

Financial sustainability

The environment within which all universities operate has changed, and therefore achieving financial sustainability is a complex challenge

Achieving financial sustainability through cost reduction is not merely a financial necessity; it is a transformational opportunity that benefits the entire university community. By responsibly managing resources, we ensure a stable and prosperous future for the institution.

The benefits are numerous including enhanced academic quality, where financial stability empowers universities to invest in faculty, research, and infrastructure, elevating the quality of education and research. A university can offer attractive and competitive salaries and benefits, attracting the best educators, researchers, and professional staff from around the world. It allows universities to improve campus facilities, support services, and extracurricular activities, creating a richer, more satisfying student experience.

However, the environment within which all universities operate has changed. Government funding has declined forcing a greater reliance on tuition fees. National and global competition has also increased, creating challenges in recruiting, retaining, and satisfying students. Operating costs continue to increase because of many factors including wages, infrastructure operations / maintenance, teaching and research expenses.

Universities should look now for ways to increase the overall utility, quality, and/or efficiency of their operations. Universities should look now for ways to increase the overall utility, quality and/or efficiency of operations across the institution, identifying and validating where this additional value is. This would ensure alignment to the primary drivers of revenue, cost and operating surplus.

Our experience

KPMG is committed to enabling its higher education clients to create the best educational outcomes for all those that participate. Having worked with both academic and professional staff, we have an exceptional understanding of the features and characteristics that must be a part of any cost out program for it to be successful. Universities around the world have asked us to help improve their revenues and reduce their costs.

Activities included:

- Assessment of the university business model and strategies
- Creating smarter, leaner support services
- Designing and implementing future fit assets and technology
- Establishing workforce culture, planning and management

Several compelling reasons to reduce costs:

Resource allocation: Universities often face budgetary constraints. Cost reduction allows universities to allocate resources strategically, prioritising investments in critical areas, such as academic programs, research, and student support.

Affordability: Lowering operating costs can help universities control tuition fee increases, ensuring that education remains affordable and accessible to a broader range of students.

Risk mitigation: Universities can better withstand economic downturns and unforeseen challenges in revenue, by maintaining a leaner and more resilient financial position.

Increased efficiency: Universities create the opportunity to streamline operations, introducing new methods and technologies to students and staff that enable them to be more innovative and productive.

Competitive market: Reducing costs can help universities remain competitive and remain attractive to prospective students and staff, by freeing up resources for investments in faculty development, research opportunities, scholarships and facilities.

How can KPMG help you?

KPMG's expertise can help you across your value creation journey

- **Centred on student and staff success:** our understanding of the moments that matter to your students and staff lets us develop interventions that allow you to interact more effectively and efficiently.
- **Sustainable solutions:** we collaborate with you to develop and support the implementation of sustainable long-lasting solutions to drive true value creation across your institute.
- **Revenue uplift and diversification:** we can help you access new revenue sources, by uplifting your student.

curriculum and course offerings, shifting your key target demographic (domestic/international), and unlocking new commercial partnerships through research commercialisation.

- **Cost reduction:** we can streamline administrative processes, optimise resource allocation, leverage technology, explore shared services and outsourcing and reduce the costs of goods and services in your supply chain
- **Sector knowledge:** our diverse range of sector and subject matter experts with experience across the education sector allows us to provide detailed

insights into how your institution can successfully drive value creation.

- **Multidisciplined teams:** financial sustainability is a cross-functional challenge in a university. We engage one multidisciplinary team of experts from across the firm, which ensures all aspects of the problem and solution are fully considered.
- **Proven methods and tools:** in relation to every part of your university's value-chain, we have accelerators that allow us to analyse your operation efficiently and effectively and prioritise the revenue and cost opportunities.

KPMG'S 12 value levers for education

Macro cost lens

Cost out opportunities in education

Strategy

Focus on markets, products and business models that deliver value for customers and shareholders

1 Geographies, markets, products: Divest from underperforming courses and optimise courses that cannot be divested for non-financial reasons

2 Operating model: Strengthening alumni relations and fundraising efforts to build a strong network of donors and supporters; alumni contributions can fund scholarships, research projects, and campus improvements

Simplicity

Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility

3 Organisational model: Adjust the workload profile to improve academic staff utilisation

4 Transformation optimisation: Invest in workforce planning and talent development to ensure the right skills and capabilities are available for transformation initiatives

5 Cost management focus: Implement efficient capital expenditure and operational expenditure management practices to control costs while supporting growth

Engineering

Manage and optimise how service is provided to customers, including use of technology, channels to market, and deploying automation and data to drive productivity

6 Digitisation and operational efficiency: Reduce cost to serve and increase enrolments by optimising the Enquire > Enrol > Admission process through augmentation of disparate data sources and systems, automating steps in the process, and reducing manual touchpoints with university staff

7 Channel optimisation: Optimise student contact centre operations

8 Organisation design and people: Ensure optimal organisation design principles and practices are in place to avoid duplication of services and capabilities

9 Technology optimisation: Reducing the duplication and under-utilisation of current software assets and shifting to a pay-per-use or other variable licensing models, reduces software licensing costs by 10-15%

10 Asset optimisation: For a large university, increasing the utilisation of current General Teaching Space (GTS) reduces the cost of acquiring new space by \$20m-\$30m over a 10-year period

11 Vendor and sourcing management: Shift software costs to variable licensing models

12 Regulatory, governance & risk compliance (incl tax & legal): Rationalise legal entities as required

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