Financial performance

Building a sustainable future

The University’s management of its finances, capital and risk is critical to its success in achieving core academic and research goals.

Throughout 2006, the University continued to refine structures and processes to deliver better returns and increased investment in academic activities. These achievements were recognised when the University was ranked first in Australia for return on revenue in Business Review Weekly’s 2006 rankings for the education sector in Australia and New Zealand. This ranking reflected a 10.6 per cent increase on operating revenue from the previous year and, for the first time, revenue exceeding $1 billion.

Bridging the gap between strategy and vision

The University’s Financial Services portfolio is in the process of repositioning itself towards value-adding activities by moving from transaction processing to strategic support in financial management, business analysis, capital management and risk management.

Throughout 2006, the newly formed Office of Strategy Implementation and Sustainability Planning, led by the Pro-Vice-Chancellor (Strategic Planning), Professor SI (Charlie) Benrimoj, has been implementing the University’s new economic model.

For the first time in 2006, as part of the new budgeting process, the University incorporated financial key performance indicators, including targets for each unit and a monitoring system to allow follow-up, so that finances are clearly linked to the University’s strategy.

Improving the way we manage our finances

The Shared Services model is being introduced across a number of central operational units. This will enable better service to the University along with significant cost savings which can be redirected to the core businesses of learning and teaching and research.

...continued with further sections on budgeting, financial management, planning, performance reporting, and the implementation of a balanced scorecard approach...
The Revenue Services team focused on helping faculties and operating areas to improve billing and collections across the University, which will significantly improve cash flow and income receipting.

To build on the budgeting process, the Budget Unit put in place new tools to link strategic objectives clearly with budget planning. Performance targets and indicators were introduced into the three-year budget cycle, and Hyperion functionality was improved by including new three-year budget reporting formats and streamlined data input forms. The Planning and Statistic Unit began developing a forecasting model, linking load projection with fee income projections, to improve budget forecasting.

Improved financial reporting

Financial reporting continued to be enhanced during 2006. In addition to monthly consolidated reporting and analysis of its operating results, the University is at the forefront of the education sector in the production of monthly financial reports, including balance sheet and cash flow statements. The monthly reports include key financial performance indicators and key prudential ratios with comparisons to both New South Wales and Australian universities.

Detailed quarterly reports, including analysis of non-financial lead indicators, are produced at faculty level as well as for the University as a whole. The University prepares half-year statutory accounts in addition to its annual financial report. The results in the statutory format are also used as the basis of a formal balance sheet attribution analysis which is formally reviewed as part of the linkages being developed between financial management, business analysis, capital management and risk management.

A better postgraduate offering for students

One of the University’s strategic priorities has been to shift load from undergraduate to postgraduate level. In 2006, the Department of Education, Science and Training approved the move of up to 250 Commonwealth-supported places from undergraduate to postgraduate level within the Faculty of Health Sciences. To accommodate new graduate entry programs, three undergraduate Health Sciences programs – Rehabilitation Counselling, Orthoptics and Health Information Management – were all shifted to postgraduate level. In addition, the University won a further 190 Commonwealth-supported places, to commence in 2007 across a range of undergraduate and postgraduate programs.

Improving the way we manage risk

During 2006 the audit and risk management areas were amalgamated into an Audit, Risk Management and Assurance Unit. This unit has been focused on developing best practice processes and systems, including a risk management framework, which will greatly improve the way the University manages risk in an increasingly complex environment.

The Audit, Risk Management and Assurance Unit continued to be responsible for receiving allegations of corruption, maladministration or serious waste of money and assessing and investigating these allegations. This has enabled staff to report matters confidentially and know that they will be examined efficiently and fairly. The Corruption Prevention Committee continues to advise the University on corruption prevention and with the assistance of the Audit, Risk Management and Assurance Unit liaises with the NSW Independent Commission Against Corruption. The University’s investigation procedures are outlined in the policy Reporting Corruption, Maladministration or Serious and Substantial Waste of Public Money.

During the year, the Office of General Counsel developed standard rules for foundations which will enable them to operate more effectively, align their fundraising more directly to the strategic goals of the relevant faculties, facilitate compliance with tax and charitable fundraising laws, and bring the operations of the foundations securely within the financial and legal governance of the University.

Senate approved the applicability of these standard rules to 27 foundations during the year and further work will be undertaken in 2007 in relation to those foundations that have not yet adopted the standard rules.

The Office also developed new standard documents for the Business Liaison Office (BLO) and a range of other commercial activities. These included research and consultancy agreements; confidentiality agreements; copyright assignment; student, researcher and visitor IP agreements; expert witness and testing agreements for the BLO; and master contracts...
for procurement of goods and services, request-for-tender documents, and templates for research cooperation and other types of agreements with overseas universities. These will facilitate the University’s commercial activities while managing legal risk. They establish contractual positions which are fair and reasonable, and include standard definitions and University positions in relation to matters such as warranties and indemnities, publication rights, intellectual property (IP) ownership and commercialisation.

Managing our investments

To ensure the University’s investment management framework was supported by the highest quality investment accounting and systems support infrastructure, investments were moved to an external custodian arrangement. This move reduces operational risk by providing state-of-the-art investment accounting support and custodial services.

In 2006, further changes were made to the way the University managed its investments. We fully realised our internally managed share pool valued at $80 million. In doing so, significant capital gains were realised and these contributed to an overall higher reported operating margin for the University.

The realised funds were re-invested into the externally managed growth pool, the value of which exceeded $500 million as at 31 December 2006.

The University also began to diversify the asset mix in the long-term funds component of its investment portfolio during the year, with the inclusion of selected alternative asset classes and strategies of our growth fund. Implementation to date includes investment in an unlisted infrastructure fund, an Australian equity long/short mandate, and a greater proportion of international equity exposure held on a fully hedged basis.