

University Finances

Statements in this Chapter are unaudited

The year 2001 was an exceptionally good one in terms of budgetary performance. There was continued excellent growth in non-Government revenue while expenditure was generally held within target, despite the budgetary pressures of recent years from unsupplemented salary increases, declining Government funds per student and cutbacks in Operating Grants.

Financial Statements for year ended 31 December 2001

The Financial Statements for the year ended 31 December 2001 (in the coloured pages at the end of this Report), are prepared in accordance with Section 41B of the *Public Finance and Audit Act* of 1985 and certified by the Audit Office of New South Wales. They include all sources of income, including research grants, donations and all fees. The consolidated figures are inclusive of the University's companies, Macquarie Research Ltd, CMBF Pty Ltd (Centre of Applied Finance), and Macquarie Graduate School of Management Pty Ltd.

The Operating Surplus for the University of around \$14m (in relation to all funds on an accrual basis) is a highly satisfactory result, and comfortably within the Government's minimum benchmark safety margin of 5 percent of operating revenue.

However, the \$14m should not be perceived as "available" funds, since they are committed to purposes in 2002 from which they cannot be diverted. These include the remaining implementation costs of the new Academic Management Information System, the costs of acquiring and installing a new library management information system, funds held under non-Government contracts for specified purposes and equipment grants committed for expenditure in early 2002.

Operating Budget Result

The University Council at the end of 2000 adopted the 2001 Operating Budget and Budget Strategies, which projected a "break-even" result for the year. The Operating Surplus achieved was an excellent performance against the Principal Budgetary Goals as set out in the *Budgetary Strategic Plan*, representing further strong and successful support of the academic mission.

Government Operating Grants per funded student have declined drastically over several years. This has been partially offset by the strategic over-enrolment of HECS-liable undergraduate students, for whom a small level of extra funding is provided by Canberra. The high number of such over-enrolled students at Macquarie in 2001

(and earlier years) reflected the very strong demand for places from students of excellent quality.

Additionally, the University received some modest funding following its successful application under the Government's Workplace Reform Agenda. This funding has assisted, at least to a very small extent, in offsetting the additional costs of salary increases under the current Enterprise Agreement. These funds have been distributed to Academic Divisions and Offices on a staffing expenditure basis.

An extremely successful strategy under Goal 9 of the *Budgetary Strategic Plan* has been the pursuit of additional fee income. The continued growth in both domestic and international fees was quite spectacular in 2001, especially when the total growth over the last several years is taken into consideration.

This growth, and the savings achieved by continued operational improvements and tightly reined administrative expenditure, had the pleasing result of permitting strategic initiatives such as new scholarships, particularly for the highest quality research students, and a high degree of "fit" between other Budgetary Goals and performance.

A major impact of the 2001 Operating Budget in terms of expenditure reflects the long-term priority given throughout the *Budgetary Strategic Plan* to benefiting where possible the academic areas of the University whilst containing administrative expenditure.

The outcome for the 2001 Operating Budget showed a surplus of \$1.16m which was prudently earmarked into Special Reserves against expenditures in the *Quality Assurance and Improvement Plan* and a Seeding Fund for new Research Centres, with the remainder going into "Buffer Monies" to assist with future difficult years.

Non-Government Revenue

Macquarie continues to be one of the least dependent universities on Government funding, reflecting its budgetary aim to be a financially strong, entrepreneurial institution with a balance between Government and non-Government revenue which is maximised and used so as to promote the academic mission.

If all sources of income are taken into account, including through the three wholly-owned companies as well as through the University alone (that is, the *consolidated* income), and if Government funds that relate to the Higher Education Contributions Scheme (HECS) are, appropriately, recognised as student contributions, Macquarie was less than 33 percent dependent on Government funds in 2001, compared with 35.48 percent in 2000.

Outline of Budgetary Strategic Plan

Budgetary Vision

To be a financially strong, entrepreneurial university with a balance between government and non-government revenue which is maximised and used so as to promote the academic mission.

