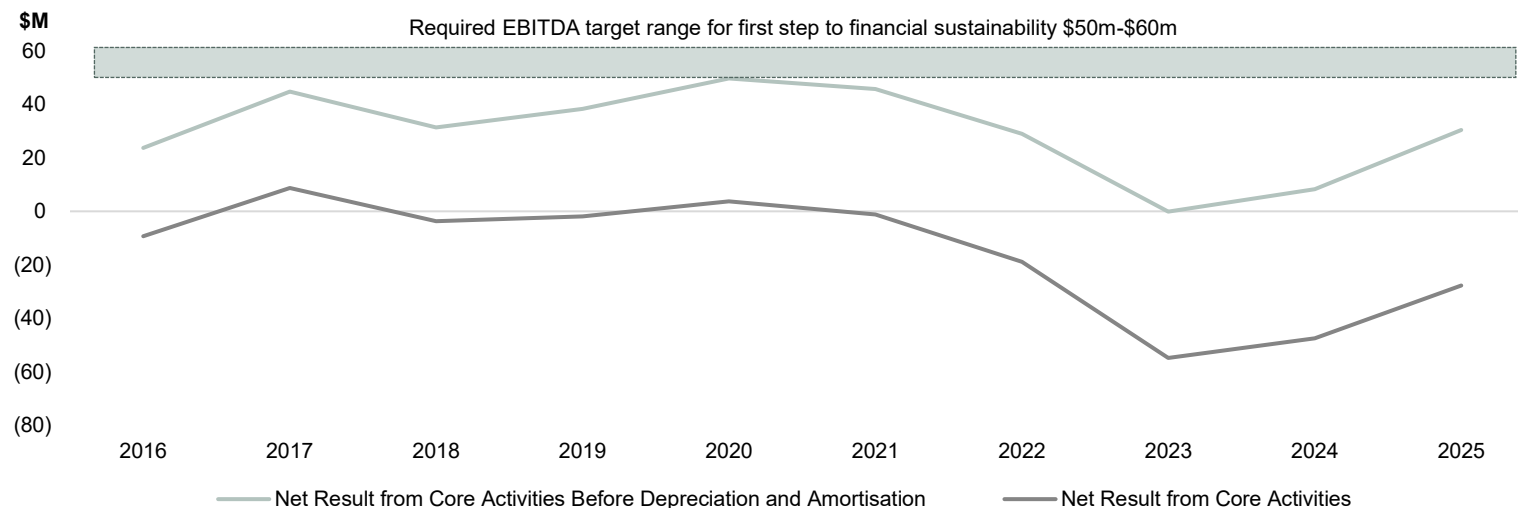
Consolidated University 10-year earnings history (2016-2025)



- Key volatile items excluded from Core Activities:
 - Investment returns
 - Capital grants
 - Restructuring costs
 - Impairments
- Recent decline in core financial results has been driven by post-COVID **decline in international student numbers**
- **2025 Core Result was a \$27.7m loss**, a \$19.8m improvement from 2024

While our Core Result is reported in the Annual Report, it is our EBITDA that supports the delivery of our broad mandate, but we have never been funded at a level which enables us to replenish our physical assets

Core Result v Core EBITDA* (\$M)



- Each year we have a sustaining capital budget of ~\$30m
- This is considered the absolute minimum spend necessary to maintain our buildings, equipment and systems
- We also incur borrowing costs of approximately \$15m
- EBITDA needs to contribute the cash to cover this expenditure

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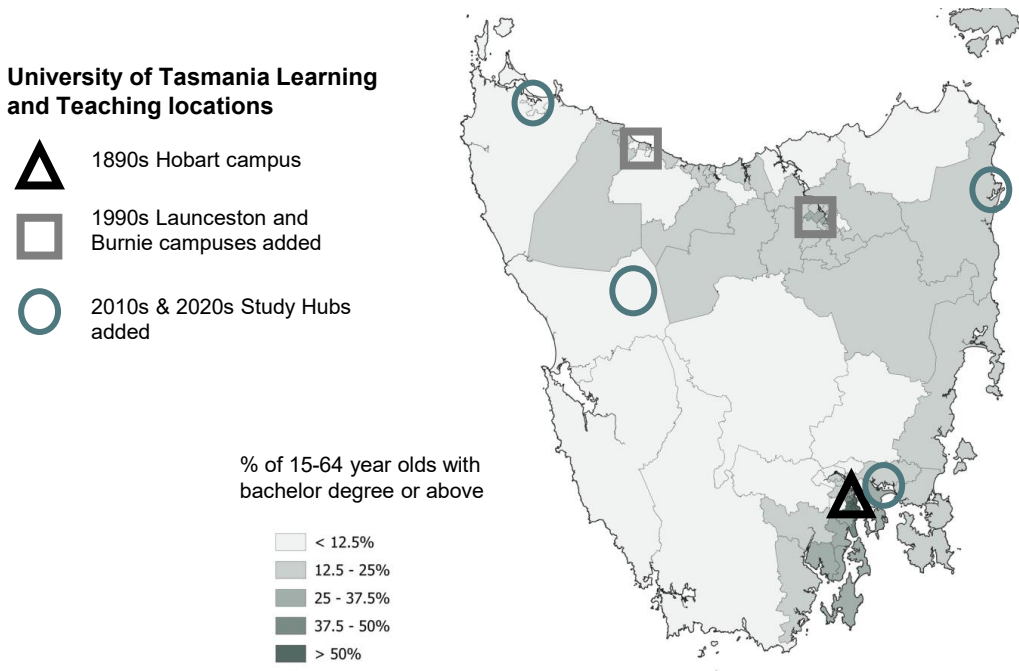
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A better funding deal for regional education will more effectively support the education and research that Tasmania needs

Tasmania needs a university that offers essential education across the whole state and it needs to support Tasmania’s research and development needs

Tasmanian University Learning and Teaching Footprint, and Level of Educational Attainment, by SA2.



Research for Tasmania

Along with our extensive learning and teaching footprint across the state, we work with government, industry and communities to improve health, protect our environment and strengthen Tasmania's key industries.

Research from Tasmania

Our leading research in marine science, Antarctic, climate, health, agriculture, earth sciences, and maritime engineering is making an impact across Australia and the world.

Source: ABS Table Builder, Level of Educational Attainment (HEAP), 2021 census data. Data in chart by SA2 region level. Note 'King Island' and 'Flinders and Cape Barren Island' are 14% and 17% respectively. King Island study hub not shown.

However, two sets of Australian Government policies, which are not well designed for regionally located research-intensive universities, drive our financial performance

1

Domestic Higher Education Funding Policy

How we are funded per domestic student and what we receive for our regional location.

2

Migration Policy that drives International Student revenue

Policy settings that support international students to study in regional areas.