Principal Budgetary Goals

1. To maintain and promote Macquarie's research impetus, and commercialisation of research.
2. To allocate funds to enhance the quality of teaching and learning, and promote flexible learning.
3. To promote community outreach, including by use of strategic alliances.
4. To stimulate and nurture innovation, including by strategic use of the Teaching Development Grants, the Flagship Scheme and the Development Fund to seed high priority initiatives.
5. To promote internationalisation in all areas of the University.
6. To develop and replenish the technological capacity of the University in research, teaching and administration.
7. To enhance information services, to protect the Library's acquisitions budget, and to maintain leadership in service provision.
8. To improve and maintain the physical fabric and grounds of the University.
9. To deal with current budget pressures by a combination of
 - i) the pursuit of additional sources of income;
 - ii) management improvements;
 - iii) strategically focused savings.
10. To maintain a leadership position in and through innovative marketing campaigns.

Cutbacks in government funding and the refusal to supplement budgets for salary increases place enormous strain on university budgets. Macquarie is managing the effective cut to the Operating Budget and the pursuit of additional income through a combination of strategies, including:

- Expansion of the HECS-liable postgraduate program;
- Reassessment of postgraduate fee-bearing courses;
- Expansion of the international student program;
- Expansion of continuing education and training in professional fields;
- Maintenance of the research quantum and its redirection to key research areas;
- Scholarships to attract the highest quality students and to expand the research training program;
- Strategic reduction and realignment of activities according to transparent indicators and with the aid of negotiated separation arrangements, along with strategic growth in other areas.

Macquarie is one of the least dependent of all Australia's public universities on government income as a proportion of total revenue. It has long led all other universities in terms of postgraduate fees as a proportion of total income.

| 2001 Operating Budget Result | | 2002 Operating Budget | |
|-------------------------------------|----------------|-------------------------------------|----------------|
| | Actual | | Budget |
| Income | \$'000 | Income | \$'000 |
| Income HEF Act - Including HECS | 109,493 | Income HEF Act - Including HECS | 109,893 |
| Overseas Fee Paying Program | 24,306 | Overseas Fee Paying Program | 34,192 |
| Domestic Fee Paying Program | 12,546 | Domestic Fee Paying Program | 11,720 |
| Contribution from Investment Income | 1,250 | Contribution from Investment Income | 1,250 |
| Other Income | 3,530 | Other Income | 3,476 |
| TOTAL INCOME | 151,125 | TOTAL INCOME | 160,531 |
| Expenditure | | Allocations | |
| Divisions | 94,681 | Divisions | 102,573 |
| Offices | 37,218 | Offices | 39,118 |
| Other Allocations | 18,066 | Other Allocations | 18,840 |
| TOTAL EXPENDITURE | 149,965 | TOTAL ALLOCATION | 160,531 |
| SURPLUS FOR THE YEAR | 1,160 | SURPLUS FOR THE YEAR | 0 |

The above budgets have been prepared on a "cash" basis and approved by the University Council. These exclude Special Purpose Funds (including earmarked donations and grants), depreciation and other accruals, and accordingly are not comparable to the Financial Statements. In 2001 income was \$7.8m greater than budget estimates.

Returns on University Investments

| | Actual Returns 2001 | Benchmark 2001 | Actual Returns 2000 | Benchmark 2000 |
|---------------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| Cash and Cash Equivalent | 4.9889% | 5.1200% | 6.1154% | 6.1000% |
| Shares and Equities | 8.2060% | 6.5046% | 8.9287% | 0.0698% |
| Debt Securities | 5.2346% | N/A | 4.3736% | N/A |
| Properties | 8.1700% | 5.4600% | N/A | N/A |

The University is regulated in its investment activities by the provisions of the Public Authorities (Financial Arrangements) Amendment (Macquarie University) Regulation 1996 under the Public Authorities (Financial Arrangements) Act 1987. The University may exercise investment powers as described in Part 4 of Schedule 4 of the Act. The University received advice throughout 2001 from its Investment Policy Advisory Committee, with the investments managed by University-appointed external fund managers.

Notes:

- (1) Returns excluded realised gain of investments disposed during the year
- (2) Benchmark return for Cash and Cash Equivalent is the UBS Warburg Australian Bank Bill Index
- (3) Returns for Shares and Equities and Debt Securities is the total of unrealised gain/loss plus dividends/distributions during the year
- (4) Benchmark return for Shares and Equities is the movement of the All Ordinary Index

University Accrual Budget - 2002

Statement of Financial Performance

| 2001 Budget \$'000 | 2001 Result \$'000 | | 2002 Budget \$'000 |
|--------------------------|--------------------------|--|--------------------------|
| | | REVENUE FROM ORDINARY ACTIVITIES | |
| 81,768 | 83,620 | Commonwealth Government Financial Assistance | 88,067 |
| | | Higher Education Contribution Scheme | |
| 10,452 | 11,159 | - Student Contributions | 10,898 |
| 36,505 | 36,505 | - Commonwealth Payments | 37,002 |
| 1,000 | 1,339 | NSW Government Financial Assistance | 1,000 |
| 58,809 | 70,383 | Fees and Charges | 75,583 |
| 5,500 | 6,058 | Investment Income | 6,558 |
| 100 | 179 | Royalties, Trademarks and Licences | 179 |
| 2,286 | 2,480 | Consultancy and Contract Research | 2,480 |
| 7,700 | 7,710 | Other Revenue | 7,710 |
| | | TOTAL REVENUE FROM ORDINARY ACTIVITIES | |
| 204,120 | 219,433 | BEFORE DEFERRED ITEM | 229,477 |
| 0 | 27,736 | Deferred Income | 0 |
| 204,120 | 247,169 | TOTAL REVENUE FROM ORDINARY ACTIVITIES | 229,477 |
| | | EXPENSES FROM ORDINARY ACTIVITIES | |
| 113,673 | 117,919 | Employee Benefits | 123,636 |
| 16,000 | 16,997 | Depreciation and Amortisation | 18,177 |
| 1,500 | 1,464 | Borrowing Costs | 1,300 |
| 8,000 | 9,449 | Buildings and Grounds | 9,827 |
| 300 | 405 | Bad and Doubtful Debts | 100 |
| 53,383 | 59,163 | Other Expenses | 61,530 |
| | | TOTAL EXPENSES FROM ORDINARY ACTIVITIES | |
| 192,856 | 205,397 | BEFORE DEFERRED ITEM | 214,569 |
| 0 | 27,736 | Deferred Expenditure | 0 |
| 192,856 | 233,133 | TOTAL EXPENSES FROM ORDINARY ACTIVITIES | 214,569 |
| 11,264 | 14,036 | OPERATING RESULT FROM ORDINARY ACTIVITIES | 14,908 |
| 11,264 | 14,036 | Total Changes in Accumulated Funds other than those | |
| | | Resulting from Transactions with Owners as Owners | 14,908 |
| 537,565 | 537,565 | Accumulated Funds at the beginning of the financial year | 551,601 |
| 548,829 | 551,601 | Accumulated Funds After Adjustments | 566,509 |
| | | ACCUMULATED FUNDS AT THE END OF THE FINANCIAL YEAR | |
| 548,829 | 551,601 | | 566,509 |