The Commonwealth funding we receive for domestic students has two main parts

Base funding: a price paid for each student, depending on what they study, which accounts for approximately 86% of teaching funding we receive

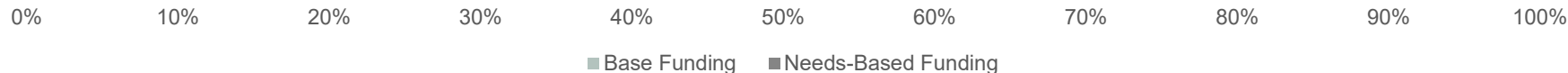


Needs-based funding: additional support for factors relating to student need including regional, low-SES, First Nations support and outreach funding, accounts for approximately 14% of funding we receive



86%

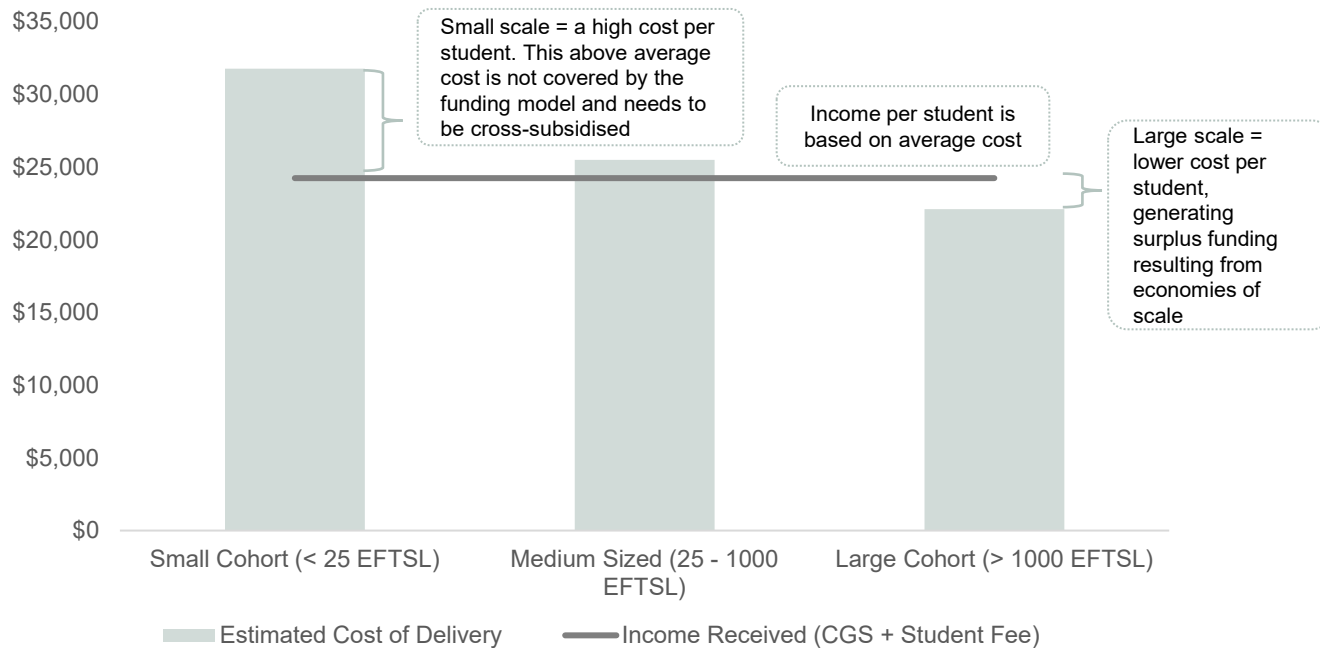
14%



The Commonwealth therefore largely funds **students, some research, and some yearly enabling costs** rather than the fixed costs associated with the capabilities and facilities a university must maintain to deliver.

Base funding is calculated on a national average cost to teach a student, which means regional universities with smaller classes and multiple campuses incur higher cost per student so often run at deficit

Smaller cohorts cost more per student: Worked example of Bachelor Pharmacy costing



The benefits of scale

- Once a course achieves breakeven size, a University makes substantial surplus on every additional student
- This encourages Universities to grow to very large size and encourages metropolitan universities to attract regional students
- This domestic surplus can then cross-subsidise research and other activities that are out of reach for smaller scale regional providers
- Burnie and Launceston are small scale, while Hobart is medium scale meaning we cannot achieve the benefits of large scale

For small scale courses, the per student cost can be up to 37% higher than the national average we are funded for

10-37%

Smaller bachelor courses cost around 10% more per student, rising to 37% more for very small courses

Increased delivery costs are attributable to fixed costs such as

- Fixed teaching costs
- Minimum staffing requirements
- Specialist facilities and equipment
- Maintaining local infrastructure
- Accreditation and compliance obligations

Small-scale delivery occurs across the sector, but is more prevalent where institutions must maintain local access across a broad range of disciplines.

For needs-based funding, regional delivery also costs more because of distance from major metropolitan areas

12%

Regional universities face up to 12% higher bachelor teaching costs and 8% higher costs overall than metropolitan universities

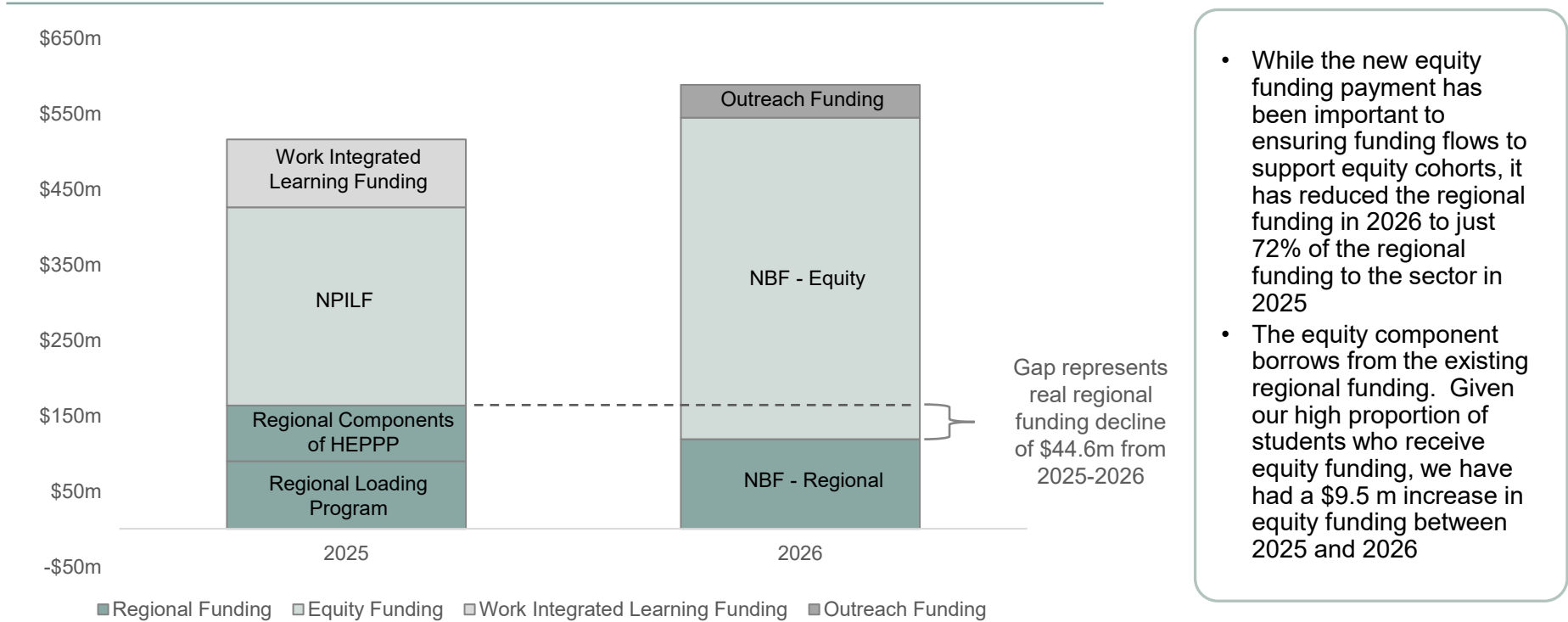
Increased delivery costs are attributable to factors such as