University Accrual Budget - 2002

Statement of Financial Position

| 2001 Budget \$'000 | 2001 Result \$'000 | | 2002 Budget \$'000 |
|--------------------------|--------------------------|--------------------------------------|--------------------------|
| | | CURRENT ASSETS | |
| 3,500 | 2,471 | Cash | 1,000 |
| 53,700 | 56,537 | Investments | 60,000 |
| 11,000 | 10,665 | Receivables | 11,000 |
| 800 | 769 | Inventories | 800 |
| 3,000 | 2,842 | Prepayments | 3,000 |
| 72,000 | 73,284 | TOTAL CURRENT ASSETS | 75,800 |
| | | NON-CURRENT ASSETS | |
| 65,142 | 92,877 | Receivables | 94,700 |
| 45,116 | 48,580 | Investments | 57,400 |
| 530,000 | 532,148 | Property, Plant and Equipment | 534,000 |
| 640,258 | 673,605 | TOTAL NON-CURRENT ASSETS | 686,100 |
| 712,258 | 746,889 | TOTAL ASSETS | 761,900 |
| | | CURRENT LIABILITIES | |
| 12,000 | 11,554 | Accounts Payable | 11,000 |
| 2,000 | 543 | Borrowings | 854 |
| 21,643 | 24,687 | Provisions | 25,000 |
| 7,500 | 16,662 | Prepaid Income | 17,000 |
| 43,143 | 53,446 | TOTAL CURRENT LIABILITIES | 53,854 |
| | | NON-CURRENT LIABILITIES | |
| 19,750 | 16,884 | Borrowings | 16,000 |
| 80,499 | 106,421 | Provisions | 107,000 |
| 100,249 | 123,305 | TOTAL NON-CURRENT LIABILITIES | 123,000 |
| 143,392 | 176,751 | TOTAL LIABILITIES | 176,854 |
| 568,866 | 570,138 | NET ASSETS EQUITY | 585,046 |
| 18,537 | 18,537 | Reserves | 18,537 |
| 548,829 | 551,601 | Accumulated funds | 566,509 |
| 567,366 | 570,138 | TOTAL EQUITY | 585,046 |

University Accrual Budget - 2002

Statement of Cash Flows

| 2001 Budget \$'000 | 2001 Result \$'000 | | 2002 Budget \$'000 |
|-------------------------------|--------------------------|--|-------------------------------|
| | | CASH FLOWS FROM OPERATING ACTIVITIES | |
| Inflows (Outflows) | | INFLOWS | Inflows (Outflows) |
| 82,755 | 85,517 | Financial Assistance | 88,067 |
| 1,300 | 1,338 | – Commonwealth Government | 1,000 |
| | | – NSW Government | |
| 10,452 | 11,866 | Higher Education Contribution Scheme | |
| 36,505 | 36,544 | – Student Payments | 10,898 |
| 3,286 | 2,549 | – Commonwealth Payments | 37,002 |
| 100 | 179 | Consultancy & Contract Research | 2,700 |
| 5,500 | 5,084 | Royalties, Trademarks and Licences | 179 |
| 650 | 1,228 | Investment Income | 6,000 |
| 59,833 | 81,528 | Dividend Income | 1,300 |
| 7,700 | 10,830 | Fees & Charges | 86,000 |
| | | Other Income | 10,830 |
| 208,080 | 236,663 | | 243,976 |
| | | OUTFLOWS | |
| (167,937) | (192,103) | Payments to Suppliers and Employees | (199,787) |
| (1,000) | (1,464) | Borrowing Costs | (884) |
| (168,937) | (193,567) | | (200,671) |
| 39,143 | 43,096 | NET CASH FROM OPERATING ACTIVITIES | 43,305 |
| | | CASH FLOWS FROM INVESTING ACTIVITIES | |
| 3,120 | 817 | Proceeds from sales of non-current assets | 1,000 |
| 0 | 4,801 | Receipts from sales of investments | 0 |
| (30,000) | (19,170) | Payments for purchases of non-current assets | (30,000) |
| (7,746) | (17,862) | Payments for Investments | (8,800) |
| (34,626) | (31,414) | NET CASH (USED BY) INVESTING ACTIVITIES | (37,800) |
| | | CASH FLOWS FROM FINANCING ACTIVITIES | |
| (500) | (6,239) | Repayment of borrowings | (854) |
| (500) | (6,239) | NET CASH PROVIDED/(USED) BY FINANCING ACTIVITY | (854) |
| 4,017 | 5,443 | NET INCREASE/(DECREASE) IN CASH HELD | 4,651 |
| 53,433 | 53,433 | Cash at beginning of reporting period | 59,007 |
| (250) | 131 | Effect of exchange rate changes on Foreign Currency transactions | 0 |
| 57,200 | 59,007 | CASH AT END OF REPORTING PERIOD | 63,658 |

Financial Services