- Infrastructure and operations
- Travel costs
- Staffing costs

Existing regional funding recognises some of the increased cost of regional delivery, however similar delivery conditions are not always funded the same way.

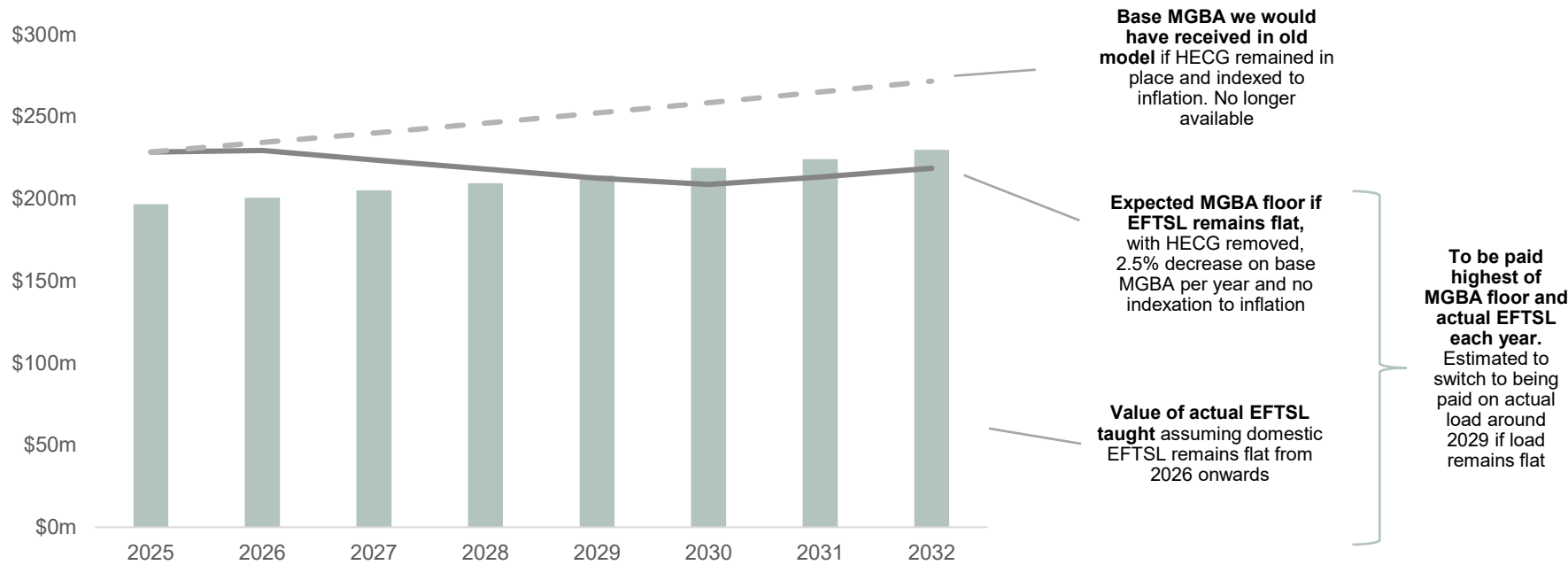
Needs-based funding partially recognises regional costs, but the new needs-based funding mechanism effectively reduces the amount of specific funding for regional needs by \$44.6m

Sector Equity Funding, 2025 vs 2026



Now the indexed CGS Guarantee has come to an end, and the introduction of a declining Funding Floor will also see revenue decrease until load growth meets the falling floor

Estimated trend in domestic funding if EFTSL remains flat



This means the current reforms do not improve our position. In 2026, the introduction of Needs Based Funding is largely neutralised by the removal of the indexation for CGS and in 2027 the declining Funding Floor more than offsets the \$5m in transitional government support

Funding Program (\$M)	2025	2026	2027
CGS (Base MBGA)	228.4	229.3	223.6
Regional Loading	13.0	N/A	N/A
HEPPP	10.0	N/A	N/A
NPILF	5.6	N/A	N/A
Needs Based Funding	N/A	35.6	36.9
Outreach Funding	N/A	2.5	2.6
Structural Adjustment Fund	N/A	N/A	5.0
Total Core Funding	257.0	267.4	268.1
<i>2025 Core Funding + CPI</i>		263.2	272.7

Variance to prior funding method

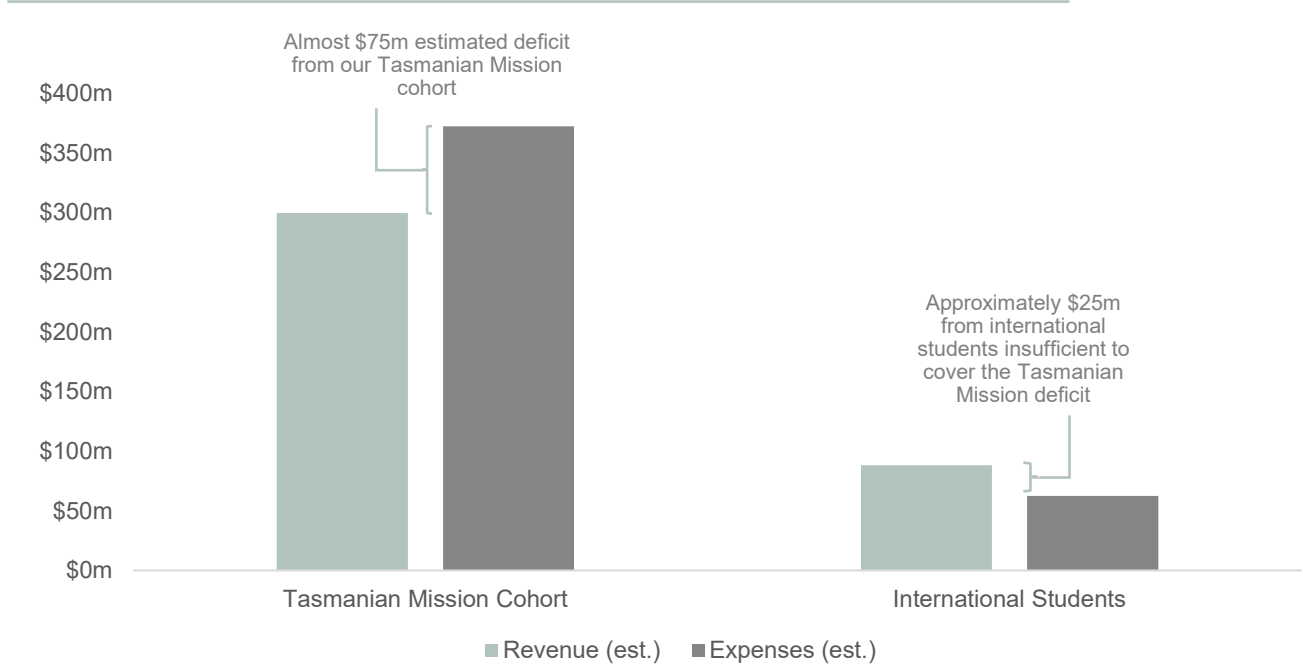
+\$4.2m

-\$4.6m

- Regional Loading, HEPPP and NPILF are being consolidated into the new Needs Based Funding (NBF) and Outreach Funding (OF) programs from 2026 onwards
- In 2027, a **declining funding floor** reduces our CGS amount by 2.5% and continues annually until it meets our student load
- **The Government created a \$50m Structural Adjustment Fund (SAF) to be paid in 2027** to compensate eligible universities for the negative impact of transitioning to the new regime. UTAS were granted \$5m from this fund

Domestic teaching income is insufficient to fund the courses Tasmania needs, and international student fees have only partially helped bridge an estimated \$75 million gap to supporting Tasmanian education and research

Estimated Revenue and Expenses of Different Cohorts, 2025.



Key Insights

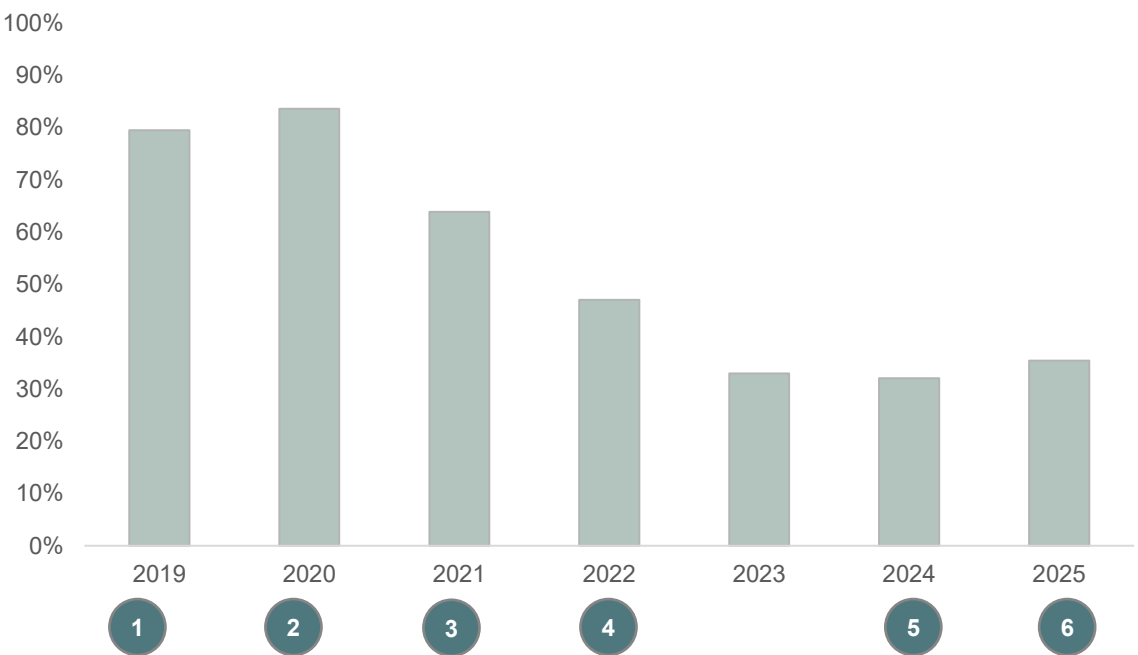
- Providing the breadth of education Tasmania needs costs more than domestic funding provides.
- Income from international students has helped us sustain essential courses that provide the skills and capability Tasmania needs, and provide the opportunity for Tasmanian students to study on the island and close to home in our regions.

Note: Figures are indicative estimates derived from internal financial modelling and are intended to illustrate the scale of cross-subsidisation required to support mission-focused activities. Other revenue and non-academic expenses are allocated across student cohorts based on teaching costs. Tasmanian Mission Focused students studying on-campus in Tasmania and online Tasmanian bachelors and postgrad (excl Health)

27

Those international student fees never completely subsidised our Tasmanian mission, and government policy changes have shrunk the cross-subsidy available to a fraction of what it once was

Estimated Proportion of Tasmanian funding deficit covered by international student fees



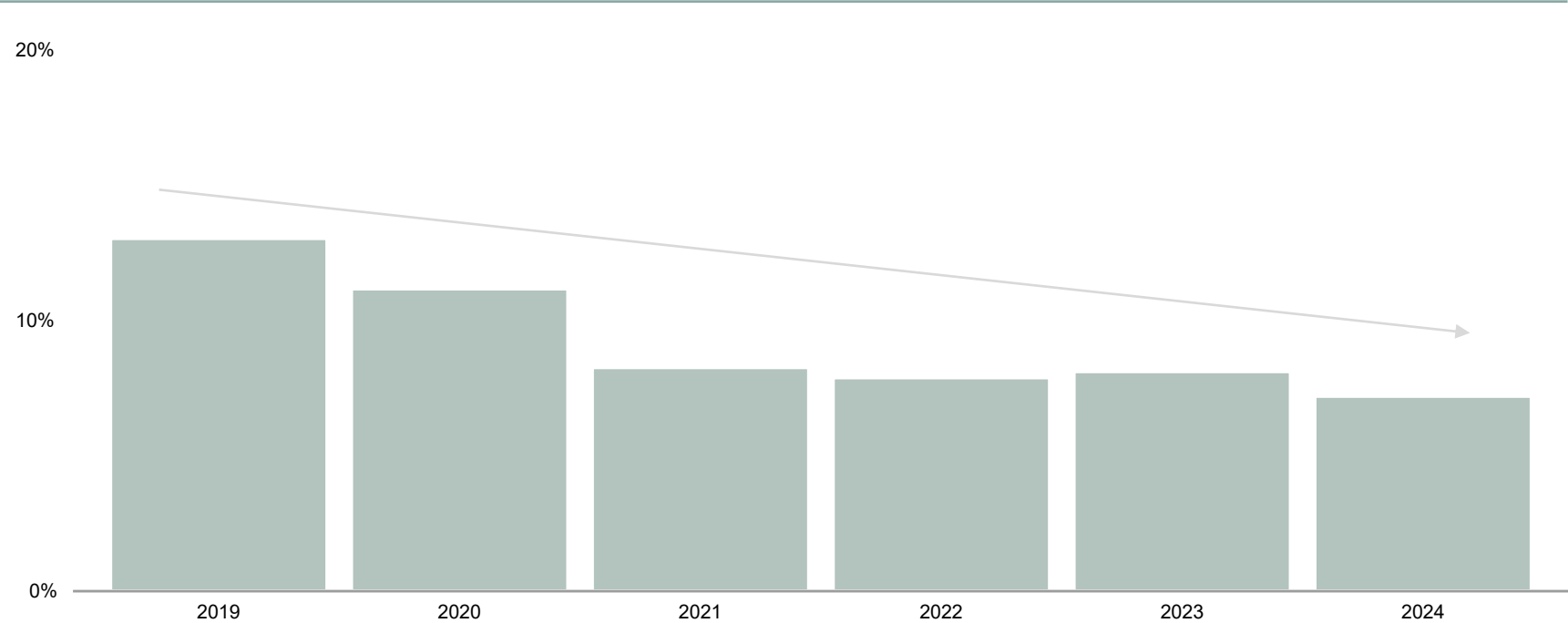
Impacts on the International Student market:

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- 4 Chinese government focus on top 100 universities (2022)
- 5 MD 107 reduces visa approvals (2024)
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Note: % Tas Mission covered are indicative estimates derived from internal financial modelling and are intended to illustrate the scale of cross-subsidisation required to support mission-focused activities. Other revenue and non-academic expenses are allocated across student cohorts based on teaching costs. Residual funding requirements reflect only the cohorts shown and do not represent the University's overall operating result. Tasmanian Mission Focused students studying on-campus in Tasmania and online Tasmanian bachelors and postgrad (excl Health)

This problem is being seen across regional universities

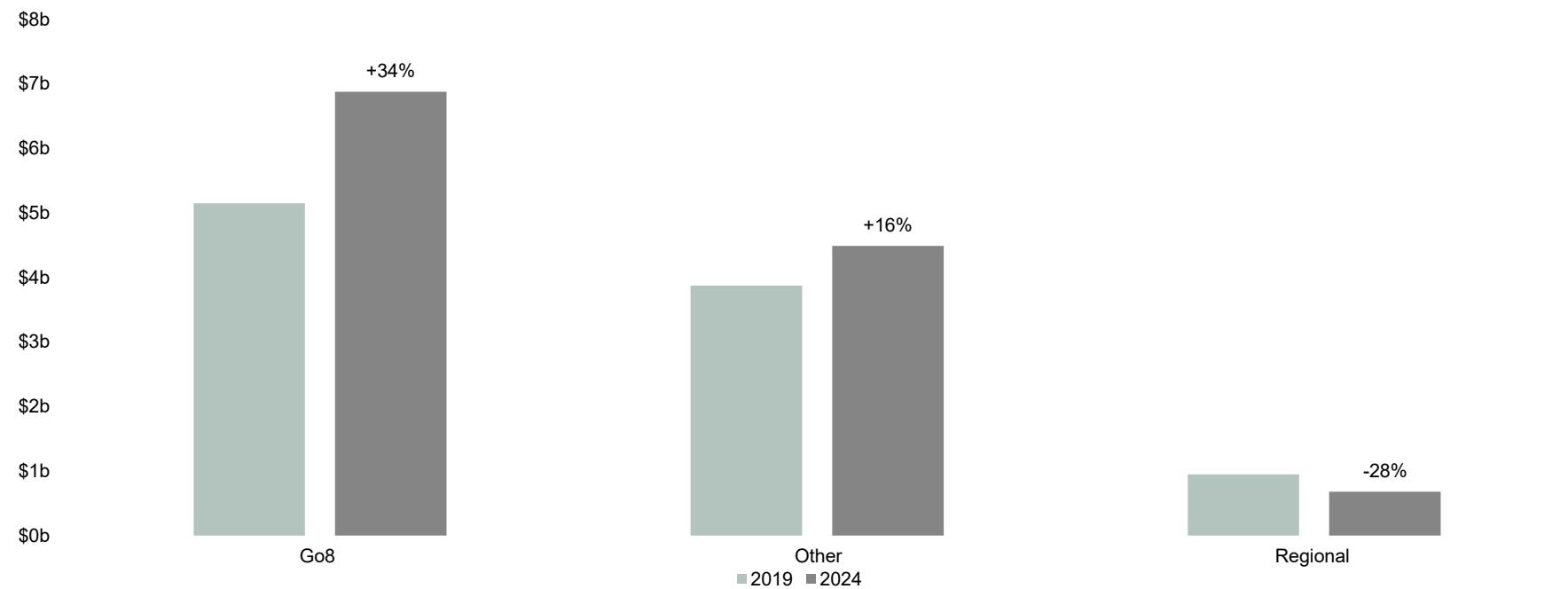
Regional University Share of International Students, 2019–2024



Source: Enrolment trends from UA National Enrolments, includes on-shore international students only.

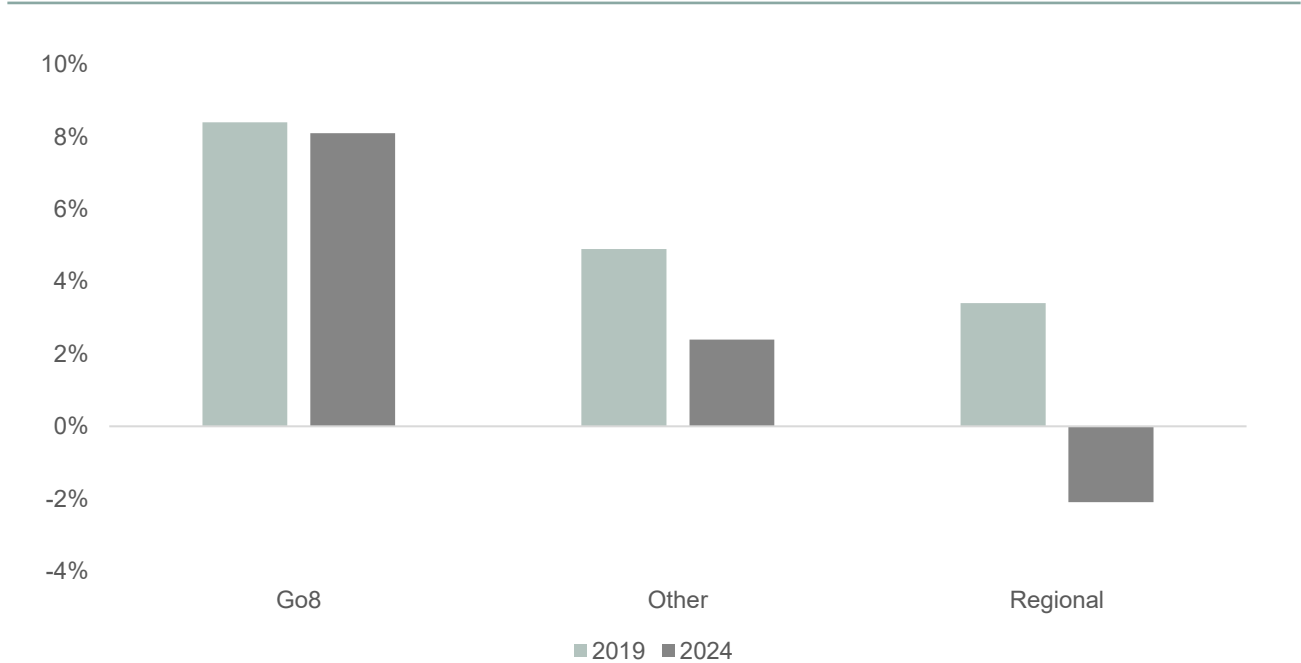
While international revenue has declined in regional universities by 28%, the Group of Eight Universities and other large metropolitan Universities have grown

International Student Revenue 2019–2024



As a result of these headwinds in domestic funding and migration policy settings, the regional model has been pushed below sustainable levels

Operating Margin by Institution Type, 2019 vs 2024



Key insights

- The Go8 Universities make an **\$8.10 surplus for every \$100 of income** generated
- But regional universities **lost \$2.10 for every \$100 in income** generated in 2024, as the domestic funding and migration settings have created a structural funding challenge for regional universities

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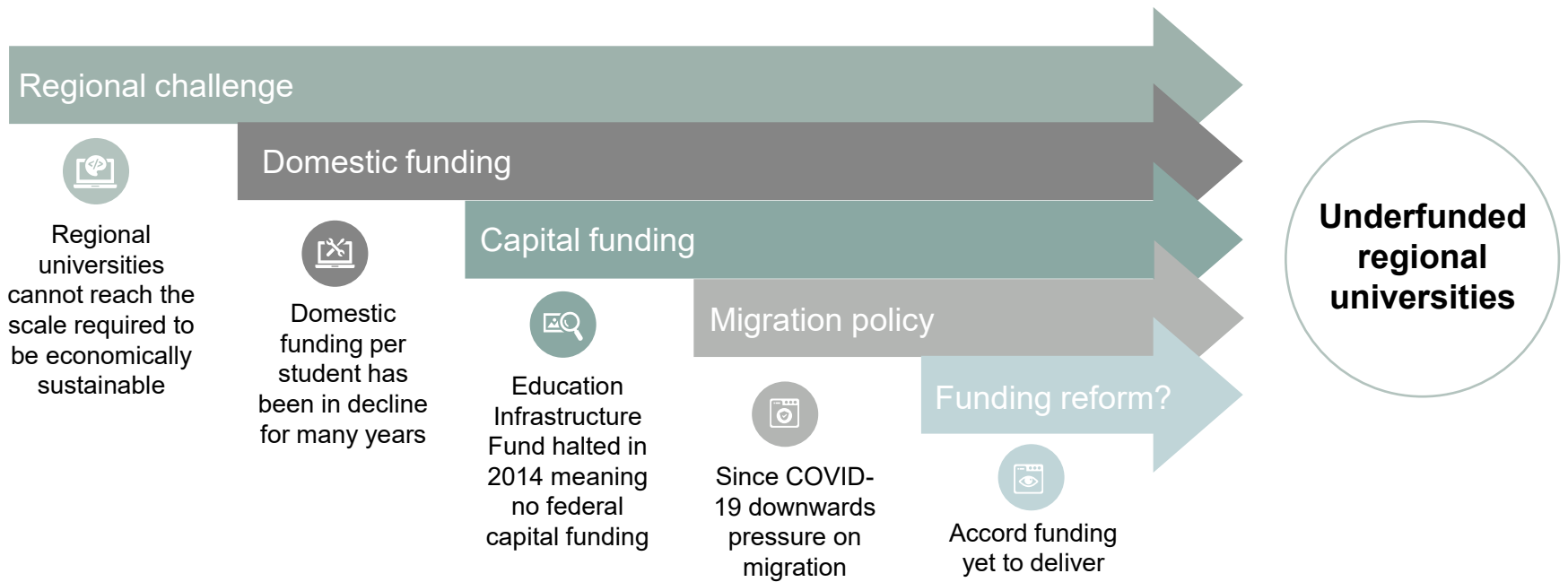
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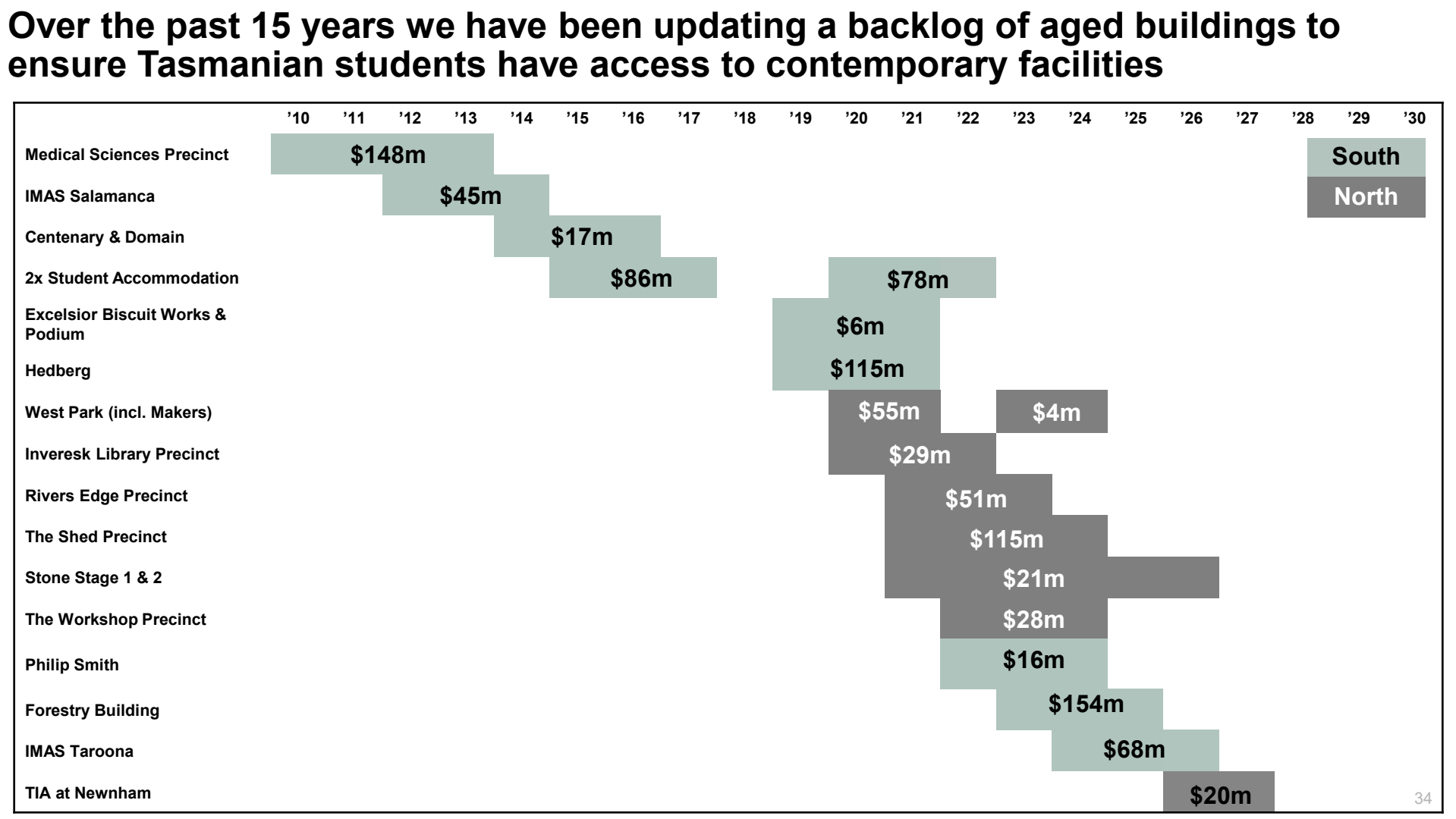
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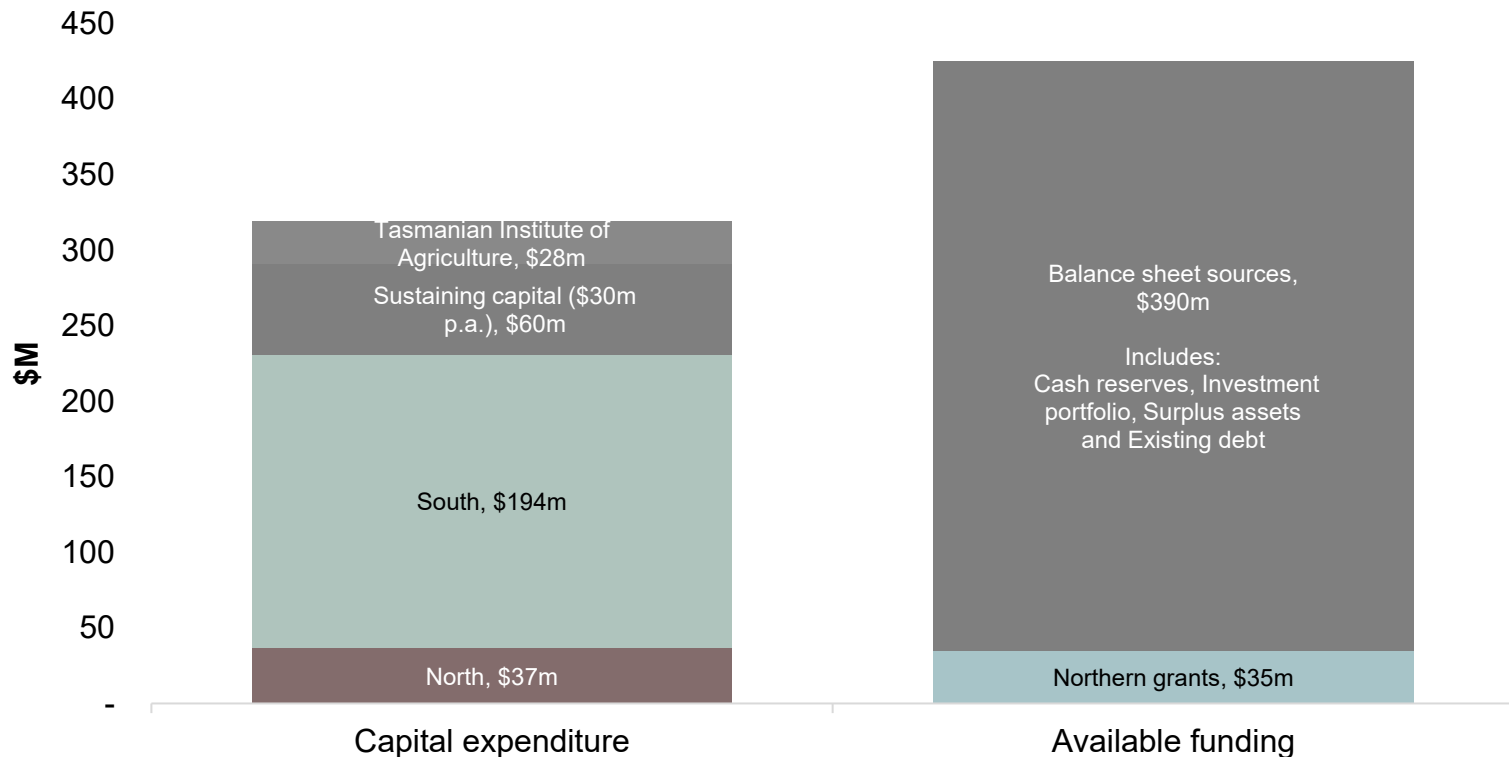
The long-term impact of structural underfunding and limited investment capacity constrains capital works needed for contemporary and future learning and creates a backlog in physical and IT asset renewal





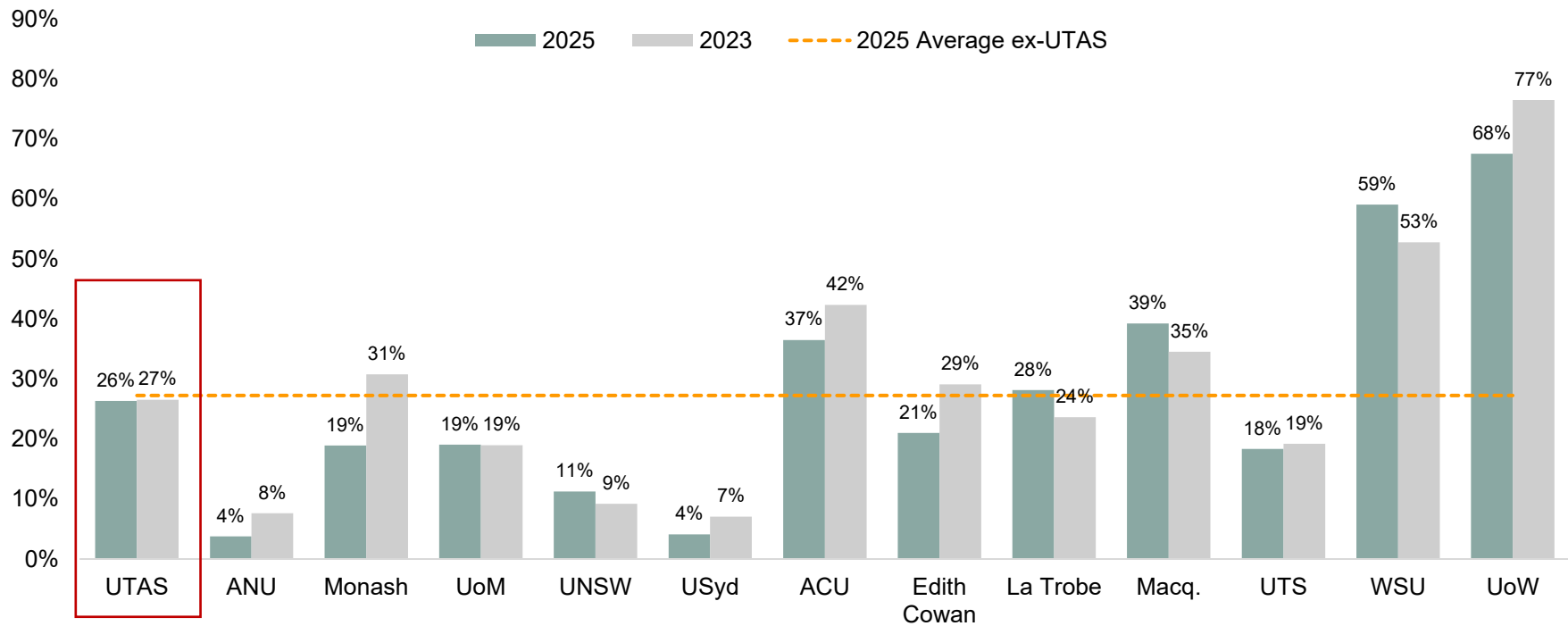
In 2024 we appeared before the Public Accounts Committee and presented a plan as to how we were going to complete our major capital program through using our Balance Sheet to fund the works, which is how it has played out

Funding plan to meet our committed capital expenditure (2024/25)



Using our Balance Sheet included raising debt via our Green Bonds (2022). Comparing our debt-to-equity ratio to other universities with issued credit ratings, we are right around the average of our peers

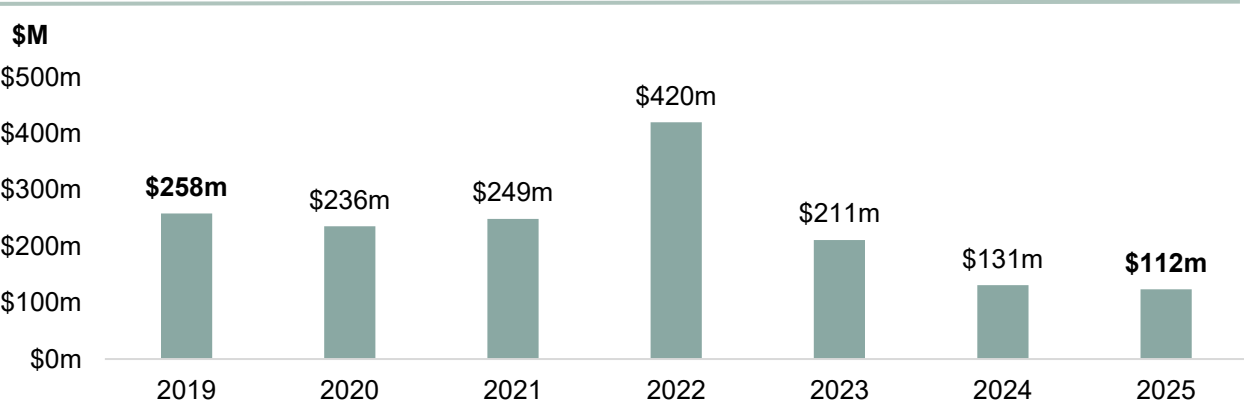
Gross debt*/equity ratio sector comparison of active drawn down debt as at 31 December 2025



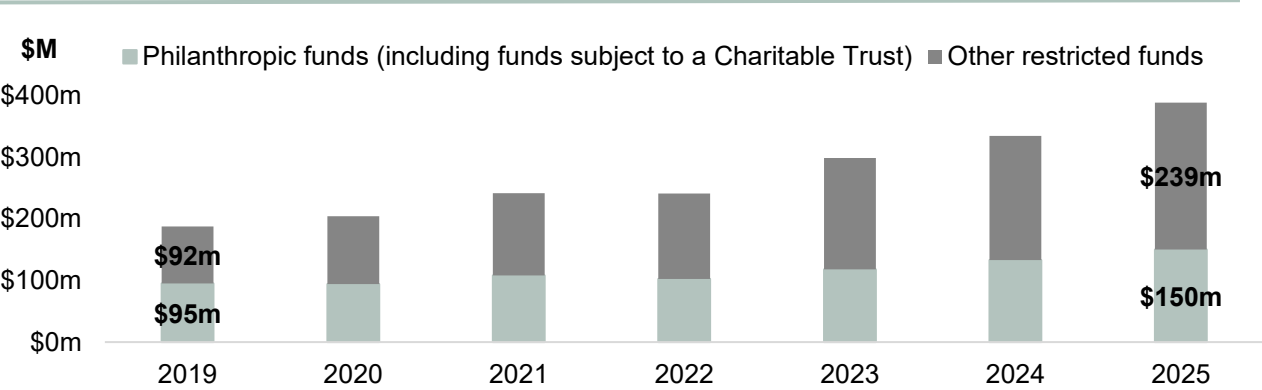
* Debt includes borrowings and lease liabilities as disclosed in the annual report of each university with a credit rating

We have used our unrestricted funds to support our activities, while our restricted funds have grown due to research wins and philanthropy

Unrestricted funds 2019 – 2025



Statutory / restricted funds 2019 - 2025



- **Green Bond proceeds:** net \$280m received in 2022
- **Proceeds from sale of property:** \$52m in 2025 (Fountainside, K&D and Site 9)
- **Restricted funds:** research grants and contracts received in advance increased significantly:
 - Integrated Marine Observing System (IMOS) - \$7m in 2022 to \$51m in 2025
 - Australian Forest and Wood Innovations (AFWI) - \$16m in 2023 to \$63m in 2025

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If we want the future to be different, we need a domestic funding model that sustains education and research Tasmania needs

Current challenges

The cost of small scale delivery

The cost of distance



Future solutions exist

We have led the work with other regional universities to develop practical funding reform proposals that:

- Account for the costs of small-scale delivery
- Address the real costs of delivery in regional Australia

Continued support will be important to secure a sustainable funding model that works for Tasmania and regional Australia.

***We need your support for them
because 2027 is the critical year***



UNIVERSITY of
TASMANIA 

Thank